

KGL Resources Limited 2016 Annual Report



A letter from the Chairman



KGL has had a successful year, achieving the objectives that the board sought more than a year ago and moving the Jervois Project steadily towards the goal of becoming an assured low cost copper and multi-metal producer. In particular, exploration results at the Rockface prospect have been outstanding.

Early last year, directors changed strategic direction, deciding to defer the development of the Jervois project in favour of further intensive exploration. Priority has been given to improving the size and particularly the grade of the Resource in order to achieve at Jervois one of the world's lowest cost rankings before moving to mine development.

Exploration focussed on the highly prospective Rockface prospect which previously had hardly figured in the known Resource at Jervois with just 2% of its copper. Drilling during the year revealed that high grade mineralisation at Rockface extends from the surface to a depth of more than 650 metres, creating the potential for both open pit and underground mining. Grades of 1% to 2% copper for the first 5 to 10 metres below the surface give way to wide intervals at grades that increase with depth. By way of illustration, they include 9 metres at 2.9% copper from 284m, 16m @ 3.3% copper from 362m, 14m @ 8.9% copper from 436m, 9m @ 11.5% copper from 535m, and 10m @ 9% copper from 645m.

The newly discovered Rockface mineralisation is easily amenable to treatment, metallurgical testing during the year confirming good recovery and concentrate grade.

The use of modern, cost efficient exploration methods has been a key to KGL's success at Rockface. Down Hole Electromagnetic (DHEM) surveying has identified target areas (conductors) which have then been successfully drilled. This consistently reliable technology has led us progressively deeper into wide intervals of higher grade copper, and recently directed us to additional prospective zones to the east.

The reductions in corporate costs introduced early last year have been maintained and, together with the highly effective exploration technologies, have enabled us to extend the application of precious capital and direct it overwhelmingly to value-adding exploration.

Directors have strongly preferred to approach shareholders for necessary capital in order to minimise dilution. The \$3 million entitlement completed in January 2016 carried KGL well into 2017 supplemented by \$3 million in R & D Tax Incentive refunds from the Federal Government in acknowledgement of KGL's innovative metallurgical work. A share purchase plan for shareholders raised another \$2.48 million in March 2017.

During the same month KGL also successfully funded the acquisition of a highly prospective tenement north of the Reward prospect through a \$1m placement which will also be used towards immediate exploration works. A strike extension from Marshall-Reward, the location of the main currently known resource at Jervois, runs into the new tenement where previous

exploration has found high grade copper. The geological similarities to Jervois make the expanded territory strategically valuable with the potential to increase the ultimate overall mining project.

In March 2017, the Northern Territory Government awarded Jervois the status of a major project through the signing of a Project Facilitation Agreement. This will help us to negotiate government processes as we advance towards project development. Among them will be the Environmental Impact Statement which should be lodged with the Government for approval late in 2017 or early 2018.

We recognise the importance of building good relationships with traditional land owners at Jervois. During the year, we entered into an Indigenous Land Use Agreement after negotiations with the traditional land owners and the Central Land Council. The ILUA is currently with the National Native Title Tribunal for registration. An Authority Certificate from the Aboriginal Areas Protection Authority in the Northern Territory has also been issued confirming that no aboriginal heritage matters would impact upon the project.

The progress made during 2016 increased directors' confidence in the strategy of building an internationally ranked low cost resource before committing to mine development at Jervois. The trebling of KGL's share price during the year indicated that investors shared our confidence.

We are now focussed on intensive exploration at Rockface to support a Resource update and to enable mining and processing options to be considered. We look forward to bringing Rockface together with the other Resources at Jervois and the new adjoining tenement as we move the project towards the development of a world class low cost copper and multi-metal mine.

KGL continues to demand much time and effort of the small board of directors and staff group. I extend sincere thanks to everyone for their hard work.

Directors would like to thank shareholders for their support by continuing to invest in the Company. We are gratified that you share our confidence in the future of the Jervois project and KGL, and assure you of our best endeavours on your behalf.

Denis Wood
Chairman

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Reserves and Resources

2016 Jervois Resource Estimate

The Resource estimate remain unchanged from 2015. Recent drilling programs and those underway will be used to update the resource in the coming months.

Jervois Copper Resources	Category	Tonnes Mt	Copper %	Silver g/t	Lead %	Zinc %	Copper kt	Silver Moz	Lead kt	Zinc kt	Cut-off Cu%
Marshall	Indicated	1.4	1.45	35.6			20.1	1.6			0.5
Copper	Inferred	0.3	0.90	20.2			2.5	0.2			0.5
Reward	Indicated	5.0	1.14	25.3			57.1	4.1			0.5
Copper	Inferred	7.6	1.02	22.2			78.0	5.4			0.5
East Reward	Inferred	2.0	0.82	7.1			16.9	0.5			0.5
Bellbird	Indicated	4.1	1.22	7.7			49.9	1.0			0.5
	Inferred	4.3	1.29	8.5			55.9	1.2			0.5
Cox's Find	Inferred	0.7	0.87	2.8			6.0	0.1			0.5
Rock Face	Inferred	0.7	0.82	3.1			6.0	0.1			0.5
TOTAL	Indicated	10.5	1.21	19.8			127.0	6.7			
	Inferred	16.2	1.06	14.6			172.1	7.6			
	TOTAL	26.7	1.12	16.6			299.1	14.3			
Reward	Indicated	0.5	0.74	70.7	6.8	0.9	3.6	1.1	33.6	4.4	None
Lead/Zinc	Inferred	0.8	0.51	90.9	8.6	1.2	4.1	2.3	69.4	9.4	None
Green Parrot	Indicated	0.5	0.99	64.0	0.9	0.6	5.1	1.1	4.7	3.2	0.3
Lead/Zinc	Inferred	1.4	0.81	78.0	1.8	0.9	11.1	3.4	24.4	12.8	0.3
Bellbird North	Inferred	0.7	0.57	17.9	1.7	2.5	3.8	0.4	11.3	16.7	0.2
TOTAL	Indicated	1.0	0.87	67.3	3.8	0.8	8.7	2.2	38.3	7.6	
	Inferred	2.8	0.67	67.6	3.7	1.4	19.0	6.2	105.1	38.9	
	TOTAL	3.8	0.72	67.5	3.7	1.2	27.7	8.4	143.4	46.5	
	TOTAL	30.5	1.07	23.0			327	22.6	143	47	
	TOTAL	25.3	1.10	22.1			280	18.0	84	36	
	% Variance	21					17	26	72	30	

Copper Ore Reserves

	Bellbird	Marshall Reward	Total
Ore Tonnes	3,394,000	5,037,700	8,431,700
Cu %	1.20	1.07	1.12
Au g/t	0.12	0.26	0.20
Ag g/t	7.36	25.00	17.90
Pb %	0.02	0.22	0.14
Zn %	0.05	0.21	0.14

Lead / Zinc Ore Reserves

	Bellbird	Marshall Reward	Total
Ore Tonnes	239,300	204,700	444,000
Cu %	0.57	0.91	0.77
Au g/t	0.03	0.20	0.13
Ag g/t	19.99	62.67	45.49
Pb %	2.27	5.38	4.13
Zn %	3.04	0.83	1.72

The Reserves reported have not changes from those reported in the 2015 Annual Report.

Governance and Internal Controls

Governance of KGL Resources Limited's resources and ore reserves development and reporting is a key function of the Executive of the Company.

The Chief Operating Officer and Exploration Manager, with oversight from the Chief Executive Officer, are responsible for the planning, prioritisation and progress of exploratory and resource definition drilling programs across the Company. Plans for these programs are presented to the Board with accompanying budgets for final approval.

Definition activities are conducted within a framework of quality assurance and quality control protocols covering aspects including drill hole siting, sample collection, sample preparation and analysis as well as sample and data security.

A three-level compliance process guides the control and assurance activities:

1. Provision of internal policies, standards, procedures and guidelines
2. Resources and reserves reporting based upon well founded assumptions and compliance with external standards such as the Australian Joint Ore Reserves Committee (JORC) Codes
3. Internal assessment of compliance and data veracity

Tenements

Tenement Number	Location	Beneficial Holding
ML30180	Jervois Project, Northern Territory	100%
ML30182	Jervois Project, Northern Territory	100%
EL25429	Jervois Project, Northern Territory	100%
EL30242	Jervois Project, Northern Territory	100%
EL28340	Yambah, Northern Territory	100%
EL28271	Yambah, Northern Territory	100%
EL28082*	Unka Creek, Northern Territory	100%

* In the process of being transferred

Additional Information

As at 12 April 2017

1. Names of Substantial Holders

Name of Holder	No of Securities	% Issued Capital
KMP Investments PTE LTD	47,629,558	25.76
Mr Denis Wood	16,725,288	9.1%
Pegasus CP One	11,655,732	7.28%

2. Number of holders in each class of equities

	No of Holders	No of Units
Ordinary Shares	3,360	184,881,721

3. Voting rights attached to each class of security

Each fully paid ordinary share is entitled to one vote.

4. Distribution Schedule

Range	Securities	No of Holders
100,001 and Over	154,214,946	163
10,001 to 100,000	23,774,820	722
5,001 to 10,000	3,537,802	457
1,001 to 5,000	2,892,811	1,082
1 to 1,000	461,342	936
Total	184,881,721	3,360

5. Unmarketable Parcels

Number of holders with a holding of less than a marketable parcel 1,084

At a price of \$0.37

Additional Information (cont)

6. 20 Largest holders in each class of quoted security

Rank	Name	11 Apr 2017	%IC
1	KMP INVESTMENTS PTE LTD	47,629,558	25.76
2	J P MORGAN NOMINEES AUSTRALIA LIMITED	16,610,770	8.98
3	MR DENIS LESLIE WOOD & MRS ANNE WOOD	13,353,516	7.22
4	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	11,502,448	6.22
5	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	3,917,362	2.12
6	CITICORP NOMINEES PTY LIMITED	3,819,509	2.07
7	COAL INDUSTRY SERVICES PTY LTD	3,473,050	1.88
8	BNP PARIBAS NOMINEES PTY LTD	1,954,352	1.06
9	SCML INVESTMENTS PTY LTD	1,731,185	0.94
10	TRI-STAR ENERGY COMPANY	1,351,351	0.73
11	AMMF INVESTMENTS PTY LTD	1,300,000	0.70
12	MR CAMPBELL ALAN ROSE	1,205,555	0.65
13	NOREL NOMINEES PTY LTD	1,146,000	0.62
14	ROBRIAN PTY LTD	1,100,000	0.59
15	EDNA SECURITIES PTY LTD	1,071,055	0.58
16	AMMF INVESTMENTS PTY LTD	1,055,555	0.57
16	TJSMSF PTY LIMITED	1,055,555	0.57
17	JCT CRT SERVICES PTY LTD	1,037,910	0.56
18	MR ANDREW DALEY & MRS INEKE DALEY	1,000,000	0.54
19	COWAY MANAGEMENT LIMITED	965,162	0.52
20	JAMES ST EQUITIES PTY LTD	911,110	0.49
		Total	117,191,003
		Balance of register	67,690,718
		Grand total	184,881,721
			63.39
			36.61
			100.00

7. Name of Company Secretary

Kylie Anderson

8. Address of Registered Office

KGL Resources Limited
Level 7 167 Eagle Street
Brisbane 4000
07 3071 9003

9. Name and address of share register

Link Market Services Limited
Level 9 333 Collins Street
Melbourne VIC 3000

10. Stock Exchange Listing

Quotation has been granted for the unrestricted ordinary shares of the Company on all Member Exchanges of the Australian Stock Exchange.

Financial Statements



**KGL RESOURCES LIMITED
AND ITS CONTROLLED ENTITIES
ABN 52 082 658 080**

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

KGL RESOURCES LIMITED AND ITS CONTROLLED ENTITIES
ABN 52 082 658 080

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KGL RESOURCES LIMITED AND ITS CONTROLLED ENTITIES
ABN 52 082 658 080

DIRECTORS' REPORT

The directors present their report on the consolidated entity (or the Group) consisting of KGL Resources Limited and the entities it controlled at the end of, or during, the year ended 31 December 2016.

DIRECTORS

The names and details of the Company's directors in office during the financial year and until the date of this report are as follows. Directors were in office for this entire period unless otherwise stated.

Names, qualifications, experience and special responsibilities

Denis Wood

Non-Executive Chairman

BSc (Geology).

Appointed 28 July 2015

Mr Wood is a qualified metallurgist and geologist with over 45 years' experience in the mining industry. Mr Wood's career has included – 13 years with BHP as a metallurgist, 8 years with CCI Holding reaching the position of Managing Director, multiple previous directorships and shareholdings of Australian based resource companies including QCC, Cumnock Coal, Sedgman, Jupiter Mines and Marathon Resources.

Managing Director/CEO of APC. Talbot Group, Director of Resources for 8 years.

Other Current Directorships of ASX Listed Companies

None

Former Directorships of ASX Listed Companies in last three years

None

Christopher Bain

B APP Sc (APP GEO)

GRAD DIP (GEOSc)

MAusIMM

GAICD

Non-executive Director

Appointed 5 September 2013

Chris has 40 years' experience in the resource sector having worked in mining, exploration, investment research, corporate advisory and funds management roles. He graduated as a geologist from RMIT and initially worked as an underground mine geologist before moving to an exploration role. After completing a Graduate Diploma in Mineral Economics at Macquarie University he joined the finance sector in late 1986 at National Mutual Funds Management and has held senior positions in mining research for funds management and stockbroking. As an Executive Director of Investor Resources Limited he was instrumental in mining project divestitures and acquisitions, evaluations and valuations, capital raisings including managing several initial public offerings and ASX listings. Currently Chris works with companies on both corporate and exploration related assignments and provides investment advice through a Melbourne based stockbroker.

Mr Bain is Chair of the Audit and Risk Committee and a member of the Sustainability Committee.

Mr Bain is Chair of the Audit and Risk Committee and a member of the Sustainability Committee.

Other Current Directorships of ASX Listed Companies

Metalicity Limited. (Formerly PLD Corporation Ltd) appointed 19 August 2013.

Davenport Resources Ltd (Listed 20 January 2017) appointed 12 November 2015.

