

Company registration number: 10796849 (England and Wales)

KAVANGO RESOURCES PLC

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

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COMPANY INFORMATION

Directors

David Smith, Non-Executive Chairman
Michael Foster, Chief Executive
Mike Moles, Non-Executive Director
Ben Turney, Executive Director

Company Secretary

John Forrest

Registered Office

Salisbury House, Suite 425
London Wall
London EC2M 5PS

Registered Number

10796849 (England and Wales)

Registrars

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

Brokers

SI Capital Limited
46 Bridge Street
Godalming
Surrey GU7 1HL

First Equity Limited
Salisbury House
London Wall
London EC2M 5QQ

Auditor

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

Solicitors

Druces LLP
Salisbury House
London Wall
London EC2M 5PS

Principal Bankers

NatWest Bank
120-122 Fenchurch Street
London EC2M 5BA

Website

www.kavangoresources.com

KAVANGO RESOURCES PLC

KEY HIGHLIGHTS

- Total assets – US\$ 6,845,768 (2019 – US\$ 4,547,056)
- Loss – US\$ 708,121 (2019 – US\$ 1,472,049)
- Raised gross proceeds of £2,000,000
- 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).

CHAIRMAN'S STATEMENT

It gives me great pleasure as Chairman of Kavango Resources plc, a mineral exploration group targeting the discovery of world-class mineral deposits in Botswana, to report our final results for the year ended 31 December 2020.

It has been an eventful year, with good progress on our projects, principally the Kalahari Suture Zone (KSZ), where our geological and geophysical teams have done fantastic work to get the project to the stage whereby we expect drilling will be carried out later this year, coupled with completing two significant capital raisings.

Progress at the project level has been achieved despite the global pandemic and related travel restrictions. Botswana has so far coped admirably with Covid-19, allowing our field work to resume in September 2020 after only 5-6 months of lock down. Luckily, that period coincided with our own analysis of a huge amount of data derived from several years of field work, and much of this was done from home. Our exploration programme, therefore, was not delayed too much.

We have now been granted two further licences in the southern section of the KSZ taking our interest in the KSZ to 12 prospecting licences totalling 7,564km². Field work in the south has already started.

Our detailed exploration on the KSZ leads us to believe that this large 450km long magnetic structure of continental proportions has the potential to contain large magmatic sulphide deposits containing nickel, copper and platinum group elements. The area is similar in all respects to the huge world class deposits found at Norilsk in Siberia that provide such large quantities of these metals. Our interpretation is corroborated by Dr David Holwell, Associate Professor of Geology at Leicester University in the UK and a renowned geological expert on these types of deposits. In addition, we are sponsoring a MSc geology student from the university, under the guidance of Dr Holwell.

We have recently started more detailed geophysical work on four areas on the KSZ that have been identified as potential drill targets. The Time Domain Electromagnetic (TDEM) surveys are being carried out by Spectral Geophysics with whom we have also established a strategic partnership.

Both copper and nickel metals have a rosy future as a result of their use in the green technology revolution. Price rises have reflected this. The increased investment in global infrastructure projects will also underpin the uses of copper and nickel.

We are also becoming increasingly active in the Kalahari Copper Belt area (KCB), an area of developing copper discoveries and mines being developed that traverses Botswana and Namibia for over 1,000kms. We are currently working with joint venture partners on four prospecting licences totalling 2,385km². Two of the licences will be held in a joint venture with Power Metal Resources plc and together we have incorporated a jointly held company, Kanye Resources plc. Kanye has agreed, subject to various conditions, including due diligence and Government approval, to acquire 8 further licences on the KCB, all with potential for new copper discoveries. We share with Power Metal Resources plc the objective that Kanye Resources plc should be capitalised, and operate, independently of either of the principals and we continue to work with our joint venture partner to this end.

On the corporate side, at the start of 2021, Douglas Wright stepped down and I was appointed as Non-executive Chairman of the Company. Ben Turney was also appointed an executive director, initially with particular responsibility for our public relations.

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During 2020 the Group incurred a loss of US\$ 708,121, US\$0.37 cents per share (2019: loss of US\$ 1,472,049, US\$ 0.94 per share).

Moving forward during the current year, our plan is to accelerate our exploration programs on the KSZ, KCB and at Ditau, including a drilling programme in the KSZ planned for later in 2021. We are fortunate to have such an excellent team in Botswana and our thanks go to them for their hard work and dedication, especially during the challenges of Covid-19. I should also like to thank my fellow directors who continue to work tirelessly towards the success of Kavango.

David Smith
11 May 2021

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OPERATIONS REPORT

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

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

2020 represented a year of consolidation across Kavango’s portfolio of projects. The primary focus was on data analysis and geophysical modelling, as well as strengthening the Company’s balance sheet and completing acquisitions of highly prospective licences (PLs). Recognising the potential and building on the operational strengths of the Company’s in-country field exploration team, Kavango initiated exploration on the KCB.

On 17 February 2020, the Company signed joint venture agreements (JV) over two PLs in the KCB with LVR GeoExplorers Pty, a local private Botswana company. The LVR JV is structured over three stages that could see the Company earn a maximum 90% interest in the PLs.

Subsequently, on 3 June 2020, Kavango secured a 100% interest in two further PLs immediately south of the town of Ghanzi.

During the year the Company successfully completed two financings. On 15 April 2020, Kavango raised £218,000 and sold a 50% interest in the Ditau Project to Power Metal Resources (LSE:POW) (“Power Metal”), an AIM-listed metals exploration company. Then, in late November, the Company completed a £2 million placing and appointed First Equity as Joint Broker. This placing required the publication of a prospectus and provided Kavango with significant working capital to advance its ambitious field exploration programmes in 2021.

On 21 September 2020, Kavango developed a closer relationship with Power Metal and entered into a Strategic JV agreement, by which Kavango agreed to combine 100% of the Ditau Project together with the two South Ghanzi PLs in the KCB into a separate newly incorporated Botswana company, Kanye Minerals (Pty) Ltd. Power Metal paid £75,000 cash to Kavango and issued 6,000,000 shares in Power Metal at an issue price of 1.25p, together with 5,000,000 warrants exercisable at 2p per share over two years. Power Metal also agreed to pay \$150,000 over two years in exploration costs incurred by the Strategic JV. Subsequent to this, in January 2021, Kavango and Power Metal set up 50:50 Kanye Resources plc in the UK, which now owns 100% of Kanye in Botswana, with the intention of floating this vehicle on a recognised stock exchange.

With respect to the Company’s exploration activities the following progress was made.

Kalahari Suture Zone Project

As we entered 2020, our main goal in the KSZ was to build as comprehensive a view as we could of the underground geology of the Hukuntsi (northern) section.

In late 2019, Kavango completed a 4-hole drill campaign at Hukuntsi, results for which were received in February 2020. These were encouraging and went some way to validating Kavango’s exploration hypothesis in the KSZ.

Supported by the proprietary data gathered from the drill cores, Kavango’s in-house geological and geophysical team set about acquiring as much other regional data as it could. This included regional surveys flown over the KSZ, water bore hole data and data gathered from historic drilling in the KSZ, dating back as far as the 1970s. The Company combined this data and created a comprehensive underground 3D-Model of the Hukuntsi area, together with Mira Geoscience, a world leader in the creation of such models. The 3D-Model was completed in September 2020 and confirmed notably similar rock formations in the KSZ when compared to those identified at the Norilsk mining centre in northern Russia.

In parallel to this, the Company sought expert opinion on drill core logs from historic deep holes drilled in the KSZ. The purpose of this work was to assess the systemic characteristics of the KSZ.

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Dr David Holwell, Associate Professor of Geology at the University of Leicester, is a leading authority in magmatic sulphide systems and was contracted to complete a Mineral Systems Review (MSR) of the KSZ. The MSR identified 17 core characteristics shared by the world's largest commercial magmatic sulphide systems, such as Norilsk and Jinchuan in China. In April 2020, the Company released the first draft of the MSR, which confirmed the KSZ features 10 of the 17 characteristics.

Under Dr Holwell's supervision, Kavango also sponsored an MSC programme at the University of Leicester. Further analysis conducted under this programme over summer 2020 led to confirmation of a further six key systemic characteristics present in the KSZ, which indicate the potential of the region's prospectivity for magmatic sulphide deposits.

Alongside the work completed by Dr Holwell, Kavango also contracted Dr Martin Prendergast to perform petrology analysis of the KSZ drill core samples. Encouragingly, the petrology report verified that sulphur saturation occurred in the KSZ c.160million years ago, as the Karoo-age magma ascended to surface and passed through coal-bearing shales. This was a vital prerequisite for the formation of magmatic sulphide deposits.

Having completed the 3D-Model of the KSZ and received the various expert analyses, Kavango contracted Spectral Geophysics to carry out Time Domain Electromagnetic (TDEM) surveys over the four most prospective target areas in Hukuntsi.

