

16 September 2024

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

Interim Results

Kavango Resources plc (LSE: KAV), the Southern Africa focused metals exploration company is pleased to announce its unaudited financial results for the six months ended 30 June 2024.

SUMMARY

- Successfully raised gross proceeds of £3,085,366 (US\$3,909,375), via an underwritten accelerated bookbuild and subscriptions;
- After the reporting period, on 23 August 2024, raised a further £2,000,000 (US\$ 2,620,000) through a convertible loan note to Purebond Limited;
- Commenced gold production at the Hillside project;
- Expenditure in Botswana and Zimbabwe on exploration of US\$828,000 and US\$1,060,000 respectively;
- Gross profit from mining activities in Zimbabwe of US\$41,000;
- Loss for the period of US\$1,720,000 (June 2023 – US\$1,417,000);

The Interim Management Report and financial results are set out in the following pages.

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INTERIM MANAGEMENT REPORT 30 JUNE 2024

Kavango continued to make good progress through the first half of 2024, with first production achieved in Zimbabwe, significant funding raised, and an expansion of exploration programs in both Zimbabwe and Botswana.

Financing

Kavango successfully raised £3,085,366 (US\$3,909,375) by the issue of 257,113,862 New Ordinary Shares in the capital of the Company, via an underwritten accelerated bookbuild, at a price per share of 1.2 pence.

This equity investment demonstrates continued confidence in the Company by Purebond and other investors, in what has remained a challenging market for junior exploration companies. The Company has been able to deploy these funds to accelerate exploration in both Zimbabwe and Botswana, and has invested into development of production in Zimbabwe.

In August 2024 a further £2,000,000 of funding was provided by Purebond through a convertible loan note, enabling work to be accelerated on both production at Hillside and wider exploration.

A prospectus is presently underway for additional funding, and the Company recently announced proposals for a referral listing on the Victoria Falls Exchange in Zimbabwe.

Project status – Hillside, Zimbabwe

Kavango announced in May 2024 that it had agreed updated terms for exercise of the Hillside call option with the vendors of the Hillside and Leopard South Projects. Sale and Purchase Agreements for Hillside and Leopard South were entered into between Kavango and the sellers, and the Mining Claims are in the process of being transferred to Kavango's Zimbabwe subsidiary. The option on Leopard North has in parallel been extended to 30 June 2025.

The decision to exercise the Hillside option was based upon review by the Company of exploration results from the project, where positive results have included (from drillhole BRDD001) 7.2m @ 9.95 g/t gold from 50.64m depth and including 1.61m @ 31.57 g/t gold.

The Company has since expanded its drilling program at Hillside with the aim of assessing the strike continuation of the mineralisation intersected in BRDD001, as well as testing under an historic gold mine and extensive local artisanal workings, and testing the strike continuation of an Induced Polarisation ("IP") chargeability anomaly identified by the Company's surveying.

Production commenced at Hillside under a Mining Contract, with first revenue declared in March 2024. Kavango aims to increase production to 1 kilogram of gold per month over the course of 2024. This marks significant progress in Kavango's development by both providing a route to revenue, and also in enabling the Company to navigate the challenges associated with production ahead of the Company's aim of achieving larger scale production in the long term.

Project status – Nara, Zimbabwe

The Nara project is based on a call option agreement valid until June 2025. Kavango continues to gather data to enable it to evaluate the property prior to possible exercise of the option. In March 2024 Kavango released its maiden resource estimate, on two tailings deposits at Nara. This was subsequently upgraded in April 2024, as set out below:

Mineral Resource Statement

Nara Tailings Mineral Resource statement, effective date 12 April 2024

Domain	Category	Tonnes (Kt)	SG	Au (g/t)	Au (oz)
NARA East & West	Measured	77.7	1.80	0.54	1,347
	Indicated	221.9	1.80	0.65	4,637
	Sub tot Meas + Ind	299.6	1.80	0.62	5,984
	Inferred	12.2	1.80	0.66	258

NOTES:

- The Mineral Resource is reported at a cut off grade of 0 (zero) g/t Au.*
- Tonnage is based on a global density average of 1800kg/m³ estimated from density sampling carried out over the impoundment surfaces to a depth of 4m.*
- Mineral Resource estimates are not precise calculations being dependent on the interpretation of limited information on the location, shape and continuity of the occurrence and on the available sampling results. Therefore, reporting of tonnage and grade figures reflects this relative uncertainty and figures are rounded to appropriate significant figures. As a result, some error may be incurred when reporting global figures based on rounded values.*

