Company registration number: 10796849 (England and Wales)

KAVANGO RESOURCES PLC

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

CONTENTS

COMPANY INFORMATION

Directors
David Smith, Non-Executive Chairman
Peter Wynter Bee, Non-Executive Director
Matthew Benjamin Turney, Chief Executive Officer
Brett James Grist, Chief Operating Officer
Hillary Nyakunengwa Gumbo, Founder & Executive Director
Jeremy S. Brett, Executive Director

Company Secretary
ONE Advisory Limited
201 Temple Chambers
3-7 Temple Avenue
London EC4Y 0DT

Registered Office
Salisbury House, Suite 425
London Wall
London EC2M 5PS

Registered Number
10796849 (England and Wales)

Registrars
Share Registrars Limited
3 The Millennium Centre
Crosby Way
Farnham
Surrey
GU9 7XX

Brokers
First Equity Limited
Salisbury House
London Wall
London EC2M 5QQ

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

Solicitors
Druces LLP
Salisbury House
London Wall
London EC2M 5PS

Principal Bankers
NatWest Bank
120-122 Fenchurch Street
London EC2M 5BA

Website
www.kavangoresources.com

KEY HIGHLIGHTS

- Total assets – US$ 13,267,000 (2021 – US$ 8,089,000)
- Loss – US$ 2,206,000 (2021 – US$ 1,743,000)
- Raised gross proceeds of US$ 5,276,000 (2021 – US$ 4,154,000)

I am pleased to present the financial results for Kavango Resources PLC, the Southern Africa focussed metals exploration company, for the year ended 31 December 2022.

While we have yet to make our maiden discovery, we believe we have made considerable advances in our various exploration programmes, as well as achieving significant steps at a corporate level.

As CEO Ben Turney describes in greater detail later in this report, the three drill programmes we conducted in 2022 have given us a far greater understanding of the geology, and prospectivity, of the licences we hold in Botswana. This has in turn shaped our programmes for 2023, in particular by enabling us to focus our efforts on what we believe to be some very specific and exciting opportunities. All this has been helped considerably by the engagement of a cohort of external specialist advisers who have been impressed with the potential of our ground and with the work which has been done to date, and who are enthusiastic about the prospects for discovery in the coming months.

In purely financial terms, during 2022 the Group incurred a loss of US$ 2,206,000, equivalent to a loss of US$ 0.49 cents per share (2021: US$ 1,743,000, US$ 0.47 cents per share).

Two very significant corporate steps were taken during the year. By acquiring from Power Metal Resources PLC (POW) its 50% interest in the Kanye Resources joint venture, through which the majority of our Kalahari Copper Belt (KCB) licences were held, we acquired full ownership of a significant area in the KCB, including two of what are now our three major areas of focus, the Ditau licences and the Karakubis licences. The timing of the transaction suited both ourselves and Power Metal Resources (POW) and we are pleased to retain POW as a significant shareholder in Kavango. We believe that outright ownership of these two projects gives us the opportunity to seek financing for future exploration at a project level without further diluting existing shareholders.

The second major achievement at a corporate level was the issue of a prospectus in connection with a placing to raise £3,500,000 late in the year. We were able to secure a substantial investment from a strategic and long-term investor whose belief in Kavango and the opportunities it presents has given the board the confidence to press forward with our three major projects.

As the year drew to a close the board instigated a strategic review, drawing on the successes and failures in the year to identify the most effective way forward for the company. The results of this review were announced in February 2023, and we look forward with keen anticipation to delivering on that strategy for the benefit of all our stakeholders in the coming months.

As we had announced in late 2021, we were pleased to welcome Brett Grist to the company as our Chief Operating Officer in February 2022. Brett's experience of mineral exploration has already proved invaluable to the board and his arrival enabled our CEO to focus on more strategic issues, leading directly to the transactions and fundraisings completed during the year.

In August 2022 we accepted the resignation from the board of Mike Moles. Mike was a founder of the company, working with Hillary Gumbo for many years prior to the 2017 listing, and his influence will continue to be felt throughout the company for many years. We wish him well in his retirement.

In December 2022 we were delighted to announce two new appointments to the board. Jeremy S. Brett, who has been working with us on a consultancy basis since 2021, agreed to join the board as an executive director. He brings to us a lifetime's experience of the industry and has particular knowledge and experience of our Kalahari Suture Zone (KSZ) project, where he has been familiar with the "Great Red Spot" and the opportunity it presents, for many years. We also welcomed Peter Wynter Bee to the board as a non-executive director. Peter is a successful executive and investor in the sector, and his connections, coupled with his drive and ambition, have already proved to be of considerable benefit to the company.

I should like to take this opportunity to thank our employees, and particularly those in Botswana, for their hard work during the year. Mineral exploration can be unpleasant work, occasionally involving physical hardship and danger. We are fortunate to have a dedicated and professional team in Botswana and the board appreciates their hard work throughout the year. Their commitment to the Kavango cause is of course matched by the commitment shown by the executive directors throughout the year, and I am grateful to them all for the efforts they have made.

We are disappointed that our share price performance through 2022 did not reflect what we see as our achievements during the year. The volume of shares traded indicates that a substantial proportion of our shareholders have retained the bulk of their holdings despite the price having fallen back, and we truly appreciate their loyalty. We look forward to being able to repay that loyalty with a series of positive outcomes during the year.

David Smith

28 April 2023

OPERATIONS REPORT FOR THE YEAR ENDED 31 DECEMBER 2022

I am confident Kavango Resources is heading towards making a major metals discovery. Our performance in 2022 has convinced me of this. Over the course of the year, we conducted drilling on all three of our projects; first in the Kalahari Suture Zone (KSZ), then at Ditau, finishing the year in the Kalahari Copper Belt (KCB).

This was a major achievement for a company of our size and reflects our determination to explore our ground aggressively. This commitment, and our extensive drilling in 2021 and 2022, has sent a clear message to larger investors that we are serious about making discoveries. This was reflected in the success we had raising money during the year, in exceptionally difficult market conditions caused by the war in Ukraine and the resulting uncertainty over inflation and interest rate policies. In May we raised £750,000, in a nearly twice oversubscribed placing, and in November we raised a further £3.5 million, which saw us bring in two institutional holders on our shareholder register.

With such strong support, we have taken significant strides in refining modern exploration methods, using the latest technologies, to identify high-priority drill targets.

I am particularly proud of the performance-driven culture we are instilling at Kavango. We constantly seek to improve our operations and optimise our chances of success. This hard work has paid off and we are now seeing clear results throughout the company.

Starting at the top, we took steps over the year to improve greatly our technical capabilities at board level. Brett Grist joined the board in February as our new COO and, in December, Jeremy S. Brett became a director. One of Brett's first roles was to begin sorting out the Company's database. Kavango's historic data management needed improvement and Brett set about this task with a lot of support from Jeremy. Data is the lifeblood of our business and, over the years, Kavango has gathered a vast amount on its projects. One of our key objectives for 2022 was to adopt as far as possible industry best-practice standards in our data management. By the end of the year, with the support of some external expert advisors, Brett and Jeremy had made substantial progress in strengthening this area for Kavango.

We have already seen the fruits of this work, in the recent surprise announcements on the gold potential at Ditau, our refocussing on the Karakubis licences in the KCB and the significant upgrade to the B1 Conductor in the KSZ.

Alongside the board appointments, we have also sought to strengthen the strategic management of our projects by drafting in expert advisors to guide our exploration. In the KCB, Dave Catterall has transformed our understanding of exploration on the Belt, while in the KSZ, Richard Hornsey and Dr. Hamid Mumin have made crucial contributions to our understanding of the region's prospectivity. As we move forward in 2023, and come closer to drilling all three projects again, I believe their combined contribution will greatly enhance our chances of success.

At the operational level, we were sad to see John Lauderdale leave Kavango in July. I was introduced to John in early 2021 and quickly established a strong working relationship with him. John had a tremendously positive impact on growing and developing our field teams. He was with us for just over a year and, in that time, enhanced all aspects of our work on the ground. I know it was a hard decision for John to leave Kavango at the point it was at, but the offer from Sandfire was too good to pass up.

While the loss of John was a blow to the business, he had already recruited his replacement in Fred Nhiwatiwa. Fred has taken the baton from John and run with it. When I visited Botswana in August, it was encouraging to see how well run our camps were. Our drilling at the KCB went smoothly at the operational level, and I am looking forward to seeing what our team can do when we next mobilise the rig to the field.

Key operational highlights over 2022 included:

- In February we completed drilling Hole KSZDD002 in the KSZ. This hole targeted the B1 Conductor (B1). Drilling conditions were extremely difficult, with vertical fractures just above the target zone. Unfortunately, we did not intercept the target, but the Downhole Electromagnetic Survey (DHEM) data suggested we were very close. This often happens in nickel exploration. The margins between success and failure can be in the 10s of meters. Over the remainder of the year, we completed extensive analysis of the surface Time Domain Electromagnetic (TDEM) data we have gathered over B1. This culminated in March 2023 with a substantial upgrade to the target, which we are now modelling at a 28,700 Siemens conductance. We believe this is compellingly into the range of potential massive sulphides. As of writing this report, we are finalising drill plans for taking a second pass at B1 a little later this year and are very excited about the potential for this drill programme.

- In July 2022, we identified a cluster of two further conductor targets, just to the north of B1. We labelled these B3 and B4. While the estimated conductance of these is lower (4,100 Siemens and 2,700 Siemens respectively, as of March 2023), their proximity to B1 is intriguing. Our goal is to drill these conductor targets alongside B1. We are currently finalising plans to do this.

- Having completed drilling in the KSZ, we immediately mobilised the drill rig to Ditau to conduct a four-hole campaign. We were targeting potential carbonatite structures. This exploration model was conceptual and based on geophysical data. Until an exploration company can secure physical geology, the risk with geophysical targets is there is no definitive proof what they are. While this type of exploration is highly risky it can lead to unexpected results. This is exactly what happened at Ditau. Although we did not hit carbonatites, we did hit a probable Lode Gold system, hosted in a Banded Iron Formation. This is an exciting development for Kavango and completely changes the exploration model we are pursuing at Ditau. Our plan now is to complete further surface work at Ditau, while drilling is conducted in the KSZ and, once this is complete, to mobilise the rig to Ditau just as we did previously. We have proven we can deliver this exploration plan operationally, thanks to our efforts in 2022.

