

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Group Statement of Comprehensive Income for the Interim Period Ended 30 June 2019

	Notes	Six Months to 30 June 2019 (Unaudited) \$ 000's	Six Months to 30 June 2018 (Unaudited) \$ 000's	Year to 31 December 2018 (Audited) \$ 000's
Administrative expenses		(295)	(36)	(534)
Operating loss		(295)	(36)	(534)
Loss before tax		(295)	(36)	(534)
Income tax expense		-	-	-
Loss for the period from continuing operations		(295)	(36)	(534)
Other comprehensive income				
Items that may be reclassified subsequently to profit or loss:				
Currency translation differences		(152)	(294)	(221)
Other comprehensive income for the period, net of tax		(152)	(294)	(221)
Total comprehensive income for the period		(447)	(330)	(755)
Attributable to:				
Owners of the parent		(447)	(330)	(755)
Loss per share from continuing and discontinued operations attributable to the owners of the parent during the period (expressed in dollars per share)				
- Basic and diluted	3	\$ (0.002)	\$ (0.0005)	\$ (0.005)

Group Statement of Financial Position as at 30 June 2019

	Notes	As at 30 June 2019 (Unaudited) \$ 000's	As at 30 June 2018 (Unaudited) \$ 000's	As at 31 December 2018 (Audited) \$ 000's
ASSETS				
Non-current assets				
Intangible assets	4	2,825	2,023	2,288
Fixed assets		77	23	23
Total non-current assets		2,902	2,043	2,311
Current assets				
Trade and other receivables		51	305	115
Cash and cash equivalents		808	356	954
Total current assets		859	661	1,069
TOTAL ASSETS		3,761	2,704	3,380
LIABILITIES				
Current liabilities				
Loan from Shareholders		-	(158)	-
Trade and other payables		(10)	(364)	(71)
TOTAL LIABILITIES		(10)	(522)	(71)
NET ASSETS		3,751	2,182	3,309
SHAREHOLDERS' EQUITY				
Share capital	5	204	98	171
Share premium		5,802	3,692	4,981
Share option reserve		225	-	190
Reorganisation reserve		(1,591)	(1,591)	(1,591)
Foreign exchange reserve		(183)	(104)	(31)
Retained earnings		(706)	87	(411)
TOTAL EQUITY		3,751	2,182	3,309

Group Statement of Changes in Equity for the Interim Period Ended 30 June 2019

	Share capital	Share premium	Stock Options	Foreign exchange reserve	Re-organisation reserve	Retained earnings	Total equity
	\$ 000's	\$ 000's	\$ 000's	\$ 000's	\$000s	\$ 000's	\$ 000's
As at 31 December 2017 and 1 January 2018	100	3,761	-	190	(1,591)	(123)	1,167
Profit/ (Loss) for the period	-	-	-	-	-	(36)	(36)
Other comprehensive income for the period	(2)	(69)	-	(294)	-	-	(365)
Foreign exchange	-	-	-	-	-	-	-
Total comprehensive income for the period	(2)	(69)	-	(294)	-	(36)	(401)
Total transactions with Owners, recognised in Equity	(2)	(69)	-	(294)	-	(36)	(401)
As at 30 June 2018	98	3,692	-	(104)	(1,591)	87	2,182
As at 31 December 2018 and 1 January 2019	171	4,981	190	(31)	(1,591)	(411)	3,309
(Loss) for the period	-	-	-	-	-	(295)	(295)
Foreign currency exchange difference	-	-	-	(152)	-	-	(152)
Total Comprehensive Income for Period	-	-	-	(152)	-	(295)	(447)
Shares Issued of net of costs	33	821	-	-	-	-	854
Stock Options granted	-	-	35	-	-	-	35
Total transactions with Owners, recognised in Equity	33	821	35	(152)	-	(295)	442
As at 30 June 2019	204	5,802	225	(183)	(1,591)	(706)	3,751

Group Cash Flow Statement for the Interim Period Ended 30 June 2019

	Six Months to 30 June 2019 (Unaudited) \$ 000's	Six Months to 30 June 2018 (Unaudited) \$ 000's	Year to 31 December 2018 (Audited) \$ 000's
Cash flows from operating activities			
(Loss) before tax	(295)	(36)	(534)
Stock Option expense	30	-	190
Depreciation	-	-	7
Operating loss before changes in working capital	(265)	(36)	(337)
(Increase)/decrease in trade and other receivables	63	(163)	27
(Decrease)/increase in current liabilities	(60)	216	(75)
Net cash used in operating activities	3	17	(385)
Cash flows used in investing activities			
Purchases of intangibles	(684)	(47)	(273)
Purchase of property, plant and equipment	(54)	-	(28)
Net cash used in investing activities	(738)	(47)	(301)
Cash flows from financing activities			
Proceeds from issue of ordinary shares net of share issue costs	854	-	1,291
Loans	-	-	(44)
Net cash inflow from financing activities	854	-	1,247
Net increase (decrease) in cash and cash equivalents	(146)	(30)	561
Cash and cash equivalents at beginning of period	954	386	386
Foreign exchange	-	-	7
Cash and cash equivalents at end of period	808	356	954

NOTES TO THE INTERIM REPORT FOR SIX MONTHS ENDED 30 JUNE 2019

1. Basis of preparation

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

The condensed consolidated interim financial statements contained in this document do not constitute statutory accounts. In the opinion of the directors, the condensed consolidated interim financial statements for this period fairly presents the financial position, result of operations and cash flows for this period. It has been prepared on a going concern basis in accordance with the recognition and measurement criteria of International Financial Reporting Standards (IFRS) as adopted by the European Union.