Former Directorships of ASX Listed Companies in last three years

In the past 3 years he has been a director of Dart Mining NL resigning on the 18 February 2014.

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Ferdian Purnamasidi

BACHELOR OF COMMERCE

**DIPLOMA OF BUSINESS
MANAGEMENT**

Non-executive Director

Appointed 26 April 2016

Ferdian is an Executive at the Salim Group and in charge of Corporate Development and Strategic Acquisitions within the resources sector. Ferdian has spent the past four years facilitating resource development opportunities between Indonesian and Australia. His experiences include serving as a Director at Robust Resources Limited, a gold & silver exploration company with projects in Indonesia. Ferdian also serves as a Director at Mach Energy Australia which successfully contracted to acquire 100% of the world class Mt Pleasant coal mine in the Hunter Valley region in New South Wales.

Building upon his experience in the Corporate sector and previous working exposures in Australia, he has formed strategic relationships with those who rely upon his input for commercial, planning and analytical assessments. His portfolio of work includes evaluating new business cases, monitoring existing businesses and providing support for future investment decisions

Other Current Directorships of ASX Listed Companies

None.

Former Directorships of ASX Listed Companies in last three years

Robust Resources Ltd appointed 21 October 2014. Robust delisted on 17 November 2014.

Brad Ellis

**BAppSc (EXTRACTIVE
METALLURGY)**

GRAD DIP (APPFIN INV)

FAUSIMM

FSIA

Non-executive Director

Appointed 5 November 2013

Resigned 21 April 2016

Mr. Ellis has a Bachelor of Applied Science in Extractive Metallurgy and a Graduate Diploma in Applied Finance and Investment. With over 30 years' experience in the mining industry, Brad is currently a partner in West Australian consultancy Scott Dalley Francks. Brad's technical experience has focused on feasibility study preparation and management, plant design, commissioning, management and optimisation for mineral processing and hydrometallurgical plants; and project evaluations.

Mr Ellis was Chair of the Sustainability Committee and was member of the Audit and Risk Committee.

Other Current Directorships of ASX Listed Companies

Atlantic Limited. Appointed 16 December 2013. Delisted 26 September 2016.

Former Directorships of ASX Listed Companies in last three years

None.

KGL RESOURCES LIMITED AND ITS CONTROLLED ENTITIES
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Simon Milroy

BENG (MINING)

Chief Executive Officer

Appointed 14 May 2007

Stepped down from the board of directors on 22 December 2015. Remained as Chief Executive Officer till 4 May 2016 when the position was made redundant.

Mr Milroy is a mining engineer who previously spent nearly 4 years as General Manager – Project Development and Manager Technical Services for Pan Australian Resources Limited in Laos. In those roles he was responsible for scoping and feasibility studies, evaluations of projects and companies, ore reserves and technical support of the company's operations. During that period key achievements were managing the feasibility studies and environmental and social impact assessments for the Phu Bia gold mine and the Phu Kham copper-gold mine.

Other Current Directorships of ASX Listed Companies

None.

Former Directorships of ASX Listed Companies in last three years

None.

COMPANY SECRETARY

Kylie Anderson

BSc. MBA (INT. BUS.) MPA, MAICD

Appointed 2 January 2008

Ms Anderson has held senior financial and company secretarial roles with a number of companies in the resources sector including Felix Resources and Rio Tinto.

INTERESTS IN THE SHARES AND OPTIONS OF THE COMPANY AND RELATED BODIES CORPORATE

At the date of this report, the interest of the directors in the shares and options of KGL Resources Limited are:

Director	Ordinary shares	Options over ordinary shares
D Wood	16,826,566	-
C Bain	208,332	-
Ferdian Purnamasidi	65,555	-

MEETINGS OF DIRECTORS

The number of directors' meetings held during the year and the number of meetings attended by each director while they were a director were as follows:

	Held	Attended
Directors		
D Wood	9	9
C Bain	9	9
B Ellis	3	3
F Purnamasidi	5	5

KGL RESOURCES LIMITED AND ITS CONTROLLED ENTITIES
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DIRECTORS REPORT (CONTINUED)

Committee membership and meetings

The members of the Committees are the independent directors, Denis Wood, Chris Bain and Ferdian Purnamasidi. Mr Chris Bain is the Chairman of the Audit and Risk Committee along with Denis Wood and Ferdian Purnamasidi as members. Mr Ferdian Purnamasidi is the Chairman of the Nomination and Remuneration Committee along with Denis Wood and Chris Bain as a members'.

A Sustainability Committee was disbanded and is now incorporated into each Board Meeting.

	Audit and Risk Committee		Nominations and Remuneration Committee	
	Held	Attended	Held	Attended
Directors				
D Wood	2	2	1	1
C Bain	2	2	1	1
B Ellis	1	1	1	1
F Purnamasidi	1	1	-	-

CORPORATE INFORMATION

Principal activity

The principal continuing activity of the Group during the year was exploration and development of the Jervois multi-metal project in the Northern Territory.

Employees

The Group employed 3 employees as at 31 December 2016 (2015: 7 employees).

DIVIDENDS

No dividends in respect of the current year have been paid, declared or recommended for payment.

KGL RESOURCES LIMITED AND ITS CONTROLLED ENTITIES
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DIRECTORS REPORT (CONTINUED)

REVIEW OF OPERATIONS

During the year, KGL achieved outstanding exploration results at the Jervois copper-silver-gold project in the Northern Territory, advancing the Company a long way towards the goal of establishing a world class, low cost copper and multi-metal mine.

Directors took the decision at the close of 2015 to change the strategy of the Company by deferring project development in favour of exploration to improve the quality and size of the Jervois resource.

To fund the work, the Company raised \$2.987 million (before costs) in January 2016 by way of an entitlement offer, minimising dilution to existing shareholders, particularly at a time of low metal prices.

A rigorous cost cutting regime reduced the level of spending and postponed the need for further capital raising throughout the year. This was supported by R & D Tax Incentive refunds totalling \$3.063 million received from the Australian Government as part reimbursement for the Company's expenditure on innovative metallurgical work. The Company was able to delay a further capital raising until the \$2.5 million share purchase plan in March 2017.

In 2016, KGL applied modern, cost efficient exploration methods while minimising corporate costs, reducing the number of directors to three, reducing directors' fees, reducing the work force and putting staff on a part-time basis.

Funding was directed overwhelmingly towards exploration at the highly prospective Rockface prospect. Down Hole Electromagnetic (DHEM) surveying was used to identify drill targets, followed by drilling that resulted in increasingly higher grade intersections and the discovery of extensive mineralised zones. More DHEM surveys from the new holes in turn identified new target areas (conductors) where drilling resulted in further high grade mineralisation. Grades increased progressively with depth.

The Company's strategy and continuing exploration success, at a time of strengthening copper prices, were reflected in the near trebling of KGL's share price during the year.

Exploration

Rockface high grade discoveries

Exploration at Rockface during the year was built upon the outcome of diamond drilling in the second half of 2015 when hole KJCD171 intersected, well below the current Inferred Resource, a broad interval of massive magnetite-chalcopyrite mineralisation, including:

- 13m @ 2.14% Cu, 12.5g/t Ag and 0.10g/t Au from 255m, and
- 2m @ 2.83% Cu, 10.8g/t Ag and 0.05g/t Au from 278m.

A follow-up DHEM survey of KJCD171 identified two strong off-hole conductors that were targeted by drilling in March/April 2016.

Hole KJCD182 included:

- 9m @ 2.91% Cu, 17.6g/t Ag and 0.2g/t Au from 284m, and
- 6m @ 1.6% Cu, 9.3g/t Ag and 0.16g/t Au from 296m.

Hole KJCD183 included:

- 16m @ 3.34% Cu, 16.7g/t Ag and 0.17g/t Au from 362m.

The mineralised intercept in KJCD183 appeared to be a further extension of the massive magnetite-chalcopyrite mineralisation that was first intersected in KJCD171.

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DIRECTORS REPORT (CONTINUED)

REVIEW OF OPERATIONS (CONTINUED)

DHEM surveying of the holes was followed by further drilling.

Hole KJCD195 intersected two zones of significant mineralisation in two conductors. The first was in Conductor 3 and included:

- 10.5m @ 8.76% Cu, 42.9g/t Ag and 0.51g/t Au from 478.4m.

The second was in Conductor 5 and included:

- 5.1m @ 2.66% Cu, 0.39% Zn, 13.8g/t Ag and 0.27g/t Au from 513.6m.

Hole KJCD197, drilled to test Conductors 3 and 5, confirmed a broad zone of high-grade mineralisation at greater depth than the KJCD195 intersections including:

- 9.4m @ 11.53% Cu, 56.6g/t Ag and 0.87g/t Au from 535.4m
- 8.9m @ 1.00% Cu, 7.3g/t Ag and 0.09g/t Au from 544.8m
- 15m @ 7.11% Cu, 29.4g/t Ag and 0.89g/t Au from 558m. This interval recorded the highest gold grade yet at Rockface of 5.33g/t Au (567.5-568m).

The three intersections of KJCD197 shown above, including an intervening 4.3m of low-grade mineralisation, give a combined intersection of:

- 37.6m @ 5.98% Cu, 27.9g/t Ag and 0.6g/t Au from 535.4m.

DHEM surveys identified more target zones (conductors) for drilling.

Hole KJCD198 targeted Conductor 6 and included in assay results:

- 5.95m @ 4.94% Cu, 0.16% Zn, 25.9g/t Ag, 0.45g/t Au from 449.85 m.

KJCD201 targeted conductors approximately 100m below hole KJCD197, intersecting high grade mineralisation including:

- 10.05m @ 8.99% Cu, 45.5g/t Ag, 0.6g/t Au from 645.65 m.

KJCD203 targeted Conductors 2, 3 and 4 in a 105m zone that lies between two previous high grade copper intersections by holes KJCD183 and KJCD195. KJCD203 assays included:

- 28m @ 5.08% Cu, 22.4g/t Ag, 0.22g/t Au from 435 m
- including 14m @ 8.89% Cu, 38.5g/t Ag, 0.38g/t Au from 436 m.

Drill results late in the year and related DHEM surveying pointed to extensive, potentially high grade zones laterally to the east of the deepest intersection by KJCD201, including Conductor 8, the strongest conductor yet discovered at Rockface.

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DIRECTORS REPORT (CONTINUED)

REVIEW OF OPERATIONS (CONTINUED)

Rockface mineralisation continues to the surface

A shallow diamond drilling program at Rockface during the year confirmed that mineralisation continues to the surface. Significant results included:

- 8.2m @ 0.75% Cu, 4g/t Ag and 0.05g/t Au from 0m (Hole KIDO15)
- including 3.3m @ 1.49% Cu, 3.8g/t Ag and 0.09 Au from 1.7m

7.35m @ 1.22% Cu, 2.1g/t Ag and 0.06g/t Au from 0m (Hole KIDO16) including 2.6m @ 2.83% Cu, 3.1g/t Ag and 0.12g/t Au from 0m

- 4.9m @ 1.04% Cu, 10.1g/t Ag and 0.06g/t Au from 0m (Hole KIDO20)
- including 3.5m @ 1.32% Cu, 13.4g/t Ag and 0.04g/t Au from 1.4m.

Rockface test processing

Metallurgical testwork on Rockface mineralisation during the year confirmed good recovery and concentrate grade. Samples of core from holes KJCD171, KJCD182 and KJCD183 were combined and the composite tested. The sample responded well to the flowsheet and reagent scheme developed as part of the prefeasibility study completed in 2015. The grade and recovery for copper were slightly better than expectations providing more than 95% recovery at 25% copper concentrate grade.

Other work at Jervois

A detailed gravity survey in the Jervois project area was completed during the year. The objective was to improve the understanding of the geology and, in combination with the existing drill results, previous geophysical surveys and structural mapping, define new and refine existing drilling targets.

Drilling to upgrade the shallow mineralisation amenable to open pit mining at the Green Parrot prospect confirmed high grade mineralisation. Assays of more than 40% combined copper-lead-zinc-zinc plus high silver were encountered. Significant results included:

- 7m @ 3.15% Cu, 27.24% Pb, 13.01% Zn, 333.1g/t Ag and 0.07g/t Au from 39m (Hole KJCD179)
- 17m @ 1.68% Cu, 10.46% Pb, 4.24% Zn, 169g/t Ag and 0.19g/t Au from 54m (Hole KJC177) including 2m @ 0.57% Cu, 26.53% Pb, 8.36% Zn, 227.3g/t Ag and 0.01g/t Au from 54m, and including 5m @ 3.91% Cu, 20.75% Pb, 9.17% Zn, 358.6g/t Ag and 0.11g/t Au from 58m.

Land access and Aboriginal heritage agreement

Negotiations with the traditional land owners at Jervois and with the Central Land Council concluded during the year, and KGL through subsidiary companies entered into an Indigenous Land Use Agreement (ILUA) to allow the project to proceed. The ILUA is currently with the National Native Title Tribunal where, as part of the registration process, it has been accepted for notification and, in the absence of objection, will be registered after 1 May 2017. An Authority Certificate from the Aboriginal Areas Protection Authority in the Northern Territory has also been issued confirming no aboriginal heritage matters would impact upon the project.

KGL looks forward to continuing to build its relationship with the traditional land owners and their representatives as the project proceeds.

KGL RESOURCES LIMITED AND ITS CONTROLLED ENTITIES
ABN 52 082 658 080

DIRECTORS REPORT (CONTINUED)

REVIEW OF OPERATIONS (CONTINUED)

Continuing exploration at Jervois

With high grade copper mineralisation in the magnetite/chalcopyrite zone responding very well to DHEM surveying, DHEM has become central to KGL's continuing, cost effective exploration. In early March 2017, a two-hole program was commenced at Rockface, to test the new eastern conductors that offer the potential for further high grade mineralisation while extending the strike of the Rockface mineralisation to the east.

Following the completion of the \$2.987 million (before costs) capital raising in mid-March 2017, a further seven-hole drilling program was implemented.

As well as evaluating the potential of the eastern zone, the drilling will be aimed at better defining the extent of mineralisation and infill where required to support a resource update which will be the first since the high grade discoveries at Rockface.

