

KAVANGO RESOURCES PLC (“KAVANGO” OR “THE COMPANY”)

Interim Results

Kavango Resources plc, an exploration company targeting the discovery of world class mineral deposits in Botswana, is pleased to report its unaudited financial results for the six months ended 30 June 2020.

SUMMARY

- Issue of 27,250,000 ordinary shares at 0.8p (Refer Note 6)
- Issue of £250,487 of convertible loan notes, convertible in Q1 2021 at 0.8p (Refer Note 5)
- Operating loss of US\$254,000 (2019 – US\$ 295,000).

The Chairman’s Statement and Interim Results are set out in the following pages.

INTERIM MANAGEMENT REPORT 30 JUNE 2020

It gives me great pleasure as Chairman of Kavango Resources plc, a mining group targeting the discovery of world class mineral deposits in Botswana, to provide this management report to all our shareholders. The unaudited financial results for the six months ended 30th June 2020 produced an operating loss of US\$254,000.

First, let me begin with the ongoing COVID-19 pandemic, which has clearly presented many challenges. As stated at the time of the last final results the Company took swift pre-emptive action to ensure the safety of all staff and senior management. All of the Company's directors, senior management and staff are now mostly working from home. The Company initiated a business continuity plan well ahead of the UK Government's initial advice on home working.

Botswana has dealt admirably with COVID-19 and has already started to ease travel restrictions in the country. Whilst this has been helpful the company has still been somewhat restricted in the field, although this situation is now improving. In the meantime, planned extensive desktop research work has most certainly paid off especially on the Kalahari Suture Zone [KSZ].

Following on from Dr David Holwell's Mineral Systems Review, plus the updated Petrology Report for the KSZ which was prepared by Dr Martin Prendergast, the Company was extremely encouraged by the initial images from its computerised 3D geological modelling, developed from data obtained from the KSZ project in south-western Botswana.

These images confirm significant similarities between the northern (Hukuntsi) section of the KSZ and the giant Norilsk mining centre in Siberia. Norilsk accounts for 90% of Russia's nickel reserves, 55% of its copper and virtually all of its' platinum group metals.

The Company increasingly believes that Hukuntsi has the potential to host very significant copper, nickel and platinum group metal deposits.

The next steps at Hukuntsi will include our geologists selecting six of the most prospective "keels" at Hukuntsi for large loop, low frequency EM surveying to test for massive sulphide concentrations, which are known to be highly conductive.

The Company expects this work will result in the identification of high-priority targets for future drilling.

Most recently the Company formed a Strategic Joint Venture [SJV] with Power Metal Resources Plc who are also listed in London. The SJV will see the formation of a new, jointly owned, privately held company that is focuses on large-scale mineral exploration projects in Botswana. The SJV will enable the Company to inject new liquidity into its wider project portfolio, accelerate its plans for more extensive field exploration of the Kalahari Copper Belt Project (KCB) and focus its resources on target evaluation, followed by drilling, in the northern (Hukuntsi) section of the KSZ.

The SJV will be incorporated to enable a future separate listing, expected to be on either a Canadian or British stock exchange.

Given the likely number and scale of these "Norilsk style" targets, the Company is readying itself to prepare for a drill campaign to test the large regional structures it has identified on the KSZ. With such a large planned operational commitment, the board felt the Company would benefit from introducing a new development partner to two licences on the KCB, and at Ditau.

Each of these projects holds significant potential for discovery of substantial mineral deposits.

As we enter the last quarter of 2020, the Company looks forward to the challenges and opportunities that lay ahead. We have a great team, prospective areas under licence and with the support of our shareholders we can achieve great results.

DJ Wright
Chairman

30 September 2020

Responsibility Statement

We confirm that to the best of our knowledge:

- The Interim Report has been prepared in accordance with International Accounting Standards 34, Interim Financial Reporting, as adopted by the EU;
- Gives a true and fair value of the assets, liabilities, financial position and Loss of the Group;
- The Interim Report includes a fair review of the information required by DTR 4.2.7R of the Disclosure and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year and their impact on the set of interim financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year and
- The Interim Report includes a fair review of the information required by DTR 4.2.8R of the Disclosure and Transparency Rules, being the information required on related party transactions.