The goal of the TDEM surveys is to identify super conductive targets that will become high priority drill targets in the search for large-scale massive sulphide deposits.

Kalahari Copper Belt

Until Q3 2020, Kavango was limited to desktop studies of regional geological surveys of the formations covering the South Ghanzi and LVR prospecting licences in the KCB. Once lockdown restrictions were lifted in Botswana, the Company established field camps in both project areas and initiated soil sampling and ground magnetic surveys in early December.

The objective of this work was to identify target areas for follow up airborne EM surveys, which the Company flew in February 2021. The Company is now focussed on delineating drill targets for an exploratory drill campaign.

Ditau Project

Field exploration began again at Ditau in October 2020. The preliminary focus was to complete an orientation survey over a possible carbonatite structure, to calibrate the remote sensing tools for future ground magnetic surveys. This work was completed in early 2021, and Kavango has now commenced ground-mag surveys of the remaining 10 potential carbonatite targets. Once these have been completed, the Company expects to follow up with shallow drilling to test for the presence of carbonatites and potential rare earth deposits.

Michael JE Foster
Chief Executive

11 May 2021

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BOARD OF DIRECTORS AND SENIOR MANAGEMENT

David Smith (*Non-Executive Chairman*)

David is a solicitor who has worked in corporate finance and the equity capital markets for over 30 years. He has considerable practical experience of corporate governance, regulatory and compliance issues and has advised junior mining companies extensively throughout his career. From January 2016 to March 2021 he was a partner in Druces LLP, the Company's solicitors.

Michael Foster (*Chief Executive Officer*)

Michael is a graduate geologist from St Andrews University in Scotland with a MBA from London Business School. He has over 35 years' experience of all aspects of the mining industry, including exploration, mine development, operations, corporate finance and raising finance. 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 and Central America. He speaks fluent 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*)

Mike (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 exploration strategy.

Ben Turney (*Executive Director*)

Ben is an experienced participant in London's small cap financial markets, having previously worked as an investigative writer and shareholder advocate. He currently advises and works for a number of companies, both in the UK and North America, with a particular focus on the mining sector. Ben is responsible for our public relations.

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 several mining clients. 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.

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DIRECTORS' REPORT

The Directors present their report and the audited financial statements of the Group and the Company for the year ended 31 December 2020. 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 activities of the Group are described in the Strategic Report.

Dividends

No dividends are planned. (2019: US\$ Nil).

Directors

The Directors of the Company during the year ended 31 December 2020 were:

Douglas Wright – resigned 22 December 2020

Michael Foster

Mike Moles

David Smith – appointed 8 January 2021

Ben Turney - appointed 8 January 2021

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

Director

Michael Foster*	12,422,266
Mike Moles	12,079,813
David Smith	173,939
Ben Turney**	6,595,748

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

** Includes 500,000 ordinary shares in the name of 100% owned Eridge Capital and 1,718,172 ordinary shares in the name of 50% owned Dynamic Investor Relations.

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 2020, the total number of issued ordinary shares with voting rights in the Company was 295,291,264. Details of the Company's capital structure and voting rights are set out in note 17 to the financial statements.

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On 19 April 2021, the number of issued ordinary shares in the Company with voting rights was 342,402,139. The Company has been notified of the following interests of 3 per cent or more in its issued share capital as at 19 April 2021.

Party Name	Number of Ordinary Shares	% of Share Capital
JIM Nominees*	90,584,249	26.5%
Hargreaves Lansdown Nominees*	35,159,668	10.3%
Interactive Investor Services Nominees*	19,261,267	5.6%
WB Nominees*	17,232,884	5.0%
Douglas Wright	17,187,604	5.0%
Hillary Gumbo	16,520,137	4.8%
Platform Securities Nominees*	15,668,903	4.6%
Peter Anderton	13,492,500	3.9%
Jose Medeiros	13,492,500	3.9%
Michael Foster**	12,422,266	3.6%
Barclays Direct Investment Nominees*	12,241,692	3.6%
Mike Moles	12,079,813	3.5%
John Forrest	11,800,340	3.4%
HSDL Nominees*	10,601,792	3.1%

* Nominee shareholder; not beneficial owner

** Includes 1,000,000 shares in the name of his spouse.

Financial risk management

Note 19 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 19 of the financial statements.

Greenhouse 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.

The Group has taken the exemption available under Sections 15(5) and 20D(7) of Energy and Carbon Reporting that allows for non-disclosure of quantitative usage in respect of energy, as the Group has consumed less than 40,000 kWh in the United Kingdom during the period of which the Directors' report is prepared.

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, Group has funds to meet its planned exploration expenses over the next 12 months from the date these Financial Statements.

In assessing whether the going concern assumption is appropriate, the Directors have taken into account all relevant available information about the current and future position of the Group, including current level of resources and the required level of spending on exploration and corporate activities. As part of the assessment, the Directors have also taken into account the potential for continuing warrant exercises and the ability to raise new funding whilst maintaining an acceptable level of cash flows for the Group to meet all commitments.

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The Directors are confident that the measures they have available will result in sufficient working capital and cash flows to continue in operational existence. Taking these matters in consideration, the Directors continue to adopt the going concern basis of accounting in the preparation of the financial statements.

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 and in conformity with the Companies Act 2006.

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 7, confirm that to the best of their knowledge and belief:

- the financial statements prepared in accordance with IFRS as adopted by the European Union and in conformity with the Companies Act 2006, 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.

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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 22.

This responsibility statement was approved by the Board of Directors on 10 May 2021 and is signed on its behalf by:

Michael JE Foster

Director

11 May 2021

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DIRECTORS' REMUNERATION REPORT

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

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

In the year to 31 December 2020 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.

Statement of policy on Directors' remuneration

In our Audited Financial Statements for 2019 we stated that given the current size and stage of development of the Group, there is no formal policy yet in place in respect of remuneration. With the changes to the Board in January 2021, the Remuneration Committee has considered whether it is now appropriate to adopt a formal remuneration policy, and to invite shareholders to pass a non-binding vote of approval.

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. The Company is nonetheless mindful of the need to balance this objective with the fact that it is pre-revenue. Up to and including the 2020 financial year, the Board and senior members of staff, all of whom were associated with the establishment and listing of the Company, were largely remunerated through a combination of modest salaries or fees, the grant of share options and their respective equity positions as founders, and as a result the total salaries and fees payable to directors have been unusually modest. As the Company grows, and increasingly will need to make external hires, it is becoming necessary to move to a more long-term and sustainable policy, which continues to align the interests of directors and senior staff with those of shareholders while recognising that new hires will not initially have a significant equity position. Accordingly, it is likely that compensation packages for executive directors in particular will need to move over time to a level more consistent with the market.

Currently Directors' remuneration is not subject to specific performance targets. The Company is sufficiently small that the Remuneration Committee does not consider that it is necessary to impose such targets as a matter of principle, but believes that exceptional performance can be rewarded on an ad hoc basis. Similarly, the Committee has not adopted a specific policy with regard to share option grants; nonetheless the use of share options will continue to be an important part of the compensation packages both for executive and non-executive directors, particularly until such time as the Company is generating cash from operations.

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

This statement of Remuneration Policy will be proposed for approval by shareholders at the forthcoming Annual General Meeting.

Directors' remuneration

The Directors who held office at 31 December 2020 and who had beneficial interests in the ordinary shares of the Company are summarised as follows:

Name of Director	Position
Mike Moles	Non-Executive Director
Michael Foster	Chief Executive Officer

Details of these beneficial interests can be found in the Directors' Report on page 8.

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

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Douglas Wright resigned as a director on 22 December 2020. During the course of the year he was paid £60,000 which included six months' notice of £20,000 as per the terms of his service agreement.

Directors' service contracts

Michael Foster

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

Remuneration components

For the year ended 31 December 2020 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 2020:

Name of Director	Short terms employment benefits*		Other benefits		Total	
	2020	2019	2020	2019	2020	2019
	USD	USD	USD	USD	USD	USD
Douglas Wright	77,022	52,216	-	-	77,022	52,216
Mike Moles	-	-	-	-	-	-
Non-Executive total	77,022	52,216	-	-	77,022	52,216
Michael Foster	51,348	52,216	-	-	51,348	52,216
Executive total	51,348	52,216	-	-	51,348	52,216
Total	128,370	104,432	-	-	128,370	104,432

- Excludes NI paid by Company of US\$ 3,166.

The interests of the Directors who served during the year in the share capital of the Company at 31 December 2020 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 2020	As at the date of this report	Number of ordinary shares held 31 December 2019	Number of share options vested but unexercised 31 December 2020	Number of share options vested but unexercised 31 December 2019
Douglas Wright **	8,300,001	7,087,604	10,740,001	3,680,000	3,180,000
Mike Moles	11,601,413	12,079,813	15,092,492	3,680,000	3,180,000
Michael Foster *	9,976,391	12,422,266	7,365,001	3,680,000	3,180,000

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

** Resigned on 22 December 2020

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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)

Douglas Wright was paid £20,000 for loss of office during the year.

