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

# FINANCIAL STATEMENTS
# FOR THE HALF-YEAR ENDED 30 JUNE 2017

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The directors of KGL Resources Limited submit herewith the financial statements of the consolidated entity consisting of KGL Resources Limited (KGL) and the entities it controlled for the half-year ended 30 June 2017.

## Directors

The names of directors who held office during the half-year and up to the date of this report were:

| Director | Position Held |
|---|---|
| Denis Wood | Non-Executive Chairman |
| Chris Bain | Non-Executive Director |
| Ferdian Purnamasidi | Non-Executive Director |

## Principal Activity

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

## Review of Operations

In the half year to 30 June 2017, the Company advanced steadily towards the goal of becoming a low-cost copper and multi-metal producer at the 100% owned Jervois Project continued to deliver good results. The period was marked by a successful drilling program at the Rockface prospect which extended discoveries to the east and increased known mineralisation in the west. In another important development at Jervois, in August 2017 a significant extension of mineralisation was discovered below and north of the Reward prospect.

Strict financial discipline was maintained. Expenditure was tightly controlled. The necessary funding was provided by incremental capital raising that enabled shareholder participation, supplemented by R & D tax incentive refunds of $1,639,990 from the Federal Government.

The high level of efficiency achieved in exploration spending was aided by the continuing success of down hole electromagnetic (DHEM) surveying in identifying productive drill targets.

The Company acquired the strategically valuable Unca Creek tenement adjoining the Jervois project for $500,000 and began to pursue its high potential with reviews of previous exploration and a new gravity survey.

Land access and environmental approvals required for mine development at Jervois were progressed during the period. Shortly after the half year ended, the further mining lease required for all the currently planned development was granted, and Terms of Reference for the project's Environmental Impact Statement were finalised.

<u>Rockface Prospect</u>
Drilling guided by consistently successful DHEM surveying increased the known mineralisation at Rockface, both at depth in the newly discovered eastern zone and between previous discoveries in the western zones.

Assays for holes KJCD201 and KJCD203 drilled late in 2016 were announced early in the half year.
In the east, KJCD201 confirmed the trend of grade increasing with depth, intersecting high grade mineralisation associated with the DHEM-identified Conductor 5, assaying:

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

KJCD201 also intersected a zone of weak mineralisation down dip of Conductor 3, assaying 4m @ 0.33% Cu, 1g/t Ag, 0.01g/t Au from 618 m including 0.9m @ 0.88% Cu, 5g/t Ag, 0.04g/t Au from 619 m.

In the west, KJCD203 intersected further high grade copper mineralisation when targeting 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 include:

- 28m @ 5.08% Cu, 22.4g/t Ag, 0.22g/t Au from 435 m

Both intervals of KJCD201 and KJCD203 were predominantly massive and semi-massive chalcopyrite-pyrite in an intensely magnetite altered host rock.

A further nine-hole drilling program was commenced following these successes, with immediate positive results. The program was designed to investigate the high potential conductor zones to the east, and also to facilitate with systematic infill drilling an updated JORC statement of resources.

In the east, hole KJCD205 was the first of several holes targeting the newly discovered zones, further extending the strike length at Rockface. KJCD205 intersected copper mineralisation while targeting Conductors 6 and 7 at a depth of 50m below and 25m along strike to the east of where KJCD198 (5.95m @ 4.94% Cu, 25.9g/t Ag, 0.45g/t Au from 449.85m) had previously intersected Conductor 6.

The assays for KJCD205, in Conductor 6, included:

- 5.55m @ 4.11% Cu, 0.59% Zn, 37.4g/t Ag, 0.65g/t Au from 511.11m

This intersection correlates well with the modelled position of DHEM Conductor 6. The footwall to Conductor 6 is the more typical alteration mineralogy that occurs elsewhere at Rockface with garnet-magnetite with trace pyrite ± chalcopyrite.

