Company registration number: 10796849 (England and Wales)

KAVANGO RESOURCES PLC

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

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COMPANY INFORMATION

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David Smith, Non-Executive Chairman
Mathew Benjamin Turney, Chief Executive Officer
Brett Grist, Chief Operating Officer
Mike Moles, Founder & Non-Executive Director
Hillary Gumbo, Founder & Executive Director

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KEY HIGHLIGHTS

- Total assets – US$ 8,089,000 (2020 – US$ 6,846,000)
- Loss – US$ 1,743,000 (2020 – US$ 708,000)
- Successfully completed a Proof of Concept exploration program of four drill holes on the KSZ, despite the global challenges of Covid-19
- Strengthened Kalahari Copper Belt licence holdings
- Recruited new key personnel to all levels of the business
- Raised gross proceeds of £2,000,000

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 2021.

In purely financial terms, during 2021 the Group incurred a loss of US$ 1,743,000, equivalent to a loss of US $0.47 cents per share (2020: US$ 708,121, US$ 0.37 cents per share).

When Ben Turney and I joined the board at the start of the year, we rapidly identified the need to embark upon a period of change and development for Kavango. We saw the need to build upon the excellent work which had been carried out by the original team, while further increasing the levels of professionalism throughout the operations, particularly in the field in Botswana. Ben assumed the role of CEO in July, following Michael Foster's decision to retire, and I should like to take this opportunity to thank Michael for the very considerable contribution he made in establishing Kavango as a listed company.

Since that time we believe we have made significant internal progress in building a group which can justifiably claim to be working at a higher level than in the past and is fast becoming one of the leaders in mineral exploration in Botswana. Hillary Gumbo, one of the Founders of Kavango, finally joined the board of the parent company, giving the group greater access to his considerable technical expertise as a geophysicist, his experience of the region, and his strategic thinking. We have recruited and retained excellent field geologists, and established very positive and fruitful working relationships with consultants, drillers and surveying companies, several of whom are sufficiently motivated by our approach and our prospects that they are prepared to take a substantial element of their fees in Kavango shares, which helps to increase our reach in terms of fieldwork and drilling.

Through the recruitment of Tiyapo (Tipps) Ngiswanyi as our Botswanan Managing Director, we have continued to develop excellent connections with the key authorities in Botswana, such as the Ministry of Mines, as well as building the Kavango brand and reputation as a socially responsible operator through such measures as helping female participation at a local school and installation of solar power for a water well. And, although he did not join us until 2022, we were successful in securing the services of Brett Grist, a hugely experienced exploration executive, as our Chief Operating Officer, who has already begun to make a big difference to our capacity to take the Company forward.

In terms of our projects, 2021 saw us execute a technically complex drilling campaign in the Kalahari Suture Zone (KSZ), drilling four holes to a depth of up to around 1km, far deeper than has ever been achieved before in that area. While in some respects the results were inconclusive, the information we have obtained about the geology of that part of the KSZ has been extremely important in helping us understand the prospectivity of the region, and in the area of the so called Great Red Spot, we believe that the information we have obtained may have led us to identify a potentially even more exciting opportunity.

Our work in the Kalahari Copper Belt continued through 2021, through our joint venture with Power Metal Resources PLC, with whom we continue to enjoy an excellent, and we believe mutually beneficial, relationship. We look forward to working with our partners to devise a suitable drilling programme over the coming months, in advance of which we are working to gather as much exploration data as is practicable to prioritise the most attractive targets.

The world in which we are operating seems a very different place to the one in which Kavango was established and secured its listing, and we face considerably greater global uncertainties in so many ways. But we are confident that we are building a company which is capable of thriving in a difficult climate. I and my fellow directors are grateful to all our stakeholders for the support they give us and the faith they show in us, and we look forward to the remainder of 2022 and beyond with real optimism.

CHAIRMAN'S STATEMENT (continued)

I should like in particular to thank our shareholders, many of whom continue to show great loyalty in sometimes challenging times, and in particular our hard-working and dedicated staff in Botswana. Finally, I must thank my fellow directors for their continued support and commitment to Kavango and its development.

David Smith

13 June 2022

OPERATIONS REPORT

One of Kavango's strengths has been its commitment to investing in Botswana. While it is true the Company's operations needed some improvement, our local organisation proved to be a crucial advantage in delivering effective exploration over the course of 2021.

Despite the Pandemic running into its second year, Kavango was able to continue field operations largely uninterrupted. This allowed us to make a great deal of progress across our portfolio, at the same time as restructuring the Company from top to bottom.

Kavango has 14,605km^2 of ground which we consider is highly prospective, spread across three target areas; the Kalahari Suture Zone, the Kalahari Copper Belt and the Ditau Camp Project. This is a huge land package for a company of our size. We are primarily exploring for large-scale nickel, copper and rare earth deposits. The scale of the opportunity is immense. However, when David Smith and I joined the board in January 2021, it was quickly clear to us that Kavango required a significant overhaul to realise its potential.

The Company had raised £2million in November 2020, through our brokers First Equity and SI Capital. We began the year well financed, which provided the firm foundation to allow us to make comprehensive operational upgrades across the business.

A core focus area of mine was to strengthen our team. Kavango's projects are technically challenging and large-scale, spread over a wide area. Covering this much ground requires a sophisticated operational set-up, robust logistical support and the right team to deliver operational plans. To this end, we made a lot of personnel changes over the year. We improved our employment terms and practices, and introduced the Company's first staff training programmes. As a business, we seek to invest properly in the people we employ and to offer competitive packages in a tight labour market.

At the senior leadership level, John Lauderdale joined as our new Exploration Manager in May. John brought with him a wealth of exploration experience from projects across Africa. Meanwhile, Tipps Ngwisanyi moved over from his role as CEO of the Botswana Geological Institute to become our in-country Managing Director in August. These two hires in particular have underlined the progress Kavango has made and are testament both to the potential our Company offers and to our commitment to recruitment of the best talent available. Thanks to the persistent strength of metal prices, the recruitment environment is an exceptionally competitive environment, especially in a country as advanced as Botswana. Top talent commands premium wages, but the attractiveness of our project portfolio has proven to be a compelling draw for new staff.

Kavango's appeal as an exciting career opportunity was further underlined at the end of the year, when Brett Grist agreed to join Kavango as our new Chief Operating Officer. Brett's appointment has been invigorating to the plc, providing a stronger bridge between our work in the UK and our operations on the ground in Botswana. We have moved into 2022 with a renewed sense of drive and ambition.

Alongside the direct hires, Kavango also forged important new strategic partnerships during 2021. In April, the Company confirmed a technical partnership with Spectral Geophysics and its proprietor Cas Lotter. Spectral is one of Southern Africa's leading geophysical surveying companies and Cas has a commanding reputation in the industry. Roughly 70% of Botswana is covered by Kalahari sands, which have limited historic exploration. These sands cover most of our portfolio, so having access to Spectral's local technology and expertise is highly beneficial to Kavango's exploration strategy.

Then, in June, Kavango entered into a drill contract with Mindea Exploration & Drilling Services Pty to conduct a "proof of concept" drill campaign in the KSZ. Mindea is operated under the Botswana Citizen Economic Empowerment Policy and is co-owned by Equity Drilling Ltd. The principals of Equity Drilling are highly experienced, pan-African drillers. The relationship between Kavango and Mindea/Equity Drilling is strong, reflected by Mindea agreeing to accept half payment in Kavango equity for the drilling they have performed. Kavango has learned a lot from Mindea to improve its field operations and management. It's fair to say that without this support the drill campaign would not have been the success it was. We remain in discussions with Equity Drilling about a more substantial long-term commercial relationship and look forward to continuing our work together.

OPERATIONS REPORT (continued)

In July 2021, we raised a further £2 million, through First Equity. This was at 5.5p a share and represented a 0% discount on the prevailing share price. A hallmark of Kavango has been to manage its finances carefully, with tightly controlled director remuneration. We put every pound we can into the ground in Botswana and that is reflected by the progress we have made over the last 18 months.

Kalahari Suture Zone Project

In 2020 Kavango had developed an extensive 3D underground model of the Hukuntsi region of the Kalahari Suture Zone (the "KSZ"). This was based on a combination of magnetic and electro-magnetic data, sourced from regional and company surveys. While this model has potential to provide a significant advantage in mapping the subsurface geology of the KSZ, one its main limitations was the lack of available drill core from the region to act as a constraint on the assumptions that were inherently built in. The presence of thick sand cover over the KSZ and dearth of historic exploration holes meant there was little supporting physical data to guide Kavango's efforts in this endeavour.

Entering 2021, Kavango's primary objective in the KSZ was "Proof of Concept". In general terms, the Company set out to demonstrate that its exploration model could be relied upon and would justify significant future expansion. Given that Kavango's KSZ prospecting licences cover 8,153km^2, and with the limited budget the Company had spent previously on developing this project, this step was important before committing substantial new funds.

The objectives of the "Proof of Concept" campaign were (i) to retrieve core samples from the key target areas, providing physical evidence of the underlying geology, (ii) to test the accuracy of Kavango's geophysical models, including the 3D underground map, (iii) to validate Kavango's use of geophysical surveying techniques and technology and (iv) to demonstrate that the Company could successfully deliver its integrated exploration and drilling strategy on a larger scale.

Ultimately it was hoped that the physical drill core data would validate Kavango's geophysical modelling, hopefully in its entirety but at the very least in part.

Over the first four months of 2021, Kavango became the first company to deploy Time Domain Electromagnetic ("TDEM") surveys in the KSZ. Together with our strategic partner Cas Lotter and his company Spectral Geophysics, we ran 9 TDEM surveys over four target areas identified using the 3D underground model. This resulted in the identification of 3 clear drill targets (A2, B1 and C1).

TDEM is the gold standard technology in nickel exploration and is used to identified underground conductor targets. Kavango's basic exploration theory was that if we could identify any conductor targets, in the correct locations as projected by the 3D underground model (i.e. within modelled gabbros), then these would become targets for test drilling. Of course, there is a lot more nuance to this approach and other factors come into play, such as the conductance of the target, its size, its shape, its orientation and its position within the stratigraphy.

Overall this is complex work, done at surface, located some distance from the proposed target areas with little supporting physical evidence to assist us. The risks are high, but so are the rewards.

To this end, with the TDEM surveys underway in February, Canadian geophysicist Jeremy Brett was introduced to the Company. Jeremy is a well-known expert in the industry, who previously worked on the KSZ 20 years ago. Jeremy has worked on numerous nickel-copper exploration projects during his career. His experience has proven to be vital in enhancing Kavango's use of sophisticated remote-sensing technology and interpretation of data. The improvements he's helped implement in the business have been transformational.

By the middle of Q2, Kavango was ready to start preparing the next phase of the "Proof of Concept" campaign, namely drilling.

The original drill campaign was planned to test 2 conductor targets at 500m each. However, as drilling got underway, and more results came in from the field, the scope of this quickly expanded.

Metals exploration is data driven and thanks to the £2,000,000 placing we conducted in July with First Equity, Kavango had sufficient funds to pursue a more ambitious programme.

OPERATIONS REPORT (continued)

In summary, the drill programme was a big success for Kavango and ran to 3,200m, with 99% core recovery. The headline results are summarised below:

- TA2DD001 – drilled to a depth of 578m, targeting the A2 Conductor (3,000 Siemens). Difficult ground conditions meant the hole was cased to 393m. The A2 Conductor was modelled to be between 356m and 375m. The Downhole Electromagnetic ("DHEM") survey was unable to penetrate the casing, meaning the Company has not been able to confirm the conductive source of the A2 Conductor. Kavango intends to revisit this target in future.

- TA2DD002 – drilled to a depth of 1,001m. This geological hole targeted the centre of a magnetic anomaly. A DHEM survey was performed to 780m, which indicated the presence of an off-hole conductor. The dimensions of this could not be modelled. The heat in the hole obstructed further attempts to conduct deeper DHEM surveys to gather data to enable us to model the off hole conductor accurately.

- KSZDD001 – drilled to a depth of 1,000m. This geological hole targeted the modelled peak of the "Great Red Spot" magnetic anomaly. Because of the fractured nature of the ground and the presence of closing muds it was not possible to complete a DHEM survey on this hole.

- KSZDD002 – drilled to a depth of 650m, targeting the B1 Conductor (8,000 Siemens. Ground conditions made this the most difficult hole to drill in the campaign, but two DHEM surveys were performed. The second DHEM survey, performed at target depth of the original modelled B1 Conductor, revealed that rather than a single conductor being present instead there were two separate conductive bodies (16,000 Siemens and 2,500 Siemens) which KSZDD02 had passed between.

Perhaps the biggest surprise to the Company was the intersection of Proterozoic gabbro extracted from Hole TA2DD002.

Petrological and assay testing confirmed the potential of the Proterozoic gabbros to host Ni-Cu-PGE sulphides. This opened up a second target horizon for Kavango in the KSZ.

Results also confirmed the accuracy of our magnetic model, with the Proterozoic gabbro twice being intercepted at nearly the exact depth the model predicted in two separate holes (TA2DD002 and KSZDD001). Meanwhile, electrical conductivity measurements by Kavango's field teams on core samples from the drill campaign confirmed the TDEM technology is the right surveying equipment to identify high-speed conductors.

The success of the "Proof of Concept" drill campaign positions Kavango well for the next phases of exploration in the KSZ. This will see it deploy a more extensive TDEM campaign, guided by the updated 3D underground model to identify high-priority drill targets in either the Karoo or Proterozoic gabbros, which it will further refine prior to initiating the next phase of drilling. We will frame this as a "target acquisition" phase of exploration.