Directors' interests in share options (audited)

Details at 31 December of share options and share warrants over ordinary shares held by directors who served during the year are set out in the table below:

	Number of Share Options		Number of Share Warrants	
	2020	2019	*2020	**2019
Douglas Wright	3,680,000	3,180,000	4,250,000	2,495,000
Mike Moles	3,680,000	3,180,000	477,500	-
Michael Foster	3,680,000	3,180,000	2,445,875	580,000

* Exercised in 2021

** Expired

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.

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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 10 May 2021.

David Smith

Chairman of the Remuneration Committee

KAVANGO RESOURCES PLC

STRATEGIC REPORT

The Directors present their strategic report on the group for the year ended 31 December 2020.

Principal Activity

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

The Company is the parent 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 and precious metals in Botswana.

During the year the Group invested in:

- a) A joint venture with Power Metal Resources plc (POW) where each of POW and the Company hold a 50% interest in a newly incorporated Botswana company Kanye Resources (Pty) Ltd.
- b) Financial assets at fair value through profit and loss with an earn-in agreement with LVR GeoExplorers (Pty) Ltd (“LVR”) whereby Kavango Minerals (Pty) Ltd can earn up to 90% interest in two prospecting licenses held by LVR;

Further details about these investments are provided in Notes 11 and 12 respectively.

Business review

Details of the Company’s strategy, results and prospects are set out in the Chairman’s Statement and in the Operations Report on pages 4-6.

On 15 April 2020, the Company completed a placement of 27,250,000 ordinary shares at 0.8p per share to raise £218,000 before expenses and issued £38,000 of zero coupon convertible loan notes 2021 (the “First Loan Notes”) and £ 226,866 of a series of 10% convertible loan notes 2021 (the “Second Loan Notes”).

On 20 November 2020, following a FCA approved Prospectus, the Company completed the placing of 72,063,636 new Ordinary Shares and the subscription of 663,637 New Ordinary Shares (together, the “Placing and Subscription Shares”) at 2.75p per Ordinary Share and raised gross proceeds of £2,000,000 and issued 72,727,273 warrants exercisable within 30 months at 4.25 per share. 1,250,000 warrants at 1p (£12,550) were exercised in December 2020.

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

Principal 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 the 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

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The Group has one core exploration asset being licences covering the Kalahari Suture Zone (KSZ) Project. This is a large area of 7,564km², 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

Exploration at the KSZ, KCB and Ditau Projects may not result in 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 Group's 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.

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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:

<i>Strategic and Economic:</i> <ul style="list-style-type: none">• Business environment changes• Limited diversification	<i>Human Resources and Management:</i> <ul style="list-style-type: none">• Failure to recruit and retain key personnel• Human error or deliberate negative action• Inadequate management processes
<i>Operational:</i> <ul style="list-style-type: none">• Difficulty in obtaining / maintaining / renewing Licences / approvals	<i>Financial:</i> <ul style="list-style-type: none">• Restrictions in capital markets impacting available financial resources• Cost escalation and budget overruns• Fraud and corruption
<i>Commercial:</i> <ul style="list-style-type: none">• Failure to maximise value from KSZ/KCB/Ditau• Loss of interest in key assets• Regulatory compliance and legal	

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

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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 2020:

- **Remunerate the Directors with share options in lieu of cash:** during the year, 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 with 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

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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
11 May 2021

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CORPORATE GOVERNANCE

This report forms part of the Strategic Report.

The Directors of the Company are listed on Page 3. 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 senior 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 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 7.

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

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

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

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

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

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

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

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

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

Shareholder communications

The Company is committed to engaging with its shareholders to ensure that its strategy, operational results and financial performance are clearly understood. We engage with our shareholders via roadshows, attending investor conferences and through our regular reporting on the London Stock Exchange. Roadshows are typically timed to follow the release of interim and final results. The Company regularly takes part in investor conferences, both in the UK and internationally. LSE announcements include details of the website, Twitter page and include phone numbers to contact the Company and its professional advisors.

Private shareholders

Subject to Covid-19 restrictions 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. Subject to those restrictions all Directors attend the AGM and are available to answer questions raised by shareholders. For each vote, the number of proxy votes received for, against and withheld is announced at the meeting. The results of the AGM are announced via the London Stock Exchange. In addition, the Executive Directors regularly 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 (btorney@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 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 the 121 Group. We also have ad-hoc meetings with our shareholders via conference call and email. The Board as a whole is kept informed of the views and concerns of major shareholders by the Chief Executive Officer. Any significant investment reports from analysts are also circulated to the Board. The Non-Executive Chairman and Non-Executive Director are available to meet with major shareholders if required to discuss issues of importance to them and are considered to be Independent from the executive management of the Company.

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

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

Employees

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

Local partners and communities

Our operations provide employment in remote areas of Botswana. Essential to our success is the establishment of close working relationships with local partners. We seek local partners who have a good understanding of the local

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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 will 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 cash flow forecasts are reported to the Board;
- The Audit Committee 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 reported 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.

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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, two Executive Directors and one Non-Executive Director. David Smith is Non-Executive Chairman, while Mike Moles acts as a Non-Executive Director. Both Non-executive Directors have extensive experience in the mining industry, a qualified lawyer and geologist, respectively.

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

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

Directors' conflict of interest

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

Board meetings are deemed quorate if two Board members are present and providing 7 days' notice of such meeting has been given or 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 2020:

	Meetings attended	Meetings held
Michael Foster	7	7
Michael Moles	7	7
John Forrest (CoSec)	7	7

Douglas Wright who resigned on 22 December 2020 attended all the above meetings.

David Smith and Ben Turney, both current directors, were appointed on 8 January 2021.

Directors experience, skills and capabilities

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

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

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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.

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

Roles of the Board, Chairman and Chief Executive Officer

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

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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

Audit and Risk Committee

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

Specific risks are set out in the Strategic Report.

The Remuneration and Nomination Committee

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

The Committee will identify and nominate, for the approval of the Board, candidates to fill Board vacancies as and when they arise.

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 and was onshored into UK law on 31 December 2020.

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

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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 has adopted an Anti-Corruption and Bribery Policy. It 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 Investor Relations, the CEO, CFO and the Company's brokers. The Company communicates with institutional investors

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frequently through briefings with management. In addition, analysts' notes and brokers' briefings are reviewed to achieve a wide understanding of investors' views.

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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 2020 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated and Parent Company Statements of Financial Position, the Consolidated and Parent Company Statements of Changes in Equity, the Consolidated and Parent Company Statements of Cash Flows and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and international accounting standards in conformity with the Companies Act 2006 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 2020 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 international accounting standards in conformity with the requirements of the Companies Act 2006;
- the parent company financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 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 regard to the group financial statements, international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

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.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the director's use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the group's and parent company's ability to continue to adopt the going concern basis of accounting included obtaining management's going concern assessment and associated cash flow forecasts for the period of 12 months from the date of approval of the financial statements. We have reviewed the assumptions applied in the cash flow forecast for reasonableness, compared to historical financial information, and performed a sensitivity analysis where appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's or parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Our application of materiality

Group materiality 2020	Group performance materiality 2020	Group materiality 2019	Basis for materiality
\$100,000	\$70,000	\$74,000	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.

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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. As it is from these assets that the Group seeks to deliver returns for shareholders. The going concern of the group is dependent on its ability to fund operations going forward, as well as on the valuation of its assets, which represent the underlying value of the group.

The group was audited to a level of materiality of \$100,000, the parent company materiality was set at \$80,000 with performance materiality set at \$56,000. We applied the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. At the planning stage, materiality is used to determine the financial statement areas that are included within the scope of our audit and the extent of sample sizes during the audit. This is reviewed accordingly during audit fieldwork and completion dependent on adjustments made during the audit.

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 our triviality level of \$5,000 (2019: \$3,700) and \$4,000 (2019: \$3,500) for Group and Company respectively. There were certain misstatements identified during the course of our audit that were individually considered to be material and adjusted for by management.

Our approach to the 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), and the consideration of future events that are inherently uncertain. Other judgemental areas include the valuation of share-based payments, minimum spend commitment and classification of investment. 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 2020, 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 a 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.