KJCD205 intersected a second zone of mineralisation in Conductor 5 towards the end of the hole, comprising veins, stringer and semi-massive chalcopyrite-pyrite sulphide that is hosted within a strongly silica-garnet-magnetite altered host rock. This style of mineralisation with the strong silica alteration is more intense than previous mineralised intervals at Rockface. The main mineralised zone assayed:

- 5.5m @ 3.54% Cu, 18.5g/t Ag, 0.25g/t Au from 619m

A lower grade interval of chalcopyrite-pyrite (~5%) with quartz veining in a silica-garnet-magnetite altered host rock was also intersected and included:

- 12.65m @ 1.03% Cu, 5.2g/t Ag, 0.05g/t Au from 629 m

Targeting Conductors 5 & 6, hole KJCD208 intersected zones of copper mineralisation in Conductor 6. A zone of massive and disseminated chalcopyrite and pyrite mineralisation assayed:

- 3.25m @ 3.98% Cu, 0.18% Pb, 0.88% Zn, 21.5g/t Ag, 0.16g/t Au from 608.75m

KJCD208 also intersected, between Conductors 5 & 7, disseminated and stringer chalcopyrite and pyrite mineralisation associated with intense biotite-garnet-magnetite alteration assaying:

- 10.7m @ 1.18% Cu, 4.9g/t Ag, 0.21g/t Au from 662m

Hole KJCD211 intersected two zones of visible chalcopyrite mineralisation while targeting Conductors 5, 6 & 7 – in Conductor 6:

- 5.67m @ 5.2% Cu, 0.2% Zn, 30g/t Ag, 0.45g/t Au from 517.38 m

…and between Conductors 3 & 5:

- 7.35m @ 0.92% Cu, 5.9g/t Ag, 0.06g/t Au from 611.6 m
- 4.4m @ 1.93% Cu, 0.12% Zn, 10.9g/t Ag, 0.16g/t Au from 618.95 m

Hole KJCD212 confirmed continued high grades in the eastern zone. Drilling intersected:

- 9.62m @ 3.18% Cu, 26g/t Ag, 0.40g/t Au, from 678.98m, including

  3.36m @ 5.43% Cu, 31g/t Ag, 0.87g/t Au, from 681.14m

KJCD212 was a large step-out both deeper and further east than previous drilling and was designed to test the extent of Conductors 6 and 8. The above intersection of Conductor 8 included higher than usual gold grades.

Down hole electromagnetic (DHEM) surveying in KJCD212 extended the potential for high grade discoveries in the east by further delineating Conductor Zone 8.

In the west, Hole KJCD210 intersected high grade mineralisation while testing the previously undrilled Conductor 1 and shallower regions of Conductor 3. A zone of stringer and disseminated stringer chalcopyrite and pyrite mineralisation in an intensely garnet-chlorite-carbonate altered magnetite host rock was intersected in Conductor 1, assaying:

- 2m @ 0.71% Cu, 0.13% Zn, 3.7g/t Ag, 0.03g/t Au from 325m

In conductor 3, a zone of semi-massive and disseminated chalcopyrite and pyrite mineralisation in a carbonate altered magnetite host rock was intersected, assaying:

- 12m @ 2.55% Cu, 14.1g/t Ag, 0.14g/t Au from 329m

Holes KJC206 and KJCD207 targeted the up-dip portion of Conductor 3, above the main high grade mineralisation and below the existing near surface resource. The mineralisation is similar to the depleted upper portion of the Rockface resource with broad, low grade zones.

Further drilling, for which assays are pending, intersected additional strong mineralisation in the western zone.

Hole KJCD214, for which assays are pending, intersected 32.49m of intensely altered massive magnetite in the Conductor 3 location from 404.86m to 437.35m that included massive, semi-massive, and stringers of chalcopyrite-pyrite. Enveloping the main zone of chalcopyrite, pyrite and galena mineralisation is a broader zone of weakly mineralised disseminated pyrite and chalcopyrite in a moderately to strongly altered garnet-chlorite-magnetite alteration assemblage.

Hole KJCD215 intersected two zones of mineralisation while targeting Conductors 3 and 5.

- From 588.48 to 595.07m, a 6.59m zone of massive and disseminated chalcopyrite and pyrite was intersected, corresponding to Conductor 3.

- From 610.09 to 623.13m, a 13.04m wide zone corresponding to Conductor 5 was intersected. Mineralisation in the zone is predominantly hosted in a psammitic unit, which has undergone intense magnetite alteration. This zone has also been brecciated in places by massive sulphides.