- In the first half of 2022, we deployed more extensive Controlled Source Audio Magneto Telluric (CSAMT) surveys in the KSZ and at Ditau. At the KSZ we were particularly impressed with this technology's early ability to identify deformation zones in the stratigraphy to about 500m depth. These results were confirmed by our drilling in this region. The deeper, less sharply defined CSAMT imagery also supported the deep-seated Iron Oxide Copper Gold (IOCG) ore deposit model we have been working on at the Great Red Spot. This is still very much a conceptual model. The original concept was based on a coincident magnetic and gravity anomaly we identified in late 2021. In July, we released a conceptual economic viability report that defined the parameters under which such a deposit could be commercially viable. This is a lead we plan to pursue, and we are monitoring exploration by another company in licence areas adjacent to ours. Meanwhile, at Ditau, the CSAMT has given important data in mapping the underlying structures, which could prove to be highly influential in the next phase of exploration here.

- In parallel to the drilling programmes in the KSZ and at Ditau, Kavango accelerated exploration in the KCB. The Company completed an extensive soil sampling campaign, in advance of its maiden drill campaign. Drilling commenced in October at PL082, following completion of Kavango's 90pc ownership in the LVR JV. PL082 is part of the LVR JV. Our original target specification, based on Airborne Electromagnetic (AEM) data completed in early 2021, incorrectly interpreted an anticline (dome) structure underlying the licence. This was an internal error that unfortunately we did not correct until late in the drill programme. Clearly, we needed to address this and we have since taken considerable action to ensure this does not happen again.

- In July 2022, we agreed to acquire the other 50% in Kanye Resources from our JV partner Power Metal Resources (LSE: POW) in an all-share transaction. This deal completed at the end of November and saw Kavango regain 100% ownership of the majority of its KCB licences (including the extremely prospective Karakubis Block) and Ditau (where we subsequently identified the Lode Gold potential around Target i10 in March 2023). As we move into 2023, we expect this deal will prove to be pivotal in unlocking substantial value in Kavango for the Company's shareholders.

- Following the successful CSAMT surveys we deployed in the KSZ and at Ditau, we deployed this technology to the KCB in late 2022. This was the earliest we could do this, but we became the first company to use CSAMT in the manner we have in this region. The results are extremely encouraging. Sandfire Resources kindly allowed us to conduct a survey from PL082 into their adjacent ground. This gave us crucial control data, which we hope to be able to use in future pursuits of mineralisation in the KCB. Although the PL082 drilling did not intercept the D'Kar/Ngwako Pan formational contact, the drilling did intercept a brecciated zone (identified from surface using CSAMT) and confirmed the presence of a syncline under PL082, thus providing a competitive edge when compared with historically used AEM data. This gives us a great deal of confidence that this technology will assist us greatly as we move our focus to the Karakubis project area.

- Importantly, in October, we engaged Dave Catterall, one of the recognised foremost experts in KCB exploration, to guide our future exploration strategy here. Dave completed a site visit in January 2023 and will play a key role in our efforts on this project as we move forward at the Karakubis licences. Dave's involvement will mean we can benefit from his extensive experience in making discoveries in the KCB and will hopefully prove to be a crucial element in our future success.

With the progress we made in 2022, we are now gearing up for our next phases of drilling across our three project areas. Having successfully completed our "proof of concept" campaigns, we have learned a lot to improve our future targeting. When we next deploy the drill rigs to the field it will be with the sole goal of making economic discoveries.

Matthew Benjamin Turney
Chief Executive Officer
28 April 2023

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 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.

Peter Wynter Bee *(Non-Executive Director)*

Peter is an experienced lawyer who has focused on financing and managing mining companies. He has a strong experience in joint venture negotiations and raised project finance. Peter has raised capital for the development of projects since 1990. He was a founder of Reunion Mining plc which developed a gold mine in Zambia, a copper mine in Zimbabwe and the Skorpion zinc mine in Namibia prior to its takeover by Anglo-American. He is currently Founder and Chairman of Moxico Resources plc a copper mining company with projects in Zambia and Saudi Arabia.

Matthew Benjamin ("Ben") Turney *(Chief Executive Officer)*

Ben is an experienced participant in London and North America's small cap financial markets. He joined Kavango's board in January 2021 and became CEO in June that year. Since then, he has played the lead role in overhauling the Company's business model. 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 was involved in the exploration and evaluation of Rockover's Dokwe Gold Project in Zimbabwe. 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.

Jeremy S. Brett *(Executive Director)*

Jeremy is a senior Geophysical Consultant with 29 years of international mineral exploration in most commodities. He has a strong background in geology, structural geology, ore deposit models, project management & strategy. He has a B.Sc. in Geophysics and an M.Sc. in Geology from the University of Toronto. He has consulted to more than 100 of Canada's leading junior & major exploration/mining companies and governments on five continents. Jeremy is a Professional Geoscientist registered in Ontario, Canada.

The Directors present their strategic report on the group for the year ended 31 December 2022.

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 in the parent company of Kanye Resources (Pty) Ltd and Kanye Resources Plc, companies registered and domiciled in Botswana and the United Kingdom respectively. The Company also owns 90% of Shongwe Resources (Pty) Ltd, registered and domiciled in Botswana.

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, exploration activities, results and prospects are set out in the Chairman's Statement and in the Operations Report on pages 6 to 8.

The Directors are particularly pleased with the support shown by the Company's shareholders, as the Company has been able to successfully raise equity finance in challenging market conditions to continue its exploration work.

On 23 May 2022 the Company completed a placing of 25,000,000 of new ordinary shares and 25,000,000 warrants raising gross proceeds of £750,000. The warrants are exercisable at 5p per share for a period lasting until 31 December 2023.

On 24 October 2022 and 25 October 2022 the Company announced it had conditionally raised £3,500,000 before expenses by the issue of 194,444,437 new ordinary shares and 194,444,437 corresponding warrants at a price per share of 1.8 pence. The warrants are exercisable at 3p per share for a term of 24 months from the date of issue. The placing became unconditional on the publication of the Company's prospectus on 18 November 2022.

Principal Risks and Uncertainties

The Directors have identified the following principal risks in regard 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 three core exploration assets being licences covering the Kalahari Suture Zone (KSZ) Project, Ditau and the Kalahari Copper Belt. This totals a large area, together approximately 14,500km^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 and/or internationally.

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, KCB, 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 continues to evaluate additional opportunities.

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 the 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.

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. While 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 21 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
- Drilling brings inherent risk as it is subject to unknown ground conditions

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

Other business risks (continued)

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

Key performance indicators

The ongoing performance of the Group is managed and monitored using the following key financial and non-financial indicators ("KPIs") on a monthly basis:

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

The Directors are satisfied with the Group's performance for the year as the Group is either on track or ahead of its licence spending commitments and has been able to control costs despite inflationary pressures. The Company has continued to successfully raise finance to support its working capital requirements and exploration programme.

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 (with the exception of shares issued to Power Metal Resources as part of Kavango's acquisition of Power Metal Resources' share of Kanye Resources, which were subject to a 12-month contractual lock which ends in July 2023) 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.

The task force on climate-related financial disclosures

The task force on climate-related financial disclosures ("TCFD") aim to provide investors, lenders, and other stakeholders with information necessary to assess climate-related risks and opportunities. The Group takes various actions throughout local operations to mitigate the potential impacts of the Group's activities. The Directors recognise the benefits of disclosing climate-related financial information, but due to the Group's small scale and stage of development, have not yet fully implemented the TCFD recommendations. During 2023 the Directors will establish a cross-functional team to evaluate and implement the TCFD recommendations over the next few years.

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 “Companies Act").

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 2022:

- **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. 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 decisions to complete an accelerated 90% earn-in with an existing license holder on the KCB (Shongwe Pty), and separately to acquire Power Metal Resources’ share of Kanye Resources were driven at least in part by the Board’s view that the long-term future of mineral exploration in Botswana is very positive.

- **Ethical responsibility to the community and the environment:** the Board takes seriously its ethical responsibilities to the communities and environment in which it works. We abide by the local and relevant UK laws on anti-corruption 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 practice 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. We also presently have a 100% Botswana national in-country team.

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

Matthew Benjamin Turney
Director
28 April 2023

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2022

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 2022.

Review of business and future developments

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

Subsequent events

Details of subsequent events after the year end are disclosed in note 24 to the financial statements.

Dividends

The Directors do not propose a dividend in respect of the year ended 31 December 2022 (2021: none).

Directors

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

David Smith	
Matthew Benjamin (Ben) Turney	
Hillary Gumbo	
Brett Grist	(appointed 7 February 2022)
Charles Michael (Mike) Moles	(resigned 31 August 2022)
Peter Wynter Bee	(appointed 1 January 2023)
Jeremy S. Brett	(appointed 1 January 2023)

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 21 to the financial statements.

Substantial shareholders

As of 31 December 2022, the Company had been notified, in accordance with chapter 5 of the Disclosure Guidance and Transparency Rules or via disclosures under s.793 of the Companies Act, of the following voting rights of 3% or more in its issued share capital:

Party name	Number of ordinary shares	% of share capital
Purebond Limited	85,000,000	12.05
Power Metal Resources PLC	69,500,000	9.85
Arigo Capital	27,777,777	3.94
Charles Michael Moles	22,092,768	3.13
Total	204,370,545	28.97

Capital structure

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

Greenhouse gas emissions and energy use

Given the nature of its activities which can include airborne geophysics 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. 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 the Group's cash position and the required level of spending on exploration and corporate activities for a period of not less than 12 months from the date of signing these financial statements.

As part of this assessment, the Directors have noted that in order to sustain the minimum level of exploration spending required by the Group's licence conditions and minimum corporate overheads a further fundraising will be required within the next 12 months. Whilst successful completion of future fundraisings is inherently uncertain, the Directors are confident that the required level of equity will be raised, taking into account the Company's track record of raising finance in a difficult market, with gross proceeds of US$ 5,276,000 raised during the year (2021: US$ 4,154,000) from two share placings and exercises of shareholder warrants and the Directors remain in active discussion with current and potential shareholders.

Taking these matters in consideration, the Directors are satisfied that it is appropriate to continue to adopt the going concern basis of accounting in the preparation of these financial statements.

Political donations

The Group made no political donations during the year (2021: 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 and Risk Committee, a resolution that they should be re-appointed will be proposed at the annual general meeting of the Company.

The Corporate Governance Report forms part of this report.