4. *The Mineral Resource Statement presented above has been classified in accordance with the requirements of the 2012 edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC 2012 Edition). The Competent Person who assumes responsibility for reporting of the Mineral Resource is Dr John Arthur who is a Competent Person as defined by the JORC Code 2012 Edition, having more than 5 years experience that is relevant to the style of mineralisation and type of deposit described herein, and to the activity for which he accepts responsibility. The effective date of the Mineral Resource statement is 12 April 2024.*
5. *Resources are not constrained other than by the geological boundary limits of the Mineralised unit and search radii limits approximated from variographic analysis. At this stage no consideration has been made as to what tonnes and grade would be reasonably expected to be extracted profitably. Notwithstanding, the Competent Person considers the distance constraints in both the dip and strike directions to be a reasonable approximation and expectation of potential mining extents.*
6. *Mineral Resources which are not Ore Reserves do not have demonstrated economic viability. The estimate of Mineral Resource reported may be materially affected by environmental, permitting, legal, title, taxation, sociopolitical, marketing, or other relevant issues.*
7. *The Inferred Mineral Resource in this estimate has a lower level of confidence than that applied to the Indicated Mineral Resource and must not be converted to an Ore Reserve. It is reasonably considered that the majority of the Inferred Mineral Resource could be upgraded to an Indicated Mineral Resource with continued exploration.*
8. *Currently, no Ore Reserves have been established for the Nara Project*

On 13 August 2024 the Company announced assay results from its first six diamond holes drilled at Nara. These confirm the presence of a gold mineralising system at Nara, highlighting anomalous gold zones underneath and directly associated with surface artisanal gold-producing structures.

This followed a total of 85km of ground magnetic survey lines completed over the project area to identify geological structures and contacts that may be associated with gold mineralisation. The survey defined a 200m wide interpreted shear corridor along 5km of strike within the property, hosting a number of magnetic low lineaments interpreted as shear zones which may be associated with gold mineralisation.

Seven lines of Stacked Schlumberger Sections were also completed for 6,600m over selected target areas. The data from this is being inverted and modelled to provide further drill targets. Several new, previously unknown Induced Polarisation ("IP") anomalous zones have been identified, in addition to further extensions of the existing structures already hosting mines and artisanal workings. Kavango is now working to develop its understanding of these new zones, before testing them with follow-up drilling.

Kavango is working closely with a mining consultant to evaluate the economic viability of different possible future mining approaches at Nara. In parallel, metallurgical and economic studies are continuing on both tailings from the Nara dumps and on potential feed material from underground mines.

The combined work above is expected to provide the Company with the information it requires ahead of a decision on exercise of the call option.

Project status – KCB (Kalahari Copper Belt), Botswana

Kavango has interests in 18 prospecting licences, totalling over 6,000 km² in the KCB, where it is targeting copper-silver mineralisation.

Work has further accelerated in the period, and initially focussed on completion of an airborne geophysical survey together with production of inversions to model the data from this and integrate it with other data sets. The geophysical survey consisted of 2,374 line-km of helicopter airborne Time Domain Electromagnetic ("EM"), magnetic, and gravity data. The airborne survey successfully tested whether the copper/silver prospective geological and geophysical features it interpreted on some of the ground recently acquired from ENRG Elements Ltd ("ENRG"), extend into the Company's pre-existing adjacent licence areas. The data in particular allowed mapping of structure and lithology, and interpretation of basins.

A key finding was the definition of a WSW-ENE trending ~9 milliGal gravity high (Kara) underlying the Kara Anticline. This is one of two linear features in the regional gravity, that may indicate the presence of basement highs defining multiple edges between two deeper basins, one to the south (Ncojane Basin) the other to the northeast (Ghanzi Basin) with a sub-basin to the north (Talismanis Basin). Such basin margins along the KCB are considered prospective sites for Cu-Ag mineralisation.