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Key Audit Matter	How our scope addressed this matter
<p>Carrying value and appropriate capitalisation of intangible assets</p> <p><i>GROUP</i></p> <p>The group has reported intangible assets of \$2,082k in its Consolidated Statement of Financial Position as at 31 December 2020 which comprise exploration and evaluation assets in Botswana.</p> <p>There is a risk that these assets have been incorrectly capitalised in accordance with IFRS 6 and that their carrying value should be impaired.</p> <p>The Directors consider each asset to assess whether there are indicators of impairment by considering the potential resources available from exploration and evaluation work undertaken, together with the availability of the finance to further evaluation the exploration rights.</p> <p>As shown in Note 10 to the financial statements, the directors have concluded that no impairment charge is necessary.</p>	<p>Our work in this area included:</p> <ul style="list-style-type: none"> ▪ Confirmation that the group has good title to the applicable exploration licenses, including new licences obtained during the year; ▪ A review of the component auditor’s work in respect of capitalised costs during the year under review, including the considerations made in respect of IFRS 6’s recognition criteria; ▪ 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; ▪ Review of the carrying value of intangible assets having regard to impairment indicators under IFRS 6; 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. <p>We found the judgements used by Directors in their impairment assessment were reasonable.</p>
<p>Carrying value of investments in subsidiaries</p> <p><i>COMPANY</i></p> <p>Investments in subsidiaries, as shown in Note 13 is the most significant asset in the parent company’s Statement of Financial Position.</p> <p>Given the early stage exploration activities in the subsidiary entity, existence of loess and potential delays in advancing developments at the underlying projects depending on availability of funding to meet minimum expenditure, there is a risk that the investment balances are not fully recoverable.</p>	<p>Our work in this area included:</p> <ul style="list-style-type: none"> ▪ Confirming ownership of investments; ▪ Considered the recoverability of investments by reference to underlying net asset values, including the recoverability potential of the underlying exploration projects by reference to IFRS 6; and ▪ Reviewing the impairment assessment prepared by management in respect of intangible assets, and challenging the inputs and estimates included therein; and <p>We found the judgements used by Directors in their basis of valuation were reasonable.</p>

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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 contained within the annual report. 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. 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 course of 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 themselves. 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.

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Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the group and parent company and the sector in which they operate to identify laws and regulations that could reasonably be expected to have a direct effect on the financial statements. We obtained our understanding in this regard through discussions with management about any potential instances of non-compliance with laws and regulations both in the UK and in overseas subsidiaries.
- We determined the principal laws and regulations relevant to the group and parent company in this regard to be those arising from:
 - Listing rules;
 - Companies Act 2006;
 - The Bribery Act 2012
 - Anti Money Laundering Legislation;
 - Disclosure rules and Transparency rules for listed entities;
 - Local industry regulations in Botswana where exploration activity took place; and
 - Local tax and employment law.
- We designed our audit procedures to ensure the audit team considered whether there were any indications of non-compliance by the group and parent company with those laws and regulations. These procedures included, but were not limited to:
 - Making enquires of management;
 - Reviewing Board minutes;
 - Reviewing accounting ledgers; and
 - Review of RNS announcements.
- As in all of our audits, we addressed the risk of fraud arising from management override of controls by performing audit procedures which included, but were not limited to: the testing of journals; reviewing accounting estimates for evidence of bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business; and reviewing transactions through the bank statements to identify potentially large unusual transactions that do not appear to be in line with our understanding of business operations. Aside from the non-rebuttable presumption of a risk of fraud arising from management override of controls, we did not identify any significant fraud risks.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

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 4 years, covering the periods ending 31 December 2017 to 31 December 2020.

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.

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

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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
11 May 2021

15 Westferry Circus
Canary Wharf
London E14 4HD

KAVANGO RESOURCES PLC

CONSOLIDATED STATEMENT OF TOTAL COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	2020 US\$	2019 US\$
Continuing operations			
Administrative expenses	5	(604,649)	(472,049)
Prospectus costs		(95,564)	-
Other losses	12	(7,908)	-
Impairment		-	(1,000,000)
Loss before taxation		(708,121)	(1,472,049)
Taxation	7	-	-
Loss for the year attributable to owners of the parent		(708,121)	(1,472,049)
Other comprehensive expense:			
Items that may be subsequently reclassified to profit or loss			
Currency translation difference		(37,851)	(101,430)
Total comprehensive expense for the year attributable to owners of the parent		(745,972)	(1,573,479)
Earnings per share from continuing operations attributable to owners of the parent			
Basic and diluted (US cents)	8	(0.37)	(0.94)

KAVANGO RESOURCES PLC

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT YEAR ENDED 31 DECEMBER 2020

	Notes	31 Dec 2020 US\$	31 Dec 2019 US\$
Non-current assets			
Property, plant and equipment	9	47,771	58,172
Intangible assets	10	2,082,364	2,445,317
Investments in Associate	11	325,000	-
Financial assets at fair value through profit and loss	12	54,737	-
Total non-current assets		<u>2,509,872</u>	<u>2,503,489</u>
Current assets			
Receivables and other current assets	14	133,775	225,091
Financial assets at fair value through profit and loss	12	234,086	-
Cash and cash equivalents	15	2,191,730	124,294
Total current assets		<u>2,559,591</u>	<u>349,385</u>
Total assets		<u>5,069,463</u>	<u>2,852,874</u>
Current liabilities			
Trade and other payables	16	78,768	139,144
Total liabilities		<u>78,768</u>	<u>139,144</u>
Net current assets		<u>2,480,823</u>	<u>210,241</u>
Net assets		<u><u>4,990,695</u></u>	<u><u>2,713,730</u></u>
Equity attributable to owners of the parent			
Called up share capital	17	390,224	206,562
Share premium	17	8,272,187	5,867,875
Share option reserve	18	276,756	245,956
Warrant reserve	18	404,163	-
Foreign Currency Exchange Reserve		(170,824)	(132,973)
Reorganisation reserve		(1,590,777)	(1,590,777)
Retained earnings		(2,591,034)	(1,882,913)
Total equity attributable to owners of the parent		<u><u>4,990,695</u></u>	<u><u>2,713,730</u></u>

This report was approved by the board and authorised for issue on 10 May 2021 and signed on its behalf by:

.....
Michael Foster
Director

KAVANGO RESOURCES PLC

COMPANY STATEMENT OF FINANCIAL POSITION FOR THE YEAR ENDED 31 DECEMBER 2020

Company registration number: 10796849 (England and Wales)

	Notes	31 Dec 2020 US\$	31 Dec 2019 US\$
Non-current assets			
Investment in subsidiaries	13	4,077,325	4,253,547
Investment in Associate	11	325,000	-
Total non-current assets		4,402,325	4,253,547
Current assets			
Receivables and other current assets	14	74,243	196,865
Financial assets at fair value through profit and loss	12	234,086	-
Cash and cash equivalents	15	2,135,114	96,644
Total current assets		2,443,443	293,509
Total assets		6,845,768	4,547,056
Current liabilities			
Trade and other payables	16	58,998	101,121
Total liabilities		58,998	101,121
Net current assets		2,384,445	192,388
Net assets		6,786,770	4,445,935
Equity			
Called up share capital	17	390,224	206,562
Share premium	17	8,272,187	5,867,875
Share option reserve	18	276,756	245,956
Warrant reserve	18	404,163	-
Foreign exchange reserve		145,601	150,660
Retained earnings		(2,702,161)	(2,025,118)
Total equity		6,786,770	4,445,935

Kavango Resources Plc has used the exemption granted under s408 of the Companies Act 2006 that allows for the non-disclosure of the Income Statement of the parent company. The after-tax loss attributable to Kavango Resources Plc for the period ended 31 December 2020 was US\$ 677,043(2019: US\$1,465,949).

This report was approved by the board and authorised for issue on 10 May 2021 and signed on its behalf by:

.....
Michael Foster
Director

KAVANGO RESOURCES PLC

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2020

	Share Capital	Share Premium	Reorganisation Reserve	Foreign Exchange Reserve	Retained Earnings	Share Options	Warrant Reserve	Total
	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$
As at 1 January 2019	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)
<i>Other Comprehensive Income(loss) for the year -</i>								
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
Group reorganisation	-	-	-	-	-	-	-	-
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
Loss for the year	-	-	-	-	(708,121)	-	-	(708,121)
<i>Other Comprehensive Income(loss) for the year -</i>								
Foreign currency exchange difference	-	-	-	(37,851)	-	-	-	(37,851)
Total comprehensive income for the year	-	-	-	(37,851)	(708,121)	-	-	(745,972)
Shares issued net of costs of \$160,857	183,662	2,404,312	-	-	-	-	-	2,587,974
Group reorganisation	-	-	-	-	-	-	-	-
Share options granted	-	-	-	-	-	30,800	-	30,800
Warrants issued	-	-	-	-	-	-	404,163	404,163
Total transactions with owners recognised directly in equity	183,662	2,404,312	-	-	-	30,800	404,163	3,022,937
As at 31 December 2020	390,224	8,272,187	(1,590,777)	(170,824)	(2,591,034)	276,756	404,163	4,990,695

KAVANGO RESOURCES PLC

Share Capital:	Amount subscribed for share capital at nominal value
Share Premium:	Amount subscribed for share capital in excess of nominal value
Merger Reserve:	Reserve created on issue of shares on acquisition of subsidiaries
Foreign Exchange differences:	Cumulative translation differences
Retained Earnings:	Cumulative net gains and losses recognised in the consolidated statement of comprehensive income
Share option reserve:	Amount reserved for share capital issued on exercise of share options
Warrant Reserve	The warrant reserve presents the proceeds from issuance of warrants, net of issue costs. Warrant reserve is non-distributable and will be transferred to share premium account upon exercise of warrants.

