

**Company registration number: 10796849 (England and Wales)**

**KAVANGO RESOURCES PLC**

**ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2023**

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FOR THE YEAR ENDED 31 DECEMBER 2023

**COMPANY INFORMATION**

**Directors**

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

**Company Secretary**

Brett Grist

**Registered Office**

Salisbury House, Suite 425  
London Wall  
London EC2M 5PS

**Registered Number**

10796849 (England and Wales)

**Registrars**

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GU9 7XX

**Brokers**

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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](http://www.kavangoresources.com)

# KAVANGO RESOURCES PLC

## CHAIRMAN'S STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2023

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 2023.

In what has remained a challenging market for many junior exploration companies we believe Kavango has made significant progress through 2023. Of particular note are the entry of the company into Zimbabwe where we have acquired options over three projects, the consolidation of our position in Botswana on the Kalahari Copper Belt (KCB), and completion of a successful investment of £6 million by Purebond Ltd.

In purely financial terms, during 2023 the Group incurred a loss of US\$ 3,293,000, equivalent to a loss of US\$ 0.45 cents per share (2022: US\$ 2,206,000, US\$ 0.49 cents per share).

Kavango's 2023 drilling in the KCB and KSZ was largely led by geophysical data, and focussed on deep targets. This was always going to prove challenging; however, the programs were successfully and quickly delivered, and whilst they did not intersect mineralisation, did provide us with useful geological information to inform our strategy going forward.

As CEO Ben Turney describes in greater detail later in this report, a re-evaluation of our exploration on the KCB, carried out in conjunction with consultant David Catterall, suggests greatest potential for us to make a discovery on the KCB around our Karakubis licences, in western Botswana. Following this, during the year we acquired a 90% interest in an additional six licences, consolidating our position in this area. An airborne survey was commissioned over these at the end of 2023, with preliminary results announced in March 2024, and I look forward to seeing this work progress through 2024.

The entry of the Company into Zimbabwe and entering into option agreements over three exploration areas there was a significant milestone. The geological similarities of parts of Zimbabwe and western Australia are striking, yet Zimbabwe has hitherto seen very little modern exploration. We believe this represents a meaningful opportunity, adjacent to our existing operating base in Botswana, and offering some synergies in how we deliver exploration. Ben Turney's hands-on approach of moving to Zimbabwe is already helping us address the challenges of this additional jurisdiction.

A major corporate development during the year was the investment by Purebond Ltd of £6 million for new shares in the Company. This, at a time when funding to junior exploration companies has been generally limited, has enabled the Company to take a longer term and strategic view, to advance into the new ventures in Zimbabwe and to refocus its KCB exploration. We believe that this will ultimately maximise the opportunity for all shareholders to benefit from potential exploration success by Kavango in our areas of interest.

As announced in December 2022, we were pleased to welcome Peter Wynter Bee to the company as a Non-Executive Director in January 2023. Peter's wide experience of the industry, and in particular of financing mining development, has already proved instrumental to the Company's progress in 2023, and I am confident will continue to add to the Board's ability to deliver through 2024.

I should like to take this opportunity to thank our employees across Botswana and Zimbabwe for their hard work during the year and for adapting to Kavango's ongoing updated strategy. Exploration is challenging both intellectually and physically, and we are fortunate to have a dedicated team of employees and consultants. 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.

Kavango in common with other junior exploration companies has not seen the advances in the Company's share price in 2023 that we believe would be justified to recognise the progress made by, and to come from, the Company. There were significant purchases of shares by three of my co-directors during the year, which underscores the belief of the Board in the potential for the Company. Kavango has multiple work streams underway at present, any of which has the potential to lead to significant news flow. We look forward to updating the market in due course.

David Smith

17 April 2024

# KAVANGO RESOURCES PLC

## OPERATIONS REPORT FOR THE YEAR ENDED 31 DECEMBER 2023

The past year has, I believe, been transformative for Kavango Resources. During the year we acquired options over three projects in Zimbabwe, where we commenced work at a rapid pace. We also acquired a 90% interest in six licences in the Kalahari Copper Belt from Australia-based ENRG Elements. As a result, Kavango consolidated a strong prospective mineral rights package in this prolific copper jurisdiction. In my view, this provides an excellent opportunity to make commercial discoveries in both countries in 2024.

The mineral rights package provides one half of what is needed for discovery. Financing is the other half, and in this regard conditions in 2023 remained challenging for most explorers. However, thanks to the outstanding support of Purebond Limited and their £6m investment for new equity during 2023, Kavango has been put in a position where it can swiftly advance its projects.

I am very pleased to report that our team has stepped up to this challenge and seized the opportunity put in front of them.

As well as enhancing our project portfolio, Kavango also strengthened its team. The Company has secured the services of two experts in their fields, to ensure that we have the appropriate technical firepower to achieve success. Dave Catterall brings with him vast geological knowledge of the Kalahari Copper Belt, Botswana, where he is credited with successful discovery of multiple orebodies. In Zimbabwe, Steve Smith has worked to understand and rank a range of gold exploration projects in Matabeleland, giving Kavango an important competitive edge and ability to make rapid progress in commencing exploration in a new country.

Other changes to our team in 2023 include the recruitment of Leon de Waal as Exploration Manager for southern Africa. Leon has extensive mineral exploration experience in the region and has been leading from the front in our field camps in both Botswana and Zimbabwe.

I would like to acknowledge the commitment made by my co-director Peter Wynter Bee, who during the year invested £500,000 of his own funds into shares in the Company, confirming his commitment to Kavango's vision and potential.

Key operational highlights over 2023 included:

- In February we completed drilling 1,885.59m across seven holes in the KCB using a combination of Reverse Circulation ("RC") and diamond drilling. This was targeted by Controlled-Source Audio Magnetotelluric ("CSAMT") survey data and soil sampling data. The program confirmed two out of three technical objectives and made significant progress on the third. Anticlines and synclines were correctly identified by CSAMT on PL082. Zones of structural disturbance, brecciation and alteration were also clearly interpreted via CSAMT and then confirmed in drill core. Kavango's geologists observed evidence of fluid flow, with consequent alteration. A final test was to intersect the interpreted Ngwako Pan / D'Kar contact. A massive sandstone unit was intersected. Although the contact was not intercepted, the massive sandstone unit matched the resistive signature on the CSAMT inversion.

Drilling on PL082 evidenced that we are higher in the D'Kar sequence than we had originally interpreted. This meant we could make a clear decision to pause work on this licence for now and move to other targets that now appear more prospective.

A geological review concluded that our four prospecting licences near the Namibian border offered evidence of shallower stratigraphy. Adjacent property holder ENRG Elements' (ASX:EEL) licences are understood to host signs of mineralisation and of domal structures. Kavango was able to negotiate terms and acquire a 90% interest in these during 2023.

- In March 2023 we published the outcome of a report from Dr Hamid Mumin, which identified a possible high potential Banded Iron Formation hosted Lode Gold model at the Ditau Project, and were based on logging of newly acquired third party drill core Kavango considers Target i10 could represent a large-scale, continuous system. This and other models including IOCG continue to offer potential at Ditau, and which the Company will continue to investigate with a particular focus on seeking a JV partner.
- In June 2023 we announced the completion of a first stage £1,400,000 equity investment into the Company via a non-brokered direct subscription, and we were pleased to welcome Purebond Limited as a shareholder. Following publication of a prospectus in October 2023, we were able to conclude the second stage of the investment, for a further £4,600,000. Purebond invested at a price of 1p per share, a premium to the then prevailing share price.

## KAVANGO RESOURCES PLC

### OPERATIONS REPORT FOR THE YEAR ENDED 31 DECEMBER 2023 (Continued)

- The greenstone belts in Zimbabwe host prospective rocks for bulk-mineable gold deposits, based on Kavango's internal review and analysis. Many of these belts share notable similarities with some of Australia's most prolific gold-producing regions. Zimbabwe was therefore seen as a high-potential destination for Kavango to invest into, and in June 2023 we were pleased to announce our entering into a two-year option agreement for the Nara project, covering 45 gold claims in western Zimbabwe. Kavango has rapidly commenced exploration there and subsequent to the year end was able to declare a maiden resource for the tailings. These have the advantage of being low-cost to mine, at surface, and subject to further work may offer a stream of near-term cashflow, augmenting our financial resources (without dilution) to explore in Zimbabwe.

Subsequently Kavango entered into an exclusive 6-month option, later extended to 23 April 2024, to acquire two gold exploration projects in Matabeleland, southern Zimbabwe, referred to as Hillside and Leopard. The Hillside project covers 409 hectares and contains a historic high-grade underground mine that produced a reported 18,000 ounces of gold from ore at a grade of 7.7 grams per tonne over a strike length of more than 350m.

The Leopard project comprises two groups of claims within trucking distance of Nara and located on an adjacent greenstone belt. It is found in a favourable regional setting, surrounded by historical and modern gold producing mines. The Project is divided into two separate sites. Site One produced more than 2,000oz from ore grading 3.5g/t gold. Site Two contains three claims that are believed to be an extension of a historic mine (not part of the property) that is reported to have produced more than 1Moz gold from ore at an average grade of more than 15g/t. Kavango believes Hillside and Leopard each have the potential to host bulk mineable gold deposits.

- In July 2023 Kavango completed drilling of a hole on the Kalahari Suture Zone, KSZDD003, intended to test the B1 conductor target. This was successfully drilled to a depth of 606m, despite challenges of lack of water availability in the arid terrain, and sand cover. The hole passed through a sedimentary sequence and two intrusive bodies, thought to be of Karoo age. No sulphide was intersected, however a Downhole Electromagnetic ("DHEM") survey was completed and confirmed that the target had successfully been intersected. While we were disappointed that B1 did not turn out to consist of significant nickel or copper sulphide, we believe we have an answer on this target. It appears the thicker carbonaceous material, containing coincident graphite and pyrite rich bands, with minor pyrrhotite veining, is the most probable conductive source.
- Kavango completed a strategic investment into gold mining, exploration, and development company Pambili Natural Resources Corporation ("Pambili") (TSX-V:PNN), in the form of a US\$250,000 convertible loan made to Pambili. Following the conversion, Kavango will hold 16% of Pambili's total issued share capital.

Pambili is active in Matabeleland in southern Zimbabwe, having established operations there in 2022. Pambili's Golden Valley project has a history of high-grade underground mining and gold production. Golden Valley includes a functional gold processing plant and stamp mill, two historic shafts that present prospective exploration targets and near surface exploration potential to target a possible larger-scale deposit. Some small-scale gold production continues at Golden Valley by way of toll-milling third-party ore through an on-site stamp mill.

By taking a strategic interest in Pambili, Kavango is seeking to build on its first-mover advantage in Matabeleland by increasing its exposure to a third, highly prospective greenstone belt. Golden Valley is located on a separate greenstone belt to the one that hosts the Hillside and Nara projects for which we hold options, and a separate greenstone belt to the one that hosts the Leopard project over which we also hold an option. Involvement in an active operation will also provide Kavango with invaluable operating know-how in parallel with the ongoing development of its own operations to generate early cash-flow.

- During Q3, Kavango commenced a 1,306m diamond drill campaign at the Hillside Project in Zimbabwe. This completed in January 2024 and results are due to be delivered in Q2 2024.
- In December 2023, Kavango commenced an Airborne Electromagnetic and Gravity survey over its consolidated Kalahari Copper Belt project. Data is currently being processed, with drill targets to be confirmed. The Company expects to start drilling in the KCB in mid-Q2 2024.
- Subsequent to the year end, in March 2024, Kavango signed its first contract to commence immediate gold mining operations at the Hillside Project.

## **KAVANGO RESOURCES PLC**

### OPERATIONS REPORT FOR THE YEAR ENDED 31 DECEMBER 2023 (Continued)

I believe Kavango has successfully transitioned to position itself with a portfolio of well-understood projects that may offer lower technical risk than previous projects, and in parallel has achieved strong financial backing. Our teams on the ground are working hard to deliver successful exploration outcomes from these in 2024, and I look forward to updating all our shareholders as results come in.