Preliminary interpretation of magnetic data from this survey combined with re-processed regional magnetic data and satellite images, also clearly defined fold hinge targets in the D'Kar Formation (DKF) that correlate with preliminary AEM targets. Fold hinges are associated with mineralisation elsewhere on the KCB, such as at Sandfire Resources' (ASX:SFR) Motheo Mine. Historic drilling by ENRG, from whom Kavango in 2023 acquired a 90% interest in six licences, confirms the existence of lower DKF in the fold structures recently mapped and noted pathfinder minerals, pyrite, sphalerite, and galena.

This important work has allowed the definition of over 90 targets, with 10 priority targets selected for the Phase 1 drill programme, and which have subsequently been enhanced by Gradient Array Induced Polarisation ("IP") surveys on target areas that are interpreted to be underlain by lower DKF stratigraphy.

Resultant potential drill targets have then been ranked and a first phase of drilling, totalling approximately 5,000 m, designed to test trap site structures associated with doubly plunging fold targets and anticlines identified initially from modelling of AEM data as being relatively shallow, at ~200-300m, commenced in June 2024. This remains in progress at the time of writing.

Preliminary results are highly encouraging. The primary objectives of the drill campaign were to confirm copper mineralising fluids passed through the Karakubis Block and that structural trap sites for potential large-scale copper/silver deposits are present. Both objectives were met drilling the first target. Spot readings taken from handheld pXRF indicate the presence of copper, silver, zinc and lead, suggesting the mobilisation of copper sulphides in mineralising fluids within a large system. The Company has identified what it believes to be lower D'Kar Formation stratigraphy, and has also detected what it believes constitutes a wide zone of hydrothermal alteration. All of this may provide a vector towards larger-scale mineralisation.

This systematic approach is considered by the Company to offer a thorough methodology for identifying copper-silver mineralisation on the KCB. We look forward to sharing results as this important program progresses.

Project status – Ditau, Botswana

Kavango has interests in four licences at Ditau. During the period a National Instrument 43-101-Technical Report was completed by internationally recognised mining advisor, SLR Consulting (Canada) Ltd and recommends next steps for Kavango's exploration at Ditau. SLR conclude that Ditau is an attractive early-stage exploration project with the potential to host a variety of mineralisation styles, warranting a systematic exploration effort consisting of detailed geophysical surveying and a significant amount of drilling. Prospective mineralisation targets include for Banded Iron Formation ("BIF")-hosted orogenic gold, Iron oxide copper-gold ("IOCG"), and Rare earth element ("REE")-bearing carbonatites. SLR has made recommendations for future work programs, which Kavango is presently evaluating.

Project status – KSZ (Kalahari Suture Zone), Botswana

At KSZ the Company is exploring for nickel-copper-PGE mineralisation. During the period a National Instrument 43-101-Technical Report was commissioned from internationally recognised mining advisor, SLR Consulting (Canada) Ltd and is expected to build on the Company's extensive previous work to recommend next steps for Kavango's exploration. The Company will review these recommendations shortly.

INTERIM MANAGEMENT REPORT 30 JUNE 2024 (continued)

Principal risks and uncertainties

The principal risks and uncertainties facing our business are monitored on an ongoing basis. The Board of Directors have reviewed the principal risks and uncertainties disclosed in the 2023 annual report and concluded that they remain applicable for the second half of the financial year. A detailed description of these risks and uncertainties is set out on pages 9 to 12 of the 2023 annual report.

Closing comments

I would like to thank Ben Turney, Hillary Gumbo, Brett Grist, Peter Wynter Bee, and Jeremy Brett for their input over the last six months, along with the operations teams in Botswana and Zimbabwe, and our senior geological consultants Dave Catterall and Steve Smith, who have been instrumental in the recent rapid advancement of our exploration programs. Brett Grist has provided notice to the Company and will be leaving his role of COO at the end of September 2024 for a new mining role in the Middle East; we would like to wish him continued success and thank him for his work in helping to develop and transform the Company over the last 2 ½ years. The recent addition of Alex Gorman and Donald McAlister to the Company's Board brings further market and financial experience to the Board and I am confident it will enable us to deliver as the Company grows.

We look forward to advancing the planned referral listing on the Victoria Falls Stock Exchange in Zimbabwe. This will provide an opportunity for Zimbabwe-based investors to participate in Kavango's exploration and mining development opportunities and will provide the Company with access to an enlarged pool of capital and shareholder base, and meet Kavango's strategic objective of promoting strong local ownership in its projects.