This report sets out the information the company and the Group are required to disclose in the Directors' report in compliance with the Companies Act, the Financial Conduct Authority's Listing Rules (Listing Rules), the Disclosure Guidance and Transparency Rules (DTRs), and the QCA Code. This report should be read in conjunction with the Strategic Report set out on pages 10-14 and the Corporate Governance Report set out on pages 17 to 26. Together, the Strategic Report, this Directors' Report, and other sections of the Corporate Governance report incorporated by reference, when taken as a whole, form the Management Report as required under Rule 4.1.5R of the DTRs.

This Directors' Report was approved by the Board of Directors on 28 April 2023 and is signed on its behalf by;

Matthew Benjamin Turney
Director

This report forms part of the Strategic Report.

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 QCA Code.

In light of the Company's size and recent history, during the year, the Company has deviated from the QCA Code in the respects outlined below. However, the Board is actively reviewing its governance arrangements following the appointment of Peter Wynter Bee and Jeremy S. Brett and since the year end has revised the composition of the Audit and Risk Committee, reinstated the Remuneration Committee and commenced a Board Evaluation process.

- The provisions relating to the composition of the Board and the division of responsibilities were not complied with during the year as the Board felt 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 9.

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

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.

1. Establish a strategy and business model which promote 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 other potential target territories and their attractiveness for prospecting and eventual mining operations; and
- understand existing interests in prospecting licence areas 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 yet cost-effective exploration techniques in order to determine whether further work, using increasingly expensive exploration techniques, is justified; and
- Appreciating the likely realisation routes that will be available to us as a project moves towards development.

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.

2. Seeking to understand and meet shareholder needs and expectations

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

Private shareholders

The Annual General Meeting ("AGM") continues to be available as 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 travel limitations all Directors endeavour to attend the AGM and to be available to answer questions raised by shareholders. 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 (https://www.kavangoresources.com/) or by email corporate@kavangoresources.com.

Retail shareholders also regularly attend investor evenings held by our broker 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 the 121 Group. We also have ad-hoc meetings with our shareholders via conference calls, online presentations, 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.

3. Take into account 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. The Chief Operating Officer regularly visits each of the project sites and meets the employees. During the year, 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. The Company has also agreed to sponsor an employee to study internationally for a master's degree.

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.

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 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.

4. Embed effective risk management, considering both opportunities and threats, throughout the organisation

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

(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 10 to 14 of the Strategic Report.

5. Maintain the board as a well-functioning, balanced team led by the chair

Two new Board members, Jeremy S. Brett (Executive Director), and Peter Wynter Bee (Independent Non-Executive Director) were appointed following a review of the required skills and consideration of appropriate candidates. These appointments became effective on 1 January 2023. The new Directors have extensive relevant experience in the mining industry. Mike Moles stepped down from the Board on 31 August 2022 but continued to work with the Company in a consultancy capacity until early 2023. Following these changes, the Board currently comprises a Non-Executive Chairman, four Executive Directors and one additional Independent Non-Executive Director. David Smith is the Non-Executive Chairman.

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. 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 provides support to the Board on further enhancing compliance with the QCA Code. They also provide on-boarding training to newly appointed directors, and in FY2023 will provide further training to the wider Board. The Company Secretary also provides regular updates on changes to the regulatory environment.

The newly appointed Non-Executive Director, Peter Wynter Bee, has taken the role of Chair of the Audit and Risk Committee.

For most of the financial year 2022, the Board met monthly before moving into a bi-monthly meeting cycle which the Board considers more appropriate for the current Company's operations. 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;
- Exploration updates; and
- Any other business including update of Register of Conflicts.

Directors' conflict of interest

The Company has effective procedures in place to monitor and deal with conflicts of interest. The Board is aware of the other commitments and interests of its Directors, and changes to these commitments and interests are reported to and, where appropriate, agreed with the rest of the Board. A Register of Conflicts is maintained and is a standard agenda item at each Board meeting. The Directors have access to the Company's advisers, its broker, and its lawyers.

Board meetings are deemed quorate if two Board members are present, provided due notice of such meeting has been given to or waived by the non-attending Directors.

Directors and Officers Liability insurance is maintained for all Directors. Employer's Liability insurance is also in effect.

The table below sets out Directors' attendance at scheduled Board meetings held during 2022:

Director	Position	Attendance
David Smith	Chairman (Independent)	11/11
Ben Turney	Chief Executive Officer	11/11
Hillary Gumbo	Executive Director	11/11
Brett Grist[1]	Chief Operating Officer	10/10
Charles Michael Moles[2]	Non-Executive Director	7/7

[1] Brett Grist was appointed on 7 February 2022.
[2] Charles Michael Moles stepped down as a director on 31 August 2022.

6. Ensure that between them the directors have the necessary up to date 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 Brett Grist as the Chief Operating Officer 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. The appointments to the Board of Peter Wynter Bee and Jeremy S. Brett were announced in December 2022 and their appointments took effect on 1 January 2023. Mr. Wynter Bee joined the Company as a Non-Executive Director and is an experienced lawyer who has focused on financing and managing mining companies. Mr. Brett joined Kavango as an Executive Director. He is a senior geophysical consultant with 28 years international mineral exploration in most commodities and has a strong background in geology, structure, ore deposit models, project management & strategy.

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.

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

The Directors' biographies can be found on page 9 of this Report and on the Company's website (https://www.kavangoresources.com/about-us/directors-management).

In addition, the following Directors are also directors of the Company's subsidiaries: Hillary Gumbo is a director of Kavango Minerals (Pty) Ltd, Kanye Resources (Pty) Ltd, Shongwe Resources (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 and is also a director of Kanye Resources (Pty) Ltd, and Shongwe Resources (Pty) Ltd. 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.

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, broker, and other professional advisors that they deem relevant. In addition, the Directors have direct access to the advice and services of the Company Secretary.

7. Evaluate board performance based on clear and relevant objectives, seeking continuous improvement

During the financial year ended 31 December 2022 a board evaluation was not carried out, due to significant changes in the board composition. An evaluation process has been initiated. Aided by the addition of new board members in January 2023, including expansion of non-Executive members, the board is achieving measurement of progress relative to objectives.

A detailed strategy has been defined for the Company and is used as a benchmark to measure the performance of the Company and team moving forwards. Progress reviews are held periodically to assess progress against key metrics.

8. Promote a corporate 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 with 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.

Further information on the corporate culture can be found under principle 3 above.

9. Maintain structures and processes that are fit for purpose and support 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 and for the overall Company strategy. There is a formal schedule of matters reserved to the Board, including approval of exploration projects; approval of the annual and interim results; annual budgets; dividend policy; and Board structure. The Board also 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, whose members during the year were David Smith and Ben Turney, comprises Peter Wynter Bee and David Smith from 1 January 2023. The Committee 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 10 to 14 of the Strategic Report.

The Remuneration Committee

The Remuneration Committee has recently been reinstated with effect from 1 January 2023. The Committee comprises David Smith and Peter Wynter Bee.

Matters for the Remuneration Committee were previously addressed by the full Board in the year ended 31 December 2022, with any conflicted directors abstaining from decision-making as appropriate.

Key remuneration-related activities which occurred during the year included inflation-related increases for all directors, bonus payments for Ben Turney and Brett Grist, 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 installed a solar power energy supply for a water well.

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; all our Botswana based team are Botswana nationals. Recent initiatives have included assistance to a rural school, benefiting female education of a disadvantaged community.

10. 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 (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, https://www.kavangoresources.com/ and also on its Twitter feed @KAV.

The Board maintains that, if there is a resolution passed at a general meeting with 20% votes cast against, the Company will seek to understand the reason for the result and, where appropriate, take suitable action. Notices of general meetings can be found here: https://www.kavangoresources.com/investor-relations/notices. All 2022 AGM resolutions were passed comfortably. The votes on all resolutions were taken on a poll to ensure that full shareholder representation was reflected.

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

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

Chair's statement

During the year to 31 December 2022, 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.

Post period, on the appointment of the two new directors effective 1 January 2023, the Remuneration Committee was reconstituted. The members of the Remuneration Committee from 1 January 2023 are David Smith and Peter Wynter Bee who chairs the Committee.

Statement of policy on Directors' remuneration

At the AGM in 2021 the shareholders of the Company adopted a formal remuneration policy as laid out in the 2020 Annual Report and summarised below. For the purposes of events during the year to 31 December 2022, all references to the Remuneration Committee should be read as referring to the Board, which considered all remuneration matters during the period.

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. The Board and senior members of staff continue largely to be remunerated through a combination of modest salaries or fees, and the grant of share options, and as a result the total salaries and fees payable to directors have been unusually modest. As the Company continues to grow it has developed 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. On this basis the Company awarded cash bonuses to two Executive Directors during the reporting period, as set out in the table below, in recognition of their efforts in moving the Company forward. 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.

During the reporting period the Board considered the remuneration of directors and senior staff and their employment terms and made recommendations on the overall remuneration packages. From January 2023 onwards the reconstituted Remuneration Committee will consider the remuneration of directors and senior staff, in alignment with the Company's policy and make recommendations to the Board. No Director takes part in any decision directly affecting their own remuneration.

Directors' remuneration

The Directors who held office during the year and their appointment dates are listed in the Directors' Report on page 15.

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.

Remuneration components

The fees offered to Directors for the year ended 31 December 2022 consisted of a mix of:

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

Directors' emoluments and compensation (audited)

Set out below are the emoluments of the Directors for the year ended 31 December 2022:

	Year to 31 December 2022							
	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	$113,260	-	$111,385	-	-	**$224,644**	$113,260	$111,385
David Smith	$50,338	-	-	-	-	**$50,338**	$50,338	-
Hillary Gumbo	$111,036	-	-	-	-	**$111,036**	$111,036	-
Brett Grist[1]	$103,978	-	$37,128	-	$4,233	**$145,339**	$108,211	$37,128
Former directors who served during the year								
Mike Moles[2]	$17,726	-	-	-	-	$17,726	$17,726	-

[1] Brett Grist's remuneration is in respect of the period from his appointment on 7 February 2022.
[2] Resigned 31 August 2022.

For comparison the emoluments of the Directors who served during the year ended 31 December 2021 are set out below:

	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 from their appointment on 11 January 2021.
[2] It was agreed that Mike Moles would be paid £2,000 per month from July 2021, paid in cash, which was subsequently used to purchase new issue shares in the Company.
[3] Hillary Gumbo's remuneration was in respect of the period from his appointment on 24 June 2021.
[4] Resigned 31 December 2021.