Statutory financial statements for the year ended 31 December 2018 were approved by the Board of Directors on 30 April 2019 and delivered to the Registrar of Companies. The report of the auditors on those financial statements was unqualified but had a material uncertainty paragraph related to Going Concern.

The Board of Directors approved this Interim Financial Report on 2 August 2019.

Statement of compliance

The Interim Report includes the consolidated interim financial statements which have been prepared in accordance with International Accounting Standard 34 ‘Interim Financial Reporting’. The condensed interim financial statements should be read in conjunction with the annual financial statements for the period ended 31 December 2018, which have been prepared in accordance with IFRS as adopted by the European Union.

Accounting policies

The condensed consolidated interim financial statements for the period ended 30 June 2019 have not been audited, nor have they been reviewed by the Company’s auditors in accordance with the International Standard on Review Engagements 2410 issued by the Auditing Practices Board. The figures were prepared using applicable accounting policies and practices consistent with those adopted in the statutory annual financial statements for the year ended 31 December 2018.

Changes in accounting policies and disclosures

i) New and amended standards adopted by the Group and Company

The following IFRSs and IFRICs became effective for the first time on 1 January 2019 and have been adopted by the Company:

Standard	Impact on initial application
IFRS 16	Leases
IFRS 9 (Amendments)	Prepayment features with negative Compensation
IAS 28 (Amendments)	Long term interests in associates and joint ventures
2015-2017 Cycle	Annual improvements to IFRS Standards

There were no IFRSs and IFRICs adopted that have a material effect on the Group or Company Financial Statements.

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

Standards, amendments and interpretations that are not yet effective and have not been early adopted are as follows:

Standard	Impact on initial application	Effective date
IFRS 3 (Amendments)	Business combinations	1 January 2020*
IAS 1 & IAS 8 (Amendments)	Definition of material	1 January 2020*

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

Going Concern

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

Cyclicality

The interim results for the six months ended 30 June 2019 are not necessarily indicative of the results to be expected for the full year ending 31 December 2019. Due to the nature of the entity, the operations are not affected by seasonal variations at this stage.

Critical accounting estimates and judgements

The preparation of the interim financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the end of the reporting period. The critical accounting estimates and judgements made are in line with those made in the audited financial statements for the year ended 31 December 2018.

2. Financial risk management and financial instruments

Risks and uncertainties

The Board continually assesses and monitors the key risks of the business. The key risks that could affect the Group's medium term performance and the factors that mitigate those risks have not substantially changed from those set out in the Group's 2018 Annual Report and Financial Statements, a copy of which is available from the Group's website: www.kavangoresources.com. The key financial risks are market risk (including currency risk), credit risk and liquidity.

3. Loss per share

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

	Six Months to 30 June 2019 (Unaudited) \$ 000's	Period from Incorporation to 30 June 2018 (Unaudited) \$ 000's	Year to 31 December 2018 (Audited) \$ 000's
Net loss after taxation	(295)	(36)	(534)
Weighted average number of ordinary shares used in calculating basic loss per share (000's)	151,633	74,170	99,170
Basic & diluted loss per share	<u>(0.002)</u>	<u>(0.0005)</u>	<u>(0.005)</u>

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

4. *Intangible assets*

Group	30-June 2019 US\$000s	30-June 2018 US\$000s	31-Dec 2018 US\$000s
Evaluation and Exploration Assets – Cost and net book value			
At period start	<u>2,288</u>	<u>2,339</u>	<u>2,359</u>
Additions	796	52	273
Translation difference	(259)	(368)	(344)
At period end	<u>2,825</u>	<u>2,023</u>	<u>2,288</u>

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

During the period US\$ 796,000 (2018: US\$52,000) of exploration expenses were capitalised by the Group.

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

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

The directors have also taken into consideration the content of the Competent Person's Report which is available at the Group's website.

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

5. Share capital

The authorised share capital of the Company and the called up and fully paid amounts at 30 June 2019 were as follows:

A) Authorised

Unlimited Ordinary shares stated value £ 0.001

B) Called up, allotted, issued and fully paid	Number of shares	USD
		Nominal value
As at 1 January 2019	134,169,996	134,170
Issued on 25 February 2019 at 2.8p (US\$ 0.0367)	17,857,142	17,857
Issued on 05 March 2019 at 2.8p (US\$ 0.0368)	8,928,571	8,929
Foreign Exchange and rounding		43,044
As at 30 June 2018	160,955,709	204,000

6. Post balance sheet events

There were no post balance sheet events.

7. Other matters

The condensed consolidated interim financial statements set out above do not constitute the Group's statutory accounts for the period ended 30 June 2019 or for earlier periods but are derived from those accounts where applicable.

A copy of these interim financial statements is available on the Company's website:

www.kavangoresources.com