The appointment of Thamsanqa ("Tham") Mpofo as the Chairman of Kavango Zimbabwe (Private) Limited, the Company's wholly owned subsidiary in Zimbabwe, brings strong executive leadership on the ground as well as a wealth of commercial and board-level experience, which will help us to deliver our strategy in Zimbabwe.

I remain grateful for the continued support of our shareholders. Kavango has thanks to this support been able to deliver exploration success in a difficult market. The support of Purebond has been central to this, enabling Kavango to focus on delivering an accelerated program, and which is already delivering meaningful results that have the potential to add value for all shareholders.

Directors' Responsibility Statement

We confirm that to the best of our knowledge:

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

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

David Smith, Chairman
16 September 2024

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Condensed Consolidated Statement of Total Comprehensive Income For the Interim Period Ended 30 June 2024

	Notes	Six months to 30 June 2024 (Unaudited) US\$'000	Six months to 30 June 2023 (Unaudited) US\$'000
Continuing operations			
Revenue		209	-
Cost of sales		(168)	-
Gross profit		<u>41</u>	<u>-</u>
Administrative expenses	4	(1,045)	(1,043)
Pre-licence exploration costs	5	(1,060)	(249)
Other gains/(losses) – gain/(loss) on fair value of financial assets	10	325	(125)
Finance income		19	-
Loss before tax		<u>(1,720)</u>	<u>(1,417)</u>
Taxation		-	-
Loss for the period attributable to owners of the parent Company		<u>(1,720)</u>	<u>(1,417)</u>
Other comprehensive income			
Items that may be subsequently reclassified to profit or loss:			
Currency translation differences		(112)	627
Other comprehensive income, net of tax		<u>(112)</u>	<u>627</u>
Total comprehensive loss for the period attributable to owners of the parent Company		<u>(1,832)</u>	<u>(790)</u>
Earnings per share from continuing operations attributable to owners of the parent Company:			
Basic and diluted loss per share (cents)	6	<u>(0.13)</u>	<u>(0.20)</u>

**Condensed Consolidated Statement of Financial Position
For the Interim Period Ended 30 June 2024**

		30 June 2024 (Unaudited) US\$'000	31 Dec 2023 (Audited) US\$'000
	Notes		
Assets			
<i>Non-current assets</i>			
Property, plant, and equipment		871	352
Intangible assets	7	15,398	14,586
Total non-current assets		<u>16,269</u>	<u>14,938</u>
<i>Current assets</i>			
Inventories		7	-
Trade and other receivables	8	1,822	928
Loan receivables	9	408	-
Financial assets at fair value through profit or loss	10	700	378
Cash and cash equivalents		1,816	3,393
Total current assets		<u>4,753</u>	<u>4,699</u>
Total assets		<u>21,022</u>	<u>19,637</u>
Liabilities			
<i>Current liabilities</i>			
Trade and other payables		557	1,284
Total current liabilities		<u>557</u>	<u>1,284</u>
Total liabilities		<u>557</u>	<u>1,284</u>
Net assets		<u>20,465</u>	<u>18,353</u>
Equity			
Share capital	11	1,989	1,663
Share premium	11	29,276	25,789
Share option reserve		1,804	1,673
Warrant reserve		609	609
Foreign exchange reserve		(462)	(350)
Reorganisation reserve		(1,591)	(1,591)
Retained losses		(11,346)	(9,626)
Equity attributable to owners of the company		<u>20,279</u>	<u>18,167</u>
Non-controlling interests		186	186
Total equity		<u>20,465</u>	<u>18,353</u>