Given the limited TDEM coverage over the KSZ, Kavango's plans to conduct much more extensive and comprehensive TDEM campaigns make sense. The objective will be to identify as many conductor targets as possible that are positioned within or immediately in the vicinity of Karoo and/or Proterozoic gabbros, as modelled by the company's updated 3D underground model (which has now been drill tested, as described above). Kavango will rank any conductor targets as it identifies them, with a view to planning more extensive drilling to follow thereafter.

Kalahari Copper Belt (the "KCB")

Kavango's strategy in the KCB is to identify conductive targets and to complete follow up investigation, using other proven exploration methods including geological mapping and testing of soil geochemistry through extensive sampling. Sedimentary horizons hosting copper/silver mineralisation in the KCB are known to be conductive. AEM surveys are a recognised and tested exploration method for identifying high priority drill targets. The correlation of anomalous zinc and copper soil geochemistry values to positive AEM results is a highly encouraging exploration vector.

OPERATIONS REPORT (continued)

Kavango's interests in the KCB are held in two joint ventures:

Kanye Resources

- 50% working interests in 10 prospecting licenses held in a Joint Venture with Power Metal Resources (LSE:POW), which cover 4,257km^2, including the South Ghanzi Project Prospecting Licences ("PLs")

The LVR Project

- Right to earn into a 90% working interest in prospecting licenses PL082/2018 & PL 083/2018, held in a Joint Venture with LVR GeoExplorers (Pty) Ltd ("LVR"), which cover 809km^2.

In February 2021, Kavango initiated a series of Airborne Electromagnetic ("AEM") surveys covering a total of 2,389-line kilometers over the South Ghanzi Project (1,173 line km) and LVR Project (1,216 line km). Subsequent analysis of data gathered from the AEM surveys confirmed correlation with the Company's interpretation of the regional geological structures and other exploration activities.

In August 2021, Kavango led the acquisition of eight further prospecting licences into Kanye Resources for a total of $430,000. These include PL108/2020, PL109/2020, PL110/2020, PL111/2020, PL046/2020, PL049/2020, PL052/2020 and PL053/2020, The acquisition of these PLs took Kanye Resources' total holding in the KCB to 4,257km^2.

The South Ghanzi Project PLs lie within the Central Structural Corridor of the KCB immediately south of the town of Ghanzi. Given Kavango's understanding of the regional lithology and stratigraphy of the KCB, we are optimistic about the progress we have made in South Ghanzi. Specifically, the identification of a number of smaller anticlines associated with conductors suggests there are seven large, promising drill targets at South Ghanzi.

Following subsequent field work, Kavango's priority areas of interest in the KCB are:

PL036/2020 (South Ghanzi Project) – The geology here is prospective, consisting of a mapped redox horizon on the southern limb of the Acacia anticline. Geological mapping on the northern PL boundary also shows slivers of Ngwako Pan formation within the D'kar. Work has commenced, from west to east, to follow up (through 400m x 50m close-spaced infill soil sampling lines) on a combination of mapped geological contacts, previous anomalous values, and geophysically interesting areas, to identify if a significant geological anomaly exists. A series of longer lines on a 2000m spacing will also be implemented, aimed at ensuring that comprehensive coverage is achieved across 036/2020, (in case there is a presently unmapped structural repetition); on any targets that are identified infill follow-up will be carried out.

PL082/2018 (LVR Project) - Mapping of the area suggests that it is underlain by the D'kar Formation, but higher in the formation than has been the traditionally recognised zone to host mineralisation, i.e., significantly distant from the contact zone where mineralisation is expected. Nonetheless, alteration and minor sulphide have been observed. In addition, AEM suggests the presence of dome structures at depth. A rapid validation programme that enables us to decide on whether the area has merit will be implemented. Prior to commencement of the soil sampling programme a validation exercise is underway which if successful will allow previous data to be integrated, reducing sampling needed. Dependent on results either the southwest half or the entire PL will be comprehensively covered on an 800m x 50m grid.

PL052/2020 and PL049/2020 Mamuno (South Ghanzi Project)– Selected portions of these licences are being geologically mapped, as are sections of the two other licences to the west. Mapping indicates that only the two licences to the east have the required contact/primary redox zone near surface. The mapped outline of this contact suggests the presence of parasitic folds/thrusts around the hinge of the major anticline. This setting has been known to host significant mineralisation as at Sandfire's T3 and A4 deposits.

In the west any potential would have to be at significant depth and where suitable structures exist. Initial soil sampling of the two eastern licences will take place on an 800m x 50m grid, over the mapped northern contact. Subject to results, this programme expects to be widened further along the projected primary target zone. The rapid

OPERATIONS REPORT (continued)

assessment and plotting of results will enable variable background thresholds to be established as cover increases, which is expected as the programme moves westward.

A work programme has been initiated, focussed to begin with on licences 036/2020 and 082/2018, on which targets have already been suggested, but which require to be validated and possibly refined (by identifying 'tightly defined' targets and ranking) to maximise the opportunity for exploration success. Through this focus the aim is to reduce the need for what would otherwise be a large (and costly) drill program. Work is expected to consist of an infill soil sampling programme on 036/2020, followed up (if justified) by percussion drilling of fences of holes. A similar programme will also be carried out on 082/2018. In parallel with this, external teams will be used to increase capabilities so that a first phase of soil sampling may be carried out on the Mamuno licences.

As 036/2020 and the Mamuno licences are part of a JV, the partner will be invited to review the work programme. Work will be rapidly implemented. Subject to successful results, then a subsequent drill programme consisting of fences of (probably RC) holes may be used to test anomalies and locate/validate mineralisation. If results are positive this would then be followed up by diamond drilling to determine structure and potentially home-in on the focus of mineralisation.

Ditau

Exploration at Ditau was limited over the course of 2021, as Kavango focussed primarily on the KSZ and KCB. Some survey work was completed over the Ditau PLs, which contributed towards final identification of drill targets for the drill programme that commenced in April 2022. This drill programme is designed to test 3 of these 12 targets (i1, i8 and i10) with up to 2,400m of diamond core drilling.

Kavango's original exploration model at Ditau focussed on 12 geophysical targets, which the Company believed represented potential "ring structures" and could be prospective for rare earth elements and base metals. As with the KSZ, the Ditau PLs are covered by relatively thick sand cover that obscures the regional geology from view. As such the current Ditau drill programme is expected to provide important physical geological data to guide future exploration.

To this end, and as of writing this report, the Company has already noted the precious metal potential at the i10 target and is actively pursuing this as an exploration lead.

To the Kavango team and shareholders

I would like to end this operational report by offering heartfelt thanks to all the Kavango team, who have worked so hard over the last 18 months to build the business we have today. It is difficult to communicate quite how much effort, dedication and creativity has gone into this company.

I have the highest expectations that your sterling efforts will soon be richly rewarded. We have potentially highly prospective ground to explore, and I am firm in my belief you are the right people to make major metal discoveries. You have my full confidence and support.

To our shareholders, I would like to thank you directly. We honour and respect the trust you have shown in us, and I can assure you we are working as hard as we possibly can to deliver substantial returns to you.

Matthew Benjamin Turney
Chief Executive Officer
13 June 2022

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 with considerable practical experience of corporate governance, regulatory and compliance issues, and having 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.

Matthew Benjamin ("Ben") Turney *(Chief Executive Officer)*
Ben is an experienced participant in London's small cap financial markets, having previously worked as an investigative writer and shareholder advocate, covering both the UK and North America. He joined Kavango's board in January 2021 and since then has played the lead role in the Company's turnaround. Ben has led all capital raises and managed shareholder relations. He has made key hires to the business, recruited strategic partnerships and restructured all operations in Botswana and London. Ben has played a crucial role in upgrading the Company's exploration strategy and has worked with the board to deliver the Company's strategy.

Brett James Grist *(Chief Operating Officer)*
Brett graduated in Mining Geology from the Royal School of Mines, and has spent more than 20 years in mineral exploration and development across Africa, the Middle East and Europe, covering base and precious metals, for companies including Reunion Mining and CASA Mining. He has played a leading role on a range of projects, including in advancing from early exploration through resource definition, feasibility, and into development. Brett is an FAusIMM with CP status.

Hillary Nyakunengwa Gumbo *(Executive Director)*
Hillary was born in Matobo district of Zimbabwe in 1962. He graduated from the University of Zimbabwe (UZ) with a BSc in Geology and Physics (Honours) in 1984. In 1986, he graduated with an MSc Exploration Geophysics (UZ). He worked for Zimbabwe Mining Development Corporation from 1986 to 1990 when he joined Reunion Mining (Zimbabwe) Ltd 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, Zimbabwe, Maligreen gold deposit and many kimberlites in Zimbabwe. In 2009 he setup 3D Earth Exploration in Botswana, a geophysical contracting and consulting company. In 2011, with Mike Moles he set up Kavango Minerals to explore for iron ore and base metals in Botswana. He is a Zimbabwean citizen, with Botswana residence status.

Charles ("Mike") Michael Moles *(Non-Executive Director)*
Mike has a BSc (Geology) and a BSoc Sci (African Studies). He has 32 years' experience in mineral exploration in southern Africa. Initially with 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 of Kavango Minerals.

STRATEGIC REPORT

The Directors present their strategic report on the group for the year ended 31 December 2021.

Principal Activity

Kavango Resources Plc ("the Company") is a public limited company which is listed on the main market of the London Stock Exchange and incorporated and domiciled in the United Kingdom. Its registered address is 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 ("Kavango Botswana"). Navassa is registered and domiciled in Mauritius while Kavango Botswana is registered and domiciled in Botswana. The Company is also a joint-venture partner with Power Metal Resources Plc ("POW"), an AIM-listed metals exploration company, in Kanye Resources (Pty) Ltd and Kanye Resources Plc, companies registered and domiciled in Botswana and the United Kingdom respectively.

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

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 6 to 10.

On 23 May 2022 the Company completed the placing of 25,000,000 new Ordinary Shares and raised gross proceeds of £750,000. 25,000,000 warrants will be issued to all placing participants, exercisable at 5p per share for a period lasting until 31 December 2023.

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.

Strategic risk

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

Concentration risk

The Group has one core exploration asset being licences covering the Kalahari Suture Zone (KSZ) Project. This is a large area, approximately 9,000km^2, which mitigates against this risk to a degree. Nevertheless, the Board understands the importance of regularly reviewing its strategy of focusing on one area and of regularly assessing other opportunities in the Botswana market. In this regards the Group has diversified its exploration portfolio in Botswana by entering into joint ventures to earn interests in prospecting licences in the Kalahari Copperbelt (KCB) and at the Ditau Project.

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.

STRATEGIC REPORT (continued)

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.

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.

STRATEGIC REPORT (continued)

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 22 to the financial statements, the Group's business is subject to risks relating to the financial markets and commodity markets. The buoyancy of both the aforementioned markets can affect the ability of the Group to raise funds for exploration. The Group has identified certain risks pertinent to its business including:

Strategic and Economic:
- Business environment changes
- Limited diversification

Operational:
- Difficulty in obtaining / maintaining / renewing Licences / approvals

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

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

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

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

Key performance indicators

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

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

STRATEGIC REPORT (continued)

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 (except for shares issued to Spectral Geophysics Ltd as part of a partnership agreement which were subject to a 12 month lock which ended in April 2022) 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 2021:

- **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 accelerate 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.

STRATEGIC REPORT (continued)

- **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 and bribery. Wherever possible, local communities are engaged in the geological operations and support functions required for field operations, providing much needed employment and wider economic benefits to the local communities. In addition, we follow international best practise on environmental aspects of our work. Our goal is to meet or exceed standards, in order to ensure we obtain and maintain our social licence to operate from the communities with which we interact. Examples of our social projects have included support to a local school and installation of a solar powered water well pump.

This Strategic Report was approved by the Board of Directors and is signed on its behalf by:

Matthew Benjamin Turney
Director
13 June 2021

DIRECTORS' REPORT

The Directors present their annual report on the affairs of the Group and Company, together with audited financial statements, for the year ended 31 December 2021. The Corporate Governance Report set out on pages 24 to 33 forms part of this report.

Review of business, future developments

A review of the current and future development of the Group's business are included in the Strategic Report.

Subsequent events

Details of subsequent events after the year end are disclosed in note 25 to the financial statements.

Dividends

The Directors do not propose a dividend in respect of the year ended 31 December 2021 (2020: none).

Directors

The Directors of the Company who served during the year and up to the date of signing this report are as follows:

Charlies Michael (Mike) Moles	
David Smith	(appointed 11 January 2021)
Matthew Benjamin (Ben) Turney	(appointed 11 January 2021)
Hillary Gumbo	(appointed 24 June 2021)
Brett Grist	(appointed 7 February 2022)
Michael Foster	(resigned 31 December 2021)

Directors' interests in the ordinary share capital of the Company at the date of this report are disclosed within the Directors Remuneration Report.

Use of financial instruments and financial risk management

Details of the use of financial instruments and associated risk management by the Group are included in note 22 to the financial statements.

Substantial shareholders

As of 31 December 2021 the Company had been notified, in accordance with chapter 5 of the Disclosure Guidance and Transparency Rules, of the following voting rights of 3% or more in its issued share capital:

Party name	Number of ordinary shares	% of share capital
Jarvis Investment Management Nominees*	53,068,429	13.1%
Hargreaves Lansdown Nominees*	50,969,134	12.5%
Interactive Investor Services Nominees*	36,999,679	9.1%
AJ Bell Nominees*	26,137,866	6.4%
Barclays Stockbrokers Nominees*	18,650,366	4.6%
Hillary Gumbo	16,520,137	4.1%
Halifax Share Dealing Nominees*	16,349,378	4.0%
Peter Anderton	13,492,500	3.3%
Jose Medeiros	13,492,500	3.3%
Total	245,679,989	60.4%

**Nominee shareholder; not beneficial owner.*

Capital structure

Details of the capital structure of the Company are included in the Strategic Report and note 18 to the financial statements.