Matthew Benjamin Turney  
Chief Executive Officer  
17 April 2024

## **KAVANGO RESOURCES PLC**

### **BOARD OF DIRECTORS AND SENIOR MANAGEMENT**

#### **David Smith** (*Non-Executive Chairman*)

David is a solicitor who has worked in corporate finance and the equity capital markets for over 30 years with considerable practical experience of corporate governance, regulatory and compliance issues, and 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 Grist** (*Chief Operating Officer*)

Brett graduated in Mining Geology from the Royal School of Mines and has spent more than 25 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 30 years of international mineral exploration in most commodities. He has a strong background in geology, structural geology, ore deposit models, project management and 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 and major exploration and mining companies and governments on five continents. Jeremy is a Professional Geoscientist registered in Ontario, Canada.

# KAVANGO RESOURCES PLC

## STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2023

The Directors present their strategic report on the group for the year ended 31 December 2023.

### 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 Kavango Minerals (Pty) Ltd (“Kavango Botswana”), and Kanye Resources (Pty) Ltd (“Kanye”), registered and domiciled in Botswana. The Company also owns 90% of Shongwe Resources (Pty) Ltd, and 90% of Ashmead Holdings (Pty) Ltd, and Icon-Trading Company (Pty) Ltd, all registered and domiciled in Botswana. The Company owns 100% of Kavango Zimbabwe (Private) Limited, a company registered and domiciled in Zimbabwe. The Company is also the parent company of Navassa Resources Ltd, domiciled in Mauritius.

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

### 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 5 to 7.

The Directors were pleased to welcome an investment in the period of £6,000,000 by Purebond Limited, which in challenging market conditions has allowed the Company to continue its exploration work and to expand into Zimbabwe. This investment consisted of the issue of 600,000,000 shares at a price of 1p, representing a premium to the then prevailing share price.

As a result of this the Company has been able to acquire additional licences in Botswana, consolidating an already extensive mineral exploration rights position in the copper belt of western Botswana, and to commence exploration on three projects in Zimbabwe.

### 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 six core exploration assets being licences covering the Kalahari Copper Belt (“KCB”), Kalahari Suture Zone (“KSZ”) Project, and Ditau in Botswana, and options over claims covering the Hillside, Leopard, and Nara projects in Zimbabwe. This totals a large area, together in excess of 19,000km<sup>2</sup>, and also covers two countries, which the Board considers significantly mitigates against this risk. Nevertheless, the Board understands the importance of regularly reviewing its strategy and of regularly assessing other opportunities in the Botswana and Zimbabwe market and/or internationally.

## **KAVANGO RESOURCES PLC**

### **STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2023 (Continued)**

#### *Exploration risk*

Exploration at the KCB, K SZ, Ditau, Hillside, Leopard, and Nara 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 projects 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, and where possible and appropriate, to acquire options over ground to enable some exploration to be conducted before completing an acquisition.

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, social, and related 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. Some of these projects sit in an area of considerable natural beauty, or in areas where local communities are engaged in artisanal mining, and therefore there could 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 continue to 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.

# KAVANGO RESOURCES PLC

## STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2023 (Continued)

### *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.

### *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 24 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 the projects
- 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, inflation and budget overruns
- Fraud and corruption
- Unexpected adverse fluctuations in the currency markets

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.

# **KAVANGO RESOURCES PLC**

## **STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2023 (Continued)**

### **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.

Where any KPI shows a variance early action is taken to identify the causes and to address the issue. 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 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. The Directors will work to evaluate and implement the TCFD recommendations over the next three years.

# KAVANGO RESOURCES PLC

## STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2023 (Continued)

### 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 2023:

- **Updated Corporate Governance Policy:** during 2023 the Corporate Governance Policy was updated to ensure that it remains relevant and to ensure that s172 is upheld. This is available at <https://kavangoresources.com/about-us/corporate-governance>
- **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.
- **Growing our position in Botswana:** having established our presence in Botswana and developed a good working relationship with the Department of Mines, additional licences were acquired in Botswana to consolidate and upgrade an already extensive holding.
- **Expanding into Zimbabwe:** during 2023 the Company acquired options over three projects in Zimbabwe. These provide geographical and commodity diversification, and the Company considers these to offer lower technical risk.
- **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 local schools. We have a 100% Botswana national in-country team and in excess of 90% of our permanent team in Zimbabwe is of Zimbabwe nationals.

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

Matthew Benjamin Turney  
Director  
17 April 2024

# KAVANGO RESOURCES PLC

## DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2023

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 2023.

### *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 27 to the financial statements.

### *Dividends*

The Directors do not propose a dividend in respect of the year ended 31 December 2023 (2022: 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  
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.

### *Directors' indemnities*

The Company has made qualifying third party indemnity provisions for the benefit of its Directors which were made during the year and remain in force at the date of this 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 24 to the financial statements.

### *Substantial shareholders*

As of 21 February 2024 (being the closest relevant data for which data has been provided), 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:

<b>Party name</b>	<b>Number of ordinary shares</b>	<b>% of share capital</b>
Purebond Limited	685,000,000	52.47
Jarvis Investment Management Ltd	75,395,232	5.70
Peter Wynter Bee*	71,468,182	5.47
Hargreaves Lansdown Stockbrokers	70,086,591	5.37
Total	901,950,005	69.08

\*Includes shares held by Wynter Bee Resources Limited

Total shares in issue: 1,305,569,314

### *Capital structure*

Details of the capital structure of the Company are included in the Strategic Report and note 20 to the financial statements.

## **KAVANGO RESOURCES PLC**

### **DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2023 (Continued)**

#### ***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 solar power and battery storage for its office and exploration camp in Zimbabwe. 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 the 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. Successful completion of future fundraisings is inherently uncertain and therefore constitutes a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern. However, encouraged by positive results of the Group's exploration activities in Zimbabwe, the Directors have ambitious plans to further expand the Group's foothold in the country and are therefore in active discussion with current and potential shareholders who have indicated their support. The Directors are therefore confident that they will be able to obtain sufficient working capital to support the Group's operations and 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 (2022: 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 9 to 13 and the Corporate Governance Report set out on pages 16 to 25. 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 17 April 2024 and is signed on its behalf by;

Matthew Benjamin Turney  
Director

# KAVANGO RESOURCES PLC

## CORPORATE GOVERNANCE REPORT FOR THE YEAR ENDED 31 DECEMBER 2023

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. The Board continues to review its governance arrangements, aided by the appointment of Peter Wynter Bee as a Non-Executive Director in January 2023. In the year the Company revised the composition of the Audit and Risk Committee, reinstated the Remuneration Committee, and commenced a Board Evaluation process. Governance policies were also comprehensively reviewed.

- 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 8.
- Implementation of Board evaluation remains ongoing.

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.

# KAVANGO RESOURCES PLC

## CORPORATE GOVERNANCE REPORT (continued)

### 1. Establish a strategy and business model which promote long-term value for shareholders

The Company is involved with precious and base metal exploration in Botswana and Zimbabwe. 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, Zimbabwe, 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 and projects, using a stage-gate approach;
- 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, implementing community projects where appropriate, and minimising negative impacts.
- Availability of funding; this is 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 is keen to nurture talent and encourages further study, including sponsoring an employee in Botswana to complete a further degree and working to create student collaborations with universities in Zimbabwe and the UK.
- 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. In Zimbabwe mineral rights are not presently held directly by the Company but are instead held through Options with third party companies. The Company endeavours to carry out due diligence on both the underlying Claims and third-party companies, and to identify and mitigate any areas of uncertainty.
- Political Risk; Botswana has historically had a stable government. The next elections are scheduled for 2024 and are expected to be peaceful and democratic. In Zimbabwe elections were successfully held in 2023, the government is stable but there is potential for reviews of legislation, which can cause a lack of fiscal stability for an investor.

### 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 online presentations, roadshows, attending investor conferences and through our regular reporting on the London Stock Exchange. LSE announcements include details of the website, X (formerly known as 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.

# KAVANGO RESOURCES PLC

## CORPORATE GOVERNANCE REPORT (continued)

Investors can contact us via our website (<https://www.kavangoresources.com/>) or by email at [corporate@kavangoresources.com](mailto: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 X (formerly known as 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 in Botswana, and the Ministry of Mines and Mining Development in Zimbabwe, as well as civic leaders.

### *Employees*

We maintain only a small permanent staff in Botswana and Zimbabwe, and a very small team in the UK. Employee engagement with the Directors is frequent with regular calls held with the in-country management. The executive directors regularly visit the project sites and meet the employees, and two directors, including the CEO (as of 2024) reside in Zimbabwe. The Company has sponsored an employee to study internationally for a master's degree, funds professional memberships for appropriate team members, and has funded attendance at conferences.

### *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 and Zimbabwe. 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 local schools including hygiene needs, computer hardware, and prizes.

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.

## **KAVANGO RESOURCES PLC**

### **CORPORATE GOVERNANCE REPORT (continued)**

#### **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, and which was updated in 2023. 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 are performed to monitor the Company's ongoing cash requirements and cash flow forecasts are reported to the Board on a bimonthly basis;
- Actual results are reported against budget and prior year and are circulated to the Board;
- Regular reviews of exploration results are performed as the basis for decisions regarding future expenditure commitment, using a stage-gate methodology;
- 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 in the Strategic Report on pages 9 to 11.

**KAVANGO RESOURCES PLC**  
**CORPORATE GOVERNANCE REPORT (continued)**

**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. Non-Executive Director Peter Wynter Bee purchased additional shares in the Company during the year, resulting in a shareholding at year end of 5.47%. The investment was carried out at arm's length and the Board consider that this does not affect Mr. Wynter Bee's independence as a Director.

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 lead regular review of Company Policies and reporting.

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

For most of the financial year 2023, the Board met bimonthly, with additional meetings for specific items as required. 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 Board meetings held during 2023:

<b>Director</b>	<b>Position</b>	<b>Attendance</b>
David Smith	Chairman (Independent)	14/16
Ben Turney	Chief Executive Officer	15/16
Hillary Gumbo	Executive Director	14/16
Brett Grist	Chief Operating Officer	15/16
Jeremy S. Brett	Executive Director	14/16
Peter Wynter Bee	Non-Executive Director	13/16

## KAVANGO RESOURCES PLC

### CORPORATE GOVERNANCE REPORT (continued)

#### **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 precious and 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.

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 CEO and COO work in excess of 40 hours per week for the Company, and the other Executive Directors regularly work between 10 and 40 hours on the Company's business. The Non-Executive Directors regularly spend up to 10 hours per week on the Company's business, and 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 8 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, Shongwe Resources (Pty) Ltd, Kavango Zimbabwe (Private) Ltd, and Navassa Resources Ltd; Ben Turney is a director of Kanye Resources (Pty) Ltd, Kavango Zimbabwe (Private) Ltd, Ashmead Holdings (Private) Ltd, and Icon Trading (Private) Ltd; and Brett Grist is a director of Kanye Resources (Pty) Ltd, Shongwe Resources (Pty) Ltd, Kavango Minerals Pty Ltd, Ashmead Holdings (Private) Ltd, and Icon Trading (Private) 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 2023 a board evaluation was initiated and is not yet complete. 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.

## **KAVANGO RESOURCES PLC**

### **CORPORATE GOVERNANCE REPORT (continued)**

#### **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 every two 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 Board or 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 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.

# KAVANGO RESOURCES PLC

## CORPORATE GOVERNANCE REPORT (continued)

### *Board Committees and Policies*

#### *Audit and Risk Committee*

The Audit and Risk Committee is chaired by Peter Wynter Bee and includes David Smith. 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 Quoted Companies Alliance ("QCA") Code and the requirements of the Listing Rules.

Specific risks are set out in the Strategic Report on pages 9 to 11.

#### *The Remuneration Committee*

The Remuneration Committee is chaired by David Smith and includes Peter Wynter Bee.

Remuneration issues are presented for approval by the full Board, 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 minimise or eliminate negative impacts and maximise 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.

## **KAVANGO RESOURCES PLC**

### **CORPORATE GOVERNANCE REPORT (continued)**

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 solar power energy supplies for its exploration camp and offices in Zimbabwe.