The Interim Report was approved by the Board of Directors and the above responsibility statement was signed on its behalf by

DJ Wright
Chairman

30 September 2020

Forward looking statement

Certain statements in this announcement, are, or may be deemed to be, forward looking statements. Forward looking statements are identified by their use of terms and phrases such as “believe”, “could”, “should” “envisage”, “estimate”, “intend”, “may”, “plan”, “will” or the negative of those, variations or comparable expressions, including references to assumptions. These forward-looking statements are not based on historical facts but rather on the Directors’ current expectations and assumptions regarding the Company’s future growth, results of operations, performance, future capital and other expenditures (including the amount, nature and sources of funding thereof), competitive advantages, business prospects and opportunities.

Such forward looking statements reflect the Directors’ current beliefs and assumptions and are based on information currently available to the Directors. A number of factors could cause actual results to differ materially from the results discussed in the forward-looking statements including risks associated with vulnerability to general economic and business conditions, competition, environmental and other regulatory changes, actions by governmental authorities, the availability of capital markets, reliance on key personnel, uninsured and underinsured losses and other factors, many of which are beyond the control of the Company. Although any forward-looking statements contained in this announcement are based upon what the Directors believe to be reasonable assumptions, the Company cannot assure investors that actual results will be consistent with such forward looking statements.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Group Statement of Comprehensive Income for the Interim Period Ended 30 June 2020

	Notes	Six Months to 30 June 2020 (Unaudited) \$ 000’s	Six Months to 30 June 2019 (Unaudited) \$ 000’s	Year to 31 December 2019 (Audited) \$ 000’s
Administrative expenses		(254)	(295)	(472)
Impairment		-	-	(1,000)
Operating loss		(254)	(295)	(1,472)
Loss before tax		(254)	(295)	(1,472)
Income tax expense		-	-	-
Loss for the period from continuing operations		(254)	(295)	(1,472)
Other comprehensive income				
Items that may be reclassified subsequently to profit or loss:				
Currency translation differences		(351)	(152)	(101)
Other comprehensive income for the period, net of tax		(351)	(152)	(101)

Total comprehensive income for the period		<u>(605)</u>	<u>(447)</u>	<u>(1,573)</u>
Attributable to:				
Owners of the parent		<u>(605)</u>	<u>(447)</u>	<u>(1,573)</u>
Loss per share from continuing and discontinued operations attributable to the owners of the parent during the period (expressed in dollars per share)				
- Basic and diluted	3	\$ (0.001)	\$ (0.002)	\$ (0.009)

Group Statement of Financial Position as at 30 June 2020

	Notes	As at 30 June 2020 (Unaudited) \$ 000's	As at 30 June 2019 (Unaudited) \$ 000's	As at 31 December 2019 (Audited) \$ 000's
ASSETS				
Intangible assets		2,249	2,825	2,445
Fixed assets		53	77	58
Total non-current assets		<u>2,302</u>	<u>2,902</u>	<u>2,503</u>
Current assets				
Trade and other receivables		223	51	225
Cash & cash equivalents		267	808	124
Total current assets		<u>490</u>	<u>859</u>	<u>349</u>
TOTAL ASSETS		<u>2,792</u>	<u>3,761</u>	<u>2,852</u>
LIABILITIES				
Current liabilities				
Convertible loan notes	5	(308)	-	-
Trade and other payables		(83)	(10)	(139)
TOTAL LIABILITIES		<u>(391)</u>	<u>(10)</u>	<u>(139)</u>
NET ASSETS		<u>2,401</u>	<u>3,751</u>	<u>2,713</u>
SHAREHOLDERS' EQUITY				
Share capital	6	240	204	207
Share premium		6,084	5,802	5,867
Share option reserve		289	225	246
Reorganisation reserve		(1,591)	(1,591)	(1,591)
Foreign exchange reserve		(484)	(183)	(133)