DIRECTORS' REPORT (continued)

Greenhouse gas emissions and energy use

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. Examples of actions on this include installation by the Company of a solar powered water pump.

The Group is exempt from the Streamlined Energy and Carbon Reporting (SECR) requirements since its energy consumption is less than 40,000 kWh per annum.

Going concern

The consolidated 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 the Group has funds to meet its planned exploration expenses over the next 12 months from the date of approval of these financial statements

In assessing whether the going concern assumption is appropriate, the Directors have considered 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 stress-tested the Group's cash flow projections and to ensure that the Group can sustain the minimum level of exploration spending that is required as part of licence conditions and minimum corporate overheads. The Directors also considered the potential for continuing warrant exercises and the ability to raise new funding, noting the increase in global economic uncertainty in 2022, whilst maintaining an acceptable level of cash flows for the Group to meet all commitments. As disclosed in note 25, the Group raised £750,000 in May 2022. The Directors noted the decreasing impact of the Covid-19 pandemic which allowed the Group to resume its operations at full pace.

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.

Political donations

The Group made no political donations during the year (2020: none).

Auditors and disclosure of information to auditors

Each Director in office at the date of approval of this report has confirmed that:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditors 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 auditors are aware of that information.

The Group's auditors, PKF Littlejohn LLP, have indicated their willingness to continue in office and, on recommendation of the Audit Committee, a resolution that they should be re-appointed will be proposed at the annual general meeting of the Company.

This Directors' Report was approved by the Board of Directors on 13 June 2022 and is signed on its behalf by;

Matthew Benjamin Turney
Director

DIRECTORS' REMUNERATION REPORT

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

Chair's statement

During the year to 31 December 2021 it was agreed by the Board of Directors that, given the size of the Company and its Board, it would be most appropriate for remuneration matters to be considered by the full Board of Directors, with the Executive Directors abstaining from decision making where potential conflicts arose. Accordingly, any matters which were formerly within the ambit of the Remuneration Committee will now be addressed by the Board of Directors.

Statement of policy on Directors' remuneration

At the AGM in 2021 the shareholders of the Company adopted a formal remuneration policy as laid out below. For the time being, all references to the Remuneration Committee should be read as referring to the Board, which will consider all remuneration matters

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 2021 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 Board 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 Board 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 was approved by shareholders at the Annual General Meeting held on 24 June 2021.

Directors' remuneration

The Directors who held office during the year and their appointment dates are listed in the Directors' Report on page 17.

Directors' service contracts

All Directors have rolling service contracts with the Company which have notice periods of no more than 12 months on either side. Contracts are available for inspection at the Company's Registered offices.

DIRECTORS' REMUNERATION REPORT (continued)

Remuneration components

For the year ended 31 December 2020 fees and share incentive arrangements were the sole component of remuneration for all directors. The Board considered the components of Directors' remuneration during the year and following this review the fees offered to Directors for the year ended 31 December 2021 consisted of a mix of:

- Salaries and fees (which in the case of Mike Moles were settled by issue of shares); and
- Share incentive arrangements.

Directors' emoluments and compensation (audited)

Set out below are the emoluments of the Directors for the year ended 31 December 2021:

	Year to 31 December 2021							
	a. Salary	b. Taxable benefits.	c. Other items in nature of remuneration (incl annual bonus).	d. Long-term incentive awards).	e. Pension related benefits.	**Total**	g. Total Fixed Remuneration:	h. Total Variable Remuneration:
Ben Turney[1]	$89,419	-	-	-	-	**$89,419**	$89,419	-
David Smith[1]	$53,828	-	-	-	-	**$53,828**	$53,828	-
Mike Moles[2]	$16,508	-	-	-	-	**$16,508**	$16,508	-
Hillary Gumbo[3]	$18,700	-	-	-	-	**$18,700**	$18,700	-
Former directors who served during the year								
Michael Foster[4]	$57,778	-	-	-	-	**$57,778**	$57,778	-

[1] Ben Turney and David Smith's remuneration is in respect of the period for their appointment on 11 January 2021.
[2] It was agreed that Mike Moles would be paid £2,000 per month from July 2021, to be settled in new issue shares.
[3] Hillary Gumbo's remuneration is in respect of the period from his appointment on 24 June 2021.
[4] Resigned 31 December 2021.

For comparison the emoluments of the Directors who served during the year ended 31 December 2020 are set out below:

	Comparator data – year to 31 December 2020							
	a. Salary	b. Taxable benefits.	c. Other items in nature of remuneration (incl annual bonus).	d. Long-term incentive awards).	e. Pension related benefits.	**Total**	g. Total Fixed Remuneration:	h. Total Variable Remuneration:
Mike Moles	-	-	-	-	-	**$0**	**$0**	-
Former directors who served during the year								
Michael Foster	$51,348	-	-	-	-	**$51,348**	**$51,348**	-

There were no awards of annual bonuses or vesting of 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.

DIRECTORS' REMUNERATION REPORT (continued)

Total pension entitlements (audited)

During the year ended 31 December 2021, the Company did not have any pension plans for any of the Directors and did 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 and for loss of office (audited)

The Company has not paid any compensation to past Directors or for loss of office during the year.

Michael Foster ceased to be a director on 31 December 2021. Michael holds share options as outlined below which remain exercisable up to the end of their full term.

Directors' interests in share options as at 1 January 2021 (audited)

The Directors' interests in share options at the beginning of the financial year or, if later, on the date of the appointment of the person as a director of the company, are presented in the table below.

Director	Interest type	Date of Grant	Exercise price	Number outstanding at 31 December 2021	Subject to performance measures?	Vesting date	Expiry date
Hillary Gumbo	Option	06/11/2018	£0.025	2,400,000	No	06/11/2018	04/11/2028
	Option	01/05/2019	£0.025	2,800,000	No	01/05/2019	01/05/2029
	Option	01/05/2019	£0.028	500,000	No	01/05/2019	01/05/2029
	Option	05/05/2020	£0.08	500,000	No	05/05/2020	05/05/2030
Mike Moles	Option	06/11/2018	£0.025	2,400,000	No	06/11/2018	04/11/2028
	Option	01/05/2019	£0.025	2,800,000	No	01/05/2019	01/05/2029
	Option	01/05/2019	£0.028	500,000	No	01/05/2019	01/05/2029
	Option	05/05/2020	£0.08	500,000	No	05/05/2020	05/05/2030
Former directors who served during the year							
Mike Foster	Option	06/11/2018	£0.025	2,400,000	No	06/11/2018	04/11/2028
	Option	01/05/2019	£0.025	2,800,000	No	01/05/2019	01/05/2029
	Option	01/05/2019	£0.028	500,000	No	01/05/2019	01/05/2029
	Option	05/05/2020	£0.08	500,000	No	05/05/2020	05/05/2030

DIRECTORS' REMUNERATION REPORT (continued)

Share scheme interests awarded during the year (audited)

The following new share options were awarded to Directors during the year ended 31 December 2021. In each case the options have a 7 year term. No share options were exercised by Directors during the year.

Director	Grant Date	Number of shares under option	Option exercise price	Share price hurdle/Performance Criteria	Minimum service period
Ben Turney	9/02/2021	2,000,000	£0.033	None	50% vest no earlier than 12 months from grant and 50% vest no earlier than 24 months from grant
Ben Turney	10/08/2021	4,500,000	£0.075	Exercisable only once the Company's share price has closed at not less than 15 pence on five trading days	50% vest no earlier than 12 months from grant and 50% vest no earlier than 24 months from grant
David Smith	9/02/2021	1,500,000	£0.033	None	50% vest no earlier than 12 months from grant and 50% vest no earlier than 24 months from grant
Hillary Gumbo	10/08/2021	1,000,000	£0.075	Exercisable only once the Company's share price has closed at not less than 15 pence on five trading days	50% vest no earlier than 12 months from grant and 50% vest no earlier than 24 months from grant

Following the year end the Board has committed to issue options to David Smith and Brett Grist which will be issued in July 2022 subject to shareholder approval of an increase to the self-imposed options headroom, to be requested at the 2022 AGM.

Directors interests in the share capital of the Company:

The table below shows the Directors interests in shares and warrants, including those held by connected persons, as at year end.

Although there are no shareholding guidelines for Non-Executive Directors, they are each encouraged to hold shares in the Company. The Company facilitates this by offering Non-Executive Directors the ability to purchase shares quarterly using their post-tax fees. During the year ended 31 December 2021, Mike Moles received shares in full or part satisfaction of his fees.

Name of Director	Number of ordinary shares held 31 December 2021	Number of ordinary shares held 1 January 2021*	Number of warrants held 31 December 2021	Number of warrants held 1 January 2021*
Ben Turney	3,672,727	3,672,727	7,460,228	6,732,954
Hillary Gumbo	16,520,137	16,520,137	2,625,000	2,625,000
David Smith	173,939	173,939	-	-
Mike Moles	12,555,253	11,601,413	841,137	477,500
Former directors who served during the year				
Michael Foster	12,422,266	9,976,391	2,445,872	2,445,875

*Or date of appointment, if later.

DIRECTORS' REMUNERATION REPORT (continued)

Consideration of employment conditions elsewhere in the Group

The Directors have not consulted with employees about executive pay but consider 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 the Directors have not considered it necessary to include such information.

Other matters

The Company does not currently have any annual or long-term incentive schemes in place for any of the Directors, other than the share options disclosed above and as such there are no additional disclosures in this respect.

Approved by the Board on 13 June 2022.

David Smith
Chairman

CORPORATE GOVERNANCE

This report forms part of the Strategic Report.

The Directors of the Company are listed on page 3. In addition, the following Directors are also directors of the Company's subsidiaries: Hillary Gumbo and Mike Moles are directors of Kavango Minerals (Pty) Ltd and Navassa Resources Ltd; Ben Turney is a director of Kanye Resources Plc; and Brett Grist became a director of Kavango Minerals (Pty) Ltd on 11 February 2022. 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, looks to comply with the Quoted Companies Alliance Corporate Governance Code (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 Board currently has only one independent non-executive director, but has agreed to commence the process of searching for an additional independent director to join the Board.

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 inappropriate, given the size of the Company and the limited scope of its activities.

The Board do not consider an internal audit function to be required given the size of the Company and relatively limited number of transactions.

A diversity policy as applied to the Company's administrative management and supervisory bodies has not yet been developed but biographies of Directors and senior management and their relevant experiences are set out on page 11.

Board evaluation was not completed because of significant changes to Board composition during the year.

The Company will provide updates on its 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 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 Operations Report and the Strategic Report.

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

CORPORATE GOVERNANCE (continued)

a) 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 and advancing these. Consequently we:

- use our expertise to identify those areas with potential for discovery of economically feasible deposits;
- assess the business environment of Botswana and its attractiveness for prospecting and eventual mining operation; and
- 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 this by:

- Reviewing existing exploration data;
- Establishing close in-country partnerships and financing for our projects;
- Applying the most appropriate cost-effective exploration techniques in order to determine whether furtherwork, 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.

b) Key challenges include:

- Technical risk; the risk of not being successful in finding a mineral deposit. This is minimised by a combination of selection of favourable ground, use of appropriate exploration methods, and employment of skilled personnel.
- Social licence to operate; the risk that exploration results in negative community response. This is minimised by carrying out consultation ahead of work, ensuring that open routes of communication are established, and by being part of the community; maximising local benefits such as employment and minimising negative impacts.
- Availability of funding; this is significantly mitigated by the employment of senior personnel who are able to identify opportunities for funding, where possible on equitable terms for the company.
- Availability of personnel; shortage of suitable team members, or issues with retention. The Company has to compete with other mining industry employers. It has been successful in offering a range of interesting employment on attractive financial terms to its employees. The Company has also formed a partnership with the University of Botswana and is keen to nurture early talent.
- Risks to the Company's Prospecting Licences; risk of cancellation. Botswana has a clearly stated mining law, which sets out requirements for applying for and maintaining Prospecting Licences. The Company continuously monitors its licences for compliance and maintains dialogue with the mines department.
- Political Risk; Botswana has historically had a stable government. The next elections are scheduled for 2024.
- Pandemic; the risk of being unable to pursue exploration due to spread of a pandemic. Kavango was only moderately affected by the Covid-19 epidemic due to a high focus on employment of Botswana nationals, avoiding impact of international travel restrictions. In country, appropriate health controls were put in place that met and went beyond mandatory requirements, reducing the risk to personnel.

c) 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.

CORPORATE GOVERNANCE (continued)

Private shareholders

Subject to any potential future Covid-19 restrictions, the AGM continues to be a forum for dialogue between retail shareholders and the Board. The Notice of Meeting is sent to shareholders at least 21 days before the meeting. Subject to any Covid-related travel restrictions all Directors will endeavour to attend the AGM and be 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 (corporate@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 presentations are 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 through events such as Mines and Money and the 121 Group. We also have ad-hoc meetings with our shareholders via conference calls 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 is available to meet with major shareholders if required to discuss issues of importance to them and is 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. The operational team make contact with landowners and residents prior to commencing work in an area, and aim to maintain open dialogue. Regular briefings and meetings are held with in-country government officials from the Ministry of Mineral Resources, Green Technology and Energy Security.

Employees

We maintain only a small permanent staff in the UK and Botswana. Employee engagement with the Directors is frequent with regular calls held with the in-country management. In addition, when Covid-19 was less prevalent, a Chief Operating Officer visited each of the project sites and met the employees. In-country management arranged a seminar day for all the team members, where a frank two-way sharing of the Company's aims was achieved, coupled with coaching of the team.

Corporate Culture

We empower our employees to work in a mutually respectful and safe environment where they can make suggestions and contribute to the Company's success. Example interactions include health and safety and technical items. The Company is keen to support its workforce, providing training to expand capabilities, and favourable working terms that include support for healthcare. The Company is still at an early stage, but has already developed a culture for our in-country operations where employees are mutually respectful, and where gender or ethnicity are no barrier to progression. Two of the senior geological team are female.