#### *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, and in excess of 90% of our Zimbabwe team are Zimbabwean nationals. Community initiatives have included assistance to a rural school, benefiting female education of a disadvantaged community, and provision of computer hardware to a school.

#### **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 projects that it acquires or divests. 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 X (formerly known as 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 2023 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, Directors, 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 to achieve a wide understanding of investors' views.

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

## **KAVANGO RESOURCES PLC**

### **CORPORATE GOVERNANCE REPORT (continued)**

#### **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.

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. As the scale of the Company's operations grow it is also likely that executive remuneration will need to rise to a level comparable with that of other international companies in our industry, and to reflect requirements to relocate to local jurisdictions from time to time.

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. 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. The Remuneration Committee considers the remuneration of directors and senior staff, in alignment with the Company's policy and makes recommendations to the Board. No Director takes part in any decision directly affecting their own remuneration.

# KAVANGO RESOURCES PLC

## DIRECTORS' REMUNERATION REPORT

### Directors' remuneration

The Directors who held office during the year and their appointment dates are listed in the Directors' Report on page 14.

### 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 2023 consisted of a mix of:

- Salaries and fees;
- 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 2023:

Year to 31 December 2023								
	a. Salary	b. Taxable benefits.	c. Other items in nature of remuneration (incl. annual bonus).	c. Long-term incentive awards).	e. Pension related benefits.	Total	g. Total Fixed Remuneration:	h. Total Variable Remuneration:
Ben Turney	\$126,467	-	\$63,662	-	-	\$190,129	\$126,467	-
David Smith	\$56,206	-	-	-	-	\$56,206	\$56,206	-
Hillary Gumbo	\$28,496	-	-	-	-	\$28,496	\$28,496	-
Brett Grist	\$126,467	-	\$12,732	-	\$2,626	\$141,825	\$129,092	-
Peter Wynter Bee	\$30,631	-	-	-	-	\$30,631	\$30,631	-
Jeremy S. Brett	\$158,281	-	-	-	-	\$158,281	\$158,281	-

For comparison the emoluments of the Directors who served during the year ended 31 December 2022 are set out below:

Year to 31 December 2022								
	a. Salary	b. Taxable benefits.	c. Other items in nature of remuneration (incl. annual bonus).	c. 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 <sup>1</sup>	\$103,978	-	\$37,128	-	\$4,233	\$145,339	\$108,211	\$37,128
<b>Former directors who served during the year</b>								
Mike Moles <sup>2</sup>	\$17,726	-	-	-	-	\$17,726	\$17,726	-

<sup>1</sup> Brett Grist's remuneration is in respect of the period from his appointment on 7 February 2022.

<sup>2</sup> Resigned 31 August 2022.

## KAVANGO RESOURCES PLC

### DIRECTORS' REMUNERATION REPORT (continued)

#### Other items (audited)

Ben Turney and Brett Grist were awarded bonuses in the period in recognition of their efforts in moving the Company forward. As a result, an element of remuneration was variable however, the majority was fixed as per the above table.

#### Total pension entitlements (audited)

During the year ended 31 December 2023, the Company continued to make 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.

#### Directors' interests in share options as at 1 January 2023 (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	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
Jeremy S. Brett	Option	04/01/2022	£0.03	3,000,000	No	31/10/2023	01/12/2028

# KAVANGO RESOURCES PLC

## DIRECTORS' REMUNERATION REPORT (continued)

### Share scheme interests awarded during the year (audited)

The following new share options were awarded to Directors during the year ended 31 December 2023. In each case the options have a 7 year term. No share options were exercised by Directors during the year.

Director	Interest type	Date of Grant	Exercise price	Number	Subject to performance measures?	Vesting date	Expiry date
Hilary Gumbo	Option	15/3/2023	£0.03	2,820,000	Exercisable only once the Company's share price has closed at not less than 6 pence on five trading days	31/10/2023	20/01/2030
	Option	17/11/2023	£0.011	1,500,000	No	17/11/2023	17/11/2030
Ben Turney	Option	15/03/2023	£0.03	5,000,000	Exercisable only once the Company's share price has closed at not less than 6 pence on five trading days	15/03/2023	20/01/2030
	Option	15/03/2023	£0.03	5,000,000	Exercisable only once the Company's share price has closed at not less than 6 pence on five trading days	31/10/2023	20/01/2030
	Option	17/11/2023	£0.011	40,000,000	No	17/11/2023	17/11/2030
David Smith	Option	15/03/2023	£0.03	2,000,000	Exercisable only once the Company's share price has closed at not less than 6 pence on five trading days	31/10/2023	20/01/2030
	Option	17/11/2023	£0.011	1,500,000	No	17/11/2023	17/11/2030
Brett Grist	Option	15/03/2023	£0.03	6,000,000	Exercisable only once the Company's share price has closed at not less than 6 pence on five trading days	31/10/2023	20/01/2030
	Option	17/11/2023	£0.011	2,500,000	No	17/11/2023	17/11/2030
Jeremy S. Brett	Option	15/03/2023	£0.03	3,500,000	Exercisable only once the Company's share price has closed at not less than 6 pence on five trading days	31/10/2023	20/01/2030
	Option	17/11/2023	£0.011	2,500,000	No	17/11/2023	17/11/2030
Peter Wynter Bee	Option	15/03/2023	£0.03	2,000,000	Exercisable only once the Company's share price has closed at not less than 6 pence on five trading days	31/10/2023	20/01/2030

### 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 believes this provides alignment with the interests of other shareholders and that it does not affect their independence.

Name of Director	Number of ordinary shares held 31 December 2023	Number of ordinary shares held 1 January 2023	Number of warrants held 31 December 2023	Number of warrants held 1 January 2023
Ben Turney	15,220,551	8,970,551	-	7,460,228 <sup>2</sup>
Hilary Gumbo	16,520,137	16,520,137	-	2,625,000 <sup>2</sup>
David Smith	173,939	173,939	-	-
Brett Grist	2,273,424	920,245	-	-
Jeremy S. Brett	-	-	-	-
Peter Wynter Bee <sup>1</sup>	71,468,182	6,218,182	5,000,000	-

<sup>1</sup> Including holdings by Wynter Bee Resources Limited

<sup>2</sup> Warrants expired during the year

## **KAVANGO RESOURCES PLC**

### **DIRECTORS' REMUNERATION REPORT (continued)**

#### **Consideration of employment conditions elsewhere in the Group**

The Directors have not consulted with employees about executive pay but consider that the current remuneration of Executive Directors is consistent with pay and employment benefits across the wider Group.

#### **UK 10-year performance graph**

The Directors have considered the requirement for a UK 10-year performance graph comparing the Group's Total Shareholder Return with that of a comparable indicator. The Directors do not currently consider that including the graph will be meaningful because the Company 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 17 April 2024.

**David Smith**  
Chairman

## **KAVANGO RESOURCES PLC**

### **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 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 8, 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 17 April 2024 and is signed on its behalf by;

Matthew Benjamin Turney  
Director

## **KAVANGO RESOURCES PLC**

### **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF KAVANGO RESOURCES PLC FOR THE YEAR ENDED 31 DECEMBER 2023**

#### **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 2023 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 2023 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) to the financial statements, which indicates that the group will require further funding in the next 12 months in order to sustain its budgeted level of exploration spending and to meet the minimum corporate overheads. For the year ended 31 December 2023, the group incurred losses from operations of US\$3,293,000 and continues to generate losses due to the group not being revenue generative in the year. The group's ability to meet all of the operating costs and budgeted spend requirements on the group's exploration licences for the next 12 months from the date of signing the financial statements is reliant on the group raising further finance. The directors are confident in their ability to raise the necessary funds to enable the group to meet their obligations. 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 parent 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 group'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 12 months from the date of approval of the financial statements. We have assessed the reasonableness of the forecasts based on comparing them to previous years, current year management accounts and supporting evidence; and
- Critically assessed the disclosure made within the financial statements for consistency with management's assessment of going concern s.

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

## KAVANGO RESOURCES PLC

### INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF KAVANGO RESOURCES PLC FOR THE YEAR ENDED 31 DECEMBER 2023 (continued)

#### Emphasis of matter

We draw attention to notes 3a)(iv) and 20 of the financial statements, which describe an amount of US\$637,000 (2022: US\$693,000) that remains outstanding at the Statement of financial position date in respect of the November 2022 share placing. Whilst the directors are confident that the balance will be obtained through receipt or re-issuance to other potential subscribers, the balance remains outstanding at the date of signing the financial statements.

Our opinion is not modified in this respect.

#### Our application of materiality

Overall group materiality 2023	Overall group materiality 2022	Basis for overall group materiality
US\$395,000	US\$264,000	2% of gross assets (2022: 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 overall 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 overall materiality of US\$395,000 (2022: US\$264,000), the parent company overall materiality was set at US\$394,999 (2022: US\$263,999) with performance materiality set at US\$237,000 (2022: US\$158,400) for the group and \$236,999 (2022: US\$158,399) for the parent company, being 60% (2022: 60%) of materiality of the group and parent company financial statements as a whole. The performance materiality is based on our assessment of the relevant risk factors, including previous experience of misstatements, management's attitude towards proposed adjustments, and the level of estimation inherent within the group and parent company.

We agreed with the Audit Committee that we would report to the committee all audit differences identified during the course of our audit in excess of our triviality level of US\$19,750 (2022: US\$13,200) for the group and US\$19,749 (2022: US\$ 10,500) as well as differences below that threshold that we believe warranted reporting on qualitative grounds.

#### 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 considered the areas involving significant accounting estimates and judgements by the directors, and including future events that are inherently uncertain, in particular the carrying value of intangible assets, the carrying value of investments in subsidiaries and recoverability of intercompany receivables (parent company only), the valuation of share options and warrants and related party transactions. We also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud. Procedures were then performed to address the risks identified and for the most significant assessed risks of material misstatement, the procedures performed are outlined below in the Key audit matters section of this report.

An audit was performed on the financial information of the group's significant operating components which, for the year ended 31 December 2023, were located in the United Kingdom and Botswana, with the group's accounting functions being based in the UK and Botswana.

The Botswanan components were audited by a component auditor operating under our instruction. The audits were performed both for consolidation purposes as well as local statutory purposes. There was regular interaction with

## KAVANGO RESOURCES PLC

### INDEPENDENT AUDITOR’S REPORT TO THE MEMBERS OF KAVANGO RESOURCES PLC FOR THE YEAR ENDED 31 DECEMBER 2023 (continued)

the component auditor during all stages of the audit, and we were responsible for the scope and direction of the audit process.

Component materiality applied ranged between US\$294,000 and US\$101,000 with performance materiality of between US\$176,401 and US\$60,600 respectively.

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.