The modern technology of DHEM surveying has been consistently successful in locating and refining drilling targets at Rockface, extending conductor zones and confirming the potential of the eastern zone to grow significantly beyond the limits of existing drilling.

<u>Reward Prospect</u>
In August 2017, shortly after the half year ended, the Company announced the discovery of the significant extension of mineralisation at Reward.

Diamond drill hole KJD216 intersected 12 metres of mineralisation from 636m down-hole to 648m, including 1.4m of massive sulphides from 645m down-hole. This intersected zone is 95 metres below the deepest previous intercept of Conductor R1 at the northern end of Reward.

Assays are pending. Based on field observations, the interval contains visible strong chalcopyrite plus pyrite mineralisation and matches the intensity and style of copper mineralisation encountered in the deeper parts of Rockface.

The result is encouraging in the search for large scale continuity to the north and at depth at Reward.

**Expanded Jervois area – Unca Creek Exploration Project**

KGL expanded the Jervois project area with the acquisition of the adjoining tenement, known as the Unca Creek Exploration Project (EL28082).

The tenement was acquired for a consideration of $500,000 cash. A $1 million share placement, made at 37 cents per share to four parties including KGL's major shareholder KMP Investments, funded the acquisition and future exploration on the tenement.

The acquisition provides KGL with considerable strategic value. It has almost trebled the size of the Jervois Project to 110.8km$^2$. It offers geological similarities to Jervois, and although it has been relatively underexplored, work undertaken by previous tenement holders indicates exploration potential and offers multiple walk-up drill targets.

During the half year, a review of previous exploration confirmed a strong copper trend extending north into Unca Creek from the Marshall-Reward deposits which represent a substantial part of the current Resource at Jervois.

The two-kilometre strike extension has the potential to host economic mineralisation that can be mined by open pit or underground mining methods. Copper can be observed in outcrop and previous drilling has intersected mineralisation at several locations. There is further potential in the southern area of the tenement.

A gravity survey was commenced to improve the understanding of the geology, and in combination with existing drilling results, previous geophysical surveys and structural mapping, to define and refine new and existing drill targets.

Early results have highlighted residual gravity anomalies that coincide with mineralisation at both Pioneer, located on the northern extension of the Marshall-Reward trend and at Hamburger Hill.

This link between gravity anomalies and mineralisation has been evident at the known deposits at Jervois. Residual gravity anomalies have been identified previously at all of the major deposits - Bellbird, Rockface, Green Parrot and Marshall-Reward. This is due at least in part to the association of higher density minerals such as magnetite and garnet with the sulphides minerals which themselves have a high density.

**Approval processes**

The Company's good relationship with the Northern Territory Government was evidenced in March 2017 by the project being given Major Project Status by way of a Project Facilitation Agreement between the Government and the Company to facilitate the required government approval processes.

An Indigenous Land Use Agreement (ILUA) was concluded with the traditional owners and the Central Land Council and registered with the National Native Title Tribunal. The registration of the ILUA completes the processes for the application for the mining lease over the area of the Jervois lease not currently covered by the existing lease.

Separately an Aboriginal Areas Protection Authority certificate has been received, confirming that no aboriginal heritage matters would impact upon the Jervois project.

The terms of reference for the Environmental Impact Statement (EIS) for the Jervois project advanced to the final stages of settlement with government. Environmental studies continued to be progressed during the half year. In August 2017, the Northern Territory Environment Protection

Authority finalised the Terms of Reference for the EIS. The Company had sought revision of the Terms of Reference in order to be consistent with a mining project of larger scale than contemplated in the pre-feasibility study announced in 2015.
Also in August 2017, the Northern Territory Government granted a further mining lease at Jervois so that KGL's approved mining leases now cover the total area necessary to proceed with all mining and mineral processing currently planned.

KGL received a further R & D Tax Incentive refund of $1.64 million during the half year. Under the program the Australian Government reimburses part of eligible research and development expenditure. The refund acknowledges innovative metallurgical and related work by KGL on Jervois. The payment brings total R & D Tax Incentive refunds to KGL to more than $4.6 million.