CORPORATE GOVERNANCE (continued)

Local partners and communities

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

We are mindful of our obligations to the local environment and operate to high levels of health and safety in respect of both our local workers and the local community. Employee training focuses on operating safely and considerately in these communities. Engagement with local communities is dependent on jurisdiction and the stage of exploration but is typically by public forum or with local or regional leaders, including site visits and workshops. Social projects in the local communities are dependent on local needs and also the stage of exploration/level of project investment. Examples of our social projects have included support to a local school and installation of a solar powered water well pump.

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 controls

(i) Financial controls

The Company has a framework of internal financial controls, the effectiveness of which is regularly reviewed by the Directors and the Audit and Risk 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 and Risk Committee assists the Board in discharging its duties regarding the financial statements, accountingpolicies 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.

CORPORATE GOVERNANCE (continued)

(ii) 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 Directors;
- An organisational structure with defined levels of responsibility, which promotes entrepreneurial decision-making and rapid implementation while minimising risks; and
- Central control over key areas such as capital expenditure authorisation and banking facilities.

The Company regularly reviews the effectiveness of its system of internal control, whilst also having regard to its size and the resources available, and extensive improvements to its internal controls were implemented during the year. 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. A register of Conflicts of Interest is maintained. Standard Operating Procedures have been developed for any high safety risk activities, and Risk Assessments are carried out for new activities. Safety Performance is measured through key metrics. All employees are made aware on joining of their obligations under anti-bribery and corruption legislation, and this is also reflected in the Company's key contracts.

The Company's risk appetite and risk tolerance are outlined on pages 12 to 14 of the Strategic Report.

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

During the year the Board comprised the Non-Executive Chairman, three Executive Directors and two Non-Executive Directors. David Smith is Non-Executive Chairman, while Mike Moles acts as a Non-Executive Director. Michael Foster stepped down from the Board on 31 December 2021. Both continuing Non-executive Directors have extensive relevant experience in the mining industry, a qualified lawyer working in the sector and an experienced geologist, respectively.

The Directors seek to keep their skills up to date through continuing professional development and attending relevant courses. Directors from a technical discipline are encouraged to maintain professional accreditation.

The Board is working to improve 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. The Board is working to further augment the independent Directors. All Directors are encouraged to use their independent judgement and to challenge all matters, whether strategic or operational, as they feel appropriate.

The Company Secretary provided support to the Board on further enhancing compliance with the QCA Code. They also provided on-boarding training to a newly appointed director, and in FY2022 will provide training to the wider Board. They also provide regular updates on changes to the regulatory environment.

The non-Executive Chairman sits on the Audit and Risk Committee.

The Board met monthly during the year. The agenda is set by the Company Secretary in consultation with the Chairman and Chief Executive Officer. The standard agenda points include:

- Review of previous meeting minutes and actions arising therefrom;
- Reports by the Executive Directors covering operational and financial matters; and
- Any other business including update of Register of Conflicts.

CORPORATE GOVERNANCE (continued)

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.

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. Employer Liability insurance is also in effect.

The table below sets out Directors' attendance at scheduled Board meetings held during 2021:

Director	Position	Attendance
David Smith[1]	Chairman (Independent)	14/14
Ben Turney[1]	Chief Executive Officer	14/14
Charles Michael Moles	Non-Executive Director	14/14
Hillary Gumbo[2]	Executive Director	7/8
Michael Foster[3]	Non-Executive Director	14/14

[1] David Smith and Ben Turney were appointed on 11 January 2021.
[2] Hillary Gumbo was appointed as a director on 24 June 2021.
[3] Michael Foster stepped down as a director on 31 December 2021.

Brett Grist was appointed to the Board on 7 February 2022.

Appointment of new members Hillary Gumbo, David Smith, Ben Turney, and Brett Grist, was made following a review of the required skills and consideration of appropriate candidates. Interview was made by at least two Directors, following which the Board considered whether to make an offer.

The Audit and Risk Committee met twice during the year, both meetings being attended by David Smith and Ben Turney.

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, circulated to the Directors in advance of meetings.

During the year the Board reviewed the Company's needs for a balance of operational, industry, legal and financial skills and decided to appoint Hillary Gumbo as an Executive Director. Mr Gumbo has extensive mineral exploration experience in southern Africa, and has wide geophysics experience, a key skill requirement for the Company. The search for a Chief Operating Officer was commenced in late 2021, resulting in the appointment of Brett Grist on 7 February 2022. Mr Grist has around 25 years' experience in the exploration and mining sector, including in Africa, and is experienced in advancing projects from early exploration through feasibility and into development. During FY22 the Board will commence a search and selection process for an independent non-executive director with an appropriate skillset.

All Directors have disclosed any significant commitments to the Board and confirmed that they have sufficient time to discharge their duties. The Executive Directors spend a minimum of 40 hours per week on the Company's business. The Non-Executive Directors regularly spend up to 10 hours per week on the Company's business, and frequently more when needed.

CORPORATE GOVERNANCE (continued)

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 are paid in accordance with the approved Remuneration Policy outlined in the Remuneration Report.

Policy on payment for loss of office

Payment for loss of office would be determined by the Board, 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.

Board performance based on clear and relevant objectives

In the year ended 31 December 2021 a board evaluation was not carried out, due to significant changes in the board composition. 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 detailed strategy has recently been defined for the Company, and will be used as a benchmark to measure the performance of the Company and team moving forwards. At the end of the year, and periodically within it, progress reviews will be held to assess progress against key metrics.

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.

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

All employees are informed of responsibilities with regard to anti-bribery and corruption when they join the Company. Contracts with suppliers also reflect these requirements.

Employees are required to treat each other with respect and to not tolerate any form of discrimination. A formal grievance process is in place, ensuring that employees may voice concerns.

CORPORATE GOVERNANCE (continued)

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

Board programme

The Board meets most months and holds additional ad hoc meetings 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 Company Secretary. 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 Boardor relevant Committee and are tracked for action by the Company's management.

Roles of the Board, Chairman and Chief Executive Officer

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

The Chief Executive Officer is responsible for proposing the strategic focus to the Board, implementing it once it has been approved and overseeing the management of the Company. Together with the Chief Operating 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 Chief Operating Officer 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 are invited to 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 on pages 12 to 14 of the Strategic Report.

The Remuneration and Nomination Committee

The Remuneration and Nomination Committee, which comprises David Smith and Mike Moles, did not sit in the year ended 31 December 2021 due to changes in Board composition. Matters for the Remuneration and Nomination Committee are presently addressed by the full Board, with any conflicted directors abstaining from decision-making as appropriate.

CORPORATE GOVERNANCE (continued)

Key remuneration-related activities which occurred during the year included consideration of remuneration and options for Ben Turney, consideration of remuneration and options for Hillary Gumbo, consideration of remuneration and options for Brett Grist, payment to Mike Moles of Non-Executive Director fees, and Company-wide pay proposals.

Dividend policy

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

Anti-bribery and corruption policy

The Company 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.

During drilling operations the Company aims to limit any areas cut or cleared, and to restore these afterwards. Biodegradable drilling fluids are used, and any spills are recorded. The Company is keen to reduce its use of fossil fuels, and has recently installed a solar power energy supply for a water well.

CORPORATE GOVERNANCE (continued)

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 seeks to maximise local employment; only one expatriate currently works for Kavango in Botswana, out of a total permanent workforce of 38. Recent initiatives have included assistance to a rural school, benefiting female education of a disadvantaged community.

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, COO and the Company's brokers. The Company communicates with institutional investors frequently through briefings with management. In addition, analysts' notes and brokers' briefings are reviewed to achieve a wide understanding of investors' views.

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 UK 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 Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's 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 3, confirm that to the best of their knowledge and belief:

- the financial statements prepared in accordance with International Financial Reporting Standards as adopted by the UK and in conformity with the Companies Act 2006, give a true and fair view of the assets, liabilities, financial position and loss of the Company ang Group; and
- the Annual Report and financial statements, including the Strategic Report, include a fair review of the development and performance of the business and the position of the Company and Group, together with a description of the principal risks and uncertainties that they face.

This Directors' Report was approved by the Board of Directors on 13 June 2022 and is signed on its behalf by;

Matthew Benjamin Turney
Director

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF KAVANGO RESOURCES PLC

We have audited the financial statements of Kavango Resources Plc (the 'parent company') and its subsidiaries (the 'Group') for the year ended 31 December 2021 which comprise: the Consolidated statement of total comprehensive income, the Consolidated and Company statements of financial position, the Consolidated and Company statements of changes in equity, the Consolidated and Company statements of cash flows and Notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK-adopted international accounting standards 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 2021 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK-adopted international accounting standards;
- the parent company financial statements have been properly prepared in accordance with UK-adopted international accounting standards and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF KAVANGO RESOURCES PLC (continued)

Our application of materiality

Group materiality 2021	Group materiality 2020	Basis for materiality
$161,000	*$100,000*	*2% of gross assets*

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.

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

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

The Group was audited to a level of materiality of $161,000, the component materiality was set at $100,000 with performance materiality set at 70%. The performance materiality is based on our assessment of the relevant risk factors, including previous experience of misstatements, management's attitude towards proposed adjustments, and the level of estimation inherent within the Group and parent company.

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 $8,505 (2020: $5,000).

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), the valuation of share options and warrants, and the consideration of future events that are inherently uncertain. We also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

An audit was performed on the financial information of the Group's significant operating components which, for the year ended 31 December 2021, 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 component auditor 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF KAVANGO RESOURCES PLC (continued)

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.

Key Audit Matter	How our scope addressed this matter
Carrying value and appropriate capitalisation of Intangible assets ***GROUP***	
The Group has reported intangible assets of $5,075k in its Consolidated Statement of Financial Position as at 31 December 2021 which comprise exploration and evaluation assets in Botswana. There is a risk that these assets have been incorrectly capitalised in accordance with International Financial Reporting Standard (IFRS) 6 and that their carrying value should be impaired. The capitalisation and carrying value of the intangible assets are subject to significant management estimation uncertainty. Management are required to assess by reference to IFRS 6, whether there are potential indicators of impairment of the Group's exploration and evaluation assets at each reporting date and, if potential indicators of impairment are identified, management are required to perform a full assessment of the recoverable value of the exploration and evaluation assets in accordance with IFRS 6. As shown in Note 10 to the financial statements, the directors have concluded that based on the assessment, there is no impairment charge is necessary.	We performed testing of the capitalisation and carrying value of the intangible assets and critically assessed the key assumptions and estimates made. The procedures performed are summarised below: ▪ Confirmation that the Group has good title to the applicable exploration licenses, including new licences obtained during the year; ▪ A review of 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.

	In forming our opinion, which is not modified, we draw to the users attention the disclosure within note 10 and within the Critical Accounting Estimates and Judgements which states that some licences held by the Group expired subsequent to the year end. The Group has made an application to renew these licences and management are confident that the renewals will be approved. If the licences are not renewed, it would indicate the existence of a material uncertainty over the carrying value of some of the exploration and evaluation assets, which may result in an impairment of up to $1m as at 31 December 2021. The Financial statements do not include the adjustments that would result if the Company was unsuccessful in renewing the licences. Based on the procedures performed, we found management's assessment of the carrying value and capitalisation of intangible assets to be supported by the underlying models and the judgements and estimates applied reasonable.
Carrying value of investments in subsidiaries ***COMPANY***	
Investments in subsidiaries, as shown in Note 14, is the most significant asset in the parent company's Statement of Financial Position. Given the continuing losses there is a risk that the investment in the subsidiary which holds the intangible assets may not be fully recoverable.	We reviewed and assessed underlying records and management assessment of the carrying value of investment in subsidiaries. Our work in this area included: ▪ Confirmation of ownership of investments; ▪ Consideration of the recoverability of investments by reference to underlying net asset values; ▪ Reviewing the impairment assessment prepared by management in respect of intangible assets, and provided appropriate challenge to inputs and estimates included therein; ▪ Ensuring disclosures made in the financial statements in relation to critical accounting judgements are adequate. Based on the procedures performed, we consider management assessment of the carrying value of investment in subsidiaries to be supported by the underlying information and in line with Group's overall business strategy. The related disclosure is appropriate.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF KAVANGO RESOURCES PLC (continued)

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 this gives rise to 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 Directors' Report, 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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF KAVANGO RESOURCES PLC (continued)

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.

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, industry research, application of cumulative audit knowledge and experience of the sector.
- 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 2010
  - ➢ 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 laws
- 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
- We also identified the risks of material misstatement of the financial statements due to fraud. We considered, in addition to the non-rebuttable presumption of a risk of fraud arising from management override of controls, that the potential for management bias was identified in relation to the impairment of the carrying value of intangible assets and we addressed this by challenging the assumptions and judgements made by management when auditing that significant accounting estimate.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF KAVANGO RESOURCES PLC (continued)

- 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 and 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.
- We communicated with component auditors throughout the audit process and performed followings in respect of matters of non-compliance with laws and regulations including fraud at the Group and component levels:
    - Making enquires of component auditors
    - Reviewing correspondences with authorities
    - Reviewing nominals of legal expenses
    - Reviewing component auditors' work in these areas and obtaining their confirmation; and
    - Obtaining good standing certificate of components

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 ended 31 December 2017 and subsequent financial periods. Our total uninterrupted period of engagement is 5 years, covering the periods ending 31 December 2017 to 31 December 2021.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the 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.