Key Audit Matter	How our scope addressed this matter
<p><b>Classification and carrying value of Intangible Assets</b></p>	
<p>The group has material intangible assets in relation to capitalised exploration and evaluation costs and a balance of US\$14,618,000 is reported in the Consolidated Statement of Financial Position as at 31 December 2023.</p> <p>There is a risk that the carrying value of these assets have not been correctly measured in accordance with IFRS 6 <i>Exploration for and Evaluation of Mineral Resources</i> as the carrying value is subject to management judgement in respect of the indicator of impairment considerations.</p> <p>There is also the risk that additions to intangible assets during the year have not been appropriately capitalised in line with IFRS 6.</p> <p>This risk is considered a key audit matter given the material balance at year end and high level of estimation uncertainty.</p> <p>See note 11 to the financial statements.</p>	<p>Our work in this area included:</p> <ul style="list-style-type: none"> <li>• Reviewing costs capitalised during the year under review, including the considerations made in respect of their appropriateness for capitalisation in accordance with IFRS 6’s recognition criteria;</li> <li>• Confirmation that the group has good title to the applicable exploration licences, including new licences obtained during the year;</li> <li>• Reviewing management’s impairment indicator assessment paper and challenging the key assumptions and inputs, as well as assessing whether there were any impairment indicators in accordance with IFRS 6; and</li> <li>• Ensuring that the disclosures made in the financial statements are in accordance with IFRS 6 and other applicable accounting standards.</li> </ul> <p>Based on the audit procedures performed, we found management’s assessment of the classification and carrying value of intangible assets to be appropriate and the judgements and estimates applied reasonable.</p>
<p><b>Carrying value of the investment in subsidiary and recoverability of intercompany receivables (Company only)</b></p>	
<p>Investments in subsidiaries and intercompany loans, as shown in Note 16 are significant assets in the parent company’s statement of financial position. Given the continuing losses, there is a risk that the investments</p>	<p>Our work in this area included:</p> <ul style="list-style-type: none"> <li>• Confirming of ownership of investments;</li> </ul>

## KAVANGO RESOURCES PLC

### INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF KAVANGO RESOURCES PLC FOR THE YEAR ENDED 31 DECEMBER 2023 (continued)

<p>in subsidiaries and intercompany loans may not be fully recoverable.</p> <p>This risk is considered a key audit matter given that management judgement is required in determining the recoverable value of these investments and intercompany receivables which is linked to the future success of exploration activities and profitability of the subsidiaries.</p> <p>See note 16 to the financial statements</p>	<ul style="list-style-type: none"><li>• Assessing the recoverability of investments and intercompany receivables by reference to underlying net asset values;</li><li>• Reviewing management's impairment assessment of investments/intercompany receivables and challenging the key assumptions and inputs; and</li><li>• Ensuring disclosures made in the financial statements are adequate.</li></ul> <p>Based on the procedures performed, we consider if the carrying value of investment in subsidiaries to be reasonable.</p>
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#### Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the group and parent company financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether 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.

## **KAVANGO RESOURCES PLC**

### **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF KAVANGO RESOURCES PLC FOR THE YEAR ENDED 31 DECEMBER 2023 (continued)**

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, application of cumulative audit knowledge and experience of the sector.
- We determined the principal laws and regulations relevant to the group and parent company in this regard to be those arising from:
  - Listing Rules
  - Companies Act 2006
  - The Bribery Act 2010
  - Anti-Money Laundering Legislation
  - Disclosure rules and Transparency rules for listed entities
  - Local industry regulations in Botswana where exploration activity took place; and
  - UK and Botswana 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 legal and professional fees ledger accounts for evidence of any litigation or claims against the group;
  - Reviewing Regulatory News Service (RNS) announcements; and
  - Reviewing the group's related party transactions and disclosures.
- 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 classification and carrying value of intangible assets and the carrying value of investments in subsidiary and recoverability of intercompany receivables (parent company only) as described in the Key audit matters section of this report above.
- As in all of our audits, we addressed the risk of fraud arising from management override of controls by performing audit procedures which included, but were not limited to: the testing of journals; reviewing accounting estimates for evidence of bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business. 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; and
  - Reviewing component auditors' work in these areas and obtaining their confirmation.

## **KAVANGO RESOURCES PLC**

### **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF KAVANGO RESOURCES PLC FOR THE YEAR ENDED 31 DECEMBER 2023 (continued)**

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](http://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 7 years, covering the periods ending 31 December 2017 to 31 December 2023.

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  
17 April 2024

15 Westferry Circus  
Canary Wharf  
London E14 4HD

**KAVANGO RESOURCES PLC**  
**CONSOLIDATED STATEMENT OF TOTAL COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 31 DECEMBER 2023**

	Notes	31 Dec 2023 US\$'000	31 Dec 2022 US\$'000
<b>Continuing operations</b>			
Administrative expenses		(2,063)	(2,218)
Pre-licence exploration costs	5	(1,153)	-
Other (losses)/gains – (loss)/gain on fair value of financial assets		(77)	12
<b>Loss before taxation</b>	6	<u>(3,293)</u>	<u>(2,206)</u>
Taxation	8	-	-
<b>Loss for the year attributable to owners of the parent</b>		<u>(3,293)</u>	<u>(2,206)</u>
<b>Other comprehensive income</b>			
Items that may be subsequently reclassified to profit or loss:			
Currency translation differences		676	(545)
Foreign exchange loss on liquidation of subsidiary		(7)	-
<b>Other comprehensive gain/(loss), net of tax</b>		<u>669</u>	<u>(545)</u>
<b>Total comprehensive loss for the year attributable to owners of the parent</b>		<u>(2,624)</u>	<u>(2,751)</u>
Earnings per share from continuing operations attributable to owners of the parent:			
Basic and diluted loss per share (cents)	9	<u>(0.45)</u>	<u>(0.49)</u>

The notes of page 46 to 76 form part of these financial statements.

**KAVANGO RESOURCES PLC**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2023**

	Notes	31 Dec 2023 US\$'000	31 Dec 2022 US\$'000
<b>Assets</b>			
<i>Non-current assets</i>			
Property, plant, and equipment	10	352	172
Intangible assets	11	14,586	9,679
<b>Total non-current assets</b>		<u>14,938</u>	<u>9,851</u>
<i>Current assets</i>			
Trade and other receivables	17	928	1,151
Financial assets at fair value through profit or loss	15	378	-
Cash and cash equivalents	18	3,393	2,265
<b>Total current assets</b>		<u>4,699</u>	<u>3,416</u>
<b>Total assets</b>		<u>19,637</u>	<u>13,267</u>
<b>Liabilities</b>			
<i>Current liabilities</i>			
Trade and other payables	19	1,284	571
<b>Total current liabilities</b>		<u>1,284</u>	<u>571</u>
<b>Total liabilities</b>		<u>1,284</u>	<u>571</u>
<b>Net assets</b>		<u>18,353</u>	<u>12,696</u>
<b>Equity</b>			
Share capital	20	1,663	904
Share premium	20	25,789	19,296
Shares to be issued		-	7
Share option reserve	21	1,673	913
Warrant reserve	22	609	650
Foreign exchange reserve		(350)	(1,019)
Reorganisation reserve		(1,591)	(1,591)
Accumulated losses		(9,626)	(6,464)
Equity attributable to owners of the company		18,167	12,696
Non-controlling interests	23	186	-
<b>Total equity</b>		<u>18,353</u>	<u>12,696</u>

The notes of page 46 to 76 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 17 April 2024 and signed on its behalf by:

.....  
Matthew Benjamin Turney  
Director

**KAVANGO RESOURCES PLC**  
**COMPANY STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2023**

	Notes	31 Dec 2023 US\$'000	31 Dec 2022 US\$'000
<b>Assets</b>			
<i>Non-current assets</i>			
Investment in subsidiaries	16	16,856	11,825
<b>Total non-current assets</b>		<u>16,856</u>	<u>11,825</u>
<i>Current assets</i>			
Trade and other receivables	17	759	925
Financial assets at fair value through profit or loss	15	378	-
Cash and cash equivalents	18	3,205	2,214
<b>Total current assets</b>		<u>4,342</u>	<u>3,139</u>
<b>Total assets</b>		<u>21,198</u>	<u>14,964</u>
<b>Liabilities</b>			
<i>Current liabilities</i>			
Trade and other payables	19	1,065	466
<b>Total liabilities</b>		<u>1,065</u>	<u>466</u>
<b>Net assets</b>		<u>20,133</u>	<u>14,498</u>
<b>Equity</b>			
Share capital	20	1,663	904
Share premium	20	25,789	19,296
Shares to be issued		-	7
Share option reserve	21	1,673	913
Warrant reserve	22	609	650
Foreign exchange reserve		(140)	(885)
Accumulated losses		(9,461)	(6,387)
<b>Total equity</b>		<u>20,133</u>	<u>14,498</u>

The notes of page 46 to 76 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 2023 was US\$ 3,205,000 (2022: US\$ 2,054,000).

The financial statements of Kavango Resources Plc, company registered number 10796849, were approved by the board, and authorised for issue on 17 April 2024 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 2023**

**Equity attributable to owners of the company**

	Share capital	Share premium	Reorganisation reserve	Share option reserve	Warrant reserve	Foreign exchange reserve	Accumulated losses	Shares to be issued	Total	Non-controlling interests	Total equity
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
As at 1 January 2022	544	10,985	(1,591)	457	1,764	(474)	(4,258)	363	7,790	-	7,790
Loss for the year	-	-	-	-	-	-	(2,206)	-	(2,206)	-	(2,206)
<i>Other comprehensive loss for the year:</i>											
Foreign currency exchange difference	-	-	-	-	-	(545)	-	-	(545)	-	(545)
Total comprehensive loss for the year	-	-	-	-	-	(545)	(2,206)	-	(2,751)	-	(2,751)
Warrants issued	-	1,471	-	-	(1,471)	-	-	-	-	-	-
Issue of ordinary shares	360	7,100	-	-	-	-	-	(1,081)	6,379	-	6,379
Costs of share issues	-	(260)	-	-	-	-	-	-	(260)	-	(260)
Share-based payments – expensed	-	-	-	456	-	-	-	180	636	-	636
Share-based payments – capitalised	-	-	-	-	357	-	-	545	902	-	902
Total transactions with owners	360	8,311	-	456	(1,114)	-	-	(356)	7,657	-	7,657
As at 31 December 2022	904	19,296	(1,591)	913	650	(1,019)	(6,464)	7	12,696	-	12,696
Loss for the year	-	-	-	-	-	-	(3,293)	-	(3,293)	-	(3,293)
<i>Other comprehensive loss for the year:</i>											
Foreign currency exchange difference	-	-	-	-	-	669	-	-	669	-	669
Total comprehensive loss for the year	-	-	-	-	-	669	(3,293)	-	(2,624)	-	(2,624)
Warrants issued	-	(90)	-	-	90	-	-	-	-	-	-
Warrants lapsed	-	-	-	-	(131)	-	131	-	-	-	-
Issue of ordinary shares	759	6,838	-	-	-	-	-	-	7,597	-	7,597
Costs of share issues	-	(255)	-	-	-	-	-	-	(255)	-	(255)
Share-based payments – expensed	-	-	-	760	-	-	-	(7)	753	-	753
Non-controlling interest on acquisition of subsidiary (note 23)	-	-	-	-	-	-	-	-	-	186	186
Total transactions with owners	759	6,493	-	760	(41)	-	131	(7)	8,095	186	8,281
As at 31 December 2023	1,663	25,789	(1,591)	1,673	609	(350)	(9,626)	-	18,167	186	18,353

**KAVANGO RESOURCES PLC**  
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 31 DECEMBER 2023 (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
Accumulated Losses:	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 notes of page 46 to 76 form part of these financial statements.

**KAVANGO RESOURCES PLC**  
**COMPANY STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 31 DECEMBER 2023**

	Share Capital	Share Premium	Share Option Reserve	Warrant Reserve	Foreign Exchange Reserve	Accumulated losses	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 2022	544	10,985	457	1,764	56	(4,333)	363	9,836
Loss for the year	-	-	-	-	-	(2,054)	-	(2,054)
<i>Other comprehensive loss for the year:</i>								
Foreign currency exchange difference	-	-	-	-	(941)	-	-	(941)
Total comprehensive loss for the year	-	-	-	-	(941)	(2,054)	-	(2,995)
Warrants issued	-	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
Loss for the year	-	-	-	-	-	(3,205)	-	(3,205)
<i>Other comprehensive loss for the year:</i>								
Foreign currency exchange difference	-	-	-	-	745	-	-	745
Total comprehensive loss for the year	-	-	-	-	745	(3,205)	-	(2,460)
Warrant issued	-	(90)	-	90	-	-	-	-
Warrant lapsed	-	-	-	(131)	-	131	-	-
Issue of ordinary shares	759	6,838	-	-	-	-	-	7,597
Costs of share issues	-	(255)	-	-	-	-	-	(255)
Share-based payments – expensed	-	-	760	-	-	-	(7)	753
Total transactions with owners	759	6,493	760	(41)	-	131	(7)	8,095
As at 31 December 2023	1,663	25,789	1,673	609	(140)	(9,461)	-	20,133

**KAVANGO RESOURCES PLC**  
**COMPANY STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 31 DECEMBER 2023 (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
Accumulated Losses:	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 notes of page 46 to 76 form part of these financial statements.