Other items (audited)

The Board was pleased to see management's actions during the year delivering important improvements in operational effectiveness within the business. When determining remuneration outcomes, the Board considered the extensive programme of operational activity across our licence areas, the Company's successful fundraising, as well as the macroenvironment and the conditions that our stakeholders and the wider market have experienced during the year. The Board considered that the activities of the Chief Executive Officer, Ben Turney, and the Chief Operating Officer, Brett Grist, during the year warranted payment of a one-off bonus of £90,000 and £30,000 respectively, reflecting their strong performance in execution of the strategy of the Company. The Committee considers these awards appropriately reflect the efforts of these Executive Directors, incentivise future performance and balance the impact of the year under review on our shareholders.

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

Total pension entitlements (audited)

During the year ended 31 December 2022, the Company commenced payments into a money purchase pension scheme for Brett Grist. The Company did not make pension contributions for any of the other 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 for loss of office during the year.

Mike Moles ceased to be a director on 31 August 2022, but continued to support the business as a consultant until early 2023. Mike 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 2022 (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 2022	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	280,000	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	£0.008	500,000	No	05/05/2020	05/05/2030
	Option	10/08/2021	£0.075	1,000,000	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	10/08/2028
Ben Turney	Option	09/02/2021	£0.033	2,000,000	No	50% vest no earlier than 12 months from grant and 50% vest no earlier than 24 months from grant	09/02/2031
	Option	10/08/2021	£0.075	4,500,000	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	10/08/2028
David Smith	Option	09/02/2021	£0.033	1,500,000	No	50% vest no earlier than 12 months from grant and 50% vest no earlier than 24 months from grant	09/02/2031
Former directors who served during the year							
Mike Moles	Option	06/11/2018	£0.025	2,400,000	No	06/11/2018	04/11/2028
	Option	01/05/2019	£0.025	280,000	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	£0.008	500,000	No	05/05/2020	05/05/2030

Share scheme interests awarded during the year (audited)

There we no share options awarded to Directors during the year ended 31 December 2022. In January 2022 the Board committed to issue options to David Smith and Brett Grist subject to shareholder approval of an increase to the self-imposed options headroom at the 2022 AGM. These options remain committed to by the Board but had not been formally granted before the 31 December 2022 financial year end.

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 2022, Mike Moles received shares in full or part satisfaction of his fees.

Name of Director	Number of ordinary shares held 31 December 2022	Number of ordinary shares held 1 January 2022*	Number of warrants held 31 December 2022	Number of warrants held 1 January 2022*
Ben Turney	8,970,551	8,050,306	7,460,228	7,460,228
Hillary Gumbo	16,520,137	16,520,137	2,625,000	2,625,000
David Smith	173,939	173,939	-	-
Brett Grist	920,245	-	-	-
Former directors who served during the year				
Mike Moles	21,908,894	12,555,253	841,137	841,137

*Or date of appointment, if later.

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 is not paying dividends and is currently incurring losses. In addition, and as mentioned above, the remuneration of Directors is not currently directly linked to share price performance, and therefore the inclusion of this graph is not considered 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 share price 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 28 April 2023.

David Smith
Chairman

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 UK-adopted International Accounting Standards 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 UK-adopted International Accounting Standards 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 and 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 responsibility statement was approved by the Board of Directors on 28 April 2023 and is signed on its behalf by;

Matthew Benjamin Turney
Director

Opinion

We have audited the financial statements of Kavango Resources PLC (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2022 which comprise the Consolidated Statement of Total Comprehensive Income, the Consolidated and Parent Company Statements of Financial Position, the Consolidated and Parent Company Statements of Changes in Equity, the Consolidated and Parent Company Statements of Cash Flows and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and 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 2022 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.

Material uncertainty related to going concern

We draw attention to note 2a) in the financial statements, which indicates that the group intends to raise additional funding in quarter two of 2023. For the year ended 31 December 2022, the group incurred losses from operations of $2.206m and has negative cash flow of $1.735m. At the reporting date, the group reported a cash and cash equivalent of $2.265m which is insufficient to meet all of the operating costs and minimum spend requirement on the group's exploration licences for the period to 30 April 2024 (being twelve months from the date of signing the financial statements). The directors are confident in their ability to raise the necessary funds in the timescales necessary and expect to complete the fund raising during the second quarter of 2023. However, there is an uncertainty around the successful completion at the date of this report. As stated in note 2a) these events or conditions, along with the other matters as set forth in note 2a), indicate that a material uncertainty exists that may cast significant doubt on the company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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 company's ability to continue to adopt the going concern basis of accounting included:

- Challenging the directors' forecasts prepared to assess the group's and parent company's ability to meet its financial obligations as they fall due for a period of at least twelve months from the date of approval of the financial statements. We have assessed the reasonableness of the forecast costs based on comparing them to previous years, current year management accounts and supporting evidence for certain costs. We have also considered the impact of sensitising the forecasted cash flows by increasing the estimated costs by 15% to reflect the risk of additional or unexpected costs being incurred.

- The group's cash position shows a balance $2.265m as at 31 December 2022. Due to the lack of revenue the group and parent company are dependent on raising funds in the first half of 2023 to continue to meet their operating costs and budgeted exploration programme. The group has successfully raised funds from issuing equity over the past twelve months and is confident in its ability to raise further funding in the required timeframes, but at the date of this report there are no legally binding agreements in place to raise the funds.

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

Emphasis of matter

We draw attention to notes 3b)(iv) and 18 of the financial statements, which describes an amount of $669,000 that remains outstanding at the balance sheet date in respect of the November 2022 share placing. Whilst the Directors are confident that the balance will be received or may be re-issued to other potential subscribers should the subscription funds not be received, the majority of the balance remains outstanding at the date of signing the financial statements.

Our opinion is not modified in this respect.

Our application of materiality

Group materiality 2022	Group materiality 2021	Basis for materiality
$264,000	$161,000	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.

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 $264,000 (2021: $161,000), the parent materiality was set at $253,000 (2021: $100,000) with performance materiality set at 60% (2021: 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. Performance materiality has decreased this year due to our assessment of the acquisition of Kanye Resources plc, previously accounted for as a JV. Given that there is a change to the accounting treatment of Kanye Resources, there is a higher risk associated.

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 $13,200 (2021: $8,505). Parent company triviality level is $10,500 (2021: $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, or significant accounting estimates including the carrying value of exploration, and evaluation assets (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, accounting for the Kanye JV acquisition, related party transactions 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 2022, 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.

The approach detailed above gave us sufficient appropriate evidence for our opinion on the group financial statements.

Key audit matters

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

<table>
<tr><th>Key Audit Matter</th><th>How our scope addressed this matter</th></tr>
<tr><td>Carrying value of intangible assets</td><td></td></tr>
<tr><td>The group has Intangible assets in relation to capitalised exploration and evaluation costs in respect of its Botswanan assets. A balance of $9.7m is reported in the Consolidated Statement of Financial Position as at 31 December 2022.

There is the risk that the carrying value of these assets has not been measured in accordance with IFRS 6 Exploration for and Evaluation of Mineral Resources as the carrying value is subject to management estimation uncertainty in respect of impairment considerations.

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 when facts and circumstances suggest an impairment may be required 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 necessary.</td><td>We performed testing of the capitalisation and carrying value of the intangible assets and critically assessed the key assumptions made.
The procedures performed are summarised below:

• Review component auditor's work in respect of costs capitalised during the year under review, including the considerations made in respect of their appropriateness for capitalisation in accordance with the Group's accounting policy;
• Confirmation that the group has good title to the applicable exploration licences, including new licences obtained during the year;
• Critical review of management's impairment paper covering their review of impairment indicators in accordance with IFRS 6 and challenge of all key assumptions therein; and
• Ensured 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 in note 3 which states that some licences held by the group are due to expire subsequent to the year end. The group has made an application to renew those licences that have expired and intends to make</td></tr>
</table>

	application in respect of those licences that expire during the remainder of 2023. Management are confident that the renewals will be approved. If the licences are not renewed, it would indicate the existence of some uncertainty over the carrying value of some of the exploration and evaluation assets, which may result in an impairment as at 31 December 2022. 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 investment in subsidiaries (Parent 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 recovery of the investment in the subsidiary is inherently linked with the value of the underlying intangible assets and impairment in the exploration assets may indicate that the investments are not fully recoverable.	We reviewed and assessed underlying records and management assessment of the carrying value of investment in subsidiaries. The procedures performed are summarised below: • Confirmation of ownership of investments; • Consideration of recoverability of investments by reference to underlying net asset values; • A review of the impairment assessment prepared by the company and challenge of all inputs and estimates included therein; and • Ensured 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 the group's development of the exploration projects. The related disclosure is appropriate.

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 Statement of Directors' Responsibilities, the directors are responsible for the preparation of the Group and parent company financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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 and 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 and Transparency rules for listed entities
  - Local industry regulations in Botswana where exploration activity took place
  - 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 enquiries of management
  - Reviewing board minutes
  - Reviewing accounting ledgers
  - 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 them.

- 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; 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 the following in respect of matters of non-compliance with laws and regulations including fraud at the group and component levels:
  - Making enquiries of component auditors
  - Reviewing correspondences with authorities
  - Reviewing nominals of legal expenses
  - Reviewing component auditors' work in these areas and obtaining their confirmation

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

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

Other matters which we are required to address

We were appointed by the Board of Directors on 20 March 2018 to audit the financial statements for the period ending 31 December 2017 and subsequent financial periods. Our total uninterrupted period of engagement is 6 years, covering the periods ending 31 December 2017 to 31 December 2022.

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.

Daniel Hutson (Senior Statutory Auditor)
For and on behalf of PKF Littlejohn LLP
Statutory Auditor
28 April 2023

15 Westferry Circus
Canary Wharf
London E14 4HD

KAVANGO RESOURCES PLC

CONSOLIDATED STATEMENT OF TOTAL COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	31 Dec 2022 US$'000	31 Dec 2021 US$'000
Continuing operations			
Administrative expenses	5	(2,218)	(1,589)
Other gains/(losses) – gain/(loss) on fair value of financial assets		12	(154)
Loss before taxation		(2,206)	(1,743)
Taxation	7	-	-
Loss for the year attributable to owners of the parent		(2,206)	(1,743)
Other comprehensive loss			
Items that may be subsequently reclassified to profit or loss:			
Currency translation differences		(545)	(303)
Other comprehensive loss, net of tax		(545)	(303)
Total comprehensive loss for the year attributable to owners of the parent		(2,751)	(2,046)
Earnings per share from continuing operations attributable to owners of the parent:			
Basic and diluted loss per share (cents)	8	(0.49)	(0.47)

The accompanying notes form part of these financial statements.