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
13 June 2022

15 Westferry Circus
Canary Wharf
London E14 4HD

CONSOLIDATED STATEMENT OF TOTAL COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	31 Dec 2021 US$'000	31 Dec 2020 US$'000
Continuing operations			
Administrative expenses	5	(1,589)	(605)
Prospectus costs		-	(95)
Other losses – loss on fair value of financial assets		(154)	(8)
Loss before taxation		(1,743)	(708)
Taxation	7	-	-
Loss for the year attributable to owners of the parent		(1,743)	(708)
Other comprehensive income			
Items that may be subsequently reclassified to profit or loss:			
Currency translation differences		(303)	(38)
Other comprehensive income, net of tax		(303)	(38)
Total comprehensive loss for the year attributable to owners of the parent		(2,046)	(746)
Earnings per share from continuing operations attributable to owners of the parent:			
Basic and diluted loss per share (cents)	8	(0.47)	(0.37)

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2021

	Notes	31 Dec 2021 US$'000	31 Dec 2020 US$'000
Assets			
Non-current assets			
Property, plant, and equipment	9	221	48
Intangible assets	10	5,075	2,082
Investment in associate	11	-	325
Financial assets	13	-	55
Total non-current assets		5,296	2,510
Current assets			
Trade and other receivables	15	269	134
Financial assets at fair value through profit or loss	13	216	234
Cash and cash equivalents	16	2,308	2,191
Total current assets		2,793	2,559
Total assets		8,089	5,069
Liabilities			
Current liabilities			
Trade and other payables	17	299	79
Total current liabilities		299	79
Total liabilities		299	79
Net assets		7,790	4,990
Equity			
Share capital	18	544	390
Share premium	18	10,985	8,272
Shares to be issued	10	363	-
Share option reserve	19	457	277
Warrant reserve	20	1,764	404
Foreign exchange reserve		(474)	(171)
Reorganisation reserve		(1,591)	(1,591)
Retained losses		(4,258)	(2,591)
Total equity attributable to owners of the parent		7,790	4,990

The accompanying notes form part of these financial statements.

The consolidated financial statements of Kavango Resources Plc, company registered number 10796849, were approved by the board, and authorised for issue on13 June 2022 and signed on its behalf by:

……………………
Matthew Benjamin Turney
Director

COMPANY STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2021

	Notes	31 Dec 2021 US$'000	31 Dec 2020 US$'000
Assets			
Non-current assets			
Property, plant, and equipment	9	24	-
Intangible assets	10	956	-
Investment in associate	11	-	325
Investment in Subsidiaries	14	6,673	4,077
Total non-current assets		7,653	4,402
Current assets			
Trade and other receivables	15	137	75
Financial assets at fair value through profit or loss	13	216	234
Cash and cash equivalents	16	2,069	2,135
Total current assets		2,422	2,444
Total assets		10,075	6,846
Liabilities			
Current liabilities			
Trade and other payables	17	239	59
Total liabilities		239	59
Net assets		9,836	6,787
Equity			
Share capital	18	544	390
Share premium	18	10,985	8,272
Shares to be issued	10	363	-
Share option reserve	19	457	277
Warrant reserve	20	1,764	404
Foreign exchange reserve		56	146
Retained losses		(4,333)	(2,702)
Total equity attributable to owners of the parent		9,836	6,787

The accompanying notes form part of these financial statements.

Under s408 of the Companies Act 2006 the Company is exempt from the requirement to present its own statement of comprehensive income. The loss after tax for the year ended 31 December 2021 was US$ 1,707,000 (2020: US$ 677,000).

The financial statements of Kavango Resources Plc, company registered number 10796849, were approved by the board, and authorised for issue on 13 June 2022 and signed on its behalf by

……………………
Matthew Benjamin Turney
Director

KAVANGO RESOURCES PLC

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2021

	Share Capital US$'000	Share Premium US$'000	Reorganisation Reserve US$'000	Share Option Reserve US$'000	Warrant Reserve US$'000	Foreign Exchange Reserve US$'000	Retained deficit US$'000	Shares to be issued US$'000	Total US$'000
As at 1 January 2020	207	5,867	(1,591)	246	-	(133)	(1,883)	-	2,713
Loss for the year	-	-	-	-	-	-	(708)	-	(708)
Other comprehensive loss for the year:									
Foreign currency exchange difference	-	-	-	-	-	(38)	-	-	(38)
Total comprehensive loss for the year	-	-	-	-	-	(38)	(708)	-	(746)
Issue of ordinary shares	183	2,405	-	-	-	-	-	-	2,588
Share options granted	-	-	-	31	-	-	-	-	31
Warrants issued	-	-	-	-	404	-	-	-	404
Total transactions with owners	183	2,405	-	31	404	-	-	-	3,023
As at 31 December 2020	390	8,272	(1,591)	277	404	(171)	(2,591)	-	4,990
Loss for the year	-	-	-	-	-	-	(1,743)	-	(1,743)
Other comprehensive loss for the year:									
Foreign currency exchange difference	-	-	-	-	-	(303)	-	-	(303)
Total comprehensive loss for the year	-	-	-	-	-	(303)	(1,743)	-	(2,046)
Warrants issued	-	-	-	-	1,283	-	-	-	1,283
Issue of ordinary shares	154	2,847	-	-	(76)	-	76	-	3,001
Costs of share issues	-	(134)	-	-	-	-	-	-	(134)
Share-based payments - expensed	-	-	-	180	-	-	-	-	180
Share-based payments - capitalised	-	-	-	-	153	-	-	363	516
Total transactions with owners	154	2,713	-	180	1,360	-	76	363	4,846
As at 31 December 2021	544	10,985	(1,591)	457	1,764	(474)	(4,258)	363	7,790

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2021 (continued)

Share Capital:	Amount subscribed for share capital at nominal value
Share Premium:	Amount subscribed for share capital in excess of nominal value
Reorganisation Reserve:	Reserve created on issue of shares on acquisition of subsidiaries
Foreign Exchange Reserve	Cumulative translation differences
Retained Deficit:	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
Shares to be issued:	Amount of shares the Company has committed to issue
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.

The accompanying notes form part of these financial statements.

COMPANY STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2021

	Share Capital	Share Premium	Share Option Reserve	Warrant Reserve	Foreign Exchange Reserve	Retained deficit	Shares to be issued	Total
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
As at 1 January 2020	207	5,868	246	-	151	(2,025)	-	4,447
Loss for the year	-	-	-	-	-	(677)	-	(677)
Other comprehensive loss for the year:								
Foreign currency exchange difference	-	-	-	-	(5)	-	-	(5)
Total comprehensive loss for the year	-	-	-	-	(5)	(677)	-	(682)
Issue of ordinary shares	183	2,404	-	-	-	-	-	2,587
Share options granted	-	-	31	-	-	-	-	31
Warrants issued	-	-	-	404	-	-	-	404
Total transactions with owners	183	2,404	31	404	-	-	-	3,022
As at 31 December 2020	390	8,272	277	404	146	(2,702)	-	6,787
Loss for the year	-	-	-	-	-	(1,707)	-	(1,707)
Other comprehensive loss for the year:								
Foreign currency exchange difference	-	-	-	-	(90)	-	-	(90)
Total comprehensive loss for the year	-	-	-	-	(90)	(1,707)	-	(1,797)
Warrants issued	-	-	-	1,283	-	-	-	1,283
Issue of ordinary shares	154	2,847	-	(76)	-	76	-	3,001
Costs of share issues	-	(134)	-	-	-	-	-	(134)
Share-based payments – expensed	-	-	180	-	-	-	-	180
Share-based payments – capitalised	-	-	-	153	-	-	363	516
Total transactions with owners	154	2,713	180	1,360	-	76	363	4,846
As at 31 December 2021	544	10,985	457	1,764	56	(4,333)	363	9,836

COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2021 (continued)

Share Capital:	Amount subscribed for share capital at nominal value
Share Premium:	Amount subscribed for share capital in excess of nominal value
Foreign Exchange Reserve:	Cumulative translation differences
Retained Deficit:	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
Shares to be issued	Amount of shares the Company has committed to issue
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.

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOW
FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	31 Dec 2021 US$'000	31 Dec 2020 US$'000
Cash flows from operating activities			
Loss before taxation		(1,743)	(708)
Adjustments for:			
Share option expense	19(a)	180	31
Directors' fees and other expenses settled by convertible notes	18	8	131
Fair value adjustments	13	154	8
Prospectus costs		-	95
Depreciation	9	-	21
Foreign exchange differences		-	(350)
Net cash used in operating activities before changes in working capital		(1,401)	(772)
(Increase) / decrease in other current assets		(171)	92
Increase / (decrease) in trade and other payables		237	(60)
Net cash used in operating activities		(1,335)	(740)
Investing activities			
Payments for property, plant and equipment		(246)	(30)
Payments for financial assets		(136)	(242)
Payments for intangible assets		(2,165)	(383)
Proceeds from disposal of intangible assets		-	385
Net cash used in investing activities		(2,547)	(270)
Financing activities			
Proceeds from issue of share capital net of issue costs and prospectus costs	18	4,020	2,868
Convertible loan notes		-	209
Net cash generated from financing activities		4,020	3,077
Net increase in cash and cash equivalents		138	2,067
Cash and cash equivalents at beginning of year		2,191	124
Effects of exchange rates on cash and cash equivalents		(21)	-
Cash and cash equivalents at end of year		2,308	2,191

Note 10 discloses significant non-cash transactions in relation to the Group's investing activities.

The accompanying notes form part of these financial statements.

COMPANY STATEMENT OF CASH FLOW
FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	31 Dec 2021 US$'000	31 Dec 2020 US$'000
Cash flows from operating activities			
Loss before taxation		(1,707)	(677)
Adjustments for:			
Share option expense	19(a)	180	31
Directors' fees and other expenses settled by convertible notes	18	8	131
Fair value adjustments	13	154	8
Prospectus costs		-	95
Foreign exchange differences		-	(316)
Net cash used in operating activities before changes in working capital		(1,365)	(728)
(Increase) / decrease in other current assets		(98)	123
Increase / (decrease) in trade and other payables		177	(42)
Net cash used in operating activities		(1,286)	(647)
Cash flows from investing activities			
Payments for property, plant, and equipment		(8)	-
Payments for financial assets		(136)	-
Payments for intangible assets		(611)	-
Loans advanced to group companies		(2,024)	(391)
Net cash used in investing activities		(2,779)	(391)
Financing activities			
Proceeds from issue of shares net of issue costs and prospectus costs	18	4,020	2,868
Convertible loan notes		-	209
Net cash generated from financing activities		4,020	3,077
Net (decrease) / increase in cash and cash equivalents		(45)	2,039
Cash and cash equivalents at beginning of year		2,135	96
Effects of exchange rates on cash and cash equivalents		(21)	-
Cash and cash equivalents at end of year		2,069	2,135

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

1. Corporate information

Kavango Resources Plc ("the Company") is a public limited company which is listed on the main market of the London Stock Exchange and incorporated and domiciled in the United Kingdom. Its registered address is 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 ("Kavango Botswana"). Navassa is registered and domiciled in Mauritius while Kavango Botswana is registered and domiciled in Botswana. The Company is also a joint-venture partner with Power Metal Resources Plc ("Power Metals"), an AIM-listed metals exploration company, in Kanye Resources (Pty) Ltd and Kanye Resources Plc (together "Kanye JV"), companies registered and domiciled in Botswana and the United Kingdom respectively.

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

2. Significant Accounting policies

(a) Basis of preparation

The consolidated and company financial statements have been prepared in accordance with UK-adopted International Accounting Standards ("IFRS") and in conformity with the requirements of the Companies Act 2006 and in accordance with Listing Rules. The consolidated and company financial statements have also been prepared under the historical cost convention, except for revaluation of certain financial instruments.

The consolidated and company financial statements are presented in US Dollars ("US$"), which is the Group's and Company's presentational currency rounded to the nearest thousand.

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

Going concern

The consolidated 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, the Group has funds to meet its planned exploration expenses over the next 12 months from the date of approval of these financial statements

In assessing whether the going concern assumption is appropriate, the Directors have considered 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 stress-tested the Group's cash flow projections and to ensure that the Group can sustain the minimum level of exploration spending that is required as part of licence conditions and minimum corporate overheads. The Directors also considered the potential for continuing warrant exercises and the ability to raise new funding, noting the increase in global economic uncertainty in 2022, whilst maintaining an acceptable level of cash flows for the Group to meet all commitments. As disclosed in note 25, the Group raised US$ 945,000 in May 2022. The Directors noted the decreasing impact of the Covid-19 pandemic which allowed the Group to resume its operations at full pace.

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.

The consolidated and company financial statements do not include the adjustments that would be required should the going concern basis of preparation no longer be appropriate.

2. Significant Accounting policies (continued)

(b) New and amended standards and interpretations

The following amendments to standards have become effective for the first time for annual reporting periods commencing on 1 January 2021 and have been adopted in preparing these financial statements:

- Interest Rate Benchmark Reform – IBOR 'phase 2' (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16) being the second part to a two-phase project which finalises the IBOR and other interest rate benchmarks reform; and
- Covid-19-related rent concessions – amendments to IFRS 16.

The adoption of these amendments had no impact on the financial statements.

At the date of approval of these financial statements, the following amendments to IFRS which have not been applied in these financial statements were in issue but not yet effective:

- Amendments to IFRS 3 Business Combinations – Reference to the Conceptual Framework – effective 1 January 2022;
- Amendments to IAS 16 Property, Plant and Equipment – effective 1 January 2022;
- Amendments to IAS 37: Provisions, Contingent Liabilities and Contingent Assets – effective 1 January 2022;
- Annual Improvements to IFRS Standards 2018-2020 Cycle – effective 1 January 2022; and
- Amendments to IFRS 4 Insurance Contracts – Deferral of IFRS 9 – effective 1 January 2023.

(c) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. 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 results 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 consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

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 intragroup assets and liabilities, equity, income, expenses, and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Joint arrangements

Joint arrangements are where parties are bound by a contractual arrangement and that arrangement gives two or more of those parties joint control of the arrangement. Joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement.