**Condensed Consolidated Statement of Changes in Equity
For the Interim Period Ended 30 June 2024**

	Equity attributable to owners of the company								Non-controlling interests	Total Equity
	Share Capital	Share Premium	Reorganisation Reserve	Share Option Reserve	Warrant Reserve	Foreign Exchange Reserve	Retained deficit	Shares to be issued		
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
As at 1 January 2023	904	19,296	(1,591)	913	650	(1,019)	(6,464)	7	12,696	-
Loss for the period	-	-	-	-	-	-	(1,417)	-	(1,417)	-
<i>Other comprehensive loss:</i>										
Foreign currency exchange difference	-	-	-	-	-	627	-	-	627	-
Total comprehensive loss for the period	-	-	-	-	-	627	(1,417)	-	(790)	-
Warrants issued	-	-	-	-	(322)	-	322	-	-	-
Issue of ordinary shares	177	1,596	-	-	-	-	-	-	1,773	-
Costs of share issues	-	(19)	-	-	-	-	-	-	(19)	-
Share-based payments – expensed	-	-	-	302	-	-	-	-	302	-
Share-based payments – capitalised	-	-	-	-	-	-	-	(7)	(7)	-
Total transactions with owners	177	1,577	-	302	(322)	-	322	(7)	2,049	-
As at 30 June 2023	1,081	20,873	(1,591)	1,215	328	(392)	(7,559)	-	13,955	-
As at 1 January 2024	1,663	25,789	(1,591)	1,673	609	(350)	(9,626)	-	18,167	186
Loss for the period	-	-	-	-	-	-	(1,720)	-	(1,720)	-
<i>Other comprehensive income:</i>										
Foreign currency exchange difference	-	-	-	-	-	(112)	-	-	(112)	-
Total comprehensive loss for the period	-	-	-	-	-	(112)	(1,720)	-	(1,832)	-
Issue of ordinary shares	326	3,583	-	-	-	-	-	-	3,909	-
Costs of share issues	-	(96)	-	-	-	-	-	-	(96)	-
Share-based payments – expensed	-	-	-	131	-	-	-	-	131	-
Total transactions with owners	326	3,487	-	131	-	-	-	-	3,944	-
As at 30 June 2024	1,989	29,276	(1,591)	1,804	609	(462)	(11,346)	-	20,279	186

Condensed Consolidated Statement of Cash Flows
For the Interim Period Ended 30 June 2024

		Six months to 30 June 2024 (Unaudited) US\$'000	Six months to 30 June 2023 (Unaudited) US\$'000
	Notes		
Cash flows from operating activities			
Loss before taxation		(1,720)	(1,417)
Adjustments for:			
Finance income		19	-
Share option expense		131	295
Fair value adjustments	10	(325)	125
Net cash used in operating activities before changes in working capital		(1,895)	(997)
(Increase) / decrease in trade and other receivables		(245)	120
Decrease in trade and other payables		(49)	(79)
Increase in inventories		(7)	-
Net cash used in operating activities		(2,196)	(956)
Investing activities			
Payments for property, plant and equipment		(522)	(6)
Loans advanced to third parties		(402)	(344)
Payments for intangible assets		(828)	(1,162)
Payments for intangible assets (deferred consideration)		(678)	-
Payment for Hillside Project acquisition held in escrow		(650)	-
Bank interest received		13	-
Net cash used in investing activities		(3,067)	(1,512)
Financing activities			
Proceeds from issue of share capital and warrants	11	3,909	1,773
Cost of share issue	11	(96)	(19)
Net cash generated from financing activities		3,813	1,754
Net decrease in cash and cash equivalents		(1,450)	(714)
Cash and cash equivalents at beginning of period		3,393	2,265
Effects of exchange rates on cash and cash equivalents		(127)	(36)
Cash and cash equivalents at end of the period		1,816	1,515

NOTES TO THE INTERIM REPORT FOR SIX MONTHS ENDED 30 JUNE 2024

1. Basis of preparation

These condensed consolidated interim financial statements include results of Kavango Resources Plc (“the Company”) and its subsidiaries (“the Group”) and have been prepared under the historical cost convention except for revaluation of certain financial instruments and on a going concern basis and in accordance with UK-adopted International Accounting Standards.

In the opinion of the Directors, the condensed consolidated interim financial statements for this period fairly presents the financial position, results of operations and cash flows for this period.

The Board of Directors approved these condensed consolidated interim financial statements on 16 September 2024.

Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with UK-adopted International Accounting Standard 34 ‘Interim Financial Reporting’. They do not constitute statutory accounts as defined in s434 of the Companies Act 2006.

The condensed consolidated financial statements should be read in conjunction with the audited consolidated annual financial statements for the year ended 31 December 2023, which have been prepared in accordance with UK-adopted International Accounting Standards.