KAVANGO RESOURCES PLC

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2022

	Notes	31 Dec 2022 US$'000	31 Dec 2021 US$'000
Assets			
Non-current assets			
Property, plant, and equipment	9	172	221
Intangible assets	10	9,679	5,075
Total non-current assets		9,851	5,296
Current assets			
Trade and other receivables	15	1,151	269
Financial assets at fair value through profit or loss	13	-	216
Cash and cash equivalents	16	2,265	2,308
Total current assets		3,416	2,793
Total assets		13,267	8,089
Liabilities			
Current liabilities			
Trade and other payables	17	571	299
Total current liabilities		571	299
Total liabilities		571	299
Net assets		12,696	7,790
Equity			
Share capital	18	904	544
Share premium	18	19,296	10,985
Shares to be issued		7	363
Share option reserve	19	913	457
Warrant reserve	20	650	1,764
Foreign exchange reserve		(1,019)	(474)
Reorganisation reserve		(1,591)	(1,591)
Retained losses		(6,464)	(4,258)
Total equity attributable to owners of the parent		12,696	7,790

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 on 28 April 2023 and signed on its behalf by:

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

COMPANY STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2022

	Notes	31 Dec 2022 US$'000	31 Dec 2021 US$'000
Assets			
Non-current assets			
Property, plant, and equipment	9	-	24
Intangible assets	10	-	956
Investment in subsidiaries	14	11,825	6,673
Total non-current assets		11,825	7,653
Current assets			
Trade and other receivables	15	925	137
Financial assets at fair value through profit or loss	13	-	216
Cash and cash equivalents	16	2,214	2,069
Total current assets		3,139	2,422
Total assets		14,964	10,075
Liabilities			
Current liabilities			
Trade and other payables	17	466	239
Total liabilities		466	239
Net assets		14,498	9,836
Equity			
Share capital	18	904	544
Share premium	18	19,296	10,985
Shares to be issued		7	363
Share option reserve	19	913	457
Warrant reserve	20	650	1,764
Foreign exchange reserve		(885)	56
Retained losses		(6,387)	(4,333)
Total equity		14,498	9,836

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 2022 was US$ 2,054,000 (2021: US$ 1,707,000).

The financial statements of Kavango Resources Plc, company registered number 10796849, were approved by the board, and authorised for issue on 28 April 2023 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 2022

	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 2021	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
Loss for the year	-	-	-	-	-	-	(2,206)	-	(2,206)
Other comprehensive loss for the year:									
Foreign currency exchange difference	-	-	-	-	-	(545)	-	-	(545)
Total comprehensive loss for the year	-	-	-	-	-	(545)	(2,206)	-	(2,751)
Reserve transfer from warrant reserve (note 20)	-	1,471	-	-	(1,471)	-	-	-	-
Issue of ordinary shares	360	7,100	-	-	-	-	-	(1,081)	6,379
Costs of share issues	-	(260)	-	-	-	-	-	-	(260)
Share-based payments – expensed	-	-	-	456	-	-	-	180	636
Share-based payments – capitalised	-	-	-	-	357	-	-	545	902
Total transactions with owners	360	8,311	-	456	(1,114)	-	-	(356)	7,657
As at 31 December 2022	904	19,296	(1,591)	913	650	(1,019)	(6,464)	7	12,696

KAVANGO RESOURCES PLC

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2022 (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 recognised for the fair value of share options outstanding
Shares to be issued:	Amount of shares the Company has committed to issue
Warrant Reserve:	Amount recognised for the fair value of warrants outstanding

The accompanying notes form part of these financial statements.

KAVANGO RESOURCES PLC

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2022

	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 2021	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
Loss for the year	-	-	-	-	-	(2,054)	-	(2,054)
Other comprehensive loss for the year:								
Foreign currency exchange difference	-	-	-	-	(941)	-	-	(941)
Total comprehensive loss for the year	-	-	-	-	(941)	(2,054)	-	(2,995)
Reserve transfer from warrant reserve (note 20)	-	1,471	-	(1,471)	-	-	-	-
Issue of ordinary shares	360	7,100	-	-	-	-	(1,081)	6,379
Costs of share issues	-	(260)	-	-	-	-	-	(260)
Share-based payments – expensed	-	-	456	-	-	-	180	636
Share-based payments – capitalised	-	-	-	357	-	-	545	902
Total transactions with owners	360	8,311	456	(1,114)	-	-	(356)	7,657
As at 31 December 2022	904	19,296	913	650	(885)	(6,387)	7	14,498

COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2022 (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 company statement of comprehensive income
Share Option Reserve:	Amount recognised for the fair value of share options outstanding
Shares to be issued	Amount of shares the Company has committed to issue
Warrant Reserve	Amount recognised for the fair value of warrants outstanding

The accompanying notes form part of these financial statements.

KAVANGO RESOURCES PLC
CONSOLIDATED STATEMENT OF CASH FLOW
FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	31 Dec 2022 US$'000	31 Dec 2021 US$'000
Cash flows from operating activities			
Loss before taxation		(2,206)	(1,743)
Adjustments for:			
Share option expense	19(a)	456	180
Directors' fees and other expenses settled by issue of shares	18	16	8
Fair value adjustments	13	(12)	154
Net cash used in operating activities before changes in working capital		(1,746)	(1,401)
Increase in trade and other receivables		(189)	(171)
Increase in trade and other payables		376	237
Net cash used in operating activities		(1,559)	(1,335)
Cash flows from investing activities			
Payments for property, plant and equipment		(73)	(246)
Payments for financial assets at fair value through profit or loss		-	(136)
Proceeds from disposal of financial assets at fair value through profit or loss		228	-
Payments for intangible assets		(2,758)	(2,165)
Net cash used in investing activities		(2,603)	(2,547)
Cash flows from financing activities			
Proceeds from issue of share capital and warrants	18	4,593	4,154
Share issue costs	18	(260)	(134)
Net cash generated from financing activities		4,333	4,020
Net increase in cash and cash equivalents		171	138
Cash and cash equivalents at beginning of year		2,308	2,191
Effects of exchange rates on cash and cash equivalents		(214)	(21)
Cash and cash equivalents at end of year		2,265	2,308

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

The accompanying notes form part of these financial statements.

KAVANGO RESOURCES PLC

COMPANY STATEMENT OF CASH FLOW

FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	31 Dec 2022 US$'000	31 Dec 2021 US$'000
Cash flows from operating activities			
Loss before taxation		(2,054)	(1,707)
Adjustments for:			
Share option expense	19(a)	456	180
Directors' fees and other expenses settled by issue of shares	18	16	8
Fair value adjustments	13	(12)	154
Net cash used in operating activities before changes in working capital		(1,594)	(1,365)
Increase in trade and other receivables		(94)	(98)
Increase in trade and other payables		200	177
Net cash used in operating activities		(1,488)	(1,286)
Cash flows from investing activities			
Payments for property, plant, and equipment		-	(8)
Payments for financial assets		-	(136)
Proceeds from disposal of financial assets at fair value through profit or loss		228	-
Payments for intangible assets		-	(611)
Loans advanced to group companies		(2,715)	(2,024)
Net cash used in investing activities		(2,487)	(2,779)
Financing activities			
Proceeds from issue of share capital and warrants	18	4,593	4,154
Share issue costs	18	(260)	(134)
Net cash generated from financing activities		4,333	4,020
Net increase/(decrease) in cash and cash equivalents		358	(45)
Cash and cash equivalents at beginning of year		2,069	2,135
Effects of exchange rates on cash and cash equivalents		(213)	(21)
Cash and cash equivalents at end of year		2,214	2,069

The accompanying notes form part of these financial statements.

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 was 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. On 25 November 2022, the Company acquired Power Metals' entire interest in Kanye JV (note 11). A full list of the Company's subsidiaries can be found in note 14.

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 ("IAS") 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 unless otherwise stated.

The preparation of financial statements in conformity with IAS 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. 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 the Group's cash position and the required level of spending on exploration and corporate activities for a period of not less than 12 months from the date of signing these financial statements.

As part of this assessment, the Directors have noted that in order to sustain the minimum level of exploration spending required by the Group's licence conditions and minimum corporate overheads a further fundraising will be required within the next 12 months. Whilst successful completion of future fundraisings is inherently uncertain, the Directors are confident that the required level of equity will be raised, taking into account the Company's track record of raising finance in a difficult market, with gross proceeds of US$ 5,276,000 raised during the year (2021: US$ 4,154,000) from two share placings and exercises of shareholder warrants and the Directors remain in active discussion with current and potential shareholders.

Taking these matters in consideration, the Directors are satisfied that it is appropriate to continue to adopt the going concern basis of accounting in the preparation of these financial statements.

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 2022 and have been adopted in preparing these financial statements:

- Amendments to IFRS 3 Business Combinations – Reference to the Conceptual Framework;
- Amendments to IAS 16 Property, Plant and Equipment – proceeds before intended use;
- Amendments to IAS 37: Provisions, Contingent Liabilities and Contingent Assets – onerous contract; and
- Annual Improvements to IFRS Standards 2018-2020 Cycle.

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 IAS which have not been applied in these financial statements were in issue but not yet effective until annual periods beginning on 1 January 2023:

- Amendments to IAS 1 and IFRS Practice Statement 2 – Disclosure of Accounting Policies;
- Amendments to IAS 8 – Definition of Accounting Estimates; and
- Amendments to IAS 12 – Deferred Tax related to Assets and Liabilities arising from a Single Transaction.

The adoption of these amendments is not expected to have a material impact on the consolidated and company financial statements.

(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.

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 11.

(d) Investment in subsidiaries

In the company financial statements, equity investments in Company's subsidiaries are stated at cost, which is the fair value of the consideration paid, less any impairment provision. The investment in subsidiaries balance on the company's statement of financial position also includes the carrying value of long term intercompany loans which are measured in accordance with note 2(j) 'Financial assets'.

(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.

The functional currency of the Company is GBP.

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.

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 profit or loss.

(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

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.