During the year ended 31 December 2021 the classification of the Kanye JV was reassessed, and it ceased to be a joint venture and has become a joint operation (refer to note 12).

2. Significant Accounting policies (continued)

(c) Basis of consolidation (continued)

Joint operation

The Company recognises its direct right to the assets, liabilities, revenues and expenses of joint operations and its share of any jointly held or incurred assets, liabilities, revenues and expenses. These have been incorporated in the financial statements under the appropriate headings and in accordance with the Group's accounting policy. Details of the joint operation are set out in note 12.

Joint ventures

Interests in joint ventures are accounted for using the equity method in the consolidated financial statements and carried at cost less accumulated impairment in the company financial statements.

Equity method

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the group's share of the post-acquisition profits or losses of the investee in profit or loss, and the group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates and joint ventures are recognised as a reduction in the carrying amount of the investment.

(d) Investment in subsidiaries

In the company financial statements, the investments in Company's subsidiaries are stated at cost, which is the fair value of the consideration paid, less any impairment provision.

(e) Foreign currencies

The functional currency for each entity, or for each branch within an entity, in the Group is the currency of the primary economic environment in which the entity, or each branch within an entity, operates. The consolidated and company financial statements are presented in US$, which is the Group's and Company's presentational currency.

Transactions in currencies other than the functional currency of each entity are recorded at the exchange rate on the date the transaction occurred. Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates, are recognised in profit or loss.

On consolidation, the results of each entity in the Group with a non-US$ functional currency are translated into US$ at rates approximating to those ruling when the transactions took place. All assets and liabilities of these entities are translated at the rate ruling at the reporting date. The resulting exchange differences are recognised in other comprehensive income and accumulated in the foreign exchange reserve.

(f) 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, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

2. Significant Accounting policies (continued)

(g) Taxation

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

Current tax

Current tax payable is based on the taxable profit for the year calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period. None of the entities in the Group generate taxable profits.

Deferred tax

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

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

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

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

(h) 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. The Group capitalises staff costs of employees directly involved in the exploration activities of the Group except for employee share option charges.

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.

2. Significant Accounting policies (continued)

(i) 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 rates

Geological and Field Equipment including Vehicles: 4-10 years

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.

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 profit or loss during the financial period in which they are incurred.

Depreciation charge on assets that are directly involved in exploration activities are capitalised as exploration intangible assets.

(j) Financial assets

Financial assets are classified at initial recognition into one of the categories listed below, depending on the purpose for which the asset was acquired.

Amortised cost
Financial assets held at amortised cost comprise trade and other receivables and cash and cash equivalents.

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (e.g., trade receivables), but also incorporate other types of financial assets where the objective is to hold their assets in order to collect contractual cash flows and the contractual cash flows are solely payments of the principal and interest. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

Impairment provisions for trade and other receivables are recognised based on the simplified approach within IFRS 9 using the lifetime expected credit losses (ECL) method. During this process the probability of the non-payment of the receivables is assessed. This probability is then multiplied by the amount of the expected loss arising from default to determine the lifetime ECL for the receivables. For trade and other receivables, which are reported net, such provisions are recorded in a separate provision account with the loss being recognised within administrative expenses in the statement of comprehensive income. On confirmation that the trade or other receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

Cash and cash equivalents
Cash and cash equivalents comprise cash and cash at bank balances.

Fair value through profit or loss
Financial assets held at fair value through the profit or loss comprise equity investments held. These 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.

(k) Financial liabilities

Financial liabilities include trade and other payables. All financial liabilities are recognised initially at fair value, net of transaction costs incurred, and are subsequently stated at amortised cost, using the effective interest method.

2. Significant Accounting policies (continued)

(l) Derivative financial instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss.

(m) Equity and reserves

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 options 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 and accumulated losses upon exercise of warrants.

Shares to be issued reserve arises on the timing difference between the Company making a commitment to issue shares and the shares being issued. Once the shares are issued a transfer is made to the share capital and share premium account.

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

(n) Share based payments

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service. Depending on the nature of the goods or services received and in accordance with the relevant accounting policy, the share-based payment expense is either recognised in the profit or loss, capitalised as Exploration and Evaluation asset or recognised as deduction in share premium. A corresponding increase in the warrant reserve is also recognised.

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The grant date fair value of share-based payment awards granted to employees and others providing similar services is recognised in profit or loss, with a corresponding increase in the share options reserve, over the period that the employees become unconditionally entitled to the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes. Market vesting conditions are factored into the fair value of the award at grant date. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether market vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition

When share-based payments awards are exercised, the Company issues new shares. The proceeds received, net of any directly attributable transaction costs, are credited to share capital and the share premium account. The fair value of the awards exercised or forfeited prior to vesting and previously recognised in the share options reserve or warrants reserve is transferred to accumulated losses for capital maintenance purposes.

3. Critical accounting estimates and judgements

In the application of the accounting policies, which are described in note 2, 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 in which the revision is made.

(a) Critical judgments

(i) Classification of joint arrangement – Kanye JV

The Company entered into a joint venture agreement with Power Metals on 21 September 2020 to setup Kanye JV to jointly own and develop licences in the Kalahari Copper Belt and Ditau regions in Botswana. The arrangement was initially classified as a joint venture and equity accounted for in the consolidated financial statements for the year ended 31 December 2020. As the joint venture commenced exploration work in 2021, the substance of the joint arrangement changed to jointly controlled operation, whereby each partner retains direct ownership of its share of the assets, liabilities, revenues and expenses of the joint venture. Exploration and operational decisions are made jointly by the two partners.

Therefore, despite the Company holding the entire issued share capital of Kanye Resources Plc, the entity is not included in the consolidated financial statements as a subsidiary. Instead, its assets, liabilities and expenses together with those of Kanye Resources (Pty) Limited in which the Company holds 50% of issued share capital, are recognised on a line-by-line basis in the company financial statements.

(ii) Functional currency of Kanye JV

Kanye JV forms a distinct part of the Company's operations, which is conducted through separate legal entities. As the majority of expenses and funding of the JV is denominated or linked to US$, the Directors assessed that the functional currency of the JV is US$. In the Company financial statements, the results of Kanye JV are included using the foreign currency translation procedure described in note 2(e).

(b) Sources of estimation uncertainty

(i) Valuation of exploration and evaluation assets

The carrying value of exploration assets in the consolidated financial statements as at 31 December 2021 is US$ 5,075,000 (2020: US$ 2,082,000). The recoverability of this carrying value, and thus potential impairment, requires use of significant judgments and estimates which are detailed in note 10.

Renewal of some licences held by the Group were due for renewal after the year end. Renewal applications were submitted in January 2022 and are presently pending. The Directors expect that the renewals will be approved.

(ii) Recoverability of investment in subsidiaries and intragroup receivables

In the Company financial statements, the carrying value of the Company's investment in subsidiaries and intragroup receivables is US$ 6,673,000 (2020: US$ 4,077,000). The recoverability of this balance is driven by the same judgements and uncertainties as the recoverability of the exploration and evaluation assets held by the subsidiaries and discussed in (i) above.

(iii) Valuation of share-based payments

Accounting for some equity-settled share-based payment awards requires the use of valuation models to estimate the future share price performance of the Company. These models require the Directors to make assumptions regarding the share price volatility, risk free rate and expected life of awards in order to determine the fair values of the awards at grant dates.

4. Segmental disclosures

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 in which the Group has economic interest, including those held in the Kanye JV. 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.

Segmental results are detailed below:

	31 Dec 2021 US$'000	31 Dec 2020 US$'000
Continuing operations		
Exploration (Botswana)	(30)	-
Corporate (London and Mauritius)	(1,713)	(708)
Loss before tax	(1,743)	(708)
Taxation	-	-
Loss after tax	(1,743)	(708)

Segmental assets and liabilities are detailed below:

	Non-current assets		Non-current liabilities	
	31 Dec 2021 US$'000	31 Dec 2020 US$'000	31 Dec 2021 US$'000	31 Dec 2020 US$'000
Intangible assets and equipment (Botswana)	5,296	2,185	-	-
Corporate (London)	-	325	-	-
Total of all segments	5,296	2,510	-	-

	Total assets		Total liabilities	
	31 Dec 2021 US$'000	31 Dec 2020 US$'000	31 Dec 2021 US$'000	31 Dec 2020 US$'000
Intangible assets and equipment (Botswana)	5,760	2,329	61	46
Corporate (London)	2,329	2,740	238	33
Total of all segments	8,089	5,069	299	79

5. Expenses by nature

	Note	31 Dec 2021 US$'000	31 Dec 2020 US$'000
Employee benefit expenses	6	419	166
Auditor remuneration		50	47
KKME Option cost	13	30	-

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:

	31 Dec 2021 US$'000	31 Dec 2020 US$'000
Fees payable to the Company's auditor and its associates for the audit of the Company and Group Financial Statements	50	47

6. Employees

Employee benefit expenses consisted of the following:

	Group		Company	
	31 Dec 2021 US$'000	31 Dec 2020 US$'000	31 Dec 2021 US$'000	31 Dec 2020 US$'000
Wages and salaries	445	225	218	135
Social security costs	21	-	21	-
Other post-employment benefits	4	-	-	-
Share-based payment expenses (note 19(a))	180	31	180	31
	650	256	419	166
Less: amounts capitalised as exploration assets	(231)	(90)	-	-
Employee benefits recognised in profit or loss	419	166	419	166

The average monthly number of employees during the year was:

	Group		Company	
	31 Dec 2021 No	31 Dec 2020 No	31 Dec 2021 No	31 Dec 2020 No
Directors	5	3	5	3
Employees	12	5	-	1
Total	17	8	5	4

Further details of Directors' remuneration are included in the Remuneration report on pages 19 to 23.

7. Taxation

	31 Dec 2021 US$'000	31 Dec 2020 US$'000
Current taxation	-	-
Deferred taxation	-	-
Total tax charge for the year	-	

The total tax charge for the year can be reconciled to the loss for the year multiplied by the weighted average applicable tax rate as follows:

	31 Dec 2021 US$'000	31 Dec 2020 US$'000
Loss for the year	(1,743)	(708)
Tax at the applicable rate of 19.0% (2020:18.2%)	(331)	(129)
Effect of different tax rates in other jurisdictions	-	(6)
Expenses not deductible for tax	118	-
Effect of tax losses not recognised as deferred tax assets	213	135
Total tax charge for the year	-	-

The weighted average applicable tax rate of 19.0% (2020: 18.2%) used is a combination of the 19% standard rate of corporation tax in the UK (2020:19%), 22% standard rate of corporation tax in Botswana (2020: 22%) and nil corporation tax rate in Mauritius (2020: nil).

The Group has approximately US$ 7,016,000 (2020: US$ 3,346,000) 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. Tax losses can be carried forward indefinitely.

8. Earnings per share

	31 Dec 2021 US$'000	31 Dec 2020 US$'000
Loss for the year from continuing operations	1,743	708

	31 Dec 2021 Number	31 Dec 2020 Number
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	370,499,847	192,166,151

Details of share options and warrants that could potentially dilute earnings per share in future periods are set out in notes 19 and 20.

	31 Dec 2021 US Cents	31 Dec 2020 US Cents
Basic and diluted loss per share	0.47	0.37

9. Property, plant, and equipment

Property, plant, and equipment consists of exploration field equipment, which includes all fixed assets in Botswana, including vehicles used in field activities by geology staff.

	Group		Company	
	31 Dec 2021 US$'000	31 Dec 2020 US$'000	31 Dec 2021 US$'000	31 Dec 2020 US$'000
Net book value				
At 1 January	48	58	-	-
Additions	246	32	8	-
Additions on reclassification of JV (note 12)	16	-	16	-
Disposals	-	(20)	-	-
Depreciation	(76)	(21)	-	-
Translation differences	(13)	(1)	-	-
	221	48	24	-

The whole (2020: whole) depreciation charge has been capitalised as an intangible exploration asset (note 10).

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2021

10. Intangible assets

Intangible assets comprise entirely of exploration and evaluation assets.

	Group		Company	
	31 Dec 2021 US$'000	**31 Dec 2020 US$'000**	**31 Dec 2021 US$'000**	**31 Dec 2020 US$'000**
Net book value				
At 1 January	2,082	2,445	-	-
Additions	2,937	331	611	-
Additions on reclassification of JV (note 12)	345	-	345	-
Disposals	-	(745)	-	-
Translation differences	(289)	51	-	-
Total	5,075	2,082	956	-

The additions balance relates to the Group's and Company's exploration activity in Botswana. The Company's exploration asset represents its share of Kanye JV. Details on the exploration activity including acquisition of new licences can be found in the Operations Report.

In the year ended 31 December 2021, the additions balance included the following non-cash transactions:

- Capitalised share-based payment costs of US$ 153,000 (2020: US$ nil) for contractors paid in warrants in the Company (note 19(b)).
- Partnership shares of US$ 125,000 issued to Spectral Geophysics Ltd (note 19(b)).
- Drilling contractor costs of US$ 363,000 to be settled in the Company shares.
- Costs that were previously capitalised as financial assets held at fair value through profit or loss in relation to the LVR farm-in agreement (note 13) of US$ 55,000.
- Capitalised depreciation charge of US$ 76,000 (2020: US$ 21,000) in relation to property, plant and equipment used in exploration activities.

In the year-ended 31 December 2020, the transfers and reclassifications balance consisted primarily of the assets derecognised on the formation of Kanye JV of US$ 691,000.

Recoverability of the Group's and Company's exploration and evaluation assets is dependent on 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 of its projects is also dependent on its ability to raise sufficient finance in future, 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.