KAVANGO RESOURCES PLC

COMPANY STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2020

	Share Capital	Share Premium	Foreign Exchange Reserve	Share Options	Warrant Reserve	Retained Earnings	Total
	US\$	US\$	US\$	US\$	US\$	US\$	US\$
As at 1 January 2019	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 income for the year	-	-	(37,129)	-	-	(1,465,949)	(1,503,078)
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	150,660	245,956	-	(2,025,118)	4,445,935
Loss for the year	-	-	-	-	-	(677,043)	(677,043)
Foreign currency exchange difference	-	-	(5,059)	-	-	-	(5,059)
Total comprehensive income for the year	-	-	(5,059)	-	-	(677,043)	(682,102)
Shares issued net of costs of \$160,857	183,662	2,404,312	-	-	-	-	2,587,974
Share options granted	-	-	-	30,800	-	-	30,800
Warrants issued	-	-	-	-	404,163	-	404,163
Total transactions with owners recognised directly in equity	183,662	2,404,312	-	30,800	404,163	-	2,340,835
As at 31 December 2020	390,224	8,272,187	145,601	276,756	404,163	(2,702,161)	6,786,770

KAVANGO RESOURCES PLC

Share Capital:	Amount subscribed for share capital at nominal value
Share Premium:	Amount subscribed for share capital in excess of nominal value
Merger Reserve:	Reserve created on issue of shares on acquisition of subsidiaries
Foreign Exchange differences:	Cumulative translation differences
Retained Earnings:	Cumulative net gains and losses recognised in the consolidated statement of comprehensive income
Share option reserve:	Amount reserved for share capital issued on exercise of share options
Warrant Reserve	The warrant reserve presents the proceeds from issuance of warrants, net of issue costs. Warrant reserve is non-distributable and will be transferred to share premium account upon exercise of warrants.

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CONSOLIDATED STATEMENT OF CASH FLOW FOR THE YEAR ENDED 31 DECEMBER 2020

		2020	2019
	Notes	US\$	US\$
Cash flows from operating activities			
Loss before taxation		(708,121)	(1,472,049)
Share option expense		30,800	56,000
Directors fees and other expenses settled by convertible notes	6	131,536	-
Impairment		-	1,000,000
Depreciation		21,353	
Prospectus costs		95,564	-
Loss on financial assets at fair value	12	7,908	-
Foreign exchange differences		(350,040)	(80,774)
Net cash used in operating activities before changes in working capital		(771,000)	(496,823)
Decrease / (increase) in other current assets		91,316	(110,266)
(Decrease) / increase in trade and other payables		(60,376)	68,362
Net cash used in operating activities		(740,060)	(538,727)
Investing activities			
Intangible assets		(382,592)	(1,157,325)
Purchase of financial assets		(54,737)	-
Fixed assets		(30,496)	(56,021)
Proceeds from sale of assets to Kanye Resources (Pty) Ltd		385,352	-
Net cash used in investing activities		(269,730)	(1,213,346)
Financing activities			
Convertible loan notes	18	209,182	-
Proceeds from issue of shares net of issue costs and prospectus costs	17	2,868,044	922,050
Net cash generated from financing activities		3,077,226	922,050
Net increase/(decrease) in cash and cash equivalents		2,067,436	(830,023)
Cash and cash equivalents at beginning of year		124,294	954,317
Cash and cash equivalents at end of year	15	2,191,730	124,294

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COMPANY STATEMENT OF CASH FLOW FOR THE YEAR ENDED 31 DECEMBER 2020

		2020	2019
	Notes	US\$	US\$
Cash flows from operating activities			
Loss before taxation		(677,043)	(1,465,949)
Stock option expense		30,800	56,000
Directors fees and other expenses settled by convertible notes	6	131,537	-
Impairment		-	1,000,000
Prospectus costs		95,509	-
Loss on financial assets at fair value	12	7,908	-
Foreign exchange differences		(317,194)	(37,129)
Net cash used in operating activities before changes in working capital		<u>(728,483)</u>	<u>(447,078)</u>
Decrease / (increase) in other current assets		122,622	(91,522)
(Decrease) / increase in trade and other payables		(42,123)	38,154
Net cash used in operating activities		<u>(647,984)</u>	<u>(500,446)</u>
Investing activities			
Loans to group companies		(390,772)	(1,262,074)
Net cash used in investing activities		<u>(493,312)</u>	<u>(1,262,074)</u>
Financing activities			
Convertible loan notes	18	209,182	-
Proceeds from issue of shares net of issue costs and prospectus costs	17	2,868,044	922,050
Net cash generated from financing activities		<u>3,077,226</u>	<u>922,050</u>
Net increase in cash and cash equivalents		<u>2,038,500</u>	<u>(840,480)</u>
Cash and cash equivalents at beginning of year		<u>96,644</u>	<u>937,124</u>
Cash and cash equivalents at end of year	15	<u><u>2,135,114</u></u>	<u><u>96,644</u></u>

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

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 the parent 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.

During the year the Company invested in:

- (i) A joint venture with Power Metal Resources plc (POW) where each of POW and the Company hold a 50% interest in a newly-incorporated Botswana company Kanye Resources (Pty) Ltd.
- (ii) Financial assets at fair value through profit and loss with an earn-in agreement with LVR GeoExplorers (Pty) Ltd (“LVR”) where Kavango Minerals (Pty) Ltd can earn up to 90% of two prospecting licenses held by LVR;

Further details about these investments are provided in Notes 11 and 12 respectively

2. Significant Accounting policies

Statement of compliance

The Group and Company Financial Statements have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006. 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 functional currencies of Kavango Resources plc and its subsidiaries are British pounds and US dollars respectively.

The preparation of Financial Statements in conformity with international accounting standards 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*

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

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

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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 14	Regulatory Deferral Accounts	1 January 2016
IFRS 10 and 28 (Amendments)	Sale or Contribution of Assets between Investor or its Associate or Joint Venture	Postponed
IFRS 17	Insurance Contracts including Amendments to IFRS 17: Insurance Contracts	January 2023
Amendments to IFRS 3	Business combinations – Reference to Conceptual Framework	1 January 2022
IAS 1 (Amendments)	Classification of liabilities as current or non- current	*1 January 2022
IFRS 16 (Amendments)	Property, plant and equipment	1 January 2022
IAS 37 (Amendments)	Provisions, contingent liabilities and contingent assets	*1 January 2022

* Subject to 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.

2. Significant Accounting policies (continued)

Equity accounted investees

Associates

An Associate is an entity over which the Company has significant influence but not control generally involving a shareholding of 20% to 50% of the voting rights of the entity. Significant influence is the power to participate in the financial and operating policy decisions of the investee but not the ability to control those policy decisions. Investments in associates are accounted for using the equity method of accounting.

Equity method of accounting

Under the equity method of accounting, an interest in an associate is initially recognised at cost. The Group's interest in the associate and joint arrangement post acquisition profit / loss after tax and in other comprehensive income / loss is presented in the Group Income Statement and the Group Statement of Other Comprehensive Income as "Share of results of equity accounted investees". The cumulative post-acquisition movements are adjusted against the carrying amount of the investment less any impairment in value. The carrying value of the investment in the associate and joint arrangement comprising the aggregate of the acquisition cost and post acquisition movements is compared regularly against the recoverable amount to determine whether there has been any impairment. Unrealised gains or losses from transactions between the Group and the associate and joint arrangement are eliminated to the extent of the Group's equity interest in the associate. When the carrying value is Nil after recognising the cumulative Group share of the associate and joint arrangement net losses and cumulative impairment, further losses of the associate and joint arrangement are not recognised unless the Group has incurred obligations or made payments on behalf of the associate. When the Group ceases to have significant influence over an entity, any retained interest in the entity is remeasured to its fair value on the date of the loss of influence and the change in carrying value is recognised in the income statement and the Group also recognises in the income statement for that period amount of income(loss) previously classified as Other Comprehensive Income

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, Group has funds to meet its planned exploration expenses over the next 12 months from the date these Financial Statements.

In assessing whether the going concern assumption is appropriate, the Directors have taken into account all relevant available information about the current and future position of the Group, including current level of resources and the required level of spending on exploration and corporate activities. As part of the assessment, the Directors have also taken into account the potential for continuing warrant exercises and the ability to raise new funding whilst maintaining an acceptable level of cash flows for the Group to meet all commitments.

The Directors are confident that the measures they have available will result in sufficient working capital and cash flows to continue in operational existence. Taking these matters in consideration, the Directors continue to adopt the going concern basis of accounting in the preparation of the financial statements.

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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.

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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.