### Financial Review

For the half-year ended 30 June 2017, the KGL group recorded loss after taxation of $672,976 (Loss 2016: $1,448,419).

In the half year to 30 June 2017 $2,618,811, was incurred before R&D credits developing the Jervois Project.

Employee expenses from continued operations were in the half year to 30 June 2017 $337,014 (2016: $991,290) a substantial reduction due to staff redundancies in 2016.

The Company raised $3,408,149 after costs through the issue of shares by way of a share purchase plan at $0.27 raising $2.48m and a separate placement at $0.37 raising $1m.

The KGL cash reserve as at 30 June 2017 was $4,221,856.

### Auditor's Independence Declaration

A copy of the independence declaration by the lead auditor under section 307C is included on page 9 to this directors' report.

**Denis Wood**

Chairman

8 September 2017

## JORC Compliance Statement

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 originally Reported | JORC Reported Under |
|---|---|---|---|
| KJCD | 183 | 26/04/2016 | 2012 |
| KJCD | 195 | 02/08/2016 | 2012 |
| KJCD | 198 | 10/11/2016 | 2012 |
| KJCD | 201 | 09/02/2017 | 2012 |
| KJCD | 203 | 09/02/2017 | 2012 |
| KJCD | 205 | 17/05/2017 | 2012 |
| KJCD | 206 | 17/05/2017 | 2012 |
| KJCD | 207 | 17/05/2017 | 2012 |
| KJCD | 208 | 30/06/2017 | 2012 |
| KJCD | 210 | 30/06/2017 | 2012 |
| KJCD | 211 | 30/06/2017 | 2012 |
| KJCD | 212 | 01/08/2017 | 2012 |
| KJCD | 215 | 30/08/2017 | 2012 |
| KJCD | 216 | 30/08/2017 | 2012 |

**AUDITOR'S INDEPENDENCE DECLARATION**

Tel: +61 7 3237 5999
Fax: +61 7 3221 9227
**www.bdo.com.au**

Level 10, 12 Creek St
Brisbane QLD 4000
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 half-year ended 30 June 2017, 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 review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

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

**C R Jenkins**
Director

**BDO Audit Pty Ltd**

Brisbane, 8 September 2017

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

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE HALF-YEAR ENDED 30 JUNE 2017

| | Note | **Half-year ended 30 Jun 2017 $** | Half-year ended 30 Jun 2016 $ |
|---|---|---|---|
| Revenue and other income | | **17,602** | 112,224 |
| Employee benefits expense | | **(337,014)** | (991,290) |
| Depreciation and amortisation expense | | **(1,571)** | (40,336) |
| Professional and consultancy fees expense | | **(174,002)** | (165,661) |
| Head office facility overheads expense | | **(77,277)** | (222,709) |
| Business development and investor relations expense | | **(16,418)** | (51,715) |
| Other expenses | | **(83,707)** | (29,783) |
| Impairment of receivables | | **(589)** | (566) |
| Impairment of associates accounted for using the equity method | | **-** | (58,583) |
| **Loss before income tax** | | **(672,976)** | (1,448,419) |
| Income tax expense | | **-** | - |
| **Net profit/(loss) for the half-year** | | **(672,976)** | (1,448,419) |
| Other comprehensive income | | **-** | - |
| **Total comprehensive income for the half-year** | | **(672,976)** | (1,448,419) |
| **Net profit/(loss) attributable to:-** | | | |
| Non-controlling interests | | **-** | - |
| Owners of KGL Resources Limited | | **(672,976)** | (1,448,419) |
| | | **(672,976)** | (1,448,419) |
| **Total comprehensive income attributable to:-** | | | |
| Non-controlling interests | | **-** | - |
| Owners of KGL Resources Limited | | **(672,976)** | (1,448,419) |
| | | **(672,976)** | (1,448,419) |
| **Earnings per share attributable to the owners of KGL Resources Limited** | | | |
| Basic earnings per share (cents per share) | | **(0.37)** | **(0.8)** |
| Diluted earnings per share (cents per share) | | **(0.37)** | **(0.8)** |

The financial statements should be read in conjunction with the accompanying notes.