This will enable preliminary work to commence on assessing mining and processing options for Rockface and guide future drilling to further upgrade the Rockface Resource.

Yambah exploration licences

Rock chip and soil sampling confirmed the base metal and gold potential at the Company's 100% owned Yambah exploration licences, 60km north and northeast of Alice Springs. KGL acquired the licences in 2015 because of the similarity of the style and age of the mineralisation to Jervois. The best result was 22.2% Cu, 4.01% Zn and 1.05g/t Au at Yambah's Emily prospect. The Emily and Dawn prospects are interpreted as being on the same mineralised trend, an aeromagnetic lineament with a total strike length of 26km within the tenement and not targeted by previous exploration. Further prospecting, mapping and rock chip sampling are planned.

FINANCIAL REVIEW

For the year ended 31 December 2016, the KGL Group recorded loss after income tax of \$2,262,359 (2015: loss of \$2,430,262).

In August 2016, KGL executed a binding sale agreement to sell Kentor Energy Savo Island tenements for a total cash consideration of AUD\$1. A loss on the sale of \$58,583 has been recorded.

Employee expenses increased in the year to 31 December 2016 to \$1,371,904 (2015 \$1,279,251) due to redundancy payments to several staff including Simon Milroy.

The KGL cash reserve as at 31 December 2016 was \$2,559,519, including \$2,099,580 in cash and cash equivalents and \$459,939 classified as financial assets held to maturity.

CAPITAL RAISINGS / CAPITAL STRUCTURE

On the 28 January 2016, the Company raised \$2,987,778 through a successful rights issue of 31,450,295 share at \$0.095.

On the 20th February 2017, the Company announced a share purchase plan (SPP) for eligible shareholders to raise \$3m. Eligible shareholders can purchase up to \$15,000 KGL shares at a share price of \$0.27. On the 14 March 2017 the Company announced it had received SPP applications for 9,188,161 fully paid ordinary shares raising \$2,480,850.

Summary of shares and options on issue

As at the date of this report there were 182,179,019 ordinary shares on issue, no performance rights.

All options expire the earlier of the expiry date or 30 days after termination of the employee's employment. The option holders have no rights to participate in any share or interest issue of the Company or any other entity under the options.

No Performance rights were granted during the year. On the 24 June 2016, 1,425,000 unlisted options and 425,000 performance rights were cancelled. On 29 December 2016, a further 150,000 unlisted options and 100,000 performance shares were cancelled as they expired without meeting their vesting conditions. On 20th March 2017, the remaining 375,000 performance share were cancelled as they expired without meeting their vesting conditions.

KGL RESOURCES LIMITED AND ITS CONTROLLED ENTITIES
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DIRECTORS REPORT (CONTINUED)

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

During the year KGL sold its stake in the Savo Island tenements for a \$1.

ENVIRONMENTAL REGULATION

The Group's operations in the Northern Territory are subject to significant environmental regulations under both Commonwealth and State legislation. There have been no breaches by KGL and its subsidiaries.

REMUNERATION REPORT (AUDITED)

Remuneration philosophy

The Company's remuneration policy is to ensure that the remuneration package properly reflects the person's duties and responsibilities, with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality Board and executive team.

To assist in achieving these objectives, each year the Board considers a short term incentive (STI) programme which links executive's remuneration to the Group's financial and operational performance through a series of measurable key performance indicators.

Periodically, the Board also approved a long term incentive (LTI) programme for the Chief Executive Officer and selected Senior Executives which aligns executives' long term remuneration with overall group strategy and goals. Only the Chief Executive Officer participated in the LTI program.

Employment agreements are entered into with personnel on the executive team.

Nomination & Remuneration committee

The Nomination and Remuneration Committee is responsible for determining and reviewing compensation arrangements for the directors and executives.

Remuneration structure

In accordance with best practice corporate governance, the structure of non-executive director and executive remuneration is separate and distinct.

Non-executive director remuneration

Objective

The Board seeks to set aggregate remuneration at a level which provides the Company with the ability to attract and retain directors of the highest calibre, whilst incurring a cost which is acceptable to shareholders.

Structure

The Constitution and the ASX Listing Rules specify that the aggregate remuneration of non-executive directors shall be determined from time to time by a general meeting. The current aggregate remuneration so determined is \$500,000. An amount not exceeding \$500,000 is divided between the directors as agreed.

When appropriate the Board considers advice from external consultants as well as the fees paid to non-executive directors of comparable companies when undertaking the annual review process.

Each director receives a fee for being a director of the Company. Directors who are called upon to perform extra services beyond the director's ordinary duties may be paid additional fees for those services.

Non-executive directors are and have been encouraged to hold shares in the Company. KGL considers it good governance for directors to have a stake in the Company on whose Board he or she sits.

KGL RESOURCES LIMITED AND ITS CONTROLLED ENTITIES
ABN 52 082 658 080

DIRECTORS REPORT (CONTINUED)
REMUNERATION REPORT (AUDITED) (CONTINUED)

Executive remuneration

Objective

The Company aims to reward executives with a level and mix of fixed and variable remuneration commensurate with their position and responsibilities within the Company and so as to align the interests of executives with those of shareholders.

Structure

In determining the level and make-up of executive remuneration, the Board may obtain independent advice from external consultants on market levels of remuneration for comparable executive roles. No Remuneration Consultants were engaged in the 2016. It is the Board's policy that employment contracts are entered into with the all senior executives.

Variable remuneration – short and long term incentives

Objective

The primary objectives of STI's are to:

- provide incentives to key individuals to meet their stretched targets.
- provide incentives to the employees to achieve the short term objectives of the Company and improve the performance of the Company; and
- attract persons of experience and ability to employment with the Company.

The primary objectives of LTI's are to:

- to align the long term goals of senior executives with the strategic objectives of the Company;
- provide an incentive to the employees to achieve the long term objectives of the Company and improve the performance of the Company; and
- attract persons of experience and ability to employment with the Company and foster and promote loyalty between the Company and its employees.

Structure

Short term incentives are measured through the achievement of stretched key performance indicators (KPI's) which are agreed with each senior executive annually. These KPI's are based primarily on safety, sustainability, financial management, business development governance and leadership. Under the approved policy STI payments may be up to 15% of the total fixed income (TFI) component of the executive's remuneration package.

All STI payments for senior executives are approved at the discretion of the Board based on the recommendation of the Nomination and Remuneration Committee.

In accordance with the Employee Share Option Plan performance rights have been issued to senior executives. The vesting conditions relate to the achievement of significant project milestones therefore aligning the executives' ability to achieve growth in shareholder value with the executives' remuneration.

A LTI policy has been approved by the Board. This policy will only apply to the Chief Executive Officer and members of the senior executive management team whose role contributes to the medium to long term development of the Company. Under the terms of the approved policy any LTI awards will have a three year rolling vesting period relating to specific Key Performance Criteria.

Long Term Incentive (LTI) awards will be granted annually, at Board discretion. The notional value of the annual LTI will be determined by the Board and can be up to 60% of total fixed income component of the executive's remuneration package.

KGL RESOURCES LIMITED AND ITS CONTROLLED ENTITIES
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DIRECTORS REPORT (CONTINUED)
REMUNERATION REPORT (AUDITED) (CONTINUED)

Long Term incentive performance measures for vesting LTI awards will be based on Key Performance Criteria that reflect progress made towards improvements in the overall development of the Company and Total Shareholder Return. These will include but not limited to growth targets for share price, costs of producing final product, resource or reserve growth, production increases, strengthening corporate statement of financial position and other similar measures.

All Long Term Incentive payments for senior executives are approved at the discretion of the Board based on the recommendation of the Nomination and Remuneration Committee. The Board will retain the right to vary terms and conditions of the LTI policy.

Relationship between remuneration and the Company's performance

The earnings of the consolidated entity for the five years to 31 December 2016 are summarised below:

	2016	2015	2014	2013	2012
	\$	\$	\$	\$	\$
Sales revenue	-	-	-	5,183,763	5,674,133
EBITDA	(2,299,353)	(2,413,004)	3,097,427	(14,901,040)	(77,234,243)
EBIT	(2,290,988)	(2,430,262)	3,006,078	(15,056,518)	(77,417,356)
Profit/(Loss) after income tax	(2,262,359)	(2,430,262)	3,436,689	(14,471,412)	(77,032,994)
Total KMP remuneration	558,490	508,755	731,695	1,025,491	1,024,346

The factors that are considered to affect total shareholders return ('TSR') are summarised below:

	2016	2015	2014	2013	2012*
Share price at financial year end (\$)	\$0.265	\$0.10	\$0.225	\$0.105	\$0.39
Total dividends declared (cents per share)	-	-	-	-	-
Basic earnings per share (cents per share)	(1.33)	(1.72)	2.45	(10.33)	(63.33)

* During this financial year there was a 1:10 share consolidation

Employment contracts

Employment contracts have been entered into by the Group with key management personnel, describing components and amounts of remuneration applicable to their appointment, including terms and performance criteria for performance-related cash bonuses and entitlements to options. These contracts do not fix the amount of remuneration increases from year to year. Remuneration levels are reviewed generally each year by the Nomination & Remuneration Committee to align with changes in job responsibilities and market salary expectations. With exception of the Chief Executive Officer, Simon Milroy, all contracts are for an ongoing period.

KGL RESOURCES LIMITED AND ITS CONTROLLED ENTITIES
ABN 52 082 658 080

DIRECTORS REPORT (CONTINUED)
REMUNERATION REPORT (AUDITED) (CONTINUED)

Simon Milroy – Chief Executive Officer

Mr Milroy's employment agreement with the Company was renewed as of 1 June 2014 and restated as at 24 February 2016. The agreed terms of his employment includes *inter alia*:

- Mr Milroy is engaged to provide services in the capacity of Chief Executive Officer (Mr Milroy resigned as a directors on the 22nd December 2015) at an annual salary of \$300,000, plus statutory superannuation effective from 1 July 2015. This represents an approximate 11% increase in Mr Milroy previous remuneration package. .
- The Board will review in good faith bonuses for significant milestones having regard to the contribution of the employee to achieving such milestones and the then circumstances of the Company.
- A restraint for a period of 6 months after termination not to advise or provide services to a company that competes with the Company and not to solicit any employees of the Group.
- Notice period of 6 months should the Company wish to terminate and 3 months if Mr Milroy wishes to terminate.
- The contract was terminated on the 4 May 2016. The terms of Simon termination provide for a payment of \$274,941 comprising
 - \$150,000 in lieu of notice (six months)
 - \$75,000 statutory redundancy
 - \$45,000 for accrued but untaken long service leave
 - \$1,478 for accrued but untaken annual leave
 - \$3,462 for salary to 5th May 2016.
- Further terms of Mr Milroy release was an agreement to a bar against future proceedings.

Remuneration of non-executive directors

Dennis Wood

By mutual agreement approved by the Board, Mr Denis Wood is engaged to provide services as Chair of the Board, with an annual director's fee of \$47,250 plus \$4,489 superannuation subject to annual review. This was reflective of a 30% reduction in Mr Wood's fees effective from the 1 January 2016.

Brad Ellis (resigned 21 April 2016)

By mutual agreement approved by the Board, Mr Brad Ellis is engaged to provide services as a Non-executive Director with an annual director's fee of \$47,250 plus \$4,489 superannuation subject to annual review. This was reflective of a 30% reduction in Mr Ellis's fees effective from the 1 January 2016.

Christopher Bain

By mutual agreement approved by the Board, Mr Christopher Bain is engaged to provide services as a Non-executive Director with an annual director's fee of \$47,250 plus \$4,489 superannuation subject to annual review. This was reflective of a 30% reduction in Mr Bain fees effective from the 1 January 2016.

Ferdian Purnamasidi (Appointed 26 April 2016)

By mutual agreement approved by the Board, Mr Ferdian Purnamasidi is engaged to provide services as a Non-executive Director with an annual director's fee of \$47,250 plus \$4,489 superannuation subject to annual review.

KGL RESOURCES LIMITED AND ITS CONTROLLED ENTITIES
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DIRECTORS REPORT (CONTINUED)

REMUNERATION REPORT (AUDITED) (CONTINUED)

Remuneration of directors and executives

The directors received the following compensation for their services during the year.

	Short-term benefits				Post-employment benefits #	Share-based payment options	Total	% total performance related
	Cash salary and fees	Cash bonus	Non-monetary benefits	Termination Payments	Superannuation			
Year ended	\$	\$	\$	\$	\$	\$	\$	%
31 Dec 2016								
Directors								
D Wood	47,250	-	-	-	4,489	-	51,739	-
C Bain	47,250	-	-	-	4,489	-	51,739	-
F Purnamasidi*	31,352	-	-	-	2,979	-	34,331	-
B Ellis****	15,750	-	-	-	1,496	-	17,246	-
S Milroy*****	100,000	-	-	274,941	28,494	-	403,435	-
	241,602	-	-	274,941	41,947	-	558,490	-
Year ended	\$	\$	\$	\$	\$	\$	\$	%
31 Dec 2015								
Directors								
D Wood***	28,864	-	-	-	2,742	-	31,606	-
A Daley**	43,555	-	-	-	-	(16,921)	26,634	-
J Taylor****	67,500	-	-	-	6,413	(16,921)	56,992	-
C Bain	84,190	-	-	-	7,998	-	92,188	-
B Ellis	67,500	-	-	-	6,413	-	73,913	-
S Milroy*****	290,190	-	-	-	31,425	(94,193)	227,422	(41.3%)
	581,799	-	-	-	54,991	(128,035)	508,755	-

* Appointed 26 April 2016

** Directors fees were paid to Dalenier Enterprises Pty Ltd, a Company which is controlled by Mr Daley. Resigned 22 May 2015

*** Appointed 28 July 2015

**** Resigned 22 December 2015

***** Resigned 21 April 2016

***** Stepped down from the KGL board 22 December 2015.

***** Resigned 05 May 2016

There are no long service leave nor annual leave entitlements to be included in post-employment benefits for any of the directors and executives as none are entitled.