Retained earnings	(2,137)	(706)	(1,883)
TOTAL EQUITY	2,401	3,751	2,713

Group Statement of Changes in Equity for the Interim Period Ended 30 June 2020

	Share capital	Share premium	Stock Options	Foreign exchange reserve	Re-organisation reserve	Retained earnings	Total equity
	\$ 000's	\$ 000's	\$ 000's	\$ 000's	\$000s	\$ 000's	\$ 000's
As at 31 December 2018 and 1 January 2019	171	4,981	190	(31)	(1,591)	(410)	3,310
(Loss) for the period	-	-	-	-	-	(295)	(295)
Foreign currency exchange difference	-	-	-	(152)	-	-	(152)
Total Comprehensive Income for Period	-	-	-	(152)	-	(295)	(447)
Shares Issued of net of costs	33	821	-	-	-	-	854
Stock Options granted	-	-	35	-	-	-	35
Total transactions with Owners, recognised in Equity	33	821	35	(152)	-	(295)	442
As at 30 June 2019	204	5,802	225	(183)	(1,591)	(706)	3,751
As at 31 December 2019 and 1 January 2020	207	5,867	246	(133)	(1,591)	(1,883)	2,713
(Loss) for the period	-	-	-	-	-	(254)	(254)
Foreign currency exchange difference	-	-	-	(351)	-	-	(351)
Total Comprehensive Income for Period	-	-	-	(351)	-	(254)	(605)
Shares Issued of net of costs	33	217	-	-	-	-	250
Stock Options granted	-	-	43	-	-	-	43
Total transactions with Owners, recognised in Equity	33	217	43	(351)	-	(254)	(312)
As at 30 June 2020	240	6,084	289	(484)	(1,591)	(2,137)	2,401

Group Cash Flow Statement for the Interim Period Ended 30 June 2020

	Six Months to 30 June 2020 (Unaudited) \$ 000's	Six Months to 30 June 2019 (Unaudited) \$ 000's	Year to 31 December 2019 (Unaudited) \$ 000's
Cash flows from operating activities			
(Loss) before tax	(254)	(295)	(1,472)
Stock Option expense	43	30	56
Foreign exchange	(23)		(81)
Impairment			1,000
Operating loss before changes in working capital	(234)	(265)	(497)
(Increase)/decrease in trade and other receivables	2	63	(110)
(Decrease)/increase in current liabilities	(56)	(60)	68
Net cash used in operating activities	(288)	3	(539)
Cash flows used in investing activities			
Purchases of intangibles	(126)	(684)	(1,157)
Purchase of property, plant and equipment	(1)	(54)	(56)
Net cash used in investing activities	(127)	(738)	(1,213)
Cash flows from financing activities			
Proceeds from issue of ordinary shares net of share issue costs	250	854	922
Convertible loan notes	308	-	-
Net cash inflow from financing activities	558	854	922
	-	-	-
Net increase (decrease) in cash and cash equivalents	143	(146)	(830)
Cash and cash equivalents at beginning of period	124	954	954
Foreign exchange			
Cash and cash equivalents at end of period	267	808	124

NOTES TO THE INTERIM REPORT FOR SIX MONTHS ENDED 30 JUNE 2020

1. Basis of preparation

The condensed consolidated interim financial statements have been prepared under the historical cost convention and on a going concern basis and in accordance with International Financial Reporting Standards and IFRIC interpretations adopted for use in the European Union (“IFRS”).

The condensed consolidated interim financial statements contained in this document do not constitute statutory accounts. In the opinion of the directors, the condensed consolidated interim financial statements for this period fairly presents the financial position, result of operations and cash flows for this period.

The Board of Directors approved this Interim Financial Report on 30 September 2020.

Statement of compliance

The Interim Report includes the consolidated interim financial statements which have been prepared in accordance with International Accounting Standard 34 ‘Interim Financial Reporting’. The condensed interim financial statements should be read in conjunction with the annual financial statements for the period ended 31 December 2019, which have been prepared in accordance with IFRS as adopted by the European Union.

Accounting policies

The condensed consolidated interim financial statements for the period ended 30 June 2020 have not been audited or reviewed in accordance with the International Standard on Review Engagements 2410 issued by the Auditing Practices Board. The figures were prepared using applicable accounting policies and practices consistent with those adopted in the statutory annual financial statements for the year ended 31 December 2019. There have been no new accounting policies adopted since 31 December 2019.

Going Concern

The condensed consolidated interim financial statements have been prepared on a going concern basis. Although the Group’s assets are not generating revenue and an operating loss has been reported, the Directors have concluded that the Company has funds to meet its immediate working capital requirements and that during the next 12 months from the date of the interim financial statements the Company will need to raise funds to meet its planned exploration expenditures.

2. Financial risk management and financial instruments

Risks and uncertainties

The Board continually assesses and monitors the key risks of the business. The key risks that could affect the Group’s medium term performance and the factors that mitigate those risks have not substantially changed from those set out in the Group’s 2019 Annual Report and Financial Statements, a copy of which is available from the Group’s website: www.kavangoresources.com. The key financial risks are market risk (including currency risk), credit risk and liquidity.