**KAVANGO RESOURCES PLC**  
**CONSOLIDATED STATEMENT OF CASH FLOW**  
**FOR THE YEAR ENDED 31 DECEMBER 2023**

		<b>31 Dec 2023</b>	<b>31 Dec 2022</b>
	<b>Notes</b>	<b>US\$'000</b>	<b>US\$'000</b>
<b>Cash flows from operating activities</b>			
Loss before taxation		(3,293)	(2,206)
Adjustments for:			
Depreciation		12	-
Share option expense	21a	753	456
Directors' fees and other expenses settled by issue of shares	20	-	16
Fair value adjustments	15	77	(12)
Exchange gain on liquidation of subsidiary		(7)	-
<b>Net cash used in operating activities before changes in working capital</b>		<u>(2,458)</u>	<u>(1,746)</u>
Decrease/(increase) in trade and other receivables		204	(189)
(Decrease)/increase in trade and other payables		(28)	376
<b>Net cash used in operating activities</b>		<u>(2,282)</u>	<u>(1,559)</u>
<b>Cash flows from investing activities</b>			
Payments for property, plant and equipment		(259)	(73)
Payments for financial assets at fair value through profit or loss		(445)	-
Proceeds from disposal of financial assets at fair value through profit or loss		-	228
Payments for intangible assets		(3,315)	(2,758)
<b>Net cash used in investing activities</b>		<u>(4,019)</u>	<u>(2,603)</u>
<b>Cash flows from financing activities</b>			
Proceeds from issue of share capital and warrants	20	7,597	4,593
Share issue costs	20	(255)	(260)
<b>Net cash generated from financing activities</b>		<u>7,342</u>	<u>4,333</u>
<b>Net increase in cash and cash equivalents</b>		<u>1,041</u>	<u>171</u>
Cash and cash equivalents at beginning of year		2,265	2,308
Effects of exchange rates on cash and cash equivalents		87	(214)
<b>Cash and cash equivalents at end of year</b>		<u>3,393</u>	<u>2,265</u>

Note 11 discloses significant non-cash transactions in relation to the Group's investing activities.

The notes of page 46 to 76 form part of these financial statements.

**KAVANGO RESOURCES PLC**  
**COMPANY STATEMENT OF CASH FLOW**  
**FOR THE YEAR ENDED 31 DECEMBER 2023**

		<b>31 Dec 2023</b>	<b>31 Dec 2022</b>
	<b>Notes</b>	<b>US\$'000</b>	<b>US\$'000</b>
<b>Cash flows from operating activities</b>			
Loss before taxation		(3,205)	(2,054)
Adjustments for:			
Share option expense	21a	753	456
Impairment of investment in subsidiaries	16	641	-
Directors' fees and other expenses settled by issue of shares	20	-	16
Fair value adjustments	15	77	(12)
<b>Net cash used in operating activities before changes in working capital</b>		<u>(1,734)</u>	<u>(1,594)</u>
Decrease/(increase) in trade and other receivables		214	(94)
(Decrease)/increase in trade and other payables		(107)	200
<b>Net cash used in operating activities</b>		<u>(1,627)</u>	<u>(1,488)</u>
<b>Cash flows from investing activities</b>			
Payments for financial assets at fair value through profit or loss		(445)	-
Proceeds from disposal of financial assets at fair value through profit or loss		-	228
Acquisition of subsidiaries	16	(1,039)	-
Loans advanced to group companies		(3,315)	(2,715)
<b>Net cash used in investing activities</b>		<u>(4,799)</u>	<u>(2,487)</u>
<b>Financing activities</b>			
Proceeds from issue of share capital and warrants	20	7,597	4,593
Share issue costs	20	(255)	(260)
<b>Net cash generated from financing activities</b>		<u>7,342</u>	<u>4,333</u>
<b>Net increase in cash and cash equivalents</b>		<u>916</u>	<u>358</u>
Cash and cash equivalents at beginning of year		2,214	2,069
Effects of exchange rates on cash and cash equivalents		75	(213)
<b>Cash and cash equivalents at end of year</b>		<u>3,205</u>	<u>2,214</u>

The notes of page 46 to 76 form part of these financial statements.

# **KAVANGO RESOURCES PLC**

## **NOTES TO THE FINANCIAL STATEMENTS**

### **FOR THE YEAR ENDED 31 DECEMBER 2023**

#### **1. Corporate information**

Kavango Resources Plc (the “Company”) is a public limited company listed on the main market of the London Stock Exchange and incorporated and domiciled in England. Its registered address is Salisbury House, London Wall, Suite 425, London United Kingdom EC2M 5PS.

The Company is the ultimate parent company of Kavango Minerals (Pty) Ltd (“Kavango Botswana”), and Kanye Resources (Pty) Ltd (“Kanye”), registered and domiciled in Botswana. The Company also owns 90% of Shongwe Resources (Pty) Ltd (“Shongwe”) and during the year the Company acquired 90% of Ashmead Holdings (Pty) Ltd (“Ashmead”) and 90% of Icon-Trading Company (Pty) Ltd (“Icon”), all registered and domiciled in Botswana. The Company owns 100% of Kavango Zimbabwe (Private) Limited, a company registered and domiciled in Zimbabwe. The Company is also the parent company of Navassa Resources Ltd, domiciled in Mauritius.

In order to simplify the corporate structure, Kanye Resources Plc was dissolved on 28 November 2023, and Navassa Resources Ltd is expected to be liquidated in early 2024.

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

#### **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 the 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. Successful completion of future fundraisings is inherently uncertain and therefore constitutes a material uncertainty that may cast significant doubt on the Group’s ability to continue as a going concern. However, encouraged by positive results of the Group’s exploration activities in Zimbabwe, the Directors have ambitious plans to further expand the Group’s foothold in the country and are therefore in active discussion with current and potential shareholders who have indicated their support. The Directors are therefore confident that they will be able to obtain sufficient working capital to support the Group’s operations and are satisfied that it is appropriate to continue to adopt the going concern basis of accounting in the preparation of these financial statements.

# KAVANGO RESOURCES PLC

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023 (continued)

### 2. Significant Accounting policies (continued)

#### (b) New and amended standards and interpretations

There were no new standards, amendments or interpretations effective for the first time for periods beginning on or after 1 January 2023 that had a material effect on the consolidated or company financial statements.

At the date of approval of these financial statements, there were no new standards or amendments to IAS which have not been applied in these financial statements which were in issue but not yet effective and are 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.

Non-controlling interests in subsidiaries are identified separately from equity attributable to the owner of the Company. On acquisition of subsidiaries, non-controlling interests are measured at their proportionate share of the fair value of the acquiree's identifiable net assets. Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests.

#### (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(k) '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.

# KAVANGO RESOURCES PLC

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023 (continued)

### 2. Significant Accounting policies (continued)

#### (e) Foreign currencies (continued)

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.

#### (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) Pre-licence exploration costs

Exploration costs incurred prior to the Group obtaining exploration legal rights are recognised in profit or loss as they are incurred. When the Group enters into an option agreement to acquire a licence, all associated option costs and exploration expenditure incurred prior to the option being exercised are treated as pre-licence exploration costs and included in profit or loss.

# KAVANGO RESOURCES PLC

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023 (continued)

### 2. Significant Accounting policies (continued)

#### (i) 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 to evaluate the technical feasibility and commercial viability of extracting a mineral resource and other in country supporting activities. 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.

#### (j) 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.

# KAVANGO RESOURCES PLC

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023 (continued)

### 2. Significant Accounting policies (continued)

#### (k) 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 *Financial Instruments* 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.

#### (l) Financial liabilities

Financial liabilities include trade and other payables including deferred consideration. 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.

#### (m) 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.

#### (n) 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.

# KAVANGO RESOURCES PLC

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023 (continued)

### 2. Significant Accounting policies (continued)

#### (o) 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.

# KAVANGO RESOURCES PLC

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023 (continued)

### 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) 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 2023 is US\$ 14,586,000 (2022: US\$ 9,679,000). The recoverability of this carrying value, and thus potential impairment, requires use of significant judgments and estimates which are detailed in note 11.

##### *(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\$ 16,856,000 (2022: US\$ 11,825,000). 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 note 11.

##### *(iii) Valuation of share-based payments*

Accounting for some equity-settled share-based payment awards requires the use of valuation models to estimate their fair values and vesting periods. 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\$ 637,000 (2022: US\$ 693,000). The Directors are satisfied that this balance is recoverable and therefore no expected credit loss provision is necessary, further details are included in note 20.

# KAVANGO RESOURCES PLC

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023 (continued)

### 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 and Zimbabwe projects in which the Group has economic interest. 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:

	<b>31 Dec 2023 US\$'000</b>	<b>31 Dec 2022 US\$'000</b>
<b>Continuing operations</b>		
Corporate (London and Mauritius)*	(2,140)	(2,206)
Exploration (Zimbabwe)	(1,153)	-
Loss before tax	(3,293)	(2,206)
Taxation	-	-
Loss after tax	(3,293)	(2,206)

\*Results of the corporate segment include a share-based payment charge of US\$ 760,000 (2022: US\$ 456,000) and a loss on fair value of financial assets of US\$ 77,000 (2022: gain of US\$ 12,000).

Segmental assets and liabilities are detailed below:

	<b>Non-current assets</b>		<b>Non-current liabilities</b>	
	<b>31 Dec 2023 US\$'000</b>	<b>31 Dec 2022 US\$'000</b>	<b>31 Dec 2023 US\$'000</b>	<b>31 Dec 2022 US\$'000</b>
Exploration: intangible assets and equipment (Botswana)	14,737	9,851	-	-
Exploration: equipment (Zimbabwe)	201	-	-	-
Corporate (London and Mauritius)	-	-	-	-
Total of all segments	14,938	9,851	-	-

	<b>Total assets</b>		<b>Total liabilities</b>	
	<b>31 Dec 2023 US\$'000</b>	<b>31 Dec 2022 US\$'000</b>	<b>31 Dec 2023 US\$'000</b>	<b>31 Dec 2022 US\$'000</b>
Exploration (Botswana)	14,892	10,112	175	106
Exploration (Zimbabwe)	402	-	45	-
Corporate (London)	4,343	3,155	1,064	465
Total of all segments	19,637	13,267	1,284	571

**KAVANGO RESOURCES PLC**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2023 (continued)**

**5. Pre-licence exploration costs**

	<b>31 Dec 2023 US\$'000</b>	<b>31 Dec 2022 US\$'000</b>
Pre-licence exploration costs incurred in Zimbabwe	<u>1,153</u>	<u>-</u>

The Group has options over several licence areas in Zimbabwe, consisting of the Nara Project, and the Leopard and Hillside Projects. The Group incurs option fees to gain access to the licence areas and perform exploration work to evaluate the potential of each project. The ownership of exploration data collected remains with the licence holders until the options are exercised. Further details on each project can be found in the Operations Report.

The option terms are summarised below:

*Nara Project*

The Nara Project comprises 45 contiguous gold claims. On 26 June 2023, the Company has entered into an exclusive two-year option agreement to acquire the claims for US\$ 4,000,000 in cash, plus an earn-out based on a declaration of a code-compliant resource estimate.

The option fee is \$220,000 payable in 6-monthly instalments in advance and as part of the agreement the Company is required to spend a minimum of US\$ 500,000 on exploration in the first year, with a total exploration spend of US\$ 2,000,000 over the option term.

*Leopard and Hillside Projects*

The Hillside Project comprises 44 gold claims, plus additional claims covering an area of 896Ha at Leopard. On 25 July 2023, the Company entered into an exclusive six-month option agreement to acquire the claims for US\$ 500,000 in cash and 84,000,000 shares, plus a conditional deferred payment based on a declaration of a code-compliant resource estimate. If the Company exercises the option, it will also take on outstanding debts relating to the projects of US\$ 400,000.

On 23 January 2024, the option term was extended by 90 days until 23 April 2024.