KGL RESOURCES LIMITED AND ITS CONTROLLED ENTITIES
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DIRECTORS REPORT (CONTINUED)
REMUNERATION REPORT (AUDITED) (CONTINUED)

Cash bonuses

There were no Cash bonuses granted in relation to the 2016 year to Simon Milroy or any of the KMP. Executives in the 2015 year received cash bonus of \$54,517.

Options granted as part of remuneration

No options were granted to key management personnel as compensation during the reporting period.

Equity instruments issued on exercise of remuneration options

There were no equity instruments issued during the period to key management personnel as a result of options exercised that had previously been granted as compensation.

Option holdings of directors & key management personnel

31 December 2016	Opening balance 1 January 2016	Granted as remuneration	Options exercised	Cancelled /Forfeited	Closing balance 31 December 2016	Exercisable at 31 December 2016
Directors						
D Wood	-	-	-	-	-	-
C Bain	-	-	-	-	-	-
B Ellis	-	-	-	-	-	-
S.J. Milroy*	1,400,000	-	-	(1,400,000)	-	-
Total	1,400,000	-	-	(1,400,000)	-	-

*Mr Milroy's options have specific performance hurdles attached to them. One month after Mr Milroy's resignation his options were not exercised and were forfeited.

Shareholdings of directors & key management personnel

31 December 2016	Balance 1 January 2016	Rights Purchases	On Market Purchases	Cancelled / Forfeited	Balance 31 December 2016	Held nominally at 31 December 2016
Ordinary Shares						
Directors						
D Wood	2,542,459	14,182,829	45,723	-	16,771,011	-
C Bain	125,000	27,777	-	-	152,777	-
F Purnamasidi*	-	-	10,000	-	10,000	-
B Ellis	200,000	44,444	-	(244,444)	-	-
S J Milroy**	427,044	93,950	-	(520,994)	-	-
Total	3,294,503	14,349,000	55,723	(765,438)	16,933,788	-

*Opening balance for Ferdian Purnamasidi at appointment

** Not a director as at 31 December 2015.

All equity transactions with directors other than those arising from the exercise of remuneration options have been entered into under terms and conditions no more favourable than those the entity would have adopted if dealing at arm's length.

Other transactions and balances with key management personnel

There were no other transactions with key management personnel (2015: nil). At year end, there were no outstanding amounts receivable from or payable to key management personnel (2015: nil). During the year, Mr Denis Wood provide underwriting services for the rights issue. No fees were paid for these services

This is the end of the audited remuneration report.

KGL RESOURCES LIMITED AND ITS CONTROLLED ENTITIES
ABN 52 082 658 080

DIRECTORS REPORT (CONTINUED)

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

The Company has entered into Deeds of Indemnity with the directors and the company secretary, indemnifying them against certain liabilities and costs to the extent permitted by law.

The Company has also agreed to pay a premium in respect of a contract insuring the directors and officers of the Company. Full details of the cover and premium are not disclosed in this report as the insurance policy prohibits the disclosure.

PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the Company with leave of the Court under section 237 of the *Corporations Act 2001*.

SUBSEQUENT EVENTS

On the 20nd February 2017 KGL announced a Share Purchase Plan to raise \$3m offering eligible shareholders the opportunity to purchase \$15,000 in KGL shares at a share price of \$0.27. On the 14 March 2017 the Company announced it had received SPP applications for 9,188,161 fully paid ordinary shares raising \$2,480,850.

On the 27 March 2017, KGL announced the acquisition of the Unca Creek Exploration Project (EL28082) boarding KGL's own Jervois project for the cash consideration of \$500,000 contingent on the tenement being transferred to KGL by the Northern Territory Government. The funds are being held in escrow until this condition precedent is satisfied. The acquisition is fully funded by the placement of 2,702,702 ordinary shares in the Company at 0.37 cents a share to raise \$1 million. The placement was made to four parties including KGL's major shareholder, KMP Investments.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

The consolidated entity intends to continue its exploration, development and production activities on its existing projects and to acquire further suitable projects for exploration as opportunities arise.

AUDITOR INDEPENDENCE AND NON-AUDIT SERVICES

The auditor's independence declaration is attached to this report.

Non-audit services

BDO provide the Company support around R&D Tax services totally \$20,000, refer note 20.

This report is made in accordance with a resolution of the directors.

On behalf of the Board,



Denis Wood

Chairman

Brisbane

Dated: 30 March 2017

KGL RESOURCES LIMITED AND ITS CONTROLLED ENTITIES
ABN 52 082 658 080

DIRECTORS REPORT (CONTINUED)

Competent Persons Statement

The Jervois Resources information and Exploration Potential were first released to the market on 29 July 2015 and complies with JORC 2012. The company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcement and that all material assumptions and technical parameters underpinning the estimates in the relevant market announcement continue to apply and have not materially changed. The company confirms that the form and context in which the Competent Person's findings are presented have not been materially modified from the original market announcement.

The Jervois Reserves information was first released to the market on 16 October 2015 and complies with JORC 2012. The company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcement and that all material assumptions and technical parameters underpinning the estimates in the relevant market announcement continue to apply and have not materially changed. The company confirms that the form and context in which the Competent Person's findings are presented have not been materially modified from the original market announcement.

The following drill holes were originally reported on the date indicated and using the JORC code specified in the table. Results reported under JORC 2004 have not been updated to comply with JORC 2012 on the basis that the information has not materially changed since it was last reported.

Hole	Date Reported	originally	JORC Under	Reported
KJCD171	22/10/2015		2012	
KJCD182	09/05/2016		2012	
KJCD183	26/04/2016		2012	
KJCD195	02/08/2016		2012	
KJCD197	19/09/2016		2016	
KJCD198	10/11/2016		2012	
KJCD201	09/02/2016		2012	
KJCD203	09/02/2016		2012	
KJCD179	29/03/2016		2012	
KJCD177	29/02/2016		2012	
KJCD016	30/03/2016		2012	
KJCD015	30/03/2016		2012	
KJCD020	30/03/2016		2012	
Yambah	25/01/2017		2012	
KJCD016	30/03/2016		2012	
KJCD020	30/03/2016		2012	
KJCD	30/03/2016		2012	

KGL RESOURCES LIMITED AND ITS CONTROLLED ENTITIES
ABN 52 082 658 080

AUDITOR'S INDEPENDENCE DECLARATION



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GPO Box 457 Brisbane QLD 4001
Australia

DECLARATION OF INDEPENDENCE BY C R JENKINS TO THE DIRECTORS OF KGL RESOURCES LIMITED

As lead auditor of KGL Resources Limited for the year ended 31 December 2016, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of KGL Resources Limited and the entities it controlled during the period.

A handwritten signature in black ink, appearing to read 'C R Jenkins', written over a horizontal line.

C R Jenkins
Director

BDO Audit Pty Ltd

Brisbane, 30 March 2017

DIRECTORS' DECLARATION

1. In the opinion of the directors of KGL Resources Limited:
 - (a) The consolidated financial statements, comprising the statement of profit or loss and other comprehensive income, statement of financial position, statement of changes in equity, statement of cash flows and accompanying notes, are in accordance with the *Corporations Act 2001* and:
 - (i) comply with Accounting Standards and the *Corporations Regulations 2001*; and
 - (ii) give a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance for the year ended on that date.
 - (b) There are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.
2. The directors have been given the declarations required by Section 295A of the *Corporations Act 2001* from the chief executive officer and chief financial officer for the year ended 31 December 2016.
3. The directors draw attention to Note 1 to the consolidated financial statements, which include a statement of compliance with International Financial Reporting Standards.

This declaration is made in accordance with a resolution of the directors.

On behalf of the Board



Denis Wood
Chairman

Brisbane

Dated: 30 March 2017

KGL RESOURCES LIMITED AND ITS CONTROLLED ENTITIES
ABN 52 082 658 080

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2016

		Consolidated	
		2016	2015
	Note	\$	\$
Revenue and other income	2	151,820	285,033
Employee benefits expense	3(b)	(1,371,904)	(1,279,251)
Depreciation and amortisation expense		(8,365)	(17,258)
Professional and consultancy fees expense		(447,820)	(254,251)
Head office facility overheads expense	3(a)	(396,768)	(459,949)
Business development and investor relations expense		(71,349)	(107,251)
Other expenses		(58,824)	(225,124)
Impairment write back / (expense)	3(c)	(566)	(2,000)
Share of net profits of associates accounted for using the equity method	11	-	(2,972)
Loss on sale of tenements	16	(58,583)	-
Loss on the sale of CJSC Kentor	16	-	(367,239)
Loss before income tax		(2,262,359)	(2,430,262)
Income tax benefit	4	-	-
Loss from continuing operations		(2,262,359)	(2,430,262)
Net profit / (loss) for the year		(2,262,359)	(2,430,262)
Other comprehensive income			
<i>Items that will be reclassified to profit and loss</i>			
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year		(2,262,359)	(2,430,262)
Earnings per share for profit / (loss) from attributable to the owners of KGL Resources Limited			
Basic earnings per share (cents per share)	5	(1.33)	(1.72)
Diluted earnings per share (cents per share)	5	(1.33)	(1.72)

This financial statement should be read in conjunction with the accompanying notes.

KGL RESOURCES LIMITED AND ITS CONTROLLED ENTITIES
ABN 52 082 658 080

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2016

		Consolidated	
		2016	2015
		\$	\$
Current assets	Note		
Cash and cash equivalents	17(b)	2,099,580	482,548
Trade and other receivables	6	115,972	82,357
Financial assets held to maturity	7	459,939	902,344
Prepayments		72,110	90,549
Total current assets		<u>2,747,601</u>	<u>1,557,798</u>
Non-current assets			
Financial assets held to maturity	7	137,664	157,381
Property, plant and equipment	8	35,126	80,198
Exploration and evaluation assets	9	27,619,482	28,016,918
Intangible assets	10	604	1,266
Investments in associates accounted for using the equity method	11	-	58,584
Total non-current assets		<u>27,792,877</u>	<u>28,314,347</u>
Total assets		<u>30,540,478</u>	<u>29,872,147</u>
Current liabilities			
Trade and other payables	13	511,343	486,656
Total current liabilities		<u>511,343</u>	<u>486,656</u>
Total liabilities		<u>511,343</u>	<u>486,656</u>
Net assets		<u>30,029,135</u>	<u>29,385,489</u>
Equity			
Contributed equity	14	144,478,912	141,572,907
Reserves	15	3,701,075	3,701,075
Accumulated losses		(118,150,852)	(115,888,493)
Total equity		<u>30,029,135</u>	<u>29,385,489</u>

This financial statement should be read in conjunction with the accompanying notes.

KGL RESOURCES LIMITED AND ITS CONTROLLED ENTITIES
ABN 52 082 658 080

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2016

		Consolidated	
	Note	2016 \$	2015 \$
Cash flows from operating activities			
Receipts in the course of operations		89,574	167,260
Payments to suppliers and employees		(2,470,785)	(2,777,570)
Interest received		28,629	255,302
Net cash used in operating activities	17(a)	<u>(2,352,581)</u>	<u>(2,355,008)</u>
Cash flows from investing activities			
Receipts from R&D refunds		3,063,482	-
Payment for exploration and evaluation assets		(2,432,712)	(5,874,689)
Payment for property, plant and equipment		(29,283)	(39,581)
Payment for intangible assets		-	672
Movement in held to maturity financial assets		462,121	(163,199)
Payment of costs to sell CJSC Kentor		-	(120,969)
Net cash provided by / (used in) investing activities		<u>1,063,608</u>	<u>(6,197,766)</u>
Cash flows from financing activities			
Proceed from issue of shares		2,906,005	-
Loans provided to associates		-	(2,000)
Net cash provided by / (used in) financing activities		<u>2,906,005</u>	<u>(2,000)</u>
Net increase/ (decrease) in cash and cash equivalents		1,617,032	(8,554,774)
Cash and cash equivalents at the beginning of the year		482,548	9,037,322
Cash and cash equivalents at the end of the year	17(b)	<u>2,099,580</u>	<u>482,548</u>

This financial statement should be read in conjunction with the accompanying notes.

KGL RESOURCES LIMITED AND ITS CONTROLLED ENTITIES
ABN 52 052 658 080

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2016

Consolidated	Contributed equity	Accumulated losses	Foreign currency translation reserve	Share- based payments reserve	Total parent equity	Total equity
	\$	\$	\$	\$	\$	\$
Balance at 1 January 2016	141,572,907	(115,888,493)	-	3,701,075	29,385,489	29,385,489
Loss for the year	-	(2,262,359)	-	-	(2,262,359)	(2,262,359)
Other comprehensive income						
Total comprehensive income for the year	-	(2,306,796)	-	-	(2,306,796)	(2,306,796)
Transactions with owners in their capacity as owners						
Issue of share capital (net of costs)	2,906,005	-	-	-	2,906,005	2,906,005
Balance at 31 December 2016	144,478,912	(118,150,852)	-	3,701,075	30,029,135	30,029,135

KGL RESOURCES LIMITED AND ITS CONTROLLED ENTITIES
ABN 52 052 658 080

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2015

Consolidated	Contributed equity	Accumulated losses	Foreign currency translation reserve	Share- based payments reserve	Farm in reserve	Total parent equity	Total equity
	\$	\$	\$	\$	\$	\$	\$
Balance at 1 January 2015	141,577,527	(113,470,577)	(201,180)	3,850,110	213,525	31,969,405	31,969,405
Loss for the year	-	(2,430,262)	-	-	-	(2,430,262)	(2,430,262)
Transfer from							
Other comprehensive income							
Cumulative exchange gain reclassified from foreign exchange reserve to profit and loss	-	(201,180)	201,180	-	-	-	-
Foreign currency translation	-	-	-	-	-	-	-
Total other comprehensive income	-	-	-	-	-	-	-
Total comprehensive income for the year	-	(2,631,442)	201,180	-	-	(2,430,262)	(2,430,262)
Transactions with owners in their capacity as owners							
Share issue costs	(4,620)	-	-	-	-	(4,620)	(4,620)
Share-based payments	-	-	-	(149,035)	-	(149,035)	(149,035)
Transfer farm in reserve to accumulated losses on sale of interest	-	213,525	-	-	(213,525)	-	-
Balance at 31 December 2015	141,572,907	(115,888,493)	-	3,701,075	-	29,385,489	29,385,489

This financial statement should be read in conjunction with the accompanying notes.