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2017

| | Note | 30 Jun 2017<br>$ | 31 Dec 2016<br>$ |
|---|---|---|---|
| **Current assets** | | | |
| Cash and cash equivalents | | **4,221,856** | 2,099,580 |
| Trade and other receivables | | **58,979** | 115,972 |
| Financial assets held to maturity | | **463,121** | 459,939 |
| Prepayments | | **32,455** | 72,110 |
| **Total current assets** | | **4,776,411** | 2,747,601 |
| **Non-current assets** | | | |
| Financial assets held to maturity | | **143,548** | 137,664 |
| Property, plant and equipment | **2** | **73,364** | 35,126 |
| Exploration and evaluation assets | **3** | **28,598,304** | 27,619,482 |
| Intangible assets | | **22,004** | 605 |
| **Total non-current assets** | | **28,837,220** | 27,792,877 |
| **TOTAL ASSETS** | | **33,613,631** | 30,540,478 |
| **Current liabilities** | | | |
| Trade and other payables | **4** | **849,323** | 511,343 |
| **Total current liabilities** | | **849,323** | 511,343 |
| **TOTAL LIABILITIES** | | **849,323** | 511,343 |
| **NET ASSETS** | | **32,764,308** | 30,029,135 |
| **Equity** | | | |
| Contributed equity | **5** | **147,887,061** | 144,478,912 |
| Reserves | | **3,701,075** | 3,701,075 |
| Accumulated losses | | **(118,823,828)** | (118,150,852) |
| **Total equity** | | **32,764,308** | 30,029,135 |

The financial statements should be read in conjunction with the accompanying notes.

KGL RESOURCES LIMITED AND ITS CONTROLLED ENTITIES
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## CONSOLIDATED STATEMENT OF CASH FLOWS
## FOR THE HALF-YEAR ENDED 30 JUNE 2017

| | Note | **Half-year ended 30 Jun 2017 $** | Half-year ended 30 Jun 2016 $ |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| GST refunded | | **206,199** | 127,642 |
| Payments to suppliers and employees | | **(879,634)** | (1,465,483) |
| Interest received | | **15,097** | 161,693 |
| **Net cash used in operating activities** | | **(658,338)** | (1,176,148) |
| | | | |
| **Cash flows from investing activities** | | | |
| Receipts from R&D Refunds | | **1,639,990** | - |
| Payments for exploration and evaluation assets | | **(1,660,927)** | (822,502) |
| Payments/Receipts for property, plant and equipment | | **(52,198)** | 5,911 |
| Payments for tenement acquisition | | **(523,933)** | - |
| Payments/Receipts for intangible assets | | **(21,400)** | 600 |
| Movement in held to maturity financial assets | | **(9,067)** | 322,204 |
| **Net cash used in investing activities** | | **(627,535)** | (493,787) |
| | | | |
| **Cash flows from financing activities** | | | |
| Advances to non-controlled subsidiary | | **-** | (566) |
| Proceeds from issue of shares | | **3,408,149** | 2,906,005 |
| **Net cash used in financing activities** | | **3,408,149** | 2,905,439 |
| | | | |
| **Net (decrease)/increase in cash and cash equivalents** | | **2,122,276** | 1,235,504 |
| | | | |
| Cash and cash equivalents at the beginning of the period | | **2,099,580** | 482,548 |
| | | | |
| **Cash and cash equivalents at end of period** | | **4,221,856** | 1,718,052 |

The financial statements should be read in conjunction with the accompanying notes.

KGL RESOURCES LIMITED AND ITS CONTROLLED ENTITIES
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## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE HALF-YEAR ENDED 30 JUNE 2017

| | Contributed Equity $ | Accumulated losses $ | Share-based payments reserve $ | Total parent equity $ | Total equity $ |
|---|---|---|---|---|---|
| **Balance at 1 January 2017** | **144,478,912** | **(118,150,852)** | **3,701,075** | **30,029,135** | **30,029,135** |
| Profit/(loss) for the half-year | **-** | **(672,976)** | **-** | **(672,976)** | **(672,976)** |
| **Other comprehensive income** | | | | | |
| **Total comprehensive income for the half-year** | **-** | **(672,976)** | **-** | **(672,976)** | **(672,976)** |
| **Transactions with owners in their capacity as owners** | | | | | |
| Issue of Share Capital, net of share issue costs. | **3,408,149** | **-** | **-** | **3,408,149** | **3,408,149** |
| **Balance at 30 June 2017** | **147,887,061** | **(118,823,828)** | **3,701,075** | **32,764,308** | **32,764,308** |

The financial statements should be read in conjunction with the accompanying notes.