Financial assets

Initial recognition and measurement

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

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

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

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

Subsequent measurement

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

- Financial assets at amortised cost (debt instruments)

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

Financial assets at amortised cost (debt instruments)

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

The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and

The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

Financial assets at fair value through profit and loss

Financial assets held at fair value through the profit and loss comprise equity investment held. There are carried in the statement of financial position at fair value. Subsequent to initial recognition, changes in fair value are recognised in the statement of comprehensive income.

Derecognition

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

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

Impairment of financial assets

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

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

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

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

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

Financial liabilities

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

Subsequent measurement

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

Financial liabilities at fair value through profit or loss

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

Loans and borrowings and trade and other payables

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

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

This category generally applies to trade and other payables.

Derecognition

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

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

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

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

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

Fair value measurement

IFRS 13 establishes a single source of guidance for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. The resulting calculations under IFRS 13 affected the principles that the Company uses to assess the fair value, but the assessment of fair value under IFRS 13 has not materially changed the fair value recognised or disclosed. IFRS 13 mainly impacts the disclosures of the Company. It requires specific disclosures about fair value measurements and disclosures of fair value, some of which replace existing disclosure requirements in other standards. There are two financial instruments measured at fair value, details of which can be seen at Note 12.

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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.

The share premium account represents premiums received on the initial issuing of the share capital. Any transaction costs associated with the issuing of shares are deducted from share premium, net of any related income tax benefits.

The share based payment reserve represents the cumulative amount which has been expensed in the statement of comprehensive income in connection with share based payments, less any amounts transferred to retained earnings on the exercise of share options.

The warrant reserve presents the proceeds from issuance of warrants, net of issue costs. Warrant reserve is non-distributable and will be transferred to share premium account upon exercise of warrants.

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

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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.

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 2020 the Group had borrowings of nil (2019: 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.

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 2020 of \$2,082,364 (2019: \$2,445,317). 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 no impairment charge is necessary (2019- US\$ 1,000,000).

b) Share-based payments

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

c) Intragroup Receivables

In Company accounts Intragroup Receivables are carried at cost. An impairment review is conducted annually and Directors do not believe any impairment has occurred in 2020. The Directors believe that these amounts are recoverable as the underlying exploration assets have value and are not impaired.

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d) Minimum Spend Commitment

All the Group's exploration licences have minimum spend commitments. Due to the ongoing COVID-19 pandemic, the Directors have applied to the local authorities for temporary relief to reduce the minimum spend on these licences. The application has been accepted by the local authorities and these reduced spend commitments are currently being applied in their work programme for 2021.

e) Classification of Investments

The Group determines the classification of investment in associates based on whether significant influence is held in the entity. The existence of significant influence is evidenced in the following ways:

- Board of directors' representation;
- Management personnel swapping or sharing;
- Material transactions with the investee;
- Policy-making participation;
- Technical information exchanges.

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 2020	31-Dec 2019
	US\$	US\$
Continuing operations		
Exploration (Botswana)	-	(1,000,000)
Corporate ((London and Mauritius)	(708,121)	(472,049)
	<hr/>	<hr/>
Loss before tax	(708,121)	(1,472,049)
Income tax	-	-
Loss after tax	<hr/>	<hr/>
	(708,121)	(1,472,049)

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 2020	31-Dec 2019	31-Dec 2020	31-Dec 2019
US\$	US\$	US\$	US\$

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Intangible assets and equipment (Botswana)	2,184,872	2,503,489	-	-
Corporate (London)	325,000	-	-	-
Total of all segments	2,509,872	2,503,489	-	-

	Total Assets		Total Liabilities	
	31-Dec 2020 US\$	31-Dec 2019 US\$	31-Dec 2020 US\$	31-Dec 2019 US\$
Exploration (Botswana)	2,328,656	2,539,389	46,029	33,897
Corporate (London and Mauritius)	2,740,807	313,485	32,739	105,247
Total of all segments	5,069,463	2,852,874	78,768	139,144

5. Expenses by nature

	Group	
	31 December 2020 US\$	31 December 2019 US\$
Directors' fees	131,536	104,433
Stock exchange related costs	68,997	86,627
Auditor remuneration	46,900	50,533
Investor Relations	96,054	24,174
Travel & subsistence	15,501	18,152
Legal, Professional & consultancy fees	123,961	80,475
Insurance	15,019	9,617
Corporate advisory and Broker Fee	21,856	34,473
Share option expense	30,800	56,000
Navassa Administration	31,078	6,100
Office and other expenses	22,919	1,465
Total administrative expenses	604,649	472,049

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 2020 \$	31 December 2019 \$
Fees payable to the Company's auditor and its associates for the audit of the Company and Group Financial Statements	46,900	50,533

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6. Employees

Employment costs consist of:

Group	2020 US\$	2019 US\$
Wages and salaries	134,927	134,917
	<u>134,927</u>	<u>134,917</u>

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

Company

Directors fees during the year were US\$ 131,536 (2019 -US\$ 104,433) which is included in Directors Fees in Note 6 and the Company Secretary was paid US\$ 46,213 (2019 -US\$ 45,720) which is included in Professional fees in Note 6.

Further details are provided in Directors Remuneration Report on Page 13

The average monthly number of employees during the period was:

Group	2020	2019
Directors	3	3
Employees	5	5
	<u>8</u>	<u>8</u>

Company	2020	2019
Directors	3	3
Employees	1	1
	<u>4</u>	<u>4</u>

7. Taxation

	2020 US\$	2019 US\$
Current taxation	-	-
Deferred taxation	-	-
	<u>-</u>	<u>-</u>
Profit / (loss) before tax	(708,121)	(1,472,049)
Tax at the applicable rate of 18.2% (2019:20.9%)	(128,638)	(307,658)
Effect of different tax rates in other jurisdictions	(5,905)	(28,824)
Expenditure not deductible	-	209,000
Tax losses carried forward	134,543	127,479
Current tax	<u>-</u>	<u>-</u>

The weighted average applicable tax rate of 18.2% (2019: 20.9%) used is a combination of the 19% standard rate of corporation tax in the UK, 22% Botswana corporation tax and exempt from Mauritius corporation tax.

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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\$ 3,345,837 (2019: US\$2,637,716) of tax losses available to carry forward against future taxable profits. A deferred tax asset has not been recognised because of uncertainty over future taxable profits against which the losses may be used.

8. Earnings per share

	31-Dec 2020	31-Dec 2019
Loss per Share (basic) – US cents	(0.37)	(0.94)
	31-Dec 2020	31-Dec 2019
Loss for the year from continuing operations (used in calculation of basic EPS from continuing operations) (US\$)	(708,121)	(1,472,049)
Weighted average number of Ordinary shares in issue	192,166,151	156,650,425

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 18.

9. Exploration Field Equipment

Group	31-Dec 2020	31-Dec 2019
Exploration Field Equipment	US\$	US\$
Net Book Value at period start (1 January)	58,172	22,751
Additions	31,559	56,021
Disposals, net book value	(19,544)	-
Depreciation	(21,353)	(20,710)
Translation difference	(1,063)	110
Net Book Value at period end (31 December)	47,771	58,172

The Group's Exploration Field Equipment includes all fixed assets in Botswana, including vehicles used in field activities by geology staff. Depreciation of US\$21,353 (2019 - US\$20,710) was capitalised in Intangible assets. The gain on disposal of US\$1,553 was capitalised in Intangible assets.

10. Intangible assets

	31-Dec 2020	31-Dec 2019
Evaluation and Exploration Assets – Cost and net book value	US\$	US\$
At period start (1 January)	2,445,317	2,287,293
Addition	331,359	1,175,541
Transferred to Kanye Resources (Pty) Ltd (Note 11)	(690,808)	-
Reclassified as financial asset at fair value through profit and loss (Note 12)	(54,737)	-
Impairment	-	(1,000,000)
Translation difference	51,233	(17,517)
At period end (31 December) *	2,082,364	2,445,317

*The Kalahari Suture Zone is 97% of this amount (2019 - 100%). Approximately US\$54,000 in total was spent on Kalahari Copper Belt (2019 – Nil).

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The Group's Intangible assets are comprised of evaluation and exploration expenditures 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 no impairment charge is necessary. The impairment in 2019 related to licenses that had been relinquished.

11. Investment in Associate

	31-Dec 2020 US\$	31-Dec 2019 US\$
At period start (1 January)	-	-
Addition	325,000	-
Share of profit or loss	-	-
At period end (31 December)	325,000	-

Kanye Resources (Pty) Ltd

In September 2020 the Company signed an agreement with Power Metal Resources plc (Power) to incorporate a company in Botswana, Kanye Resources (Pty) Ltd (Kanye) which is owned 50% by each of Power and the Company, with equal representation on the board of Directors. Kanye has purchased from the Company's subsidiary Kavango Minerals (Pty) Ltd, subject to local approvals, the licenses that comprise the Ditau project and two additional licenses on the Kalahari Copper Belt. These licenses are 036-2020;037-2020; 169-2012 and 010-2019
Consideration paid by Power for its 50% interest included:

- GBP 75,000 in cash;
- 6,000,000 shares of Power ;
- 5,000,000 2 -year warrants over Power shares exercisable at 2p

This consideration has been valued at US\$325,000 and forms the basis for the carrying value of the Company's Investment in Kanye. The Company has conducted a review and concluded that there has been no impairment to this carrying value. Kanye was incorporated late 25 November 2020 but there were no operations from date of incorporation to 31 December 2020.