The condensed consolidated financial information for the year ended 31 December 2023 does not constitute the Company’s statutory accounts for that year, but is derived from those accounts. Statutory accounts for the year ended 31 December 2023 have been delivered to the Registrar of Companies. The auditors reported on those accounts and their report was unqualified and did not contain a statement under s498(2) or (3) of the Companies Act 2006, but it did draw attention to material uncertainty regarding going concern and an outstanding balance of share placing proceeds US\$ 632,000 (detailed in note 11).

The condensed consolidated interim financial statements for the period ended 30 June 2024 have not been audited or reviewed in accordance with the International Standard on Review Engagements 2410 issued by the Auditing Practices Board.

Accounting policies

The condensed consolidated interim financial statements have been prepared using applicable accounting policies and practices consistent with those adopted in the statutory audited consolidated annual financial statements for the year ended 31 December 2023 and those expected to be in force for the year ended 31 December 2024.

During the period ended 30 June 2024, the Group has become revenue-generating and therefore the following accounting policies have been applied for the first time:

Revenue recognition

The Group generates revenue from its mining contract in Zimbabwe. Revenue is recognised at a point in time when the Group satisfies its performance obligation by transferring fine gold to a customer. The transfer occurs when the customer obtains control of the fine gold. Revenue is measured at the fair value of the consideration received, excluding value added taxes or duty.

Inventories

Inventories consist of fine gold to be sold and consumables. Inventories are carried at the lower of cost and net realisable value.

In addition, a number of amendments to accounting standards have become applicable for the current reporting period. The Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these amended standards.

NOTES TO THE INTERIM REPORT FOR SIX MONTHS ENDED 30 JUNE 2024 (continued)

Critical accounting judgements and estimates

The preparation of the condensed consolidated interim financial statements requires Directors to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these judgements and estimates.

In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the audited consolidated financial statements for the year ended 31 December 2023.

Going Concern

The condensed consolidated interim financial statements are 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 interim financial statements.

As part of this assessment, the Directors have noted that in order to sustain the minimum level of exploration spending required by the Group's licence conditions and minimum corporate overheads a further fundraising will be required within the next 12 months. Whilst successful completion of future fundraisings is inherently uncertain, the Directors are confident that the required level of equity will be raised.

2. Financial risk management and financial instruments

Risks and uncertainties

The Board continually assesses and monitors the key financial risks of the business. The key financial 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 2023 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 and equity price risk), credit risk and liquidity risk.

3. Segmental disclosures

The Group previously had two reportable segments, Exploration and Corporate, which are the Group's strategic divisions. In the period ended 30 June 2024 the Group started generating revenue from its mining contract in Zimbabwe, which is considered to be a separate operating segment. The Group's reportable segments are as following:

Exploration: the exploration operating segment is presented as an aggregate of all licences in which the Group has economic interest as well as pre-licence expenditure. Expenditure on exploration activities for each licence is used to measure agreed upon expenditure targets for each licence to ensure the licence clauses are met.

Mining: includes the results of the Group's mining contract operations in Zimbabwe; and

Corporate: the corporate segment includes the holding and intermediate holding companies' costs in respect of managing the Group.

Segmental results are detailed below:

NOTES TO THE INTERIM REPORT FOR SIX MONTHS ENDED 30 JUNE 2024 (continued)

3. Segmental disclosures (continued)

	Mining US\$'000	Exploration US\$'000	Corporate US\$'000	Total US\$'000
30 June 2024				
Revenue	209	-	-	209
Cost of sales	(168)	-	-	(168)
Gross profit	41	-	-	41
Pre-licence exploration costs	-	(1,060)	-	(1,060)
Administrative and other costs	-	-	(1,045)	(1,045)
Gain on fair value of financial assets	-	-	325	325
Finance income	-	-	19	19
Loss before tax	41	(1,060)	(701)	(1,720)
30 June 2023				
Pre-licence exploration costs	-	(249)	-	(249)
Administrative and other costs	-	-	(1,043)	(1,043)
Loss on fair value of financial assets	-	-	(125)	(125)
Loss before tax	-	(249)	(1,168)	(1,417)

Segmental assets and liabilities are detailed below:

	Non-current assets		Non-current liabilities	
	30 June 2024 (Unaudited) US\$'000	31 Dec 2023 (Audited) US\$'000	30 June 2024 (Unaudited) US\$'000	31 Dec 2023 (Audited) US\$'000
Exploration - intangible assets and equipment (Botswana)	15,532	14,737	-	-
Exploration: equipment (Zimbabwe)	737	201	-	-
Mining: equipment (Zimbabwe)	-	-	-	-
Corporate (London)	-	-	-	-
Total of all segments	16,269	14,938	-	-
	Total assets		Total liabilities	
	30 June 2024 US\$'000	31 Dec 2023 US\$'000	30 June 2024 US\$'000	31 Dec 2023 US\$'000
Exploration (Botswana)	16,105	14,892	167	175
Exploration (Zimbabwe)	1,494	402	126	45
Mining (Zimbabwe)	108	-	46	-
Corporate (London)	3,315	4,343	218	1,064
Total of all segments	21,022	19,637	557	1,284

NOTES TO THE INTERIM REPORT FOR SIX MONTHS ENDED 30 JUNE 2024 (continued)

4. Administrative expenses

Administrative expenses for the period ended 30 June 2024 of US\$ 1,045,000 (June 2023: US\$ 1,043,000) include a share-based payment charge of US\$ 131,000 (June 2023: US\$ 295,000) in relation to the Company's share options.

5. Pre-licence exploration costs

During the period ended 30 June 2024, the Group incurred pre-licence exploration costs of US\$ 1,060,000 (June 2023: US\$ 249,000) in Zimbabwe. The Group has options over several Claims areas in Zimbabwe, consisting of the Nara Project, and the 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.

In April 2024, the Group exercised the option to acquire the Hillside and Leopard North Projects. As discussed in note 8, the acquisition process has not yet completed.

The Group's options to acquire the Nara and Leopard North Projects expire in June 2025.

6. 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 2024 (Unaudited) US\$'000	Six months to 30 June 2023 (Unaudited) US\$'000
Loss for the period from continuing operations	<u>1,720</u>	<u>1,417</u>
	Six months to 30 June 2024 (Unaudited) Number	Six months to 30 June 2023 (Unaudited) Number
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	<u>1,369,141,423</u>	<u>717,945,005</u>
	Six months to 30 June 2024 (Unaudited) US Cents	Six months to 30 June 2023 (Unaudited) US Cents
Basic and diluted loss per share	<u>0.13</u>	<u>0.20</u>

NOTES TO THE INTERIM REPORT FOR SIX MONTHS ENDED 30 JUNE 2024 (continued)

7. Intangible assets

Intangible assets comprise entirely of exploration and evaluation assets.

	Six months to 30 June 2024 (Unaudited) US\$'000	12 months to 31 Dec 2023 (Audited) US\$'000
At 1 January	14,586	9,679
Additions	828	4,241
Translation differences	(16)	666
At period end	<u>15,398</u>	<u>14,586</u>

During the period ended 30 June 2024, the additions balance relates to the Group's exploration activity in Botswana. Details on the exploration activity can be found in the Interim Management Report.

Impairment review

The Directors have undertaken a review to assess whether the following impairment indicators existed as at 30 June 2024 or subsequently prior to the approval of these condensed consolidated interim 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.

8. Trade and other receivables

	30 June 2024 (Unaudited) US\$'000	31 Dec 2023 (Audited) US\$'000
Amounts due from shareholders (note 11)	632	637
VAT recoverable	157	107
Other receivables and prepayments	<u>1,033</u>	<u>184</u>
	<u>1,822</u>	<u>928</u>

Other receivables and prepayments include the following:

During the period ended 30 June 2024, the Group advanced a short-term working capital loan to Pambili Natural Resources Corporation ("Pambili"), a gold exploration company listed on the TSX Venture Exchange in Canada, of US\$ 127,000 (December 2023: US\$ nil). After the period end, US\$ 100,000 of these advances have been repaid.

In April 2024, the Company exercised the option to acquire the Hillside and Leopard North Projects and transferred the exercise price of US\$ 650,000 into an escrow account. The acquisition has not completed by 30 June 2024 and the funds remained in escrow.