**KAVANGO RESOURCES PLC**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2023 (continued)**

**6. Loss before taxation:**

Loss before taxation is stated after charging/(crediting) the following:

	<b>Note</b>	<b>31 Dec 2023 US\$'000</b>	<b>31 Dec 2022 US\$'000</b>
Depreciation charge, net of amounts capitalised as intangible exploration asset		12	-
Employee benefit expenses	7	1,235	963
Auditor remuneration, net of amounts recognised in share premium		88	127
Cumulative gain on foreign exchange of liquidated subsidiary		(7)	-
Net foreign exchange losses and (gains)		<u>15</u>	<u>(37)</u>

*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:

	<b>31 Dec 2023 US\$'000</b>	<b>31 Dec 2022 US\$'000</b>
Fees payable to the Company's auditor and its associates for the audit of the company and group financial statements	80	74
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 permitted non-audit services:		
- audit-related assurance services: review of interim report	8	2
- permitted services relating to a corporate finance transaction: reporting accountant	<u>37</u>	<u>27</u>
	<u>125</u>	<u>127</u>

**KAVANGO RESOURCES PLC**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2023 (continued)**

**7. Employees**

Employee benefit expenses consisted of the following:

	<b>Group</b>		<b>Company</b>	
	<b>31 Dec 2023 US\$'000</b>	<b>31 Dec 2022 US\$'000</b>	<b>31 Dec 2023 US\$'000</b>	<b>31 Dec 2022 US\$'000</b>
Wages and salaries	828	894	438	447
Social security costs	35	56	35	56
Other post-employment benefits	3	16	3	4
Share-based payment expenses (note 21)	760	456	760	456
	<u>1,626</u>	<u>1,422</u>	<u>1,236</u>	<u>963</u>
Less: amounts capitalised as exploration assets	(391)	(459)	-	-
Employee benefits recognised in profit or loss	<u>1,235</u>	<u>963</u>	<u>1,236</u>	<u>963</u>

The average monthly number of employees during the year was:

	<b>Group</b>		<b>Company</b>	
	<b>31 Dec 2023 No.</b>	<b>31 Dec 2022 No.</b>	<b>31 Dec 2023 No.</b>	<b>31 Dec 2022 No.</b>
Directors and senior management	5	5	4	4
Administrative staff	2	2	-	-
Field personnel	36	53	-	-
Total	<u>43</u>	<u>60</u>	<u>4</u>	<u>4</u>

Further details of Directors' remuneration are included in the Directors' Remuneration Report on pages 26 to 29.

**8. Taxation**

	<b>31 Dec 2023 US\$'000</b>	<b>31 Dec 2022 US\$'000</b>
Current taxation	-	-
Deferred taxation	-	-
Total tax charge for the year	<u>-</u>	<u>-</u>

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:

	<b>31 Dec 2023 US\$'000</b>	<b>31 Dec 2022 US\$'000</b>
Loss for the year	(3,293)	(2,206)
Tax at the applicable rate of 22.5% (2022:18.9%)	(740)	(417)
Expenses not deductible for tax	171	92
Effect of tax losses not recognised as deferred tax assets	569	325
Total tax charge for the year	<u>-</u>	<u>-</u>

# KAVANGO RESOURCES PLC

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023 (continued)

### 8. Taxation (continued)

The weighted average applicable tax rate of 22.5% (2022: 18.9%) used is a combination of the 23.5% standard rate of corporation tax in the UK (2022: 19%), 22% standard rate of corporation tax in Botswana (2022: 22%), nil corporation tax rate in Mauritius (2022: nil) and the expected tax rate applicable to mining companies in Zimbabwe of 15%.

The Group has approximately US\$ 7,082,000 (2022: US\$ 13,188,000) 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.

### 9. Earnings per share

	<b>31 Dec 2023 US\$'000</b>	<b>31 Dec 2022 US\$'000</b>
Loss for the year from continuing operations	3,293	2,206
	<b>31 Dec 2023 Number</b>	<b>31 Dec 2022 Number</b>
Weighted average number of ordinary shares for the purpose of calculating basic and diluted earnings per share	732,929,929	445,030,409
	<b>31 Dec 2023 US Cents</b>	<b>31 Dec 2022 US Cents</b>
Basic and diluted loss per share attributable to owners of the Company	0.45	0.49

The basic and diluted loss per share attributable to owners of the Company are identical as the share options and warrants detailed in notes 21 and 22 are considered to be anti-dilutive due to the loss made for the year.

### 10. Property, plant, and equipment

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

	<b>Group</b>		<b>Company</b>	
	<b>31 Dec 2023 US\$'000</b>	<b>31 Dec 2022 US\$'000</b>	<b>31 Dec 2023 US\$'000</b>	<b>31 Dec 2022 US\$'000</b>
<b>Net book value</b>				
At 1 January	172	221	-	24
Additions	259	73	-	-
Acquisition of Kanye JV (note 13)	-	22	-	-
Disposals on reclassification of JV (note 13)	-	-	-	(24)
Depreciation	(71)	(129)	-	-
Translation differences	(8)	(15)	-	-
	<u>352</u>	<u>172</u>	<u>-</u>	<u>-</u>

Of the total depreciation charge, US\$ 59,000 (2022: US\$ 129,000) has been capitalised as an intangible exploration asset (note 11). The remainder of the depreciation charge relates to equipment in Zimbabwe and is included in pre-exploration expense (note 5).

**KAVANGO RESOURCES PLC**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2023 (continued)**

**11. Intangible assets**

Intangible assets comprise entirely of exploration and evaluation assets.

	<b>Group</b>		<b>Company</b>	
	<b>31 Dec 2023 US\$'000</b>	<b>31 Dec 2022 US\$'000</b>	<b>31 Dec 2023 US\$'000</b>	<b>31 Dec 2022 US\$'000</b>
<b>Net book value</b>				
At 1 January	9,679	5,075	-	956
Additions	4,241	3,594	-	-
Acquisition of Kanye JV (note 13)	-	1,530	-	-
Deemed disposal on reclassification of Kanye JV (note 13)	-	-	-	(956)
Translation differences	666	(520)	-	-
<b>Total</b>	<b>14,586</b>	<b>9,679</b>	<b>-</b>	<b>-</b>

The additions balance relates to the Group's exploration activity in Botswana and Zimbabwe. Details on the exploration activity including acquisition of new licences can be found in the Operations Report.

In the year ended 31 December 2023, the additions balance included the following non-cash transactions:

- Acquisition of Icon and Ashmead subsidiaries for US\$ 1,720,000 included non-cash consideration (note 12).
- Capitalised share-based payment costs of US\$ nil (2022: US\$ 143,000) for contractors paid in warrants in the Company (note 21).
- Drilling contractor costs of US\$ nil (2022: US\$ 373,000) settled in the Company shares.
- Capitalised depreciation charge of US\$ 59,000 (2022: US\$ 129,000) in relation to property, plant and equipment used in exploration activities.

Recoverability of the Group'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 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 and Zimbabwe is dependent on a stable political environment. 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.

# KAVANGO RESOURCES PLC

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023 (continued)

### 11. Intangible assets (continued)

#### *Impairment review*

The Directors have undertaken a review to assess whether the following impairment indicators exist as at 31 December 2023 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 (2022: 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 2024, 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 2024. To date Kavango's prospecting licences have always been renewed, consequently the Company's Directors and management have a reasonable expectation of further renewals being successful.

### 12. Acquisition of Icon-Trading Company (Pty) Ltd and Ashmead Holdings (Pty) Ltd

In November 2023 the Group entered into an agreement with Global Exploration Technologies (Pty) Limited to acquire a 90% interest in six licence areas by acquiring 90% of the issued shares of Icon and Ashmead.

The total consideration was US\$ 1,720,000 and comprised of the following:

- a. US\$ 1,015,000 payable upon on the completion of the acquisition;
- b. US\$ 339,000 payable 90 days following the completion of the acquisition; and
- c. US\$ 339,000 payable 180 days following the completion of the acquisition.

The two entities acquired do 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 was capitalised as intangible exploration assets and included as additions in the year (note 11). A non-controlling interest has been recognised as a result of this transaction, totalling US\$ 186,000 representing the 10% of the fair value of the licences acquired.

Transaction costs of US\$ 27,000 were incurred and added to the cost of the intangible assets acquired.

## KAVANGO RESOURCES PLC

### NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023 (continued)

#### 13. Acquisition of Kanye JV in 2022

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

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

1. 60 million new ordinary shares in the Company plus a mixture of warrants (see note 21c);
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 21c 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 consisted of exploration and evaluation intangible assets of US\$ 1,530,000, property plant and equipment of US\$ 23,000 and trade and other liabilities of US\$ 40,000.

#### 14. Acquisition of Shongwe Resources (Pty) Limited in 2022

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:

1. 2 million new ordinary shares in the Company at an issue price of 5.5p per share; and
2. 2 million warrants at an exercise price of 8.5p expiring on 25 November 2024.

Shongwe 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 21d) 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 11). 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.

**KAVANGO RESOURCES PLC**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2023 (continued)**

**15. Financial assets at fair value through profit or loss**

	<b>Group and Company</b>	
	<b>31 Dec 2023 US\$'000</b>	<b>31 Dec 2022 US\$'000</b>
Interest in listed entities	378	-

***Interest in listed entities***

Interest in listed entities comprises of the Company's investments in Power Metal Resources PLC ("Power Metals") and Pambili Natural Resources Corporation ("Pambili").

***Power Metals***

During the year ended 31 December 2022, the Company disposed of its holding of 11 million shares in Power Metals for a cash consideration of US\$ 228,000.

During the year ended 31 December 2023, the Company reacquired 11 million shares in Power Metals for US\$ 195,000. As at 31 December 2023, the fair value of these shares declined to \$109,000 with a loss of US\$ 87,000 recognised in profit or loss. Power Metals is listed on the AIM market of the London Stock Exchange.

***Pambili***

During the year ended 31 December 2023, the Company subscribed to a US\$ 250,000 convertible loan note issued by Pambili, a gold exploration company listed on the TSX Venture Exchange ("TSX-V") in Canada. The convertible loan note was interest-free and convertible at par plus US\$ 75,000 redemption premium into ordinary shares in Pambili at CAD\$0.05 each. The Company served a binding conversion notice to Pambili on 29 November 2023, which would give the Company 8,925,000 shares representing approximately 16.6% of Pambili's enlarged issued share capital. As at 31 December 2023 and the date of approval these financial statements the allotment of these shares remained outstanding whilst Pambili completes a linked transaction and obtains the necessary approvals from TSX-V. The fair value of the Company's interest in Pambili as at 31 December 2023 was US\$ 269,000.

The movement in the fair value of the Company's interest in listed entities is detailed below:

	<b>Group and Company</b>	
	<b>31 Dec 2023 US\$'000</b>	<b>31 Dec 2022 US\$'000</b>
At 1 January	-	216
Additions	445	-
(Loss) / gain on the change in fair value	(77)	12
Translation differences	10	
Disposals	-	(228)
At 31 December	378	-

**KAVANGO RESOURCES PLC**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2023 (continued)**

**16. Investments in subsidiaries**

<b>Company</b>	<b>31 Dec 2023 US\$'000</b>	<b>31 Dec 2022 US\$'000</b>
Shares in subsidiaries	2,633	2,347
Loans to subsidiaries	14,223	9,478
Total	<u>16,856</u>	<u>11,825</u>

Loans to subsidiaries are interest free and payable on demand.

During the year-ended 31 December 2023, the Company acquired 90% interest in Icon and Ashmead for a total consideration of US\$ 1,015,000 cash paid on acquisition, plus deferred cash consideration of US\$ 678,000 and transaction costs of US\$ 27,000 (note 12).

Kanye Resources Plc was dissolved on 28 November 2023 with a loss on liquidation of US\$ 235,000 recognised in the Company's profit or loss. Cumulative gain on foreign exchange of US\$ 7,000 was recognised in Group's profit or loss.

On 31 December 2023, in preparation for a planned liquidation of Navassa Resources Ltd., the Company impaired the carrying value of its loan receivable from and the cost of investment in the entity by US\$ 122,000 and US\$ 284,000 respectively, leading to an impairment loss of US\$ 406,000 recognised in the Company's profit or loss.