12. Financial asset at fair value through profit & loss

	Listed (current) US\$	Unlisted (non-current) US\$	31-Dec 2020 US\$	31-Dec 2019 US\$
At period start (1 January)	-	-	-	-
Addition	241,994	54,737	296,731	-
Fair value adjustment	(7,908)	-	(7,908)	-
At period end (31 December)	234,086	54,737	288,823	-

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(i) LVR GeoExplorers (Pty) Ltd (LVR) - US\$ 54,737

In January 2020 the Company's subsidiary in Botswana signed a Farm-In Agreement with LVR in respect of two licenses wholly-owned by LVR. For each license

- Stage 1: the Kavango Minerals (Pty) Ltd (KML) can earn 25% by spending BWP 1.25M in the first 12 months ;
- Stage 2: KML can earn a further 25% by expenditure of aggregate BWP 3.5M within 24 months from completion of Stage 1;
- Stage 3: KML can earn a further 25% by expenditure of aggregate BWP 9M within 24 months of completion of Stage 2;
- Stage 4: KML can earn a final 15% by expenditure of an aggregate BWP 15M within 36 months of completion of Stage 3 or by completing a bankable feasibility study within that 36 month period

Because of access problems caused by Covid 19 KML had only spent 47% of its Stage 1 commitment at 31 December 2020 but that has fulfilled its commitment in 2021 with completion of an aeromagnetic survey.

LVR Joint Venture is included in Non-Current assets as Financial assets at fair value through profit and loss

(ii) Marketable Securities - US\$ 234,086

Marketable securities include a 6,000,000 shareholding in an AIM-listed company which had a market value and carrying value of US\$225,588 at 31 December and a 5,000,000 warrant holding in that same company which had a remaining life of 21 months at 31 December 2020. The unlisted warrants are exercisable at 2p. They have a theoretical value of US\$51,000 at 31 December 2020 based on the share price on that date of 2.75p.

Marketable Securities are included in Current assets as Financial assets at fair value through profit and loss

13. Investments in subsidiaries

Company	2020 US\$	2019 US\$
Shares in subsidiaries at 1 January	2,500,000	3,500,000
Impairment	-	(1,000,000)
At period end (31 December)	2,500,000	2,500,000
Loans to subsidiaries	1,577,325	1,753,547
TOTAL	4,077,325	4,253,547

Subsidiaries include 100% owned Navassa Resources Limited and its 100%-owned subsidiary Kavango Minerals (Pty) Ltd

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

Loans to subsidiaries are interest free and payable on demand.

The Company conducted an impairment review and is satisfied that the carrying value of US\$4,077,325 is reasonable and no impairment is necessary. (2019 - US\$1,000,000). In 2019 KML had relinquished four licenses leading to the impairment.

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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.

14. Receivables and other current assets

	Group		Company	
	31-Dec 2020 US\$	31-Dec 2019 US\$	31-Dec 2020 US\$	31-Dec 2019 US\$
Receivables and prepayments	133,775	225,091	74,243	196,865
				-
	<u>133,775</u>	<u>225,091</u>	<u>74,243</u>	<u>196,865</u>

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

15. Cash and cash equivalents

	Group		Company	
	31-Dec 2020 US\$	31-Dec 2019 US\$	31-Dec 2020 US\$	31-Dec 2019 US\$
Cash and cash equivalents	2,191,730	124,294	2,135,114	96,644
	<u>2,191,730</u>	<u>124,294</u>	<u>2,135,114</u>	<u>96,644</u>

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

16. Trade and other payables

	Group		Company	
	31-Dec 2020 US\$	31-Dec 2019 US\$	31-Dec 2020 US\$	31-Dec 2019 US\$
Other payables	78,768	139,144	58,998	101,121
	<u>78,768</u>	<u>139,144</u>	<u>58,998</u>	<u>101,121</u>

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

17. Share Capital

	Number of shares	Share capital US\$	Share premium US\$	Total US\$
Authorised	Nil	Nil	Nil	Nil
Issued and Fully Paid				
As at 1 January 2019	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 (Gain)	-	46	1,169	1,215
As at 1 January 2020	160,955,709	206,562	5,867,875	6,074,437
Issue of shares at US\$0.01	27,250,000	34,122	238,378	272,500
Conversion of GBP 38,000 Convertible loan note at US\$0.01	4,750,000	5,969	41,531	47,500
Issue of shares at US\$0.03653	72,727,273	96,611	2,560,116	2,656,727
Exercise of warrant at US\$0.0134	1,250,000	1,671	15,079	16,750
Conversion of GBP 226,866 of Convertible loan notes including interest of GBP 14,379 at US\$0.0108	28,358,282	38,343	267,925	306,269
Issue costs	-	-	(160,857)	(160,857)
Prospectus costs	-	-	(240,904)	(240,904)
Cost of warrants	-	-	(404,163)	(404,163)
Foreign exchange	-	6,946	87,207	94,152
As at 31 December 2020	295,291,264	390,224	8,272,187	8,662,411

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.

On 15 April 2020 27,250,000 shares were allotted and issued at a price per Ordinary Share of GBP 0.008 (US\$ 0.01)

On 17 July 2020 4,750,000 shares were allotted and issued on conversion of GBP 38,000 of loan notes at a conversion price of GBP 0.008 (US\$ 0.01)

On 20 November 2020 72,727,273 shares were allotted and issued at a price of GBP 0.0275 (US\$ 0.03653). The Company had filed a prospectus which was approved in November 2020.

On 8 December 2020 1,250,000 shares were allotted and issued on exercise of warrants at an exercise price of GBP 0.01 (US\$ 0.0134)

On 18 December 28,358,282 shares were allotted and issued on conversion of various convertible notes at a conversion price of GBP 0.008 (US\$ 0.0108)

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18. Share based payments

Warrants

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

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

(iii) 26,785,713 Warrants were issued to subscribers to the placement on 15 February and 5 March 2019 along with 1,428,571 Broker Warrants. Each subscriber warrant entitled 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). **The 26,785,713 warrants were not recognised in the 2019 financial statements because the remaining life was only 3 months and the share price was trading at a significant discount to the exercise price. They expired during the year.**

(iii)(a) 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 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%

These warrants have not been recognised in the financial statements as their fair value was not considered material. **They expired 12 March 2021.**

(iv) .8p A warrants and 2.50 piggyback B warrants:

In April 2020 the Company granted 58,560,875 A Warrants exercisable at .8p on or before 28 April 2023. If the A warrant is exercised before 23 April 2021 the warrant holder would receive a full B warrant exercisable at 2.50p on or before 28 April 2023. 1,250,000 A warrants were exercised during 2020 and 57,310,875 are still outstanding. 1,250,000 B warrants were issued on exercise. (Refer to Note 22).

The fair value of US\$58,323 for the 58,560,875 A Warrants granted was calculated using the Black-Scholes pricing model. The inputs in the model are as follows and stated in pounds sterling:

	1p A warrants
Fair value of 1 warrant	0.00075

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Share price at the date of grant	0.008
Exercise price	0.01
Dividend yield	0%
Expected life, years (expire 28 April 2023)	2.33
Annual risk-free interest rate	0.072%
Volatility	42.54%

The fair value of US\$16,570 for the 58,560,875 piggyback B Warrants was calculated using the Black-Scholes pricing model. The inputs in the model are as follows stated in pounds sterling:

	2.50p B warrants
Fair value of 1 warrant	0.0002
Share price at the date of grant	0.008
Exercise price	0.025
Dividend yield	0%
Expected life, years(expire 28 April 2023)	2.33
Annual risk-free interest rate	0.072%
Volatility	42.54%

(v) 4.25p warrants

In December 2020 the Company granted 72,727,273 Warrants exercisable at 4.25p within 30 months (June 2023). The warrants contain an acceleration clause should the VWAP be 15p for 10 consecutive trading days.