(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 profit or loss, capitalised as Exploration and Evaluation asset or recognised as deduction in share premium. A corresponding increase in the warrant reserve or share option 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 and acquisition of Kanye JV

The Company entered into a joint venture agreement with Power Metals on 21 September 2020 to set up Kanye JV to jointly own and develop licences in the Kalahari Copper Belt and Ditau regions in Botswana. Two legal entities were set up to facilitate the creation of the joint venture, however the substance of the arrangement was judged to be that of a jointly controlled operation, whereby each partner retained direct ownership of its share of the assets, liabilities, revenues and expenses of the joint venture. Exploration and operational decisions were made jointly by the two partners. Therefore, despite the Company holding the entire issued share capital of Kanye Resources Plc, the entity was not included in the consolidated financial statements as a subsidiary prior to the Company acquiring full ownership of Kanye JV. Instead, its assets, liabilities and expenses together with those of Kanye Resources (Pty) Limited in which the Company held 50% of issued share capital, were recognised on a line-by-line basis in the company financial statements.

On 25 November 2022, the Company acquired Power Metals' interest in the Kanye JV as detailed in note 11. The acquisition was not in scope of IFRS 3 *Business Combination* as the assets acquired and liabilities assumed were not deemed to meet the definition of a 'business' as defined in the standard and therefore the acquisition has been accounted for as an asset purchase. The two legal entities comprising Kanye JV have been included in the consolidated financial statements from that date onwards by full consolidation. The Company is deemed to have transferred the assets and liabilities of the joint venture to the respective legal entities in exchange for intercompany loans.

(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 2022 is US$ 9,679,000 (2021: US$ 5,075,000). The recoverability of this carrying value, and thus potential impairment, requires use of significant judgments and estimates which are detailed in note 10.

Some licences held by the Group were due for renewal on 31 March 2023. Renewal applications were submitted in February 2023 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$ 11,825,000 (2021: US$ 6,673,000). 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.

(***iv) Recoverability of amounts due from shareholders***

In the consolidated and company financial statements, the carrying value of the amount due from shareholders is US$ 693,000 (2021: US$ Nil). The Directors are satisfied that this balance is recoverable and therefore no expected credit loss provision is necessary, further details are included in note 18.

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 previously 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 exploration commitments are met.

Corporate: the corporate segment includes the Company and intermediate holding companies' costs in respect of managing the Group. This includes the cost of employee share options granted by the Company.

Segmental results are detailed below:

	31 Dec 2022 US$'000	31 Dec 2021 US$'000
Continuing operations		
Exploration (Botswana)	-	(30)
Corporate (London and Mauritius)	(2,206)	(1,713)
Loss before tax	(2,206)	(1,743)
Taxation	-	-
Loss after tax	(2,206)	(1,743)

Segmental assets and liabilities are detailed below:

	Non-current assets		Non-current liabilities	
	31 Dec 2022 US$'000	31 Dec 2021 US$'000	31 Dec 2022 US$'000	31 Dec 2021 US$'000
Intangible assets and equipment (Botswana)	9,851	5,296	-	-
Corporate (London and Mauritius)	-	-	-	-
Total of all segments	9,851	5,296	-	-

	Total assets		Total liabilities	
	31 Dec 2022 US$'000	31 Dec 2021 US$'000	31 Dec 2022 US$'000	31 Dec 2021 US$'000
Intangible assets and equipment (Botswana)	10,112	5,760	105	61
Corporate (London)	3,155	2,329	465	238
Total of all segments	13,267	8,089	570	299

5. Administrative expenses

Administrative expenses include the following:

	Note	31 Dec 2022 US$'000	31 Dec 2021 US$'000
Employee benefit expenses	6	963	419
Auditor remuneration		127	52
Net foreign exchange (gains) / losses		(37)	43
KKME Option cost		-	30

Services provided by the Company's auditor and its associates

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

	31 Dec 2022 US$'000	31 Dec 2021 US$'000
Fees payable to the Company's auditor and its associates for the audit of the company and group financial statements	74	50
Fees payable to the Company's auditor and its associates for the audit of the company and group financial statement - additional fees in respect of the prior year	24	-
Fees payable to the Company's auditor for other services:		
- audit-related assurance services: review of interim report	2	2
- services relating to a corporate finance transaction: reporting accountant	27	-
	127	52

6. Employees

Employee benefit expenses consisted of the following:

	Group		Company	
	31 Dec 2022 US$'000	31 Dec 2021 US$'000	31 Dec 2022 US$'000	31 Dec 2021 US$'000
Wages and salaries	894	445	447	218
Social security costs	56	21	56	21
Other post-employment benefits	16	4	4	-
Share-based payment expenses (note 19(a))	456	180	456	180
	1,422	650	963	419
Less: amounts capitalised as exploration assets	(459)	(231)	-	-
Employee benefits recognised in profit or loss	963	419	963	419

6. Employees (continued)

The average monthly number of employees during the year was:

	Group		Company	
	31 Dec 2022 No	**31 Dec 2021 No**	**31 Dec 2022 No**	**31 Dec 2021 No**
Directors	4	5	4	5
Employees	56	12	-	-
Total	60	17	4	5

Further details of Directors' remuneration are included in the Remuneration report on pages 27 to 30.

7. Taxation

	31 Dec 2022 US$'000	**31 Dec 2021 US$'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 2022 US$'000	**31 Dec 2021 US$'000**
Loss for the year	(2,206)	(1,743)
Tax at the applicable rate of 18.9% (2021:19.0%)	(417)	(331)
Effect of different tax rates in other jurisdictions	-	-
Expenses not deductible for tax	92	118
Effect of tax losses not recognised as deferred tax assets	325	213
Total tax charge for the year	-	-

The weighted average applicable tax rate of 18.9% (2021: 19.0%) used is a combination of the 19% standard rate of corporation tax in the UK (2021:19%), 22% standard rate of corporation tax in Botswana (2021: 22%) and nil corporation tax rate in Mauritius (2021: nil).

The Group has approximately US$ 13,188,000 (2021: US$ 7,016,000) 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 2022 US$'000	31 Dec 2021 US$'000
Loss for the year from continuing operations	2,206	1,743

	31 Dec 2022 Number	31 Dec 2021 Number
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	445,030,409	370,499,847

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 2022 US Cents	31 Dec 2021 US Cents
Basic and diluted loss per share	0.49	0.47

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 2022 US$'000	31 Dec 2021 US$'000	31 Dec 2022 US$'000	31 Dec 2021 US$'000
Net book value				
At 1 January	221	48	24	-
Additions	73	246	-	8
Acquisition of Kanye JV (note 11)	22	16	-	16
Disposals on reclassification of JV (note 11)	-	-	(24)	-
Depreciation	(129)	(76)	-	-
Translation differences	(15)	(13)	-	-
	172	221	-	24

The whole (2021: whole) depreciation charge has been capitalised as an intangible exploration asset (note 10).

10. Intangible assets

Intangible assets comprise entirely of exploration and evaluation assets.

	Group		Company	
	31 Dec 2022 US$'000	**31 Dec 2021 US$'000**	**31 Dec 2022 US$'000**	**31 Dec 2021 US$'000**
Net book value				
At 1 January	5,075	2,082	956	-
Additions	3,594	2,937	-	611
Acquisition of Kanye JV (note 11)	1,530	345	-	345
Deemed disposal on reclassification of Kanye JV (note 11)	-	-	(956)	-
Translation differences	(520)	(289)	-	-
Total	9,679	5,075	-	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 prior to the Company acquiring full interest in Kanye JV on 25 November 2022 (note 11). Details on the exploration activity including acquisition of new licences can be found in the Operations Report.

In the year ended 31 December 2022, the additions balance included the following non-cash transactions:

- Acquisition of Power Metals' interest in Kanye JV of US$ 1,530,000 (note 11).

- Acquisition of Shongwe licences of US$ 133,000 (note 12).

- Capitalised share-based payment costs of US$ 143,000 (2021: US$ 153,000) for contractors paid in warrants in the Company (note 19(b)).

- Drilling contractor costs of US$ 373,000 (2021: US$ 363,000) settled in the Company shares.

- Capitalised depreciation charge of US$ 129,000 (2021: US$ 76,000) in relation to property, plant and equipment used in exploration activities.

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 2022 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 (2021: 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. Notwithstanding this, the Board will continue, through 2023, to review all projects, to ensure that resources are focussed where there is the greatest opportunity for discovery.

All the Group's prospecting licences in Botswana are subject, after an initial three-year licence term, to biennial renewals by the Department of Mines in Botswana. After an initial two renewal periods the renewal of these becomes subject to the minister's discretion. Further renewals fall due during 2023. To date Kavango's prospecting licences have always been renewed, consequently Kavango's Board and management have a reasonable expectation of further renewals being successful.

11. Interest in joint operations and acquisition of Kanye JV

On 21 September 2020, the Company entered into a joint venture agreement with Power Metals to set up Kanye JV to jointly own and develop licences in the Kalahari Copper Belt and Ditau regions in Botswana.

During the year ended 31 December 2021, Kanye JV commenced exploration work across 12 licences and as of 31 December 2021, the Company's share of the assets, liabilities and operating costs incurred in Kanye JV are detailed below which were included in the respective balances in the Company's financial statements for that year:

	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

During the year ended 31 December 2022, the exploration work continued as detailed in the Operations report.

On 25 November 2022, the Company acquired Power Metals' interest in the Kanye JV for the following consideration:

1. A mixture of Company shares and warrants:

   a. 60 million new ordinary shares in the Company;
   b. 30 million warrants at an exercise price of 4.25p expiring on 7 January 2025 date;
   c. 30 million warrants at an exercise price of 5.50p expiring on 7 January 2025; and
   d. 15 million variable price warrants ("VP Warrants") expiring on 7 January 2023, where the exercise price is the higher of: 3p, and Kavango's actual price at a 15% discount to the volume-weighted average share price on the date of exercise. Should all VP Warrants be exercised prior to expiry, Power Metals would receive 15 million replacement warrants, on the same exercise terms and with a 6-month life expiry from issue date.

2. Royalty Agreement: Power Metals will receive a 1% Net Smelter Return ("NSR") across the Kanye licence areas held by Kanye JV as at 8 July 2022. If the Company is able to secure, within two years of the SPA, an NSR of greater than 2%, the excess over 2% will be split between the parties equally.

3. Sell-on Premium: if the Company sells all or part of Kanye JV for in excess of GBP 7.5 million within 24 months of the SPA, Power Metals will be paid a proportion of the gross excess received by Kavango above GBP 7.5 million.