10. Intangible assets (continued)

Impairment review

The Directors have undertaken a review to assess whether the following impairment indicators exist as at 31 December 2021 or subsequently prior to the approval of these financial statements:

1. Licences to explore specific areas have expired or will expire in the near future and are not expected to be renewed;
2. No further substantive exploration expenditure is planned for a specific licence;
3. Exploration and evaluation activity in a specific licence area have not led to the discovery of commercially viable quantities of mineral resources and the Board has decided to discontinue such activities in the specific area; and
4. Sufficient data exists to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full of successful development or by sale.

Following their assessment, the Directors concluded that no impairment indicators exist and thus no impairment charge is necessary (2020: US$ nil). The Board is fully committed to continuing exploration on the Group's existing projects and further details on the progress of the exploration activities can be found in the Operations Report.

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 2022.

11. Investment in associate

Group and Company	**31 Dec 2021 US$'000**	**31 Dec 2020 US$'000**
At 1 January	325	-
Additions	-	325
Reclassification of joint venture	(325)	-
31 December	-	325

The balance relates to the Group's investment in Kanye JV which has been reclassified from a jointly controlled entity into a jointly controlled operation, see note 12.

12. Interest in joint operations

On 21 September 2020, the Company entered into a joint venture agreement with Power Metals to setup Kanye JV to jointly own and develop licences in the Kalahari Copper Belt and Ditau regions in Botswana. The Group transferred four of its licences into the JV and received the following consideration from Power Metals for its 50% interest:

- US$ 97,000 in cash.
- 6 million shares in Power Metals; and
- 5 million warrants over 5 million of shares in Power Metals, which the Company exercised during the year ended 31 December 2021 (note 13).

The arrangement was initially classified as a joint venture and equity accounted for in the consolidated financial statements for the year ended 31 December 2020. There were no operating activities in the JV in the year-ended 31 December 2020.

As the joint venture commenced exploration work in 2021, the substance of the joint arrangement changed to jointly controlled operation, whereby each partner retains direct ownership of its share of the assets, liabilities, revenues, and expenses of the joint venture. Exploration and operational decisions are made jointly by the two partners.

At the point of reclassification of the arrangement from the jointly controlled entity into joint operations, the carrying amount of the Group's net investment in the joint venture was US$ 325,000 plus a net working capital receivable of US$ 36,000 which corresponded to the Company's share of the JV's net assets as detailed below:

	31 Dec 2020 US$'000
Intangible assets – exploration and evaluation	345
Property, plant, and equipment	16
Total	361

During the year ended 31 December 2021, Kanye JV commenced exploration work and acquired 8 additional licences further details on which can be found in the Operations Report.

As of 31 December 2021, the Company's share of the assets, liabilities and operating costs incurred in Kanye JV are detailed below which have been included in the respective balances in the Company's financial statements:

	31 Dec 2021 US$'000
Intangible assets – exploration and evaluation	956
Property, plant, and equipment	24
Cash and cash equivalents	47
Other current assets	25
Trade and other creditors	8
Loss for the year - operating costs	38

Kanye JV is deemed to be a foreign operation of the Company with the US dollar as its function currency.

As the 31 December 2021, the Group has a receivable balance from Power Metals of US$ 34,000.

13. Financial asset at fair value through profit or loss

	Group		Company	
	31 Dec 2021 US$'000	**31 Dec 2020 US$'000**	**31 Dec 2021 US$'000**	**31 Dec 2020 US$'000**
Non-current assets				
Unlisted securities	-	55	-	-
	-	55	-	-
Current assets				-
Listed securities	216	234	216	234
KKME option	-	-	-	-
Total current assets	216	234	216	234
				-
Total	216	289	216	234

Unlisted securities

In January 2020 the Group entered into a farm-in agreement with LVR GeoExplorers (Pty) Ltd ("LVR") in respect of two licenses wholly owned by LVR. For each licence the Group can acquire economic interest in return for incurring exploration expenditure as follows:

- Stage 1: 25% by spending BWP 1.25 million in the first 12 months.
- Stage 2: further 25% if aggregate expenditure reaches BWP 3.5 million within 24 months from completion of Stage 1.
- Stage 3: further 25% if aggregate expenditure reaches BWP 9 million within 24 months of completion of Stage 2.
- Stage 4: further 15% if aggregate expenditure reaches BWP 15 million within 36 months of completion of Stage 3 or by completing a bankable feasibility study with in that 36-month period.

-

In the year ended 31 December 2020, due to access problems caused by Covid 19 the Group only spent 47% of its Stage 1 commitment as of 31 December 2020.

During the year ended 31 December 2021, the Group has met its initial commitment and acquired 25% interest in the LVR licences. The securities were transferred into intangible exploration assets and included as additions in the year (note 10).

No movement in the fair value of the securities was recognised in the year.

Listed securities

Listed securities comprise the Company's investment in Power Metals, which as of 31 December 2020 consisted of 6 million shares and warrants over an additional 5 million shares exercisable at 2 pence per share. The Company exercised the warrants on 2 September 2021 for a cash consideration of US$ 136,000.

The movement in the fair value of the listed securities is detailed below:

	Group and Company	
	31 Dec 2021 US$'000	**31 Dec 2020 US$'000**
At 1 January	234	-
Additions	136	242
Loss on the decrease in fair value	(154)	(8)
31 December	216	234

The fair value of the Company's 11 million shares in Power Metals is based on their quoted market price on AIM. The loss on the fair value of financial assets carried at fair value through profit or loss is recognised in other losses in the statement of comprehensive income.

13. Financial asset at fair value through profit or loss (continued)

KKME Option

On 24 November 2021, the Company entered into an exclusive 3-month option agreement ("Option") to purchase 85% stake in Kalahari Key Mineral Exploration (Pty) Ltd ("KKME"), a private company registered in Botswana which owns an effective 60% interest in three prospecting licences (PL310/2016, PL311/2016, PL202/2018), collectively known as "Molopo Farms Project" ("MFP") in Botswana.

The relevant terms of the Option agreement can be summarised as follows:

a) In consideration for being granted the Option, the Company will perform exploration work on the MFP licences. In the event of the Option lapsing, the ownership of all technical data gathered will pass to KKME.

b) The Company has the option to purchase the 85% stake in KKME in exchange for issuing 21.3m shares, initially valued at 5.5p which are subject to a cap and floor. The value of the shares issued on the day when the Option is exercised is between £1,170,000 and £1,875,000; plus 1-for-1 warrants (the "Purchase Price").

The value of exploration work completed by 31 December 2021 was US$ 30,000 and was recognised in profit or loss.

The Directors assessed the fair value of the Option as of 31 December 2021 and concluded that the Purchase Price represents the fair value of the 85% stake in KKME. The purchase price was negotiated at arms-length between unconnected third parties and the Directors are not aware of any indication that the fair value of the KKME has materially changed between 24 November and 31 December 2021. Thus, the fair value of the Option is US$ nil.

As disclosed in note 25, the option lapsed in 2022.

14. Investments in subsidiaries

Company	**31 Dec 2021 US$'000**	**31 Dec 2020 US$'000**
Shares in subsidiaries on 1 January	2,462	2,500
Loans to subsidiaries	4,211	1,577
Total	6,673	4,077

Loans to subsidiaries are interest free and payable on demand.

The Directors conducted an impairment review and is satisfied that the carrying value of $6,673,000 is reasonable and no impairment is necessary (2020 US$ nil).

List of subsidiary undertakings

Name and 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 company	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.

In addition, the Company owns the entire issued share capital of Kanye Resources Plc, a company incorporated in the UK and registered at Salisbury House, London Wall, London, United Kingdom, EC2M 5PS. The entity is not included in the consolidated financial statements as it is part of the Kanye JV which is accounted for as joint operation (note 12).

15. Receivables and other current assets

	Group		Company	
	31 Dec 2021 US$'000	31 Dec 2020 US$'000	31 Dec 2021 US$'000	31 Dec 2020 US$'000
Balance due from JV partners	34	-	34	-
VAT recoverable	170	9	40	-
Other receivables and prepayments	65	125	63	74
	269	134	137	74

16. Cash and cash equivalents

	Group		Company	
	31 Dec 2021 US$'000	31 Dec 2020 US$'000	31 Dec 2021 US$'000	31 Dec 2020 US$'000
Cash and cash equivalents	2,308	2,191	2,069	2,135
Total	2,308	2,191	2,069	2,135

17. Trade and other payables

	Group		Company	
	31 Dec 2021 US$'000	31 Dec 2020 US$'000	31 Dec 2021 US$'000	31 Dec 2020 US$'000
Trade and other payables	299	79	239	59
Total	299	79	239	59

18. Share Capital

	Number of shares No	Share capital US$'000	Share premium US$'000	Total US$'000
As at 1 January 2020	160,955,709	207	5,868	6,075
Issue of shares at US$0.01	27,250,000	33	238	271
Conversion of GBP 38,000 Convertible loan note at US$0.01	4,750,000	6	42	48
Issue of shares at US$0.03653	72,727,273	97	2,560	2,657
Exercise of warrant at US$0.0134	1,250,000	2	15	17
Conversion of GBP 226,866 of Convertible loan notes including interest of GBP 14,379 at US$0.0108	28,358,282	38	268	306
Issue costs	-	-	(161)	(161)
Prospectus costs	-	-	(241)	(241)
Cost of warrants	-	-	(404)	(404)
Foreign exchange	-	7	87	94
As at 31 December 2020	295,291,264	390	8,272	8,662
Exercise of A warrants	54,935,875	76	677	753
Exercise of B warrants	13,000,000	18	437	455
Exercise of 4.25p warrants	3,768,182	5	204	209
Partnership shares - Spectral	3,000,000	4	119	123
Share Placing	35,272,727	49	1,321	1,370
Director subscriptions	1,202,714	2	89	91
Issue costs	-	-	(134)	(134)
As at December 2021	406,470,762	544	10,985	11,529

The Company has one class of ordinary shares which entitle the holders to receive dividends as declared from time to time and to vote at meetings of the Company. All ordinary shares rank equally with regard the Company's residual net assets. There are no restrictions on the transfer of shares except for shares issued to Spectral (note 19) which are subject to a 12-month lock in ending in April 2022.

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 2020 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)

During the year ended 31 December 2021, a number of A Warrants, B Warrants and 4.25p Warrants were exercised. Details of the warrants are disclosed in note 20. The Company also issued 3 million shares to Spectral, at 3 pence per share (US $0.041), as part of the partnership agreement (note 19(b)). On 5 July 2021, the Company successfully completed a placing of 35,272,727 of ordinary shares and 8.5 Placing Warrants at 5.5 pence per share (US $0.076), with the Company's Directors subscribing for a further 1,090,911 of shares and 8.5 Placing Warrants on the same terms. Directly attributable costs of the placing totalled US$ 134,000. A further 111,803 shares were issued to a Company director in lieu of director fees of US$ 8,000.

19. Share based payments

The Company is party to the following share-based payment arrangements:

- Share options issued to employees and others providing similar services; and
- Warrants issued to third parties for the provision of exploration services.

Warrants issued to shareholders as part of fundraising are disclosed in note 20.

Movements in the Share Options Reserve are detailed below:

	Share Options Reserve US$'000
As at 1 January 2020	246
Share options granted	31
As at 31 December 2020	277
Share-based payments – expensed	180
As at 31 December 2021	457

(a) Share Options

Share options granted prior to 1 January 2020

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

In 2019 the Company granted 2,600,000 share options to the Directors and management exercisable at 2.8 pence for a period of 10 years from date of grant.

The share options had no vesting conditions attached to them.

Share options granted in the year ended 31 December 2020

In May 2020 the Company granted 2,725,000 share options to Directors and management exercisable at 0.8 pence for a period of 10 years from date of grant. The options had no vesting conditions attached to them.

The fair value of the share options was calculated using the Black-Scholes pricing model and totalled US$ 31,000. The inputs in the model are as follows:

Share price at the date of grant (pence)	1.45
Exercise price (pence)	0.80
Dividend yield	0%
Expected life, years	10
Annual risk-free interest rate	0.206%
Volatility	45.88%

Share options granted in the year ended 31 December 2021

In February 2021 the Company granted 3,500,000 share options to the Directors of the Company exercisable at 3.3 pence per share. The options are subject to the Directors being employed by the Company, with half the options vesting after one year and the remainder vesting after two years.

19. Share based payments (continued)

(a) Share Options (continued)

The fair value of the share options was calculated using the Black-Scholes pricing model and totalled US$ 94,000. The inputs in the model are as follows:

Share price at the date of grant (pence)	3.15
Exercise price (pence)	3.30
Dividend yield	0%
Expected life, years	10
Annual risk-free interest rate	0.535%
Volatility	97.72%

In June and August 2021, the Company granted options to the Directors and management which are subject to the following performance conditions:

(i) a minimum service period, ranging between 6 and 24 months;
(ii) the Company share has to hit a set threshold on any 5 trading days; and
(iii) the option holder has to be employed on the date of exercise, unless employment is terminated by the Company and ‘good leaver provisions’ apply.

The options are valid for 7 years from the date of grant.

The performance conditions (ii) and (iii) taken together mean that the vesting period of the options is variable and thus in accordance with the applicable accounting standards the Directors have to estimate the vesting period on grant date, which is not subsequently adjusted. The Directors estimate the vesting period to be 3 years.

In addition, the Board made firm commitments to some Director and management to issue further options which were issued in January 2022 but with the vesting period commencing on 1 December 2021. These are options have been accounted for in these financial statements as if they were issued on 1 December 2021 (“Unissued options”).