KGL RESOURCES LIMITED AND ITS CONTROLLED ENTITIES
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NOTES TO THE FINANCIAL STATEMENTS
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KGL RESOURCES LIMITED AND ITS CONTROLLED ENTITIES

ABN 52 082 658 080

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

KGL Resources Limited is a listed public company, limited by shares, incorporated and domiciled in Australia.

The financial statements cover the consolidated entity, KGL Resources Limited, and its subsidiaries. Separate financial statements for KGL Resources Limited as an individual entity have not been presented. The registered office and principal place of business is Level 7, 167 Eagle Street, Brisbane, Queensland, 4000, Australia. However, limited financial information for KGL Resources Limited as an individual entity is included in Note 28.

The financial statements were authorised for issue in accordance with a resolution of the directors on 30 March 2017.

1. Summary of significant accounting policies

Statement of compliance

The financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. KGL Resources Limited is a for-profit entity for the purpose of preparing the financial statements.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in financial statements containing relevant and reliable information about transactions, events and conditions. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards as issued by the IASB. Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless otherwise stated.

Basis of preparation

The financial statements have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities. The financial statements are presented in Australian dollars. The following significant accounting policies have been adopted in the preparation and presentation of the financial statements:

(a) Adoption of new and revised Accounting Standards

In the current period, the Group has adopted all the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for annual reporting periods beginning on or after 1 January 2016. The adoption of these new and revised Standards and Interpretations has resulted in no changes to the Group's financial results.

(b) New and amended Accounting Standards and Interpretations not yet adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Group for the annual reporting period ended 31 December 2016. The Group's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the Group, are set out below.

AASB 9 Financial Instruments and its consequential amendments

This standard and its consequential amendments are applicable to annual reporting periods beginning on or after 1 January 2018 and completes phases I and III of the IASB's project to replace IAS 39 (AASB 139) 'Financial Instruments: Recognition and Measurement'. This standard introduces new classification and measurement models for financial assets, using a single approach to determine whether a financial asset is measured at amortised cost or fair value. The accounting for financial liabilities continues to be classified and measured in accordance with AASB 139, with one exception, being that the portion of a change of fair value relating to the entity's own credit risk is to be presented in other comprehensive income unless it would create an accounting mismatch. Chapter 6 'Hedge Accounting' supersedes the general hedge accounting requirements in AASB 139 and provides a new simpler approach to hedge accounting that is

KGL RESOURCES LIMITED AND ITS CONTROLLED ENTITIES
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

1. Summary of significant accounting policies (continued)

(b) New and amended Accounting Standards and Interpretations not yet adopted (continued)

intended to more closely align with risk management activities undertaken by entities when hedging financial and non-financial risks. The consolidated entity will adopt this standard and the amendments from 1 January 2018 but the impact of its adoption is yet to be assessed by the consolidated entity.

AASB 16 Leases

AASB 16 is effective for Annual reporting periods beginning on or after 1 January 2019. AASB 16 eliminates the operating and finance lease classifications for lessees currently accounted for under AASB 117 Leases. It instead requires an entity to bring most leases onto its balance sheet in a similar way to how existing finance leases are treated under AASB 117. An entity will be required to recognise a lease liability and a right of use asset in its balance sheet for most leases. There are some optional exemptions for leases with a period of 12 months or less and for low value leases. Lessor accounting remains largely unchanged from AASB 117. The company will adopt this standard from 1 January 2019 onwards, but the impact of its adoption is yet to be accessed by the consolidated entity.

(c) Basis of consolidation

Subsidiaries

The consolidated financial statements comprise the financial statements of KGL Resources Limited and its subsidiaries ("the group"). Subsidiaries are entities (including structured entities) over which the group has control. The group has control over an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity, and has the ability to use its power to affect those returns. Subsidiaries are consolidated from the date on which control is transferred to the group and are deconsolidated from the date that control ceases.

All intercompany balances and transactions, including unrealised profits arising from intragroup transactions have been eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the statement of profit or loss and other comprehensive income and statement of financial position respectively. Total comprehensive income is attributable to owners of KGL Resources Limited and non-controlling interests even if this results in the non-controlling interests having a debit balance.

Associates

Associates are entities over which the Group has significant influence but not control or joint control. Associates are accounted for in the parent entity financial statements at cost and the consolidated financial statements using the equity method of accounting. Under the equity method of accounting, the group's share of post-acquisition profits or losses of associates is recognised in consolidated profit or loss and the group's share of post-acquisition other comprehensive income of associates is recognised in consolidated other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Dividends received from associates are recognised in the parent entity's profit or loss, while they reduce the carrying amount of the investment in the consolidated financial statements.

Associates (continued)

When the Group's share of post-acquisition losses in an associate exceeds its interest in the associate (including any unsecured long-term receivables), the Group does not recognise further losses unless it has obligations to, or has made payments, on behalf of the associate.

The financial statements of the associates are used to apply the equity method. The end of the reporting period of the associates and the parent are identical and both use consistent accounting policies.

Joint Arrangements

Joint arrangements are arrangements in which one or more parties have joint control (the contractual sharing of control of an arrangement where decisions about relevant activities require unanimous consent of the parties sharing control).

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

1. Summary of significant accounting policies (continued)

(c) Basis of consolidation (continued)

Joint Operations

KGL Resources Limited has entered into joint arrangements which are classified as joint operations because the parties to the joint arrangements have rights to the assets and obligations for the liabilities, rather than to the net assets, of the joint arrangements. KGL Resources Limited will recognise its direct right to, as well as its share of jointly held, assets, liabilities, revenues and expenses of joint operations and will be included in the financial statements under the appropriate headings.

Joint Ventures

Interests in joint ventures are accounted for in the consolidated financial statements using the equity method and in the parent entity financial statements at cost. Under the equity method of accounting, the group's share of profits or losses of joint ventures are recognised in consolidated profit or loss and the group's share of the movements in other comprehensive income of joint ventures are recognised in consolidated other comprehensive income. The cumulative movements are adjusted against the carrying amount of the investment.

(d) Business combinations

Business combinations occur where an acquirer obtains control over one or more businesses.

A business combination is accounted for by applying the acquisition method, unless it is a combination involving entities or businesses under common control. These business combinations will be accounted for from the date that control is attained, whereby the fair value of the identifiable assets acquired and liabilities (including contingent liabilities) assumed are recognised (subject to certain limited exemptions).

When measuring the consideration transferred in the business combination, any asset or liability resulting from a contingent consideration arrangement is also included. Subsequent to initial recognition, contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability is remeasured each reporting period to fair value, recognising any change to fair value in profit or loss, unless the change in value can be identified as existing at acquisition date.

All transaction costs incurred in relation to the business combination are expensed to the profit or loss.

The acquisition of a business may result in the recognition of goodwill or a gain from a bargain purchase price.

(e) Revenue and other income

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Sales revenue

Fine gold metal and fine silver metal revenue is measured at the fair value of the consideration received and receivable at the prevailing spot price. Revenue is recognised when the significant risks and rewards of ownership have passed to the buyer and can be reliably measured.

KGL RESOURCES LIMITED AND ITS CONTROLLED ENTITIES
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

1. Summary of significant accounting policies (continued)

(e) Revenue and other income (continued)

Interest

Interest revenue is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Other income

Other revenue is recognised at the completion of the transaction when the Company's right to receive payment has been established.

All revenue is stated net of the amount of goods and services tax (GST).

(f) Income tax

The income tax expense (income) for the year comprises current income tax expense (income) and deferred tax expense (income).

Current income tax expense charged to profit or loss is the tax payable on taxable income. Current tax liabilities (assets) are measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well unused tax losses.

Current and deferred income tax expense (income) is charged or credited outside profit or loss when the tax relates to items that are recognised outside profit or loss.

Except for business combinations, no deferred income tax is recognised from the initial recognition of an asset or liability where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled and their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Where temporary differences exist in relation to investments in subsidiaries, branches, associates and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

Current tax assets and liabilities are offset where a legally enforceable right to set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where: (a) a legally enforceable right of set-off exists; and (b) the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

The Group has not adopted the tax consolidation legislation.

(g) Share-based payments

Equity settled share-based payments with employees and directors are measured at the fair value of the equity instrument at the grant date. Fair value is measured by use of a binomial model and/or monte carlo simulation. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations. The fair value determined at the grant date of the share-based payments is expensed on a straight line basis over the vesting period with a corresponding increase in equity.

KGL RESOURCES LIMITED AND ITS CONTROLLED ENTITIES
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

1. Summary of significant accounting policies (continued)

(g) Share-based payments (continued)

No expense is recognised for awards that do not ultimately vest because internal conditions were not met. An expense is still recognised for options that do not ultimately vest because a market condition was not met. Where options are cancelled, they are treated as if it had vested on the date of cancellation and any unrecognised expenses are taken immediately to profit or loss. However, if new options are substituted for the cancelled options and designated as a replacement on grant date, the combined impact of the cancellation and replacement option are treated as if they were a modification.

Equity settled share-based payment transactions with other parties are measured at fair value of the goods and services received, except where the 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 goods or services were obtained.

(h) Goods and services tax (GST) and value added tax (VAT)

Revenues, expenses and assets are recognised net of the amount of GST and VAT except:

- where the GST and VAT incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST and VAT is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables are stated with the amount of GST and VAT included.

The net amount of GST and VAT recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Cash flows are included in the statement of cashflows on a gross basis and the GST and VAT component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority, are classified as operating cash flows. Commitments and contingencies are disclosed net of the amount of GST and VAT recoverable from, or payable to, the taxation authority.

(i) Foreign currency

Functional and presentation currency

The functional currency of each of the Group's entities is the currency of the primary economic environment in which that entity operates. The subsidiaries domiciled in the Kyrgyz Republic have Soms as their functional currency. The majority of transactions in the subsidiaries are transacted in the Kyrgyz Som. The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency.

Transactions and balances

All foreign currency transactions during the financial year are brought to account using the exchange rate in effect at the date of the transaction. Foreign currency monetary items at reporting date are translated at the exchange rate existing at reporting date. Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined.

Exchange differences arising on the translation of monetary items are recognised in profit or loss, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognised directly in other comprehensive income to the extent that the underlying gain or loss is recognised in other comprehensive income; otherwise the exchange difference is recognised in profit or loss.

Foreign operations

On consolidation, the assets and liabilities of the Group's overseas operations are translated at exchange rates prevailing at the reporting date. Income and expense items are translated at the average exchange rates for the period unless exchange rates fluctuate significantly. Exchange differences arising, if any, are recognised in the foreign currency translation reserve, and recognised in profit or loss on disposal of the foreign operation.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

1. Summary of significant accounting policies (continued)

(j) Cash and cash equivalents

For the purposes of the statement of cash flows, cash includes cash on hand and in banks, and money market investments readily converted to cash, net of outstanding bank overdrafts.

(k) Financial assets and liabilities

Initial recognition and measurement

Financial assets and liabilities are recognised when the entity becomes party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the Group commits itself to either the purchase or sale of the asset (i.e. trade date accounting is adopted).

Financial assets and liabilities are measured at fair value plus transaction costs, except where the instrument is classified 'at fair value through profit or loss', in which case transaction costs are expensed to profit or loss immediately.

Classification and subsequent measurement

Financial assets and liabilities are subsequently measured at fair value, amortised cost using the effective interest method, or cost.

Amortised cost is the amount at which the financial asset or financial liability is measured at initial recognition less principal repayments and any reduction for impairment and adjusted for any cumulative amortisation of the difference between the initial amount and the maturity amount calculated using the effective interest method.

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

The effective interest method is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying value with a consequential recognition of an income or expense item in profit or loss.

The Group does not designate any interests in subsidiaries, associates or joint venture entities as being subject to the requirements of Accounting Standards specifically applicable to financial instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost. Loans and receivables are included in current assets, where they are expected to mature within 12 months.

Financial liabilities

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost.

Impairment

At the end of each reporting period, the Group assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale equity instruments, a significant or prolonged decline in the value of the instrument below its cost is considered to determine whether an impairment has arisen. Impairment losses are recognised in profit or loss. Also, any cumulative decline in fair value previously recognised in other comprehensive income is reclassified to profit or loss at this point.

KGL RESOURCES LIMITED AND ITS CONTROLLED ENTITIES
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

1. Summary of significant accounting policies (continued)

(k) Financial assets and liabilities (continued)

Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expire or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where their related obligations are discharged, cancelled or expired. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

(l) Exploration and evaluation assets

The Group applies AASB 6 *Exploration For and Evaluation of Mineral Resources*. Exploration and evaluation expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are only carried forward to the extent that they are expected to be recouped through the successful development of the area or where activities in the area have not yet reached a stage which permits reasonable assessment of the existence of economically recoverable reserves.

Accumulated costs in relation to an abandoned area are written off in full against operating results in the year in which the decision to abandon the area is made.

When production commences, the accumulated costs for the relevant area of interest are transferred to mine development and amortised over the life of the area according to the rate of depletion of the economically recoverable reserves. A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

Where incidental income and other R&D grants are received that relate to capitalised exploration and evaluation expenditure, these amounts are offset against the amounts capitalised.

(m) Impairment of non-financial assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Goodwill, intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually and whenever there is an indication that the asset may be impaired. An impairment of goodwill is not subsequently reversed.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease.

(m) Impairment of non-financial assets (continued)

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the reversal of the impairment loss is treated as a revaluation increase.

KGL RESOURCES LIMITED AND ITS CONTROLLED ENTITIES
ABN 52 082 658 080

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

1. Summary of significant accounting policies (continued)

(n) Property, plant and equipment

Each class of property, plant and equipment is carried at cost less, where applicable, any accumulated depreciation and accumulated impairment losses. The carrying amount of property, plant and equipment is reviewed to ensure it is not in excess of the recoverable amount from these assets.