Kanye JV does not meet the definition of a business as defined in IFRS 3 *Business Combination* and therefore represents an asset purchase. The consideration for the acquisition is a share-based payment, which is measured at the fair value of the equity instruments issued, as the fair value of the interest in the licences acquired cannot be measured reliably at their current stage of development. The fair value of the Company shares issued of US$ 1,302,000 was their quoted market price of 1.8 pence on the acquisition date whilst the warrants were valued at US$ 211,000 (refer to note 19(c) for valuation technique and inputs) giving a total consideration of US$ 1,513,000.

The royalty agreement and the sell-on premium represent future liabilities which will be recognised when crystallised.

The assets acquired and liabilities assumed as the result of the acquisition are detailed below:

	US$'000
Intangible assets – exploration and evaluation	1,530
Property, plant, and equipment	23
Trade and other creditors	(40)
	1,513

12. Acquisition of Shongwe Resources (Pty) Limited

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. During the year ended 31 December 2021, the Group acquired a 25% interest in the LVR licences that was transferred into intangible exploration assets.

During the year ended 31 December 2022 the licences were transferred to Shongwe Resources (Pty) Limited, a newly created company in Botswana with the Group initially holding 25% of the shares in Shongwe Resources (Pty) Limited, representing its share in the licences. The Group subsequently acquired a further 65% of the shares in Shongwe Resources (Pty) Limited, taking its interest in the licences to 90%, for the following consideration:

a. 2 million new ordinary shares in the Company at an issue price of 5.5p per share; and
b. 2 million warrants at an exercise price of 8.5p expiring on 25 November 2024.

Shongwe Resources (Pty) Limited does not meet the definition of a business as defined in IFRS 3 *Business Combination* and therefore represents an asset purchase, being the interest in the licences. The consideration for the acquisition is a share-based payment, which is measured at the fair value of the equity instruments issued, as the fair value of the interest in the licences acquired cannot be measured reliably at their current stage of development. The fair value of the Company shares issued at 5.5p per share was US$131,000 whilst the warrants were valued at US$ 2,000 (refer to note 19(d) for valuation technique and inputs) giving a total consideration of US$ 133,000.

The consideration was capitalised as intangible exploration assets and included as additions in the year (note 10). There is no non-controlling interest recognised as a result of this transaction. The Group will carry LVR's 10% holding through to bankable feasibility study.

13. Financial asset at fair value through profit or loss

	Group		Company	
	31 Dec 2022 US$'000	**31 Dec 2021 US$'000**	**31 Dec 2022 US$'000**	**31 Dec 2021 US$'000**
Current assets				
Listed securities	-	216	-	216
KKME option	-	-	-	-
Total	-	216	-	216

Listed securities

Listed securities comprised the Company's investment in Power Metals, which consisted of 11 million shares.

During the year ended 31 December 2022, the Company disposed of its entire shareholding in Power Metals for a cash consideration of US$ 228,000.

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

	Group and Company	
	31 Dec 2022 US$'000	**31 Dec 2021 US$'000**
At 1 January	216	234
Additions	-	136
Gain / (loss) on the change in fair value	12	(154)
Disposals	(228)	-
31 December	-	216

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 and thus the fair value of the Option was US$ nil.

The Option lapsed in March 2022 without being exercised with no gain or loss recognised in profit or loss.

14. Investments in subsidiaries

Company	**31 Dec 2022 US$'000**	**31 Dec 2021 US$'000**
Shares in subsidiaries	2,201	2,462
Loans to subsidiaries	9,624	4,211
Total	11,825	6,673

Loans to subsidiaries are interest free and payable on demand.

As a result of the Company obtaining full control of Kanye JV (note 11), the Company derecognised its share of the assets and liabilities of the JV and recognised a loan to subsidiaries, as the control of the assets and liabilities is deemed to have passed to the underlying subsidiaries. A gain of US$ 94,000 was recognised in the Company's profit or loss representing the difference between the carrying value of net assets transferred and the nominal value of the loan.

The Directors conducted an impairment review and is satisfied that the carrying value of US$ 11,825,000 (2021: US$ 6,673,000) is reasonable and no impairment is necessary (2021: 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
Kanye Resources (Pty) Ltd Plot 1306 Government Camp, Francistown, Botswana	Botswana	Base Metals Exploration	100%
Kanye Resources PLC Salisbury House, London Wall, UK	UK	Funding company	100%
Shongwe Resources (Pty) Ltd Plot 1306 Government Camp, Francistown, Botswana	Botswana	Licence Holding Company	90% via Kavango Minerals

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.

15. Trade and other receivables

	Group		**Company**	
	31 Dec 2022 US$'000	**31 Dec 2021 US$'000**	**31 Dec 2022 US$'000**	**31 Dec 2021 US$'000**
Balance due from JV partners	-	34	-	34
Amounts due from shareholders	693	-	693	-
VAT recoverable	335	170	111	40
Other receivables and prepayments	123	65	121	63
	1,151	269	925	137

Further details on the amounts due from shareholders is included in note 18.

16. Cash and cash equivalents

	Group		Company	
	31 Dec 2022 US$'000	**31 Dec 2021 US$'000**	**31 Dec 2022 US$'000**	**31 Dec 2021 US$'000**
Cash in bank	2,228	2,306	2,214	2,069
Cash in hand	37	2	-	-
Total	2,265	2,308	2,214	2,069

17. Trade and other payables

	Group		Company	
	31 Dec 2022 US$'000	**31 Dec 2021 US$'000**	**31 Dec 2022 US$'000**	**31 Dec 2021 US$'000**
Trade and other payables	571	299	466	239
Total	571	299	466	239

18. Share Capital

	Number of shares No.	**Share capital US$'000**	**Share premium US$'000**	**Total US$'000**
As at 1 January 2021	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 31 December 2021	406,470,762	544	10,985	11,529
Reserve transfer from warrant reserve (note 20)	-	-	1,471	1,471
Exercise of B warrants	1,625,000	2	51	53
Exercise of 4.25p warrants	2,181,818	3	122	125
May Placing	25,000,000	31	903	934
November Placing	194,444,437	234	3,930	4,164
Acquisition of Kanye JV	60,000,000	72	1,230	1,302
Acquisition of Shongwe Resources (Pty) Limited	2,000,000	2	128	130
Shares issued to drilling contractor	13,478,951	16	720	736
Director subscriptions	368,346	-	16	16
Issue costs	-	-	(260)	(260)
As at 31 December 2022	705,569,314	904	19,296	20,200

The Company has one class of ordinary shares of 0.1 penny each 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.

18. Share Capital (continued)

In May 2022 the Company raised US$ 934,000 through the issue of 25,000,000 shares and 25,000,000 5p warrants. In November 2022 the Company raised a further US$ 4,164,000 through the issue of 194,444,437 shares and 194,444,437 3p warrants. Proceeds of US$ 693,000 from the November placing, representing 31,833,333 ordinary shares, were not received by the Company by 31 December 2022 and therefore are included within trade and other receivables (note 15). Of this amount, US$ 605,000 remain outstanding from one subscriber at the date of approval of these financial statements. The Directors are in discussions with the subscriber and expect the funds to be recovered, however should the funds not be received in the appropriate timescales, they have the ability to issue the shares to a new subscriber for a similar premium or may cancel the shares. Therefore, no expected credit loss provision has been recognised in these financial statements.

Details of the warrants issued as part of the two placings are included in note 20.

The total cash received, before issue costs, by the Company for the shares and warrants issued during the year ended 31 December 2022 was $4,593,000 (2021 $4,154,000).

Details of acquisitions of Kanye JV and Shongwe Resources (Pty) Limited are disclosed in notes 11 and 12 respectively.

The Company settles some of the capitalised drilling contractor costs in shares. During the year ended 31 December 2022, the Company issued 13,478,951 shares to the contractor for the exploration work performed in 2022 and 2021 which was previously recognised in the 'Shares to be Issued' reserve.

During the year ended 31 December 2022 the Company issued 368,346 shares to Mike Moles in settlement of director fees (2021: 111,803 shares).

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 and the acquisitions of Kanye JV and Shongwe Resources (Pty) Limited.

The Company also settles some of its capitalised drilling contractor invoices in shares (note 18).

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 2021	277
Share-based payments – expensed	180
As at 31 December 2021	457
Share-based payments – expensed	456
As at 31 December 2022	913

(a) Share Options

Share options granted prior to 1 January 2021

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.

19. Share based payments (continued)

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.

None of the share options detailed above had vesting conditions attached to them.

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.

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, in January 2022 the Board made firm commitments to a Director and management to issue further options 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 (“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 2021 Options	11 August 2021 Options	1 December 2021 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
Annual risk-free rate	0.163%	0.201%	0.201%
Volatility	90.16%	88.69%	88.69%
Total fair value	US$ 187,000	US$ 387,000	US$ 220,000

19. Share based payments (continued)

(a) Share Options (continued)

Share options granted in the year ended 31 December 2022

There were no new options granted during the year. On 4 January 2022 the Company executed 4,500,000 option agreements ("2012 January Options") in relation to the 2021 Unissued Options, which are accounted for as being issued in the prior year.

Summary

	31 Dec 2022		31 Dec 2021	
	Number of Options	Average exercise price (pence)	Number of Options	Average exercise price (pence)
At 1 January	46,475,000	4.25	18,725,000	2.47
Granted during the year	-	-	27,750,000	5.46
Lapsed	(1,000,000)	5.00	-	-
At 31 December	45,475,000	4.24	46,475,000	4.25
Exercisable at 31 December	20,475,000	4.25	18,725,000	2.47

Share options outstanding as at 31 December 2022 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	5.85
2019 Options	2,600,000	2.50	6.33
2020 Options	2,725,000	0.80	7.34
2021 February Options	3,500,000	3.30	8.11
2021 June Options	5,250,000	5.00	5.43
2021 August Options	11,500,000	6.20	5.61
2021 Unissued Options	2,000,000	7.50	5.92
2022 January Options	4,500,000	5.00	5.92
Total	45,475,000	4.24	6.04

A charge of US$ 456,000 (2021: US$ 180,000) was recognised in profit or loss in respect of the Company share options.

(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.

19. Share based payments (continued)

As at 31 December 2022, Spectral completed 15 TDEM surveys and thus 3 million warrants are exercisable. The fair value of the Warrants issued is based on the fair value of services received and US$ 92,000 (2021:US$ 153,000) has been capitalised as an intangible exploration asset.