During the year-ended 31 December 2022, as a result of the Company obtaining full control of Kanye JV (note 13), 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 was deemed to have passed to the underlying subsidiaries. A gain of US\$ 94,000 was therefore recognised in the Company's profit or loss for the year-ended 31 December 2022 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 are satisfied that the carrying value of US\$ 16,856,000 (2022: US\$ 11,825,000) is reasonable and no further impairment is necessary (2022: US\$ nil), as the recoverability of the intercompany balances are intrinsically linked to the value of the underlying exploration assets. The recoverability of the Group's exploration assets is discussed in note 11.

**List of subsidiary undertakings**

<b>Name</b>	<b>Country of incorporation and principal place of business</b>	<b>Nature of business</b>	<b>Proportion of equity shares held by the Company</b>
Navassa Resources Ltd	Mauritius	Holding company	100%
Kavango Minerals (Pty) Ltd	Botswana	Mineral exploration	100% (indirect holding)
Kanye Resources (Pty) Ltd	Botswana	Mineral exploration	100%
Shongwe Resources (Pty) Ltd	Botswana	Licence holding company	90% (indirect holding)
Ashmead Holdings (Pty) Ltd	Botswana	Licence holding company	90%
Icon-Trading Company (Pty) Ltd	Botswana	Licence holding company	90%
Kavango Zimbabwe (Private) Limited	Zimbabwe	Mineral exploration	100%

The registered address of Navassa Resources Ltd is Level 3, 35 Cybercity Ebene, Mauritius.

The registered address of subsidiaries registered in Botswana is Plot 1306, Government Camp, Francistown, Botswana.

The registered address of Kavango Zimbabwe (Private) Limited is 8A Livingston Road, 8th Street Suburbs, Bulawayo, Zimbabwe.

All 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.

# KAVANGO RESOURCES PLC

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023 (continued)

### 17. Trade and other receivables

	<b>Group</b>		<b>Company</b>	
	<b>31 Dec 2023</b>	<b>31 Dec 2022</b>	<b>31 Dec 2023</b>	<b>31 Dec 2022</b>
	<b>US\$'000</b>	<b>US\$'000</b>	<b>US\$'000</b>	<b>US\$'000</b>
Amounts due from shareholders	637	693	637	693
VAT recoverable	107	335	28	111
Other receivables and prepayments	184	123	94	121
	<u>928</u>	<u>1,151</u>	<u>759</u>	<u>925</u>

Further details on the amounts due from shareholders is included in note 20.

### 18. Cash and cash equivalents

	<b>Group</b>		<b>Company</b>	
	<b>31 Dec 2023</b>	<b>31 Dec 2022</b>	<b>31 Dec 2023</b>	<b>31 Dec 2022</b>
	<b>US\$'000</b>	<b>US\$'000</b>	<b>US\$'000</b>	<b>US\$'000</b>
Cash in bank	3,317	2,228	3,205	2,214
Cash in hand	76	37	-	-
Total	<u>3,393</u>	<u>2,265</u>	<u>3,205</u>	<u>2,214</u>

### 19. Trade and other payables

	<b>Group</b>		<b>Company</b>	
	<b>31 Dec 2023</b>	<b>31 Dec 2022</b>	<b>31 Dec 2023</b>	<b>31 Dec 2022</b>
	<b>US\$'000</b>	<b>US\$'000</b>	<b>US\$'000</b>	<b>US\$'000</b>
Trade payables	230	300	145	291
Accruals and other payables	356	226	224	131
Deferred consideration (note 12)	681	-	681	-
Other tax and social security	17	45	15	44
Total	<u>1,284</u>	<u>571</u>	<u>1,065</u>	<u>466</u>

# KAVANGO RESOURCES PLC

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023 (continued)

### 20. Share Capital

	Number of shares No.	Share capital US\$'000	Share premium US\$'000	Total US\$'000
<b>As at 1 January 2022</b>	406,470,762	544	10,985	11,529
Reserve transfer from warrant reserve	-	-	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	2,000,000	2	128	130
Shares issued to drilling contractor	13,478,951	16	720	736
Director subscriptions: Mike Moles	368,346	-	16	16
Issue costs	-	-	(260)	(260)
<b>As at 31 December 2022</b>	<b>705,569,314</b>	<b>904</b>	<b>19,296</b>	<b>20,200</b>
Purebond Placing	600,000,000	759	6,838	7,597
Issue costs	-	-	(255)	(255)
Warrants granted	-	-	(90)	(90)
<b>As at 31 December 2023</b>	<b>1,305,569,314</b>	<b>1,663</b>	<b>25,789</b>	<b>27,452</b>

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.

During the year ended 31 December 2023 the Company raised US\$ 7,597,000 through the issue of 600,000,000 shares.

Details of the warrants issued during the year are included in note 22.

The total cash received, before issue costs, by the Company for the shares issued during the year ended 31 December 2023 was US\$ 7,597,000 (2022: US \$4,593,000).

In November 2022 the Company raised US\$ 4,164,000 through the issue of 194,444,437 shares and 194,444,437 3p warrants. Of this amount, as at 31 December 2023 and at the date of approval of these financial statements, £500,000 (US\$ 637,000; 2022: US\$605,000) remain outstanding from one subscriber, Arigo Capital, and are included within the trade and other receivables balance (note 17). The Directors are in continued discussions with Arigo Capital on arranging a settlement solution and expect this to be resolved in the first half of 2024. However, should the funds ultimately not be received, the Directors 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 as at 31 December 2023 (2022: US\$ nil).

# KAVANGO RESOURCES PLC

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023 (continued)

### 21. Share-based payments

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

- (a) Share options issued to employees and others providing similar services;
- (b) Warrants issued to third-party suppliers for the provision of exploration and corporate services; and
- (c), (d) Warrants issued as part of corporate acquisitions.

The Company also settles some of its capitalised drilling contractor invoices in shares (note 20).

Warrants issued to shareholders as part of fundraising are disclosed in note 22.

Movements in the Share Options Reserve are detailed below:

	<b>Share Options Reserve US\$'000</b>
As at 1 January 2022	457
Share-based payments – expensed	456
As at 31 December 2022	<u>913</u>
Share-based payments – expensed	760
As at 31 December 2023	<u><u>1,673</u></u>

#### *(a) Share Options*

##### *Share options granted prior to 1 January 2022*

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.

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.

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.

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. Some of these options were subsequently replaced during the year ended 31 December 2023.

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 options have a grant date of 1 December 2021 and have been accounted for from that date (“2021 Unissued Options”).

**KAVANGO RESOURCES PLC**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2023 (continued)**

**21. 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 in relation to the 2021 Unissued Options, which are accounted for as being issued in the preceding year.

*Share options granted in the year ended 31 December 2023*

On 3 February 2023, the Company granted 32,820,000 of new options to the Group's Directors, employees and contractors. The Company also amended the vesting conditions and exercise price of 10,000,000 existing share options to align them with the new grant.

The Directors have elected to account for the amendment as a cancellation of the existing options, leading to an accelerated recognition of the remaining option charge of US\$ 200,000 in the period ended 31 December 2023, and treating the replacement options as a new grant.

The new and amended options were valid for 7 years from the date of grant, or 7 years from the date of original grant for the amended options, with the exercise price of 3p.

Of the 42,820,000 new and amended options granted, 37,820,000 are subject the following vesting conditions:

- (i) a minimum service period, ranging between 6 and 18 months and the Company share price closing at 6p or above on any 5 trading days; or
- (iii) the Company share price closing at 7.5p or above on any 5 trading days; or
- (iv) change of control of the Company.

The exercise of the options is subject to continuous employment or commercial engagement with the Group on the day of exercise, unless terminated by the Group or the usual 'good leaver provisions' apply. The vesting period of these options is therefore variable and is linked to market-based performance conditions.

The remaining 5,000,000 options were granted to the Company CEO on the same terms as above except there is no continuous employment requirements. Therefore, and in accordance with applicable accounting standard their fair value was recognised in full on the date of grant.

A Monte Carlo model was used to calculate the fair value of the options at the date of grant and, for non-CEO options, to estimate the most likely vesting period. The result of the valuation together with other inputs into the model are detailed below:

	<u>3 February 2023</u> <u>Options</u>
Number of Options	42,820,000
Share price at the date of grant (pence)	1.3
Exercise price (pence)	3.0
Term	7 years
Expected exercise date	On vesting
Dividend yield	0%
Annual risk-free rate	2.98%
Volatility	84.90%
Total fair value	US\$ 319,000
Estimated vesting period for non-CEO options	<u>5 to 7 years</u>

**KAVANGO RESOURCES PLC**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2023 (continued)**

**21. Share based payments (continued)**

*(a) Share Options (continued)*

*Share options granted in the year ended 31 December 2023 (continued)*

On 20 November 2023, the Company granted 48,000,000 share options to Directors exercisable at 1.1p per share for a period of 7 years.

The Company also granted 20,000,000 share options to some consultants of the Group exercisable at 1.1p per share for a period of 7 years. These options are issues in tranches, with 2,000,000 options issued immediately and the remaining 4,000,000 and 14,000,000 options issues in 12 and 24 months respectively, subject to continuous commercial engagement with the Group.

The fair value of these share options was calculated using the Black-Scholes pricing model and totalled US\$ 440,000. The inputs in the model are as follows:

	20 November 2023 Options
Number of Options	68,000,000
Share price at the date of grant (pence)	0.7
Exercise price (pence)	1.1
Term	7 years
Expected exercise date	On expiry
Dividend yield	0%
Annual risk-free rate	3.96%
Volatility	87.29%

*Summary*

	<b>31 Dec 2023</b>		<b>31 Dec 2022</b>	
	<b>Number of Options</b>	<b>Average exercise price (pence)</b>	<b>Number of Options</b>	<b>Average exercise price (pence)</b>
At 1 January	45,475,000	4.24	46,475,000	4.25
Granted during the year	110,820,000	1.83	-	-
Cancelled	(10,000,000)	5.50	-	-
Lapsed	-	-	(1,000,000)	5.00
At 31 December	<u>146,295,000</u>	<u>2.33</u>	<u>45,475,000</u>	<u>4.24</u>
Exercisable at 31 December	<u>114,295,000</u>	<u>2.42</u>	<u>20,475,000</u>	<u>4.25</u>

**KAVANGO RESOURCES PLC**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2023 (continued)**

**21. Share based payments (continued)**

*(a) Share Options (continued)*

*Summary (continued)*

Share options outstanding as at 31 December 2023 have the following expiry dates and exercise prices:

<b>Scheme</b>	<b>Number of Options</b>	<b>Weighted average exercise price (pence)</b>	<b>Weighted average contractual life (years)</b>
2018 Options	13,400,000	2.80	4.85
2019 Options	2,600,000	2.50	5.33
2020 Options	2,725,000	0.80	6.34
2021 February Options	3,500,000	3.30	7.11
2021 June Options	4,750,000	5.00	4.43
2021 August Options	8,500,000	6.20	4.61
2023 February Options	42,820,000	3.00	5.82
2023 November Options	68,000,000	1.10	6.89
<b>Total</b>	<b>146,295,000</b>	<b>2.33</b>	<b>6.14</b>

A charge of US\$ 760,000 (2022: US\$ 456,000) 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 a total of 15 time-domain electromagnetic (“TDEM”) surveys for the KSZ project. Under the terms of the agreement, Spectral are entitled to up to a total of 3 million warrants exercisable at 4.25p per share for a period of 4 years. The warrants vest in tranches of 1 million each for every 5 completed TDEM surveys. As at 31 December 2023, 1 million (2022: 1 million) warrants are exercisable. The fair value of the warrants issued was based on the fair value of services received and US\$ 92,000 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:

	<b>3p warrants</b>
Share price at the date of grant (pence)	1.85
Exercise price (pence)	3.0
Dividend yield	0%
Term	2.0 years
Annual risk-free interest rate	4.04%
Volatility	72.6%
Number of warrants issued	8,333,334
Total fair value of the warrants	<u>US\$ 51,000</u>

**KAVANGO RESOURCES PLC**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2023 (continued)**

**21. Share based payments (continued)**

**(b) Supplier warrants (continued)**

During the year ended 31 December 2023, the Company issued 14,466,667 broker warrants in connection with the 2022 5p Share placing. The warrants were valued using the Black Scholes pricing model with the significant inputs summarised below:

	<b>3p warrants</b>
Share price at the date of grant (pence)	1.85
Exercise price (pence)	3.0
Dividend yield	0%
Term	2.0 years
Annual risk-free interest rate	3.03%
Volatility	71.5%
Number of warrants issued	14,466,667
Total fair value of the warrants	<u>US\$ 90,000</u>

The fair value of broker warrants was charged against share premium.