The depreciable amount of all fixed assets, excluding freehold land, is depreciated on a straight line or declining balance basis to allocate their cost, net of their residual values, over their estimated useful lives to the Group commencing from the time the asset is held ready for use, as follows:

Plant and equipment	3-10 years
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The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

(o) Intangible assets

Software

Items of computer software which are not integral to the computer hardware owned by the Group are classified as intangible assets with a finite life. Computer software is amortised on a straight line basis over the expected useful life of the software being 3 years.

(p) Leases

Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement so as to reflect the risks and benefits incidental to ownership.

Operating Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

The minimum lease payments of operating leases, where the lessor effectively retains substantially all of the risks and benefits of ownership of the leased item, are recognised as an expense on a straight line basis. Contingent rentals are recognised as an expense in the financial year in which they are incurred.

Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the lease term.

(q) Payables

Trade payables and other accounts payable are recognised when the Group becomes obliged to make future payments resulting from the purchase of goods and services.

(r) Issued capital

Issued and paid up capital is recognised at the fair value of the consideration received by the Group.

Transaction costs arising on the issue of equity instruments are recognised directly in equity as a reduction of the proceeds of the equity instruments to which the costs relate. Transaction costs are the costs that are incurred directly in connection with the issue of those equity instruments and which would not have been incurred had those instruments not been issued.

KGL RESOURCES LIMITED AND ITS CONTROLLED ENTITIES
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

1. Summary of significant accounting policies (continued)

(s) Employee benefits

Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave when it is probable that settlement will be required and they are capable of being measured reliably.

Provisions made in respect of employee benefits expected to be settled within 12 months, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Provisions made in respect of employee benefits which are not expected to be settled within 12 months are measured as the present value of the estimated future cash outflows to be made by the Group in respect of services provided by employees up to reporting date.

(t) Fair Values

Fair values may be used for financial asset and liability measurement as well as for sundry disclosures.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It is based on the presumption that the transaction takes place either in the principal market for the asset or liability or, in the absence of a principal market, in the most advantageous market. The principal or most advantageous market must be accessible to, or by, the group.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their best economic interest.

The fair value measurement of a non-financial asset takes into account the market participant's ability to generate economic benefits by using the asset at its highest and best use or by selling it to another market participant that would use the asset at its highest and best use.

In measuring fair value, the group uses valuation techniques that maximise the use of observable inputs and minimise the use of unobservable inputs.

(u) Earnings per share ("EPS")

Basic EPS is calculated as net profit attributable to members, adjusted to exclude costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted EPS is calculated as net profit attributable to members, adjusted for:

- Costs of servicing equity (other than dividends) and preference share dividends;
- The after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- Other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares.

divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

(v) Significant accounting judgements, estimates and assumptions

The carrying amount of certain assets and liabilities are often determined based on estimates and assumptions of future events. The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of certain assets and liabilities made within the next annual reporting period are:

Going Concern

The Directors believe it is appropriate to prepare the consolidated financial report on a going concern basis, which contemplates realisation of assets and settlement of liabilities in the normal course of business. As disclosed in the financial report, the consolidated entity achieved a net loss of \$2,262,359 and net operating cashflows of (\$2,352,581) for the period to 31st December 2016. As at 31 December 2016, the Group had cash and cash equivalents of \$2,099,580.

On the 14 March 2017 the Company announced it had received SPP applications for 9,188,161 fully paid ordinary shares raising \$2,480,850.

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NOTES TO THE FINANCIAL STATEMENTS
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1. Summary of significant accounting policies (continued)

(w) Significant accounting judgements, estimates and assumptions (continued)

During 2016, the Group has taken action to reduce corporate overheads and align exploration activities with available cash reserves to ensure that the company has funding for at least the next twelve months. The directors believe it is appropriate to prepare the consolidated financial report on a going concern basis as, and in the opinion of the Directors, the Group has adequate plans in place to meet its minimum administrative, evaluation and development expenditures for at least twelve months from the date of this report.

Exploration and Evaluation

The directors determine when an area of interest should be abandoned. When a decision is made that an area of interest is not commercially viable, all costs that have been capitalised in respect of that area of interest are written off. The directors' decisions are made after considering the likelihood of finding commercially viable outcomes balanced with acceptable political and environmental assessments. The directors have not decided to abandon any of the tenement held.

Loss of control of Kentor Energy

On the 1 January 2014 KGL lost control of Kentor Energy a 100% owned subsidiary. The loss of control arose from entering into a Farm In Agreement with Geodynamics over the exploration of tenements held by this entity. Subsequent to entering into the agreement 25% interest in the operations was issued to Kentor Energy leaving KGL with a 75% interest.

As a result of the loss of control on 1 January 2014 Kentor Energy was deconsolidated and a loss has been recognised (refer to note 11) in the profit or loss. The investment recognised as this date has been recognised at cost as the Directors have determined that this represents the fair value of the investment at that point in time.

Subsequent to 1 January 2014 KGL Resources Limited's investment in Kentor Energy has been equity accounted for.

On 24 August 2016 the Company entered into an agreement to sell its 75% Participating Interest in the Savo Island Prospecting Licence (PL-01/12) for a sale price of \$1. Upon completion of the sale KGL Resources Limited will have no further interest in or liability for the tenement.

(x) Comparative Figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

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	Notes	Consolidated	
		2016	2015
		\$	\$
2. Revenue and Other Income			
Revenue and other income from continuing operations			
Other revenue			
Leasing income		119,191	173,909
Interest		28,629	111,124
Total other revenue		<u>147,820</u>	<u>285,033</u>
Other income			
Profit on sale of assets		4,000	-
Total other income		<u>4,000</u>	-
Total revenue and other income from continuing operations		<u>151,820</u>	285,033
Total revenue and other income		<u>151,820</u>	<u>285,033</u>
		2016	2015
		\$	\$
3. Expenses			
Loss before income tax from continuing operations includes the following specific expenses:			
(a) Head office facilities overheads expense			
Rental expense – minimum lease payments		132,558	197,391
Other expenses		264,210	262,558
		<u>396,768</u>	<u>459,949</u>
(b) Employee benefits			
Salaries, wages, and related costs (including executive directors)		1,270,611	1,306,656
Non cash share-based payments		-	(149,035)
Superannuation contributions (defined contribution)		101,293	121,630
		<u>1,371,904</u>	<u>1,279,251</u>
(c) Impairment (write back) / expense			
Exploration and evaluation assets		-	-
Receivables		(566)	(2,000)
		<u>(566)</u>	<u>(2,000)</u>

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Consolidated

4. Income Tax

(a) **The components of tax expenses comprise**

	2016	2015
	\$	\$
Deferred tax arising from origination and reversal of temporary differences	-	-
Total income tax expense in profit and loss	<u>-</u>	<u>-</u>

(b) **Reconciliation**

Profit / (loss) from continuing operations before income tax	<u>(2,262,359)</u>	<u>(2,430,262)</u>
Income tax expense/ (benefit) calculated at 30% (2015: 30%)	(678,708)	(773,789)
Effect of expenses that are not deductible in determining taxable profit or loss	17,575	110,172
Deferred tax assets arising from temporary differences not recognised	661,133	663,617
Total income tax benefit in profit and loss	<u>-</u>	<u>-</u>

(c) **Unrecognised deferred tax assets**

Prior year tax losses brought forward	78,659,695	75,850,933
Prior year losses utilised – loan forgiveness		-
Losses recognised	(298,352)	(6,243,161)
Current year tax losses	4,968,907	8,455,219
Unrecognised tax losses	<u>83,330,250</u>	<u>78,062,991</u>
Prior year tax losses recognised	(298,352)	6,243,159
Deferred tax assets not taken up	<u>24,999,075</u>	<u>23,418,897</u>

This future income tax benefit will only be obtained if:

- (i) future assessable income is derived of a nature and of an amount sufficient to enable the benefit to be realised;
- (ii) the conditions for deductibility imposed by tax legislation continue to be complied with; and
- (iii) no changes in tax legislation adversely affect the Group in realising the benefit.

Consolidated

(d) **Recognised net deferred tax assets**

	2016	2015
	\$	\$
<i>Deferred tax liabilities</i>		
Exploration and prospecting	(8,285,845)	(8,405,075)
Foreign exchange		-
	<u>(8,285,845)</u>	<u>(8,405,075)</u>
<i>Deferred tax assets</i>		
Tax losses	8,256,520	8,346,025
Business related costs		-
Provisions/accruals	29,325	59,050
	<u>8,285,845</u>	<u>8,405,075</u>
Net deferred tax asset recognised	<u>-</u>	<u>-</u>

(e) There are no franking credits available.

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	Consolidated	
	2016	2015
	\$	\$
5. Earnings per share		
Profit /(loss) attributable to the owners of KGL Resources Limited:		
Profit /(loss) from continuing operations	<u>(2,262,359)</u>	<u>(2,430,262)</u>
	<u>(2,262,359)</u>	<u>(2,430,262)</u>
	Cents	Cents
	per/share	per/share
Basic profit / (loss) per share (cents per share) for continuing operations	<u>(1.33)</u>	<u>(1.72)</u>
	<u>(1.33)</u>	<u>(1.72)</u>
Diluted profit / (loss) per share (cents per share) for continuing operations	<u>(1.33)</u>	<u>(1.72)</u>
	<u>(1.33)</u>	<u>(1.72)</u>
	# Shares	# Shares
Weighted average number of ordinary shares used in the calculation of basic profit/(loss) per share	170,091,106	141,398,097
Adjustments for calculation of diluted earnings per share:		
Options over ordinary shares, options are anti-dilutive as loss making	-	-
Weighted average number of ordinary shares used in the calculation of diluted profit/(loss) per share	<u>170,091,106</u>	<u>141,398,097</u>

At 31 December 2016, the Company had on issue 375,000 options (2015 2,475,000 options) over unissued shares and has incurred a net profit. As at 31 December 2016 these options were anti-dilutive and therefore, the diluted loss per share is the same as the basic loss per share.

	Consolidated	
	2016	2015
	\$	\$
6. Trade and other receivables – current		
GST receivable (net)	99,461	61,189
Other receivables	16,511	21,168
	<u>115,972</u>	<u>82,357</u>

- (i) Other receivables are non-interest bearing and have repayment terms between eight and ninety days.
(ii) No receivables are past due or impaired at year end.

	Consolidated	
	2016	2015
	\$	\$
7. Financial assets held to maturity		
<i>Current</i>		
Term Deposits	459,939	902,344
	<u>459,939</u>	<u>902,344</u>
<i>Non-current</i>		
Term Deposits	137,664	157,381
	<u>137,664</u>	<u>157,381</u>

Rolling one year interest bearing term deposits to support environmental bank guarantees with the department of mines and other guarantees. Guarantees of \$137,664 (2015: \$282,557) have been provided to the Department of Mines and other suppliers.

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8. Property, plant and equipment

	Consolidated	
	2016	2015
	\$	\$
Cost	555,649	659,309
Accumulated depreciation, amortisation and impairment	(520,523)	(579,111)
Net carrying amount	<u>35,126</u>	<u>80,198</u>
At 1 January, net of accumulated depreciation	80,198	129,194
Additions	29,283	37,908
Depreciation and amortisation	(67,844)	(86,904)
Disposals	(6,511)	-
At 31 December, net of accumulated depreciation	<u>35,126</u>	<u>80,198</u>

9. Exploration and evaluation assets

	Consolidated	
	2016	2015
	\$	\$
Deferred exploration and evaluation assets	<u>27,619,482</u>	28,016,918
<i>Deferred exploration and evaluation assets</i>		
Balance at beginning of the year	28,016,918	22,426,604
Current year expenditure	2,666,047	5,590,314
R&D Tax Credit	(3,063,482)	-
Balance at end of the year	<u>27,619,483</u>	<u>28,016,918</u>

Ultimate recovery of the exploration and evaluation assets is dependent upon successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

10. Intangible assets

	Consolidated	
	2016	2015
	\$	\$
Software at cost	300,827	300,827
Accumulated amortisation and impairment	(300,223)	(299,561)
Net carrying amount	<u>604</u>	<u>1,266</u>
At 1 January, net of accumulated depreciation	1,266	6,740
Additions	-	-
Amortisation	(662)	(5,474)
At 31 December, net of accumulated depreciation	<u>604</u>	<u>1,266</u>

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11. Investments in associates accounted for using the equity method

	Consolidated	
	31 Dec 2016	31 Dec 2015
	\$	\$
Investment in Kentor Energy	-	58,584
	-	58,584

Kentor Energy Pty Ltd

On the 1 January 2014 KGL lost control of Kentor Energy a 100% owned subsidiary. The loss of control arose from entering into a Farm In Agreement with Geodynamics over the exploration of tenements held by this entity. Subsequent to entering into the agreement 25% interest in the operations was issued to Kentor Energy leaving KGL with a 75% interest. As a result of entering into a Farm In Agreement, the Company no longer has under its control relevant activities of Kentor Energy.

As a result of the loss of control on 1 January 2014 Kentor Energy was deconsolidated and a loss has been recognised (refer to note 5) in the profit or loss. The investment recognised as this date has been recognised at cost as the Directors have determined that this represents the fair value of the investment at that point in time.

Subsequent to 1 January 2014 KGL Resources Limited's investment in Kentor Energy has been equity accounted for.

On 24 August 2016 the Company entered into an agreement to sell its 75% Participating Interest in the Savo Island Prospecting Licence (PL-01/12) for a sale price of \$1. Upon completion of the sale KGL Resources Limited will have no further interest in or liability for the tenement.

Set out below are the associates of the group as at 31 December. The entities listed below have share capital consisting solely of ordinary shares, which are held directly by the group. The country of incorporation or registration is also their principal place of business, and the proportion of ownership interest is the same as the proportion of voting rights held.

Name of entity	Place of business / country of incorporation	% of Ownership Interest		Nature of relationship	Measurement method	Carrying Amount	
		2016 %	2015 %			2016 \$	2015 \$
Kentor Energy	Savo Island	0	75	Associate	Equity method	-	58,584
Total equity accounted investments						-	58,584

This is a private entity and therefore no quoted price is available to determine a quoted fair value.

Individually immaterial joint operations

In addition to the interests in joint operations disclosed above, the group also has interests in an individually immaterial associate that is accounted for using the equity method.