NOTES TO THE INTERIM REPORT FOR SIX MONTHS ENDED 30 JUNE 2024 (continued)

9. Loans receivables

	30 June 2024 (Unaudited) US\$'000	31 Dec 2023 (Audited) US\$'000
Loan advanced to Pambili	158	-
Loan advanced to Equity Drilling	250	-
	<u>408</u>	<u>-</u>

Loan advanced to Pambili

During the period ended 30 June 2024, the Group provided a loan to Pambili of US\$ 152,000. The loan is unsecured and repayable by no later than 31 January 2025. The loan includes an arrangement fee of US\$ 15,000 which is accounted for as interest with a corresponding interest income of US\$ 6,000 included within finance income.

Loan advanced to Equity Drilling

During the period ended 30 June 2024, the Group provided a US\$ 250,000 loan to its drilling contractor, Equity Drilling Zimbabwe (Pvt) Limited, to facilitate acquisition of drilling equipment in Zimbabwe. The loan is secured against the assets and is interest-free. The loan is repayable no later than 31 December 2025 however the directors expect it to be repaid within 12 months.

10. Financial assets at fair value through profit or loss

	30 June 2024 (Unaudited) US\$'000	31 Dec 2023 (Audited) US\$'000
Listed securities	700	378
	<u>700</u>	<u>378</u>

Listed securities

Interest in listed entities comprises of the Company's investments in Power Metal Resources PLC ("Power Metals") and Pambili. The fair values of the shares is based on their unadjusted quoted market price, which represents a Level 1 input within the fair value hierarchy of IFRS 13 *Fair value measurement* ("IFRS 13").

At 31 December 2023, the fair value of Group's investment in Power Metals, an AIM-listed metal exploration company, was US\$ 109,000. The fair value subsequently increased to US\$ 244,000 as at 30 June 2024 with a gain of US\$ 136,000 recognised in profit or loss. A foreign exchange loss of US\$ 1,000 has also been recognised.

The Group served a binding conversion notice to Pambili on 29 November 2023, which would give the Group 8,925,000 shares representing approximately 16.6% of Pambili's enlarged issued share capital. As at 31 December 2023 and 30 June 2024, the allotment of these shares remained outstanding whilst Pambili completed a linked transaction and sought the necessary approvals from TSX-V. The fair value of the Group's interest in Pambili as at 31 December 2023 was US\$ 269,000 which increased to US\$ 457,000 as at 30 June 2024 with the corresponding gain of US\$ 189,000 recognised in profit or loss. A foreign exchange loss of US\$ 2,000 has also been recognised.

On 4 July 2024, in order to facilitate the approval of the allotment of shares by TSX-V, the Group agreed to reduce its shareholding from 16.6% to 14.0% with a corresponding reduction in the number of shares to be issued from 8,925,000 to 7,704,910. A loss of US\$ 53,000 had been recognised in profit or loss after the period end and the shares have been issued.

NOTES TO THE INTERIM REPORT FOR SIX MONTHS ENDED 30 JUNE 2024 (continued)**11. Share capital and share premium**

	Ordinary shares No.	Share capital US\$'000	Share premium US\$'000	Total US\$'000
At 1 January 2024	1,305,569,314	1,663	25,789	27,452
Share placing	257,113,862	326	3,583	3,909
Issue costs	-	-	(96)	(96)
At 30 June 2024	<u>1,562,683,176</u>	<u>1,989</u>	<u>29,276</u>	<u>31,265</u>

On 16 May 2024, the Company successfully raised £3,085,366 (US\$ 3,909,375) gross proceeds by placing 257,113,862 new ordinary shares at 1p.

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 30 June 2024 and the date of approval of these condensed consolidated interim financial statements, £500,000 (June 2024: US\$ 632,000; December 2023: US\$ 637,000) remain outstanding from one subscriber, Arigo Capital, and are included within the trade and other receivables balance (note 8). The Directors are in continued discussions with Arigo Capital on arranging a settlement solution and expect this to be resolved in the second 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 30 June 2024 (December 2023: US\$ nil).

12. Significant events after the reporting date

On 23 August 2024 the Company issued a £2,000,000 (US\$ 2,620,000) convertible loan note (the “CLN”). The CLN is for a term of 12 months and carries a 10% interest per annum. The CLN is expected to be converted into ordinary shares of the Company on publication of an FCA-approved prospectus at the price per share achieved at a contemporaneous fundraise.

Other events after the reporting period are disclosed in notes 8 and 10.

13. Other matters

A copy of the Interim Management Report and the condensed consolidated interim financial statements is available on Kavango’s website: www.kavangoresources.com