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)
## FOR THE HALF-YEAR ENDED 30 JUNE 2017

| | Contributed Equity | Accumulated losses | Foreign currency translation reserves | 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 |
| Profit/(loss) for the half-year | - | (1,448,419) | - | - | (1,448,419) | (1,448,419) |
| **Other comprehensive income** | | | | | | |
| Total comprehensive income for the half-year | - | (1,448,419) | - | - | (1,448,419) | (1,448,419) |
| Transactions with owners in their capacity as owners | | | | | | |
| Issue of Share Capital | 2,906,005 | - | - | - | 2,906,005 | 2,906,005 |
| Balance at 30 June 2016 | 144,478,912 | (117,336,912) | - | 3,701,075 | 30,843,075 | 30,843,075 |

The financial statements should be read in conjunction with the accompanying notes.

## Note 1. Basis of preparation

These general purpose financial statements for the half-year reporting period ended 30 June 2017 have been prepared in accordance with Australian Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Act 2001.

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.

These half-year financial statements do not include all the notes of the type normally included in annual financial statements and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial statements. Accordingly, these half-year financial statements are to be read in conjunction with the annual financial statements for the year ended 31 December 2016 and any public announcements made by KGL Resources Limited during the half-year reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The same accounting policies and methods of computation have generally been followed in these half-year financial statements as compared with the most recent annual financial statements. There are no accounting policies which have been adopted for the first time in these financial statements.

### Going Concern

The financial report has been prepared on the going concern basis, which contemplates continuity of normal business activities and the 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 $672,976 and net operating cash outflows of $658,338 for the period ended 30 June 2017. As at 30 June 2017 the consolidated entity has cash of $4,221,856.

The ability of the consolidated entity to continue as a going concern is principally dependent upon one or more of the following:

- the ability of the Company to raise capital as and when necessary.
- the successful exploration and subsequent exploitation of the consolidated entity's tenements, and/or
- receipt of proceeds from research and development claims.

These conditions give rise to material uncertainty which may cast significant doubt over the consolidated entity's ability to continue as a going concern.

The Directors believe that the going concern basis of preparation is appropriate due to the following reasons:

- the consolidated entity has a proven history of successfully raising funds which included during the period raising $2,480,850 through a share placement plan in March 2017 and a further $1m placement to raise funds for the acquisition of the Unca Creek tenement.
- The Directors believe there is sufficient cash available for the consolidated entity to continue operating until it can raise further capital to fund its ongoing activities, and

Should the consolidated entity be unable to continue as a going concern, it may be required to realise its assets and extinguish its liabilities other than in the ordinary course of business, and at amounts that differ from those stated in the financial report.

This financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or the amounts or classification of liabilities and appropriate disclosures that may be necessary should the consolidated entity be unable to continue as a going concern.

### Note 1. Basis of preparation (continued)

**Segment information**

AASB 8 requires operating segments to be identified on the basis of internal reports about components of the Consolidated Entity that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance.

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. There were no changes in identified reportable segments during the period since the last annual financial statements.

**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 2017. The adoption of these new and revised Standards and Interpretations has resulted in no changes to the Group's financial results.