	2016	2015
	\$	\$
Aggregate carrying amount of individually immaterial joint operations	-	58,584
Aggregate amounts of the group's share of:		
Profit/(loss) for the period	-	(2,972)
Total comprehensive income	-	(2,972)

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12. Subsidiaries

Interests in subsidiaries

Information relating to the group's interests in principal subsidiaries at 31 December 2015 is set out below.

(i) Details of investment in domestic controlled entities are:

Name	Country of Incorporation	2016 % Held	2015 % Held
Dunmarra Uranium Ltd	Australia	-	-*
Kentor Energy Pty Ltd	Australia	100	-**
Jinka Minerals Ltd	Australia	100	100
Kentor Minerals (Aust) Pty Ltd	Australia	100	100
Kentor Minerals (NT) Pty Ltd	Australia	100	100
Kentor Minerals (WA) Pty Ltd	Australia	100	100

* Deregistered 30/09/2015.

** Accounted as a joint venture entity in 2015.

Different reporting dates

Jinka Minerals Ltd has a reporting date of 30 June 2016. This entity is an unlisted public company and had this reporting date when it was acquired in 2011. The reporting date has not been changed to coincide with the remainder of the group since acquisition.

13. Trade and other payables – current	2016 \$	2015 \$
Unsecured trade payables	168,589	268,114
Employee benefits	342,754	218,542
	511,343	486,656

- (i) Trade payables are non-interest bearing and are usually settled on 30 day terms.
- (ii) Contractual cashflows from trade and other payables approximate their carrying value.

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14. Contributed equity

31 Dec 2016 31 Dec 2015

(a) Issued and paid up capital

Ordinary shares fully paid

144,478,912 141,572,907

(b) Movements in shares on issue

Details	2016		2015	
	Number of shares issued	Issued capital \$	Number of shares issued	Issued capital \$
Beginning of the financial year	141,540,563	141,572,907	140,240,563	141,577,527
Exercise of options	-	-	1,300,000	-
Rights Issue	31,450,295	2,987,778		
Share issue Costs	-	(81,773)	-	(4,620)
Closing balance	172,990,858	144,478,912	141,540,563	141,572,907

(c) Terms and conditions of issued capital

Ordinary shares

Ordinary shares have the right to receive dividends as declared and, in the event of winding up of the Company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held. Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the Company.

Ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

(d) Share options

Options over ordinary shares

At the end of the financial year, there were 375,000 (31 December 2015: 2,475,000) unissued ordinary shares in respect of which the following options were outstanding.

The following summarises the unlisted employee options on issue at the end of the year.

<i>Expiry date</i>	<i>Number</i>	<i>Exercise price \$</i>
<i>Performance rights</i>		
24 February 2017	375,000	Nil
TOTAL OPTIONS GRANTED	375,000	

15. Reserves

Foreign currency translation reserve

The foreign currency translation reserve is used to record exchange differences arising on translation of the foreign controlled entities.

Share based payments reserve

The share-based payments reserve is used to recognise the fair value of options issued to employees or service providers.

Farm in reserve

The farm in reserve records the contributions made to CJSC Kentor by Robust Resources Limited up to the date control was lost.

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16. Disposal of the tenements

Consolidated

	2016	2015
	\$	\$
KGL Resources Limited disposed of the assets and liabilities of Kentor Energy on 24 August 2016.		
Non-controlling interest in:		
Cash consideration	1	-
Net cash consideration	<u>1</u>	<u>-</u>
Represented by:		
Investment in Kentor Energy (Equity Accounted)	58,584	58,584
Net assets	-	-
Loss on sale of Kentor Energy	<u>58,583</u>	<u>-</u>

KGL Resources Limited disposed of the assets and liabilities of CJSC Kentor on 21st December 2015.

Non-controlling Interest in:

Cash consideration	-	1
Disposal costs paid at 31 Dec 2015	-	(120,970)
Net Cash Consideration at 31 Dec 2015	<u>-</u>	<u>(120,969)</u>
Disposal Costs Payable at 31 Dec 2015	-	-
Net Cash Consideration	-	(120,969)
Represented By :		
Investment in CJSC Kentor	-	246,270
Net assets	-	246,270
Loss on sale of CJSC Kentor	<u>-</u>	<u>(367,239)</u>

17. Notes to the statement of cash flows

Consolidated

(a) Reconciliation of loss after tax to net cash flows from operations	2016	2015
	\$	\$
Net profit/(loss) for the year	(2,262,359)	(2,430,262)
<i>Non cash flows in operating result</i>		
Loss on sale of tenements	58,583	-
Depreciation and amortisation expense	68,506	17,258
Loss on sale of fixed assets	6,511	(149,035)
Loss on sale of CJSC Kentor	-	367,239
Share of equity accounted profit	-	2,972
Impaired Receivables	-	2,000
<i>Change in operating assets and liabilities</i>		
Share Capital – Capital raising costs	-	(4,620)
(Increase)/Decrease in receivables	(33,616)	167,129
(Increase)/Decrease in inventory	-	-
(Increase)/Decrease in prepayments	18,441	17,358
Increase/(Decrease) in payables	(208,648)	(345,046)
	<u>(2,352,582)</u>	<u>(2,355,008)</u>

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17. Notes to the statement of cash flows (Continued)

	Consolidated	
	2016	2015
	\$	\$
(b) Cash on hand and at call	2,099,580	482,548
Term deposits	-	-
	2,099,580	482,548

(c) **Facilities with banks**

There are no facilities at balance date (2015: Nil).

(d) **Non-cash financing and investing activities**

There are no non-cash financing and investing activities for the 2016 and 2015 years.

18. Share based payments

	2016	2015
	\$	\$
Share based payment expense recognised during the year	-	(149,035)

At year end all options were exercisable with the exception of Tranche C and Tranche E. Directors have taken the view that these options pertaining to Tranche C & E are highly unlikely to vest by the expiry date and therefore directors deem these options to have no value.

Value of shares on the date options exercised

	Number of options	Share price \$
2016		
Nil	Nil	Nil
2015		
Options exercised 9 February 2015	1,300,000	0.16

Employee options

Employee options are either granted at date of commencement or at the discretion of the Board based on a formal employee review process. Information with respect to the number of options granted is as follows:

	2016		2015	
	Number of options	Weighted average exercise price \$	Number of options	Weighted average exercise price \$
Balance at beginning of year	2,475,000	0.90	4,099,842	0.67
- granted	-	-	-	-
- forfeited	(2,100,000)	(1.09)	(324,842)	(1.25)
- exercised	-	-	(1,300,000)	-
Balance at end of year	375,000	-	2,475,000	0.90

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17. Notes to the statement of cash flows (Continued)

Options held at the beginning and end of the reporting year:-

No. of options	Grant date	Vesting date	Expiry date	Weighted average exercise price \$	Fair value at grant date \$	Tranche
<i>At 31 December 2016</i>						
375,000	10 Feb 2014	10 Feb 2014 to 31 Dec 2016	24 Feb 2017	Nil	0.1150	C
<u>375,000</u>						

18. Share based payments (continued)
Employee options (Continued)

No. of options	Grant date	Vesting date	Expiry date	Weighted average exercise price \$	Fair value at grant date \$	Tranche
<i>At 31 December 2015</i>						
400,000	30 May 2009	30 May 2009	n/a*	1.808 to 2.808	0.110 to 0.280	n/a
300,000	31 May 2011	31 May 2011	31 May 2016	1.218 to 2.493	0.623 to 0.791	n/a
100,000	08 Aug 2011	08 Aug 2011	01 Jul 2016	1.256 to 1.507	0.500 to 0.533	n/a
100,000	08 Aug 2011	08 Aug 2011	30 May 2016	1.455 to 1.746	0.474 to 0.507	n/a
50,000	08 Aug 2011	08 Aug 2011	25 Jul 2016	1.137 to 1.365	0.522 to 0.554	n/a
600,000	28 May 2012	28 May 2012 to 31 Mar 2017	28 May 2017	1.165	0.430	n/a
25,000	1 Oct 2012	1 Oct 2012	1 Oct 2017	0.744 to 0.892	0.108 to 0.125	n/a
600,000	10 Feb 2014	10 Feb 2014 to 31 Dec 2016	24 Feb 2017	Nil	0.1150	C
300,000	29 May 2014	29 May 2014 to 31 Jan 2016	31 May 2016	Nil	0.0900	E
<u>2,475,000</u>						

* The options have no expiry date except, in the event of the cessation of employment, 30 days after the date of cessation of employment.

At year end all options were exercisable with the exception of Tranche C and Tranche E. Directors have taken the view that these options pertaining to Tranche C & E are highly unlikely to vest by the expiry date and therefore directors deem these options to have no value.

The fair value of the options were determined using a Monte Carlo (MC) simulation approach or the binomial model. Where relevant, the expected life used in the model has been adjusted based on management's best estimate for the effects of non-transferability, exercise restrictions and behavioural considerations.

Key inputs used in the calculation of the value of options issued during the year ended 31 December 2015 are:

Tranche	Grant date	Expiry date	Spot price \$	Volatility %	Risk free rate %
A, B, C	10 Feb 2014	24 Feb 2017	0.115	75	2.62
D	29 May 2014	30 Nov 2015	0.090	75	2.62
E	29 May 2014	31 May 2016	0.090	75	2.62

Expected volatility was determined based on historic volatility adjusted for any expected changes to future volatility based on publicly available information. All options granted during the year had vesting conditions attached.

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NOTES TO THE FINANCIAL STATEMENTS
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18. Share based payments (continued)
Employee options (Continued)

The following sets out the conditions attached to each tranche.

Tranche	Conditions	Estimated Vesting Date
A	The completion of the Jervois project pre-feasibility study	Condition satisfied and exercisable at 31 Dec 2014
B	Jervois JORC Resource increasing to greater than 250,000 tonnes contained copper	Condition satisfied and exercisable at 31 Dec 2014
C	The completion of the Jervois Definitive Feasibility Study	Highly unlikely condition will be satisfied by 24/02/2017
D	The Company's market capital exceeding \$35m for a period of 20 continuous trading days (as that term is defined in the ASX Listing Rules)	Condition satisfied and exercisable at 31 Dec 2014
E	Upon the Company issuing an announcement to the ASX that it has commenced a fully funded Feasibility Study for the Jervois Project that complies with paragraph 40 of the JORC Code	Highly unlikely condition will be satisfied by 31/05/2016

19. Key management personnel

Information regarding the identity of Key Management Personnel and their compensation can be found in the audited Remuneration Report contained in the Directors' Report. The directors are the only key management personnel.

Key management personnel compensation

	2016	2015
	\$	\$
Short-term employee benefits	241,602	581,799
Cash bonuses		
Termination payments	274,941	
Post-employment benefits	41,948	54,991
Share-based payments	-	(128,035)
	558,489	508,755

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20. Auditors' remuneration	2016	2015
	\$	\$
Amounts paid or payable to BDO Audit Pty Ltd for:		
• audit or review of the financial statements of the entity and any other entity in the Group	38,500	51,700
Remuneration of other auditors of subsidiaries		
• audit or review of the financial statements of subsidiaries	-	3,310
Non-audit services were provided by the auditors.		
• R & D Tax Services	20,000	-

21. Related party disclosures

(a) The Group's main related parties are as follows:

i) *Entities exercising control over the Group:*

The ultimate parent entity that exercises control over the Group is KGL Resources Limited which is the Australian parent Company.

ii) *Key management personnel:*

Any person having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity, are considered key management personnel.

Information on transactions with key management personnel is disclosed in Note 19.

(b) During the year, Mr Denis Wood provide underwriting services for the rights issue. No fees were paid for these services

22. Segment information

Following the sale of the Bashkol Project in June 2015 and the loss of control of the Geothermal Project disclosed in Note 11, the Group now identifies only one operating segment, based on the internal reports that are reviewed and used by the Board of Directors (chief operating decision makers) in assessing performance and determining the allocation of resources. The Group does not yet have any products or services from which it derives an income.

Accordingly, management currently identifies the Group as having only one reportable segment, being exploration at the Jervois site in the Northern Territory. The financial results from this segment are equivalent to the financial statements of the Group.

All assets are located in Australia

23. Financial instruments

Financial risk management objectives and policies

Management monitors and manages the financial risks relating to the operations of the Group through regular reviews of the risks. These risks include market risk (including interest rate risk, foreign currency risk and commodity price risk), credit risk, and liquidity risk.

KGL RESOURCES LIMITED AND ITS CONTROLLED ENTITIES
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NOTES TO THE FINANCIAL STATEMENTS
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23. Financial instruments (continued)

The primary responsibility for identification and control of financial risks rests with the Board. The Group's financial and commodity risk management program supports the achievement of the Group's objectives by enabling the identification and evaluation of risks, setting acceptable risk thresholds, identifying and mapping controls against these risks and implementing policies and procedures to manage and monitor the risks.

These written policies establish the financial and commodity risk management framework and define the procedures and controls for the effective management of the Group's risks that arise through the Group's current exploration and development activities and those risks which may arise through other mining activities in the future.

The policy ensures all financial and commodity risks are fully recognised and treated in a manner consistent with:

- The Board's management philosophy;
- Commonly accepted industry practice and corporate governance; and
- Shareholders expectations of becoming a gold and copper producer.

The policies are reviewed by the Board annually, at a minimum, as the Group's financial and commodity risks are likely to change over time.

There have been no substantive changes in the Group's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from the previous period.

The Group's principal financial instruments comprise cash at bank, trade and other receivables, trade and other payables and borrowings.

Exposure limits are reviewed by management on a continuous basis. The Group does not enter into or trade financial instruments for speculative purposes.

(a) Capital risk management

The capital structure of the Group consists of equity as disclosed in the statement of financial position. Management controls the capital of the Group in order to generate long-term shareholder value, maximising the return to shareholders and ensuring that the Group can fund its operations and continue as a going concern.

There are no externally imposed capital requirements.

Management effectively manages the Group's capital by assessing the Group's financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of debt levels, distributions to shareholders and share issues.

There have been no changes in the strategy adopted by management to control the capital of the Group since the prior year.