3. Loss per share

The calculation of earnings per share is based on the loss attributable to equity holders divided by the weighted average number of shares in issue during the period.

	Six Months to 30 June 2020 (Unaudited) \$ 000's	Period from Incorporation to 30 June 2019 (Unaudited) \$ 000's	Year to 31 December 2019 (Audited) \$ 000's
Net loss after taxation	(254)	(295)	(1,472)
Weighted average number of ordinary shares used in calculating basic loss per share (000's)	172,309	151,633	156,650
Basic & diluted loss per share	(0.002)	(0.002)	(0.009)

Any share options would result in a decrease in the earnings per share; they are considered to be anti-dilutive, and as such, a diluted loss per share is not included.

4. Intangible assets

Group	30-June 2020 US\$000s	30-June 2019 US\$000s	31-Dec 2019 US\$000s
Evaluation and Exploration Assets – Cost and net book value	2,445	2,288	2,288
Additions	126	796	1,176
Impairment	-	-	(1,000)
Translation difference	(323)	(259)	(19)
At period end	2,249	2,825	2,445

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

During the period US\$ 126,000 (2019: US\$ 796,000) of exploration expenses were capitalised by the Group.

The Directors have undertaken a review to assess whether circumstances exist which could indicate the existence of impairment as follows:

- The Group no longer has title to mineral leases.
- A decision has been taken by the Board to discontinue exploration due to the absence of a commercial level of reserves.
- Sufficient data exists to indicate that the costs incurred will not be fully recovered from future development and participation.

Following their review the Directors are of the opinion that no impairment charge is necessary.

5. Convertible loan notes

On April 15, 2020 the Company issued convertible loan notes in the amount of US\$308,000 (the "Notes"). Approximately US\$47,000 of these Notes were converted subsequent to 30 June 2020 and 4,750,000 shares have been issued. The balance of US\$ 261,000 will convert upon regulatory

approval of a prospectus which will enable the Company to admit for listing the 26,560,875 shares due upon conversion.

Each share issued on conversion of loan notes entitles the noteholder to receive a warrant at 1p exercisable on or before 28 April 2023. If exercised on or before 28 April 2021, the warrant holder will receive a second warrant exercisable at 2.50p on or before 28 April 2023.

6. Share capital

The changes in authorised share capital of the Company and in called up and fully paid share capital during the six months ended 30 June 2020 were as follows:

A) Authorised

Unlimited Ordinary shares stated value £ 0.001

There were no Changes during the period

B) Called up, allotted, issued and fully paid	Number of shares	Nominal value
As at 1 January 2020	160,955,709	207
Issued on 15 April 2020 at 0.8p (USD\$0.0098) (1)	27,250,000	33
As at 30 June 2020	188,205,709	240

- (1) Each share includes a warrant at 1p exercisable on or before 28 April 2023; if exercised on or before 28 April 2021, the warrant holder will receive a second warrant exercisable at 2.50p on or before 28 April 2023.

The Share Premium account at 30 June 2020 was US\$6,084,000 (30 June 2019 – US\$ 5,802,000).

7. Post balance sheet events

On 21 September 2020 the Company announced a strategic joint venture with Power Metal Resources plc (POW). Under the terms of the agreement the Company will receive in September 2020:

- (i) £ 75,000 in cash
- (ii) 6,000,000 unrestricted shares
- (iii) 5,000,000 warrants in POW which are exercisable at 2.0p for a period of two years from the date of admission of the shares in (ii)

POW will receive a 50% interest in a new Botswana-based vehicle formed to hold the Company's two licenses in the Ditau area and its two licenses in the Kalahari Copperbelt. The new company will be jointly managed. POW will finance the first £ 75,000 of expenditure incurred by the new company in months 1 to 12 after which the Company can contribute or dilute. This arrangement will recur in months 13 to 24.

Further details concerning the transaction are available on in the news release which may be found on the Company's website.

8. Other matters

The condensed consolidated interim financial statements set out above do not constitute the Group's statutory accounts for the period ended 30 June 2020 or for earlier periods, but are derived from those accounts where applicable.

A copy of these interim financial statements are available on the Kavango's website:

www.kavangoresources.com