During the year ended 31 December 2022, the Company engaged Tamesis Partners LLP ("Tamesis") to act as financial advisor to the Group. In consideration for the provision of the transaction services, Tamesis were awarded with 8,333,334 warrants exercisable for two years from the date of issuance and with an exercise price of 3p per share. The warrants were valued using the Black Scholes pricing model with the significant inputs summarised below:

	3p warrants
Share price at the date of grant (pence)	1.85
Exercise price (pence)	3.0
Dividend yield	0%
Expected life, years (expire 17 November 2024)	2.0
Annual risk-free interest rate	4.04%
Volatility	72.6%
Number of warrants issued	8,333,334
Total fair value of the warrants	US$ 51,000

(c) Acquisition of Kanye JV

As disclosed in note 11, the Company issued 75,000,000 warrants to Power Metals as part of the acquisition of Kanye JV. The warrants were valued using the Black Scholes pricing model with the significant inputs summarised below:

	4.25p warrants	**5.5p warrants**
Share price at the date of grant (pence)	1.8	1.8
Exercise price (pence)	4.25	5.5
Dividend yield	0%	0%
Expected life, years (expire 28 April 2023)	2.17	2.17
Annual risk-free interest rate	3.26%	3.26%
Volatility	71.2%	71.2%
Number of warrants issued	30,0000,000	30,000,0000
Total fair value of the warrants	US$ 123,000	US$ 88,000

The value of 15,000,000 variable price warrants is clearly trivial and they lapsed unexercised on 7 January 2023.

(d) Acquisition of Shongwe Resources (Pty) Ltd

As disclosed in note 12, the Company issued 2,000,000 warrants to LVR as part of the acquisition of the licences held in Shongwe Resources (Pty) Ltd. The warrants were valued using the Black Scholes pricing model with the significant inputs summarised below:

	8.5p warrants
Share price at the date of grant (pence)	1.7
Exercise price (pence)	8.5
Dividend yield	0%
Expected life, years (expire 17 November 2024)	2.0
Annual risk-free interest rate	4.04%
Volatility	72.7%
Number of warrants issued	2,000,000
Total fair value of the warrants	US$ 2,000

20. Warrant reserve

	Group and Company	
	31 Dec 2022 US$'000	**31 Dec 2021 US$'000**
At 1 January	1,764	404
Transfer to share premium	(1,471)	-
Share based payments – note 19(b)(c)(d)	357	153
Warrants issued during the year	-	1,283
Warrants exercised during the year	-	(76)
At 31 December	650	1,764

During the year ended 31 December 2022, in order to simplify the Company's capital structure, a transfer of US$ 1,471,000 was made from the Warrant reserve into the Share Premium account which represents share premium previously recognised on unexercised investor warrants issued as part of share placing and subscriptions. The balance in the Warrant reserve as at 31 December 2022 now solely represents the fair value of the unexercised broker warrants and other warrants issued to third parties.

Details of the warrants outstanding as at 31 December 2022 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	39,685,875
2020 4.25p Placing	4.25	20 November 2020	20 May 2023	73,483,637
2021 Spectral Warrants	4.25	20 April 2021	20 April 2025	3,000,000
2021 8.5p Placing	8.50	5 July 2021	5 July 2023	39,890,911
2022 5.0p Placing	5.00	9 May 2022	31 December 2023	25,000,000
2022 3.0p Placing	3.00	17 November 2022	17 November 2024	194,444,437
2022 Shongwe Warrants	8.50	17 November 2022	17 November 2024	2,000,000
2022 Tamesis Warrants	3.00	17 November 2022	17 November 2024	8,333,334
2022 Power Warrants	4.25	25 November 2022	28 April 2023	30,000,000
2022 Power Warrants	5.50	25 November 2022	28 April 2023	30,000,000
2022 Power Warrants	3.00	25 November 2022	7 January 2023	15,000,000
				462,213,194

2020 A and B warrants

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

During the year ended 31 December 2022, no A Warrants were exercised prior to 23 April 2021 (2021: 54,310,875), leading to no B Warrants being issued (2021: 54,310,875). Of the B Warrants issued, 1,625,000 were exercised during the year (2021: 13,000,000). Total proceeds raised from the exercise of the A and B Warrants was US$ 53,000 (2021: US$ 1,208,000).

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.

Included within the Warrants were 6,706,365 warrants issued to the Company's brokers which were valued at US$ 30,363 using the Black-Scholes pricing model and the fair value of these warrants was included in the Warrant Reserve.

During the year ended 31 December 2021 2,181,818 4.25 Placing Warrants were exercised (2021: 3,768,182), raising proceeds of US$ 125,000 (2021: US$ 209,000).

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.

Included within the Warrants were 3,527,273 warrants issued to the Company's brokers which were valued at US$ 111,033 using the Black-Scholes pricing model. The inputs in the model are as follows and the fair value of these Warrants is included in the Warrant Reserve:

	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 (2021: none).

2022 5.0p Placing

In May 2022 as part of a share placing (note 18) the Company granted 25,000,000 Warrants exercisable at 5.0p for a period of 18 months.

No 5.0p warrants were exercised during the year.

2022 3.0p Placing

In November 2022 as part of a share placing (note 18) the Company granted 194,444,437 Warrants exercisable at 3.0p for a period of 2 years.

No 3.0p warrants were exercised during the year.

21. Financial instruments

(a) Categories of financial instruments

Financial assets	**Group**		**Company**	
	31 Dec 2022 US$'000	**31 Dec 2021 US$'000**	**31 Dec 2022 US$'000**	**31 Dec 2021 US$'000**
Financial assets at amortised cost:				
Trade receivables	693	99	693	97
Cash and cash equivalents	2,265	2,308	2,214	2,068
Group receivables	-	-	9,624	4,245
	2,958	2,407	12,531	6,410
Financial assets at fair value through profit or loss:				
KKME Option	-	-	-	-
Total financial assets	2,958	2,407	12,531	6,410

Financial liabilities	**Group**		**Company**	
	31 Dec 2022 US$'000	**31 Dec 2021 US$'000**	**31 Dec 2022 US$'000**	**31 Dec 2021 US$'000**
Financial liabilities at amortised cost:				
Trade and other payables	526	299	466	239
	526	299	466	239

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 2022 (2021: 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 2022 US$'000	**31 Dec 2021 US$'000**
Listed securities – Shares in Power Metals	-	216

21. Financial instruments (continued)

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 2022 US$'000	31 Dec 2021 US$'000
KKME option (note 13)	-	-
	-	-

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

(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.

21. 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:

Group

	31 Dec 2022			31 Dec 2021		
	GBP	**USD**	**BWP**	**GBP**	**USD**	**BWP**
	US$'000	**US$'000**	**US$'000**	**US$'000**	**US$'000**	**US$'000**
Cash and cash equivalents	2,226	2	37	2,040	7	261
Trade and other receivables	704	-	(11)	308	-	60
Trade and other payables	(453)	-	(73)	(238)	(7)	(54)

Company

	31 Dec 2022			31 Dec 2021		
	GBP	**USD**	**BWP**	**GBP**	**USD**	**BWP**
	US$'000	**US$'000**	**US$'000**	**US$'000**	**US$'000**	**US$'000**
Cash and cash equivalents	2,213	1	-	2,040	1	27
Trade and other receivables	704	-	-	75	-	-
Loan to subsidiaries	2,201	9,624	-	2,462	4,211	-
Trade and other payables	(436)	-	(30)	(231)	-	(8)

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.

In the year ended December 2022 the Company redenominated its group loans to subsidiaries in Botswana from USD to GBP. The Company is therefore no longer exposed to the currency risk on the loans. Gains and losses on the intercompany funding loans are capitalised as part of the exploration and evaluation intangible assets and therefore there is no exposure for the Group as whole. Exposure to currency risk from other financial instruments is immaterial.

(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 Group and Company was exposed to the equity price risk through its shareholding in Power Metals prior to their disposal in the year ended 31 December 2022. 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 used to monitor the company's public announcements and the liquidity of its shares to mitigate the financial impact of a sudden depreciation in their value.

21. Financial instruments (continued)

Credit risk

Credit risk is the risk of financial loss 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 2022 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 Group's exposure to the amounts due from shareholders is discussed in note 18.

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 Group and Company do not hold any collateral as security.

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 (2021: 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.

22. Commitments

The Group's license expenditure commitments are:

	31 Dec 2022 US$'000	**31 Dec 2021 US$'000**
Within 12 months	1,496	833
Years 2-5	473	618
After 5 years	-	-
Total	1,969	1,451

* Prior year includes 50% of commitments of Kanye Resources (Pty) Ltd

At 31 December 2022 the Group had US$ nil (2021: US$ nil) contractual commitments with either geophysics or drilling companies and no contingent liabilities (2021: US$ nil).

23. Related party transactions

The following related party transactions took place during the year ended December 2022:

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 were US$ 95,000 (2021: US$ 122,000) and the transaction was carried out at arms-length.

Communication services were provided Dynamic Investor Relations Ltd, a communications company majority-owned by Mathew, Benjamin Turney who is a director of Kavango Resources Plc. The total fees billed by Dynamic Investor Relations Ltd during the year were US $65,000 (2021: US$ nil) and the transaction was carried out at arms-length.

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

During the year the Company advanced funds to Kavango Minerals (Pty) Limited totalling US$ 1,505,000 (2021: US$ 2,603,000). The total loan outstanding on 31 December 2022 was $5,831,000 (2021: US$ 3,983,000)

During the year the Company advanced funds to Kanye Resources Limited totalling US$3,031,000 (2021:US$ 408,000). The total loan outstanding on 31 December 2022 was $3,396,000 (2021: US$ 408,000).

24. Events after the reporting date

(a) Share options

In February 2023 the Remuneration Committee resolved to amend the vesting conditions of some of the existing share options granted to the Group's directors, employees and contractors. This modification of the share options is accounted for prospectively and does not affect the amounts reported in these financial statements.

The Remuneration Committee also resolved to grant a further 36,320,000 options to Group's directors, employees and contractors. These options are exercisable at a price of 3 pence per share for a period of seven years and are subject to a minimum continuous employment or commercial engagement with the Company of between 6 and 18 months from the date of grant, subject to usual leaver provisions. The options carry a vesting condition whereby they vest once the Company's reported closing mid-market share price closes at 6 pence or above on five separate trading days. In addition, the options will fully vest in the event that the Company's reported closing mid-market share price closes at 7.5 pence or above on five separate trading days and/or the Company is subject to a change of control.

(b) Exploration activities

Progress of the Group's exploration activities after the year end is included in the Operations Report.

25. Ultimate Controlling Party

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