(b) Categories of financial instruments

	Consolidated	
	2016	2015
	\$	\$
Financial assets		
Loans and receivables (including cash)	2,813,156	1,624,629
Financial liabilities		
Measured at amortised cost	(168,589)	(269,065)

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NOTES TO THE FINANCIAL STATEMENTS
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23. Financial instruments (continued)

(c) Credit risk exposures

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. Credit risk arises principally from cash on deposit and trade and other receivables. The objective of the Group is to minimize risk of loss from credit risk exposure.

The maximum exposure to credit risk, excluding the value of any collateral or other security at balance date, is the carrying amount of those assets, net of any impairment, as disclosed in the statement of financial position and notes to the financial statements.

In the 2016 and 2015 years there are no concentration of credit risk in trade and other receivables as the Group did not have customers at year end.

At year end the Group has two material exposures of \$383,011 (2015: \$340,916) to National Australia Bank Limited and \$2,174,288 (2015: \$1,035,382) to ANZ relating to funds on deposit and cash at bank. The Group manages its credit risk associated with funds on deposit and cash at bank by only dealing with reputable financial institutions.

(d) 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 commodity prices (commodity price risk); foreign exchange rates (foreign currency risk) or interest rates (interest rate risk).

The objective of market risk management is to manage and control risk exposure within acceptable parameters whilst optimising returns.

It is the policy of the Group to manage the foreign currency risk on highly probable forecast capital expenditure by utilising foreign currency hedging where appropriate. To hedge its exposure to foreign currency risk on highly probable forecast capital expenditure, the Group purchases Euro and USD to match the currencies in which the Group expects to settle the highly probable forecast capital expenditure.

At the end of the reporting periods for 2016 and 2015 there was no foreign currency that was being held as a hedging instrument.

(e) Market risk (Continued)

The Group has no exposure to foreign currency risk at reporting date.

i) Interest rate risk

The Group has established a number of policies and processes for managing interest rate risk. These include monitoring risk exposure continuously and utilising fixed rate facilities where required.

The Group's exposure to interest rate risk and the effective weighted average interest rate for each class of financial assets and liabilities is set out in the following table:

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23. Financial instruments (continued)

CONSOLIDATED	Weighted average interest rate	Floating interest rate \$	Fixed interest maturing in:			Non-interest bearing \$	Total \$
			1 year or less \$	over 1 to 5 years \$	5 years or more \$		
31 December 2016							
Financial assets							
Cash	0.73%	2,082,220	475,079	-	-	2,220	2,559,519
Deposits	1.13%	-	-	137,664	-	-	137,664
Trade and other receivables	N/A	-	-	-	-	115,972	115,973
		2,082,220	475,079	137,664	-	118,192	2,813,156
Financial liabilities							
Trade and other payables	N/A	-	-	-	-	(168,589)	(168,589)
Borrowings	N/A	-	-	-	-	-	-
		-	-	-	-	(168,589)	(168,589)
		2,082,220	475,079	137,664	-	(50,396)	2,644,567

CONSOLIDATED	Weighted average interest rate	Floating interest rate \$	Fixed interest maturing in:			Non-interest bearing \$	Total \$
			1 year or less \$	over 1 to 5 years \$	5 years or more \$		
31 December 2015							
Financial assets							
Cash	0.73%	460,628	919,895	-	-	4,368	1,384,891
Deposits	3.86%	-	-	157,381	-	-	157,381
Trade and other receivables	N/A	-	-	-	-	82,357	82,357
		460,628	919,895	157,381	-	86,725	1,624,629
Financial liabilities							
Trade and other payables	N/A	-	-	-	-	(268,114)	(268,114)
Borrowings	N/A	-	-	-	-	-	-
		-	-	-	-	(268,114)	(268,114)
		460,628	919,895	157,381	-	(181,389)	1,356,515

N/A – not applicable for non-interest bearing financial instruments.

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NOTES TO THE FINANCIAL STATEMENTS
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23. Financial instruments (continued)

The following sensitivity analysis is based on the interest rate risk exposures in existence at the reporting date. At 31 December 2016, if interest rates had moved, as illustrated in the table below, with all other variables held constant, net loss and other comprehensive income would have been affected as follows:

Consolidated	Net loss Higher/(Lower)		Other comprehensive income Higher/(Lower)	
	2016 \$	2015 \$	2016 \$	2015 \$
+0.5% (50 basis points)	12,580	48,016	-	-
-0.5% (50 basis points)	(12,580)	(48,016)	-	-

(f) Liquidity risk

Liquidity risk is the risk that the entity will not be able to meet its financial obligations as they fall due.

The objective of managing liquidity risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when they fall due.

Working capital primarily comprises of cash. The Group has established a number of policies and processes for managing liquidity risk:

- Monitoring actual against budgeted cashflows;
- Regularly forecasting long term cashflows and stress testing; and
- Regularly monitoring the availability of equity capital and current market conditions.

Maturity Analysis

The table shows the periods in which the financial liabilities mature. Contractual cash flows shown in the table are at undiscounted values (including future interest expected to be paid). Accordingly, these values may not agree to the carrying amount.

CONSOLIDATED	<12 Months \$	1-5 Years \$	>5 years \$	Total cashflows \$	Carrying amount \$
31 December 2016					
Financial assets					
Cash	2,559,519	-	-	2,559,519	2,559,519
Deposits	137,664	-	-	137,664	137,664
Trade and other receivables	115,973	-	-	115,973	115,973
	2,813,156	-	-	2,813,156	2,813,156
Financial liabilities					
Trade and other payables	(168,589)	-	-	(168,589)	(168,589)
	(168,589)	-	-	(168,589)	(168,589)
Net maturity	2,644,567	-	-	2,644,567	2,644,567
31 December 2015					
Financial assets					
Cash	1,384,891	-	-	1,384,891	1,384,891
Deposits	-	157,381	-	157,381	157,381
Trade and other receivables	82,357	-	-	82,357	82,357
	1,467,248	157,381	-	1,624,629	1,624,629
Financial liabilities					
Trade and other payables	(269,065)	-	-	(269,065)	(269,065)
	(269,065)	-	-	(269,065)	(269,065)
Net maturity	1,198,183	157,381	-	1,355,564	1,355,564

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

23. Financial instruments (continued)

(g) Fair values

Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value.

24. Fair value measurement

Due to their short-term nature the net fair values of financial assets and liabilities approximate their carrying value as disclosed in the statement of financial position. No financial assets or liabilities are readily traded on organised markets in standardised form.

25. Commitments

	Consolidated	
	2016	2015
	\$	\$
<u>Capital expenditure commitments</u>		
No longer than 1 year	97,333	211,000
Between 1 and 5 years	175,000	272,333
Greater than 5 years	-	-
	272,333	483,333
<u>Non-cancellable operating lease commitments</u>		
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
No longer than 1 year	34,530	228,818
Between 1 and 5 years	11,889	17,905
Greater than 5 years	3,190	4,404
	49,609	251,127
<u>Non-cancellable operating lease receivables</u>		
Commitments for minimum lease receivables in relation to non-cancellable operating leases are payable as follows:		
No longer than 1 year	-	116,092
Between 1 and 5 years	-	-
Greater than 5 years	-	-
	-	116,092

Capital commitments

There are capital and rental commitments on tenements ranging from \$3,333 to \$60,000 per annum with expiry terms of between 1 to 15 years.

Non-cancellable operating lease commitments

Operating lease commitments comprise the corporate office operating lease rental in Brisbane Australia, and the office space in Perth Australia. The annual rental commitments on these leases range from \$28,872 to \$138,237 per annum with expiry terms of between 1 month to 5 years.

Non-cancellable operating lease receivables

Operating lease receivables comprise the corporate office operating lease rental in Brisbane Australia and the related sublease. The annual rental receivable on this sub-lease is \$163,415 per annum with expiry terms of 3 years.

26. Contingent liabilities and contingent assets

There are no contingent assets or contingent liabilities as at 31 December 2016.

KGL RESOURCES LIMITED AND ITS CONTROLLED ENTITIES
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

27. Subsequent events

On the 14th March 2017 the Company completed a Share Purchase Plan (SPP) as announced to the market on the 20 February 2017. KGL has received SPP applications for 9,188,161 fully paid ordinary shares from 280 Shareholders raising \$2.48 million at a price of \$0.27 per share. Net proceeds raised from the SPP will be used for further exploration on the Jervois Project.

On the 27 March 2017, KGL announced the acquisition of the Unca Creek Exploration Project (EL28082) boarding KGL's own Jervois project for the cash consideration of \$500,000 contingent on the tenement being transferred to KGL by the Northern Territory Government. The funds are being held in escrow until this condition precedent is satisfied. The acquisition is fully funded by the placement of 2,702,702 ordinary shares in the Company at 0.37 cents a share to raise \$1 million. The placement was made to four parties including KGL's major shareholder, KMP Investments.

28. Parent entity information

The *Corporations Act 2001* requirement to prepare parent entity financial statements where consolidated financial statements are prepared has been removed and replaced by regulation 2M.3.01 which requires the following limited disclosure in regards to the parent entity KGL Resources Limited. The consolidated financial statements incorporate the assets, liabilities and results of the parent entity in accordance with the accounting policy described in Note 1.

Parent entity	2016	2015
	\$	\$
Current assets	2,439,456	1,352,053
Non-current assets	27,697,188	29,029,356
Total assets	<u>30,136,644</u>	<u>30,381,409</u>
Current liabilities	(135,210)	(315,969)
Total liabilities	<u>(135,210)</u>	<u>(315,969)</u>
Net assets	<u>30,001,434</u>	<u>30,065,440</u>
Contributed equity	144,478,912	141,572,908
Share-based payments reserve	3,701,075	3,701,075
Retained earnings/(accumulated losses)	<u>(118,178,553)</u>	<u>(115,208,543)</u>
Total shareholders' equity	<u>30,001,434</u>	<u>30,065,440</u>
Profit/(loss) for the year	(2,970,010)	(2,964,912)
Other comprehensive income	-	-
Total comprehensive income for the year	<u>(2,970,010)</u>	<u>(2,964,912)</u>

Guarantees

No guarantees have been entered into by the parent entity in relation to debts of its subsidiaries.

Contractual commitments

There were no contractual commitments for the acquisition of property, plant and equipment entered into by the parent entity at 31 December 2016 (2015 - \$nil).

Contingent liabilities

The parent entity has no known contingent liabilities.

INDEPENDENT AUDITOR'S REPORT

To the members of KGL Resources Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of KGL Resources Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2016, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial report, including a summary of significant accounting policies and the directors' declaration.

In our opinion the accompanying financial report of the Group, is in accordance with the *Corporations Act 2001*, including:

- (i) Giving a true and fair view of the Group's financial position as at 31 December 2016 and of its financial performance for the year ended on that date; and
- (ii) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's *APES 110 Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Recoverability of exploration and evaluation assets

Key audit matter	How the matter was addressed in our audit
<p>The company carries significant exploration and evaluation assets of \$27,619,482 as at 31 December 2016 as disclosed in note 9 to the financial statements.</p> <p>The carrying value of exploration and evaluation assets represents a significant asset of the company and assessing whether facts or circumstances exist to suggest that impairment indicators were present, and if present, whether the carrying amount of this asset may exceed its recoverable amount was considered key to the audit.</p> <p>This assessment involves significant judgement applied by management.</p> <p>We considered it necessary to assess whether facts and circumstances existed to suggest that impairment indicators were present, and if present, whether the carrying amount of these assets may exceed its recoverable amount.</p>	<p>We enquired with management if any impairment indicators in accordance with AASB 6 <i>Exploration for and Evaluation of Mineral Resources</i> have been identified across the Group's exploration projects, the indicators being:</p> <ul style="list-style-type: none"> • Expiring, or imminently expiring, rights to tenure; • A lack of budgeted or planned exploration and evaluation spend on the areas of interest; • Discontinuation of, or a plan to discontinue, exploration activities in the areas of interest; and/or • Sufficient data exists to suggest carrying value of exploration and evaluation assets is unlikely be recovered in full through successful development or sale. <p>We verified a sample of current tenement licences to determine that the group has the rights to tenure and maintains the tenements in good standing. We obtained the exploration budget for the 2017 year and assessed that there is reasonable forecasted expenditure to confirm continued exploration spend into the projects indicating that Management are committed to the projects. We also reviewed ASX announcements and Board meeting minutes for the year and subsequent to year end for exploration activity and drill results to identify any indicators of impairment.</p>

Going Concern

Key audit matter	How the matter was addressed in our audit
<p>The group generates no revenue and is reliant on funding from other sources such as capital raising. These are events and conditions that may cast significant doubt on the entity's ability to continue as a going concern. Evaluating whether a material uncertainty exists related to these events or conditions that may cast significant doubt on the entity's ability to continue as a going concern ('Material uncertainty') was considered a key audit matter.</p> <p>Note 1(v) of the financial statements contains the basis of preparation of financial statements which indicate that Directors have determined that no Material uncertainty exists following receipt of funds from the successful completion of the Share Placement Plan post year end.</p>	<p>We considered whether a material uncertainty exists by performing the following audit procedures:</p> <ul style="list-style-type: none"> • We reviewed the cash flow forecasts provided by management and challenged the assumptions therein in to ensure consistency with management's stated business and operational objectives, and checked the calculation to ensure the accuracy of the underlying financial data; • We compared the exploration expenditure in cash flow forecasts to minimum requirements in tenements agreements and schedules to ensure these are being met; and • We vouched the receipt of funds from the Share Placement Plan which closed on 14 March 2017 raising \$2.48m before costs.

Other information

The directors are responsible for the other information. The other information comprises the information in the Group's annual report for the year ended 31 December 2016, but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

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.

Responsibilities of the directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the group 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 to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is 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 the Australian Auditing Standards 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 this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website (<http://www.auasb.gov.au/Home.aspx>) at:

http://www.auasb.gov.au/auditors_files/ar2.pdf

This description forms part of our auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 9 to 14 of the directors' report for the year ended 31 December 2016.

In our opinion, the Remuneration Report of KGL Resources Limited, for the year ended 31 December 2016, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

BDO Audit Pty Ltd



C R Jenkins
Director

Brisbane, 30 March 2017