The options issued in June and August and the Unissued options were valued using the Monte-Carlo model with the significant inputs summarised below:

	4 June Options	11 August Options	1 December Unissued Options
Number of Options	6,250,000	11,500,000	6,500,000
Grant date	04/06/2021	11/08/2021	1/12/2021
Expected exercise date	04/06/2024	11/08/2024	1/12/2021
Exercise price (pence)	5.0	7.5 / 5.0	7.5 / 5.0
Threshold price (pence)	7.5	15.0 / 7.5	15.0 / 7.5
Risk free rate	0.163%	0.201%	0.201%
Volatility	90.16%	88.69%	88.69%
Total fair value	US$ 186,918	US$ 387,031	US$ 219,807

19. Share based payments (continued)

(a) Share Options (continued)

Summary

	31 Dec 2021		31 Dec 2020	
	Number of Options	Average exercise price (pence)	Number of Options	Average exercise price (pence)
At 1 January	18,725,000	2.47	16,000,000	2.75
Granted during the year	27,750,000	5.46	2,725,000	0.80
At 31 December	46,475,000	4.25	18,725,000	2.47
Exercisable at 31 December	18,725,000	2.47	18,725,000	2.47

Share options outstanding as at 31 December 2021 have the following expiry dates and exercise prices:

Scheme	Number of Options	Weighted average exercise price (pence)	Weighted average contractual life (years)
2018 Options	13,400,000	2.80	6.84
2019 Options	2,600,000	2.50	7.33
2020 Options	2,725,000	0.80	8.34
2021 - February Options	3,500,000	3.30	9.11
2021 - June Options	6,250,000	5.00	6.43
2021 - August Options	11,500,000	6.20	6.61
2021 - Unissued Options	6,500,000	5.77	6.92
Total	46,475,000	4.25	7.03

(b) Supplier warrants

In April 2021, the Company entered into the partnership agreement with Spectral Geophysics Ltd ("Spectral") for Spectral to conduct time domain electromagnetic ("TDEM") surveys for the KSZ project. Under the terms of the agreement, the Company secured priority access to Spectral's specialist knowledge and equipment. The agreement specified that:

1. Upon entering into the agreement, the Company was to issue 3 million shares ("Partnership shares") to Spectral valued at $125,000. The shares were subject to one-year lock-in period.

2. The Company issued 3 million warrants ("Warrants") exercisable at 4.25p per share for a period of 4 years with the following vesting conditions:

    a. 1 million warrants vest on completion of the next 5 TDEM surveys.
    b. 1 million warrants vest on completion of the next 5 TDEM surveys; and
    c. 1 million warrants vest on completion of the next 5 TDEM surveys.

As at 31 December 2021, Spectral completed 9 TDEM surveys and thus 1 million warrants are exercisable. The fair value of the Warrants issued is based on the fair value of services received and US$ 153,000 has been capitalised as an intangible exploration asset.

20. Warrant reserve

	Group and Company 31 Dec 2021 US$'000	31 Dec 2020 US$'000
At 1 January	404	-
Share based payments – note 19(b)	153	-
Warrants issued during the year	1,283	404
Warrants exercised during the year	(76)	-
31 December	1,764	404

Details of the warrants outstanding as at 31 December 2021 are as follows:

Warrants	Exercise price (pence)	Grant date	Expiry date	No of Warrants outstanding
2020 A Warrants	1.00	15 April 2020	28 April 2023	2,375,000
2020 B Warrants	2.50	On exercise of A Warrants	28 April 2023	41,310,875
2020 4.25p Placing	4.25	20 November 2020	20 May 2023	75,665,455
2021 8.5p Placing	8.50	5 July 2021	5 July 2023	39,890,911
				159,242,241

As disclosed in note 19(b), Spectral is entitled to 1,000,000 warrants as of 31 December 2021. The warrants were issued in 2022 and thus are not included in the table above.

2020 A and B warrants

In April 2020 the Company granted 58,560,875 A Warrants exercisable at 1 pence 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.

The fair values of the 58,560,875 A Warrants and 58,560,875 piggyback B Warrants were calculated using the Black-Scholes pricing model with the significant inputs summarised below:

	A warrants	B warrants
Share price at the date of grant (pence)	8.0	8.0
Exercise price (pence)	1.0	2.5
Dividend yield	0%	0%
Expected life, years (expire 28 April 2023)	2.33	2.33
Annual risk-free interest rate	0.072%	0.072%
Volatility	42.54%	42.54%
Total fair value of the options	US$ 58,323	US$ 16,570

During the year ended 31 December 2021 54,310,875 A Warrants were exercised prior to 28 April 2021 (2020: none), leading to 54,310,875 B Warrants being issued (2020: none). Further 625,000 A Warrants were exercised subsequently. Of the B Warrants issued, 13,000,000 were exercised during the year (2020: none). Total proceeds raised from the exercise of the A and B Warrants was US$ 1,208,000 (2020: US$ nil).

20. Warrant reserve (continued)

2020 4.25p Placing

In December 2020 the Company granted 75,665,455 Warrants exercisable at 4.25p within 30 months (expiring 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 75,665,455 4.25p Warrants granted was calculated using the Black-Scholes pricing model. The inputs in the model are as follows:

	4.25p warrants
Share price at the date of grant (pence)	2.90
Exercise price (pence)	4.25
Dividend yield	0%
Expected life, years	2.50
Annual risk-free interest rate	0.012%
Volatility	40.18%

During the year ended 31 December 2021 3,768,182 4.25 Placing Warrants were exercised (2020: none), raising proceeds of US$ 209,000 (2020: US$ nil).

2021 8.5p Placing

In July 2021 as part of a share placing (note 18) the Company granted 39,890,911 Warrants exercisable at 8.5p for a period of 2 years. The Warrants are subject to an acceleration clause, whereby if the Company's shares close above 17p for 5 trading days, the Company may write to warrant holders at any time providing 10 working days' notice of accelerated exercise, with 10 working days thereafter for payment.

The fair value of US$ 1,283,000 for the 39,890,911 8.5p Warrants granted was calculated using the Black-Scholes pricing model. The inputs in the model are as follows:

	8.5p warrants
Share price at the date of grant (pence)	5.80
Exercise price (pence)	8.5
Dividend yield	0%
Expected life, years	2
Annual risk-free interest rate	0.037%
Volatility	92.90%

No 8.5p Placing Warrants were exercised during the year.

22. Financial instruments

(a) Categories of financial instruments

There is no material difference between the carrying value and fair value of the Group's and Company's cash balances, receivables and other current assets and trade and other payables because of their short maturities.

(b) Fair value hierarchy

Some of the Company's financial assets are measured at fair value at the end of each reporting period. Valuation techniques in determining the fair values are divided into three levels based on the quality of inputs.

There were no transfers between fair value hierarchies in the year ended 31 December 2021 (2020: none).

Level 1 – Quoted market prices

Fair value is determined by reference to unadjusted quoted prices for identical assets and liabilities in active markets where the quoted price is readily available.

The following financial assets are recognised in these financial statements at fair value through profit or loss and are classified within the Level 1 category:

	Group and Company	
	31 Dec 2021 US$'000	31 Dec 2020 US$'000
Listed securities – Shares in Power Metals	216	234

Level 2 – Valuation techniques using observable inputs

Fair value is determined using inputs other than quoted prices included in Level 1 that are observable, directly or indirectly.

Level 3 – Valuation techniques using significant unobservable inputs

Fair value is dependent on significant inputs that are unobservable.

The following financial assets are recognised in these financial statements at fair value through profit or loss and are classified within the Level 3 category:

	Group and Company	
	31 Dec 2021 US$'000	31 Dec 2020 US$'000
Unlisted securities (note 13)	-	55
KKME option (note 13)	-	-
	-	55

The movements in the carrying values of these financial assets, together with valuation techniques used are detailed in the respective notes.

22. Financial instruments (continued)

The following financial assets are recognised in these financial statements at amortised cost and are classified within the level 3 category:

	Group		Company	
	31 Dec 2021 US$'000	**31 Dec 2020 US$'000**	**31 Dec 2021 US$'000**	**31 Dec 2020 US$'000**
Trade receivables and other current assets	99	134	97	74
Amounts due from related parties	-	-	4,245	1,577
	99	134	4,342	1,651

The following financial liabilities are recognised in these financial statements at amortised cost and are classified within the level 3 category:

	Group		Company	
	31 Dec 2021 US$'000	**31 Dec 2020 US$'000**	**31 Dec 2021 US$'000**	**31 Dec 2020 US$'000**
Trade and other payables	299	79	239	59
	299	79	239	59

(c) Risk Management

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training, management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The main financial risks arising from the Group's and Company's financial instruments are market risk, credit risk and liquidity risk.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. This risk comprises currency risk, interest rate risk and equity price risk.

22. Financial instruments (continued)

(i) Currency risk

Currency risk is the risk that that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Currency risk arises on financial instruments that are denominated in a different currency to the entity's functional currency in which they are measured. Currency risk is monitored on a regular basis.

The net carrying amount of financial instruments split by currency are set out below:

Cash and cash equivalents

	Group		Company	
	31 Dec 2021 US$'000	31 Dec 2020 US$'000	31 Dec 2021 US$'000	31 Dec 2020 US$'000
GBP	2,040	2,135	2,040	2,135
USD	7	1	1	-
BWP	261	55	27	-
	2,308	2,191	2,068	2,135

Financial assets at fair value through profit or loss and trade receivables and other assets

	Group		Company	
	31 Dec 2021 US$'000	31 Dec 2020 US$'000	31 Dec 2021 US$'000	31 Dec 2020 US$'000
GBP	254	308	254	75
USD	34	-	34	-
BWP	27	60	25	-
	315	368	313	75

Investment in subsidiaries

	Group		Company	
	31 Dec 2021 US$'000	31 Dec 2020 US$'000	31 Dec 2021 US$'000	31 Dec 2020 US$'000
GBP	-	-	2,462	2,500
USD	-	-	4,211	1,577
	-	-	6,673	4,077

Trade and other payables

	Group		Company	
	31 Dec 2021 US$'000	31 Dec 2020 US$'000	31 Dec 2021 US$'000	31 Dec 2020 US$'000
GBP	238	59	231	59
USD	7	-	-	-
BWP	54	20	8	-
	299	79	239	59

22. Financial instruments (continued)

The Group's exposure to foreign currency risk arises only from monetary financial instruments that are denominated in a different currency to the entity's functional currency in which they are measured. For the Group and Company, the main exposure is on the intercompany balances denominated in US Dollar as detailed in the table below:

	Group		Company	
	31 Dec 2021 US$'000	31 Dec 2020 US$'000	31 Dec 2021 US$'000	31 Dec 2020 US$'000
Intra-group receivables	4,211	1,577	4,211	1,577
Intra-group payables	(5,993)	(3,177)	-	-
Net exposure	(1,782)	(1,600)	4,211	1,577

A 10 percent strengthening of the US dollar would have increased the Group's loss for the year by US$ 178,000 (2020: US$ 160,000) and increased accumulated losses by US$ 178,000 (2020: US$ 162,000). A 10 percent weakening of the USD dollar would have had an equal and opposite effect.

For the Company, a 10 percent strengthening of the US dollar would have decreased the Company's loss for the year by US$ 421,000 (2020: US$ 158,000) and increased accumulated losses by US$ 421,000 (2020: US$ 158,000). A 10 percent weakening of the USD dollar would have had an equal and opposite effect.

(ii) 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 as the Company and Group have no external borrowing and are not relying on interest income for funding.

(iii) Equity price risk

The Company is exposed to the equity price risk through its shareholding in Power Metals with carrying value of US$ 216,000 as of 31 December 2021. 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 to mitigate the financial impact of a sudden depreciation in their value.

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk as at 31 December 2021 is detailed below:

For the Group, credit risk arises primarily from cash balances held at banks. The risk is mitigated by using only reputable financial institutions with a high credit rating.

The Company is additionally exposed to credit risk on the intercompany balances with its subsidiaries. The recoverability of these balances is linked directly to the success of the exploration activities of the Group. As discussed in note 10, no impairment indicators exist on the exploration assets and thus the balances are deemed to be recoverable.

The Company and Group do not hold any collateral as security.

22. Financial instruments (continued)

Liquidity risk

Liquidity risk arises from the possibility that the Company 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 exploration expenditure programmes. The Group is dependent upon equity fundraisings to manage its liquidity risk.

The Group and Company have no external borrowings (2020: none) and all their liabilities are due within a month.

(d) Capital risk management

The Board'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. The Company and Group have no external borrowing and thus capital consists entirely of equity.

23. Commitments

The Group's license expenditure commitments are:

	31 Dec 2021 US$'000	**31 Dec 2020 US$'000**
Within 12 months	833	1,123
Years 2-5	618	1,254
After 5 years	-	-
Total	1,451	2,377

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

At December 31, 2021 (2020: Nil) the Group had no contractual commitments with either geophysics or drilling companies.

24. Related party transactions

The following related party transactions took place during the year ended December 2021:

Technical, consulting and administrative services were provided to Kavango Minerals (pty) Ltd by 3D Exploration limited, a technical company majority-owned by Hilary Gumbo who is a director of Kavango Minerals (Pty) Ltd. The total fees billed by 3D Exploration during the year was US$ 122,000 (2020: US$ 55,000).

The Company advanced fees to Mike Moles repayable on demand of US$ 2,000 (2020: US$ nil).

Directors' fees are disclosed in note 6 and the directors remuneration report.

During the year the Company advanced funds to Kavango Minerals (Pty) Limited totalling US$ 2,603,000 (2020: US$ 207,000). The total loan outstanding on 31 December 2021 was $3,983,000 (2020: US$ 1,380,000)

25. Events after the reporting date

Subsequent to the year end, the term of the KKME Option was extended and was ultimately allowed to lapse on 18 March 2022.

On 15 April 2022 the Company commenced a diamond drill campaign at the Ditau Project, drilling up to 2,400m.

On 6 May 2022 the Company raised £750,000 (US$ 945,000) by issuing 25,000,000 new Ordinary shares at 3p per share.

26. Ultimate Controlling Party

The Directors do not believe that there is an ultimate controlling party of the Group.