**(c) Acquisition of Kanye JV**

In 2022 the Company issued 75,000,000 warrants to Power Metals as part of the acquisition of Kanye JV (note 13), consisting of 30 million warrants exercisable at 4.25p, 30 million warrants exercisable at 5.5p and 15 million of variable price warrants where the exercise price is the higher of: 3p, and the Company's actual price at a 15% discount to the volume-weighted average share price on the date of exercise. If all variable price warrants were exercised prior to expiry, Power Metals would have received 15 million replacement warrants, on the same exercise terms and with a 6-month life expiry from issue date.

The fixed exercise price warrants were valued using the Black Scholes pricing model with the significant inputs summarised below:

	<b>4.25p warrants</b>	<b>5.5p warrants</b>
Share price at the date of grant (pence)	1.8	1.8
Exercise price (pence)	4.25	5.5
Dividend yield	0%	0%
Term	2.17 years	2.17 years
Annual risk-free interest rate	3.26%	3.26%
Volatility	71.2%	71.2%
Number of warrants issued	30,000,000	30,000,000
Total fair value of the warrants	<u>US\$ 123,000</u>	<u>US\$ 88,000</u>

The value of the 15 million variable price warrants was clearly trivial and they lapsed unexercised on 7 January 2023.

**(d) Acquisition of Shongwe Resources (Pty) Ltd**

As disclosed in note 14, in 2022 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:

	<b>8.5p warrants</b>
Share price at the date of grant (pence)	1.7
Exercise price (pence)	8.5
Dividend yield	0%
Term	2.0 years
Annual risk-free interest rate	4.04%
Volatility	72.7%
Number of warrants issued	2,000,000
Total fair value of the warrants	<u>US\$ 2,000</u>

**KAVANGO RESOURCES PLC**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2023 (continued)**

**22. Warrant reserve**

	<b>Group and Company</b>	
	<b>31 Dec 2023 US\$'000</b>	<b>31 Dec 2022 US\$'000</b>
At 1 January	650	1,764
Transfer to share premium	-	(1,471)
Share-based payments – note 21	-	357
Warrants issued during the year – note 21	90	-
Warrants lapsed during the year	(131)	-
At 31 December	<u>609</u>	<u>650</u>

Details of the warrants outstanding as at 31 December 2023 are as follows:

<b>Warrants</b>	<b>Exercise price (pence)</b>	<b>Grant date</b>	<b>Expiry date</b>	<b>No of Warrants outstanding</b>
2021 Spectral Warrants	4.25	20 April 2021	20 April 2025	1,000,000
2022 3.0p Placing	3.00	17 November 2022	17 November 2024	194,444,437
2023 5.0p Broker Warrants	3.00	17 November 2022	17 November 2024	14,466,667
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	8 January 2025	30,000,000
2022 Power Warrants	5.50	25 November 2022	8 January 2025	30,000,000
				<u>280,244,438</u>

During the year ended 31 December 2023, a total of 195,435,423 warrants lapsed unexercised (2022: none).

**2022 3.0p Placing**

In November 2022 as part of a share placing (note 20) 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 (2022: none).

Details of other warrants can be found in note 21(b).

**23. Non-controlling interests**

	<b>31 Dec 2023 US\$'000</b>	<b>31 Dec 2022 US\$'000</b>
At 1 January	-	-
Addition on acquisition of subsidiaries	186	-
At 31 December	<u>186</u>	<u>-</u>

As at 31 December 2023, the Group has 90% shareholding in Icon, Ashmead and Shongwe. The purpose of these entities is to hold exploration licences in Botswana. Costs incurred in these entities is capitalised as exploration assets. Other comprehensive income attributable to non-controlling interests was US\$ nil (2022: US\$ nil). The acquisition of Icon and Ashmead in November 2023 is detailed in note 12 and the acquisition of Shongwe during the year ended 31 December 2022 is detailed in note 14.

**KAVANGO RESOURCES PLC**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2023 (continued)**

**24. Financial instruments**

*(a) Categories of financial instruments*

Financial assets	Group		Company	
	31 Dec 2023 US\$'000	31 Dec 2022 US\$'000	31 Dec 2023 US\$'000	31 Dec 2022 US\$'000
<i>Financial assets at amortised cost:</i>				
Other receivables	637	693	637	693
Cash and cash equivalents	3,393	2,265	3,205	2,214
Loans to subsidiaries	-	-	14,223	9,624
	<u>4,030</u>	<u>2,958</u>	<u>18,065</u>	<u>12,531</u>
<i>Financial assets at fair value through profit or loss:</i>				
Interest in listed securities	<u>378</u>	<u>-</u>	<u>378</u>	<u>-</u>
Total financial assets	<u>4,408</u>	<u>2,958</u>	<u>18,443</u>	<u>12,531</u>

Financial liabilities	Group		Company	
	31 Dec 2023 US\$'000	31 Dec 2022 US\$'000	31 Dec 2023 US\$'000	31 Dec 2022 US\$'000
<i>Financial liabilities at amortised cost:</i>				
Trade and other payables	587	526	369	466
Deferred consideration	681	-	681	-
	<u>1,268</u>	<u>526</u>	<u>1,050</u>	<u>466</u>

There is no material difference between the carrying value and fair value of the Group's and Company's cash balances, other receivables, loans to subsidiaries 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 2023 (2022: 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 2023 US\$'000	31 Dec 2022 US\$'000
Interest in listed securities	<u>378</u>	<u>-</u>

**KAVANGO RESOURCES PLC**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2023 (continued)**

**24. 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.

As at 31 December 2023, the Company and Group had no financial instruments carried at fair value where the fair value is estimated using Level 2 or Level 3 inputs.

**(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.

# KAVANGO RESOURCES PLC

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023 (continued)

### 24. Financial instruments (continued)

#### (i) Currency risk

Currency risk is the risk 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 2023			31 Dec 2022		
	GBP	USD	BWP	GBP	USD	BWP
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Cash and cash equivalents	3,027	304	62	2,226	2	37
Trade and other receivables	637	-	387	704	-	(11)
Trade and other payables	(132)	-	(109)	(453)	-	(73)

#### Company

	31 Dec 2023			31 Dec 2022		
	GBP	USD	BWP	GBP	USD	BWP
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Cash and cash equivalents	1,084	1	-	2,213	1	-
Trade and other receivables	637	-	-	704	-	-
Loan to subsidiaries	12,442	-	-	2,201	9,624	-
Trade and other payables	(132)	(1)	-	(436)	-	(30)

The Group's and Company'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, which is trivial for the Group.

In the year ended 31 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 are exposed to the equity price risk through their investments in ordinary shares of Power Metals and shares to be issued in Pambili with total carrying value of US\$ 378,000 at of 31 December 2023 (2022: US\$ nil). Securities markets fluctuate, frequently on basis of uncontrollable macroeconomic and geopolitical developments. In addition, there can be developments within a public company that can affect its market valuation. The Directors review public announcements released by Power Metals and monitor the liquidity of their shares to mitigate the financial impact of a sudden depreciation in their value. As the shares in Pambili remain to be issued, the Company's interest in Pambili is illiquid.

**KAVANGO RESOURCES PLC**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2023 (continued)**

**24. 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 2023 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 20.

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 11, 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 (2022: none) and all their liabilities are due within six months.

**(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.

**25. Commitments**

The Group's licence expenditure commitments are:

	<b>31 Dec 2023 US\$'000</b>	<b>31 Dec 2022 US\$'000</b>
Within 12 months	-	1,496
Years 2-5	<u>510</u>	<u>473</u>
Total	<u><u>510</u></u>	<u><u>1,969</u></u>

As at 31 December 2023 the Group had no (2022: US\$ nil) contractual commitments with either geophysics or drilling companies and no contingent liabilities (2022: US\$ nil). The Group can cancel its option agreements in Zimbabwe with no penalty.

**KAVANGO RESOURCES PLC**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2023 (continued)**

**26. Related party transactions**

Key management personnel consists of Company directors.

*Key management personnel compensation*

	<b>Group and Company</b>	
	<b>31 Dec 2023 US\$'000</b>	<b>31 Dec 2022 US\$'000</b>
Short-term employee benefits	473	503
Post-employment benefits	3	4
Share-based payment expenses (note 21)	760	456
	<u>1,236</u>	<u>963</u>

Short-term benefits disclosed above include US\$76,000 (2022: US\$ nil) of annual bonuses which were accrued at year end and included within other payables.

*Transactions with other related parties*

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 \$69,000 (2022: US \$95,000) 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 \$48,000 (2022: US\$ 65,000) and the transaction was carried out at arms-length.

The Group incurred corporate consultancy costs of US\$ 108,000 (2022: US\$ nil) provided by Peter Wynter Bee, a non-executive director of the Company. The transaction was carried out at arms-length and the amount remains outstanding as at 31 December 2023 and is included within trade payables.

*Transactions with Company subsidiaries*

During the year the Company advanced funds to Kavango Minerals (Pty) Limited totalling US\$ 1,608,000 (2022: US\$ 1,505,000). In addition, US \$128,000 of intercompany receivable previously held by Navassa Resources Ltd was transferred to the Company (detailed below). The total loan outstanding as at 31 December 2023 was US\$ 7,903,000 (2022: US\$ 5,831,000). A gain on foreign exchange of US\$ 335,000 was included in the Company's other comprehensive income.

During the year the Company advanced funds to Kanye Resources (Pty) Ltd totalling US\$ 1,231,000 (2022: US\$ 3,031,000). A portion of the loan was previously held via Kanye Resources Plc, a subsidiary of the Company which was liquidated during the year with US\$ 235,000 of the loan written-off. The total loan outstanding as at 31 December 2023 was US\$ 4,539,000 (2022: US\$ 3,396,000). A gain on foreign exchange of US\$ 147,000 was included in the Company's other comprehensive income.

During the year the Company advanced funds to Navassa Resources Ltd totalling US\$ 13,000 (2022:US\$ nil). In addition, Navassa Resources Ltd used US\$ 128,000 of its intercompany receivable from Kavango Minerals (Pty) Limited to settle part of its debt with the Company. The Company impaired the carrying value of its loan receivable from and the cost of investment in Navassa Resources Ltd by US\$ 122,000 and US\$ 284,000 respectively. The total loan outstanding as at 31 December 2023 was US\$ nil (2022: US\$ 251,000). A loss on foreign exchange of US\$ 14,000 was included in the Company's profit or loss.

During the year the Company advanced funds to Kavango Zimbabwe (Private) Limited totalling US\$ 466,000 (2022: US\$ nil). The total loan outstanding on 31 December 2023 was US\$ 466,000 (2022: US\$ nil).

During the year, as part of the acquisition Ashmead Holdings (Pty) Ltd and Icon-Trading Company (Pty) Ltd, the Company acquired intercompany receivables from these two entities of US\$ 436,000 and US\$ 880,000 respectively, which remain outstanding as at 31 December 2023.

## **KAVANGO RESOURCES PLC**

### **NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2023 (continued)**

#### **27. Events after the reporting date**

After the year-end, the Company formed a new subsidiary in Zimbabwe, Kavango Mining (Pvt) Limited, which on 8 March 2024 signed its first contract to commence immediate gold mining operations at the Hillside Project. The contract is not contingent on the Company exercising its option to acquire the project and is planned to represent the Group's first revenue stream. An update on the Group's exploration activities is included in the Operations Report.

#### **28. Ultimate Controlling Party**

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