The fair value of US\$329,269 for the 72,727,273 4.25p Warrants granted was calculated using the Black-Scholes pricing model. The inputs in the model are as follows stated in pounds sterling:

	4.25p warrants
Fair value of 1 warrant	0.0033
Share price at the date of grant	0.029
Exercise price	0.0425
Dividend yield	0%
Expected life, years	2.50
Annual risk-free interest rate	0.012%
Volatility	40.18%

Warrant Table:

Exercise price US\$ (pence)	Grant Date	Number Issued	Expired / exercised	Number outstanding	Average remaining contractual life Years	Weighted average exercise price US\$
0.16 (12p)	31 January 2018	4,169,996	(4,169,996)	4,169,996	-	
0.16 (12p)	31 July 2018	60,000,000	(60,000,000)	60,000,000	-	
0.033 (2.5p)	31 July 2018	2,146,000	(2,146,000)	2,146,000	-	
0.16 (12p)	31 March 2019	26,785,713	(26,785,713)	26,785,713	-	
0.037 (2.8p)	31 March 2019	1,428,571	-	1,428,571	0.25	
1p (US\$0.0125)	15 April 2020	58,560,875	(1,250,000)	57,310,875	2.33	
*2.5p (US\$0.03125)	15 April 2020	58,560,875	-	58,560,875	2.33	
4.25p(US\$0.057)	20 November 2020	72,727,273	72,727,273	72,727,273	2.41	
				190,027,594	2.35	2.73p (US\$0.373)

*Conditional upon exercise of A warrants before 28 April 2023.

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Share Options

In 2018 the Company granted 13,400,000 share options to directors and management exercisable at 2.5 pence for a period of 10 years from date of grant.

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

	2.5p share options
Fair value of 1 share option (US cents)	1.42
Share price at the date of grant (US\$)	0.033
Exercise price (US\$)	0.033
Dividend yield	0%
Expected life, years	10
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.

In 2019 the Company granted 2,600,000 share options to directors and management exercisable 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
Annual risk-free interest rate	0.55%
Volatility	100%

The amount of US\$ 56,000 calculated using the Black-Scholes model was expensed during 2019 .

In May 2020 the Company granted 2,725,000 share options to directors and management exercisable at .8 pence for a period of 10 years from date of grant.

The fair value of the 2,725,000 share options was calculated using the Black-Scholes pricing model. The inputs in the model are as follows:

	0.8p share options
Fair value of 1 share option (US cents)	0.01385
Share price at the date of grant (US\$)	0.01375
Exercise price (US\$)	0.01
Dividend yield	0%
Expected life, years	10
Annual risk-free interest rate	0.206%
Volatility	45.88%

The amount of US\$30,800 calculated using the Black-Scholes model has been expensed during the year .

The volatility 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 approximately US\$ 1,500.

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Share option Table:

Exercise price GBP (pence)	Grant Date	Number outstanding	Average remaining contractual life Years	Weighted average exercise price Pence
2.8p (US\$0.037)	06.11.2018	13,400,000	7.58	
2.5p (US\$0.033)	01.05.2019	2,600,000	8.33	
0.8p(US\$0.01)	05.05.2020	2,725,000	9.33	
Outstanding 31 December 2020		18,725,000	7.94	2.29 (US\$0.031)

19. 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, receivables and other current assets and trade and other 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\$ 2,191,730 (2019: US\$ 124,924). The Company and Group does not hold any collateral as security.

Market risk

Securities markets

Included in current assets are Financial assets at fair value through profit and loss comprising listed shares and unlisted warrants of a public company. Securities markets fluctuate, frequently on basis of uncontrollable macroeconomic and geopolitical developments. In addition there can be developments within the public company that can affect its market valuation. The Directors daily monitor the Company's public announcements and the liquidity of its shares in an effort to mitigate the financial impact of a sudden depreciation in their value.

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.

The net carrying amount of monetary assets and liabilities denominated in Botswana Pula at 31 December 2020 was approximately BWP 97,000 (2019; BWP 56,000) which is considered both representative but not material to this risk discussion; the carrying amounts of monetary assets recorded in GBP in the accounts of the Company were as follows:

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	31-Dec 2020 US\$	31-Dec 2019 US\$
Assets		
Current assets (carried in GBP)*	2,443,443	293,509
Liabilities		
Trade and other payables (carried in GBP)	<u>(58,998)</u>	<u>(101,121)</u>
Net exposure	<u>2,384,445</u>	<u>192,388</u>

- Includes cash and cash equivalents of US\$ 2,135,114 (2019 – US\$ 96,644)

A 10% increase / decrease in the USD:GBP exchange rate would result in a loss / profit of US\$ 238,444 (2019 - US\$ 19,238.)

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 sufficient funding 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.

Financial instruments measured at fair value

The fair value hierarchy of financial instruments measured at fair value is provided below. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identified assets or liabilities (level1);
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly (level 2);
- Inputs for the asset or liability that are not based on observable markets data (that is, unobservable inputs) (level 3).

Group

31 December 2020

	Level 1 US\$	Level 2 US\$	Level 3 US\$	Total US\$
Financial Assets at fair value through profit or loss				
Financial assets (fair value through the profit or loss)	234,086	-	54,737	288,823
	<u>234,086</u>	<u>-</u>	<u>54,737</u>	<u>288,823</u>

31 December 2019

	Level 1 US\$	Level 2 US\$	Level 3 US\$	Total US\$
Financial Assets at fair value through profit or loss				

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Financial assets (fair value through the profit or loss)	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

Company 31 December 2020

	Level 1 US\$	Level 2 US\$	Level 3 US\$	Total US\$
Financial Assets at fair value through profit or loss				
Financial assets (fair value through the profit or loss)	234,086	-	-	234,086
	<u>234,086</u>	<u>-</u>	<u>-</u>	<u>234,086</u>

31 December 2019

	Level 1 US\$	Level 2 US\$	Level 3 US\$	Total US\$
Financial Assets at fair value through profit or loss				
Financial assets (fair value through the profit or loss)	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

The Group does not have any liabilities measured at fair value. There have been no transfer in to or transfer out of fair value hierarchy levels in the period.

20. Commitments

The Group's license expenditure commitments are:

	Group	
	31-Dec 2020 US\$	31-Dec 2019 US\$
Within 12 months	987,000	1,123,000
Years 2-5	1,420,000	1,254,000
After 5 years	-	-
	<u>2,407,000*</u>	<u>2,377,000</u>

* Includes 50% of commitments of Kanye Resources (Pty) Ltd

At December 31, 2020 the Group had no contractual commitments with either geophysics or drilling companies

21. Related party transactions

Related Party Transactions during 2020 and 2019 include:

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- Technical and consulting services and administrative services provided to Kavango Minerals (Pty) Ltd by 3D Exploration Limited, a technical services company majority-owned by Hillary Gumbo. Mr Gumbo is a Director of Kavango Minerals (Pty) Ltd;
- Directors Fees for all Group companies and fees paid to the Corporate Secretary.

The following information summarises related party transactions:

	Currency	2020 US\$	2019 US\$
Included in capitalised Intangible assets:			
Costs billed by 3D Exploration (Hillary Gumbo)	USD/BWP	54,950	213,772

Directors and other fees

The following fees were paid or accrued in 2020:

- Michael Foster Directors Fees of GBP 40,000 (2019 – GBP 40,000)
- Douglas Wright Directors Fees of GBP 60,000 including lump sum payment of 20,000 (2019 – GBP 40,000)
- Hillary Gumbo GBP 24,000 and USD 21,000 (2019 – GBP 36,000) for acting as General Manager and Director of Kavango Minerals (Pty) Ltd and Director of Navassa Resources Ltd. The fees paid by Kavango Minerals (Pty) Ltd were capitalised in Intangible assets.
- John Forrest GBP 36,000 (2019 – GBP 36,000) as Corporate Secretary.

Net amounts receivable from (due to) related parties:

Douglas Wright	-	(16,666)
Michael Foster	-	(3,333)
John Forrest	-	(3,000)
		<hr/>
	-	(22,999)

Intragroup Loans	2020 US\$	2019 US\$
Kavango Resources plc to Kavango Minerals (Pty) Ltd	1,380,001	1,587,016
Kavango Resources Limited to Navassa Resources Limited	197,324	166,531
Navassa Resources Limited to Kavango Minerals (Pty) Ltd	1,988,517	1,973,517

22. Events after the reporting date

- GBP 530,608 was received from the exercise of A Warrants subsequent to 31 December 2020. The A Warrants expired on 28 April 2021.

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- (ii) On 20 April 2021 the Company announced a strategic relationship with Spectral Geophysics Ltd (Spectral) one of southern Africa's leaders in the use of ground-based remote sensing technologies to identify high-speed electromagnetic conductors at depth. Spectral has specialist knowledge and expertise in mapping subsurface geology beneath the Kalahari cover. For a period of 24 months Spectral will prioritise its technologies and equipment to concentrate efforts with the Company on the Kalahari Suture Zone.

In recognition of this important collaboration the Company has:

- (a) Paid Spectral a commitment fee of US\$ 125,000 ;
- (b) Issued 3,000,000 shares to Spectral at 3p each which are subject to a 12 month lock-up and;
- (c) Issued 3,000,000 warrants exercisable at 4.25p each. 1,000,000 warrants vest after completion of 5, 10 and 15 future surveys.