### Note 2. Property, plant and equipment

| | **Plant & Equipment 30 Jun 2017 $** | Plant & Equipment 31 Dec 2016 $ |
|---|---|---|
| **At the start of the period, net of accumulated depreciation** | **35,126** | 80,198 |
| Additions | **52,198** | 29,283 |
| Disposals | **-** | (67,844) |
| Depreciation and amortisation | **(13,960)** | (6,511) |
| **At the end of the period, net of accumulated depreciation** | **73,364** | 35,126 |
| | | |
| Cost | **607,847** | 555,649 |
| Accumulated depreciation | **(534,483)** | (520,523) |
| Net carrying amount | **73,364** | 35,126 |

### Note 3. Exploration and evaluation assets

| | **30 Jun 2017 $** | 31 Dec 2016 $ |
|---|---|---|
| Deferred exploration and evaluation assets | **28,598,304** | 27,619,482 |
| | | |
| *Deferred exploration and evaluation assets* | | |
| Balance at beginning of the period | **27,619,483** | 28,016,918 |
| Current period expenditure | **2,618,811** | 2,666,047 |
| R&D Tax Credit | **(1,639,990)** | (3,063,482) |
| Balance at end of the period | **28,598,304** | 27,619,483 |

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.

### Note 4. Trade and other payables

| | 30 Jun 2017 | 31 Dec 2016 |
|---|---|---|
| | $ | $ |
| Unsecured trade payables | **538,266** | 168,589 |
| Employee benefits | **311,057** | 342,754 |
| | **849,323** | 511,343 |

(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.

### Note 5. Contributed equity

| | 30 Jun 2017 | 31 Dec 2016 |
|---|---|---|
| | $ | $ |
| (a) Issued and paid up capital | | |
| Ordinary shares fully paid | **147,887,061** | 144,478,912 |

(b) Movements in shares on issue

| | **30 Jun 2017** | | 31 Dec 2016 | |
|---|---|---|---|---|
| **Details** | **Number of Shares issued** | **Issued capital $** | Number of Shares issued | Issued capital $ |
| Beginning of the half-year | **172,990,858** | **144,478,912** | 141,540,563 | 141,572,907 |
| Exercise of options | **-** | **-** | - | - |
| Issue Shares | **11,890,863** | **3,480,850** | 31,450,295 | 2,987,778 |
| Share Issue Costs | **-** | **(72,701)** | - | (81,773) |
| **Closing balance** | **184,881,721** | **147,887,061** | 172,990,858 | 144,478,912 |

(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 half-year, there were zero (31 December 2016: 375,000) unissued ordinary shares in respect of options were outstanding. During the period 375,000 options related to performance rights were cancelled.

### Note 6. Fair value measurement

The fair values of the Group's financial assets and liabilities approximate their carrying value. No financial assets or liabilities are readily traded on organised markets in standardised form.

### Note 7. Contingent liabilities and assets

There have been no material changes to contingent liabilities and assets since the 31 December 2016 financial report.

### Note 8. Events subsequent to reporting date

There are no significant matters or circumstances that have arisen since the end of the financial period which significantly affected or could significantly affect the operations of the consolidated group, the results of those operations, or the state of affairs of the consolidated group in future periods.

## Directors' Declaration

The directors of the company declare that in their opinion:

1. The financial statements, comprising the Consolidated Statement of Profit or Loss and Other Comprehensive Income, Consolidated Statement of Financial Position, Consolidated Statement of Cash Flows, Consolidated Statement of Changes in Equity and accompanying notes, are in accordance with the Corporations Act 2001 and:

   a) Comply with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001; and

   b) Give a true and fair view of the consolidated entity's financial position as at 30 June 2017 and of its performance for the half-year ended on that date.

2. In the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the directors by:

**Denis Wood**
Chairman

Brisbane

8 September 2017

Tel: +61 7 3237 5999
Fax: +61 7 3221 9227
www.bdo.com.au

Level 10, 12 Creek St
Brisbane QLD 4000
GPO Box 457 Brisbane QLD 4001
Australia

# INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of KGL Resources Limited

## Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of KGL Resources Limited, which comprises the consolidated statement of financial position as at 30 June 2017, 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 half-year ended on that date, notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year's end or from time to time during the half-year.

### Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year 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 half-year financial report that is free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 30 June 2017 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of KGL Resources Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

**Independence**

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001,* which has been given to the directors of KGL Resources Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.

**Conclusion**

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of KGL Resources Limited is not in accordance with the *Corporations Act 2001* including:

(i) Giving a true and fair view of the consolidated entity's financial position as at 30 June 2017 and of its performance for the half-year ended on that date; and

(ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001.*

**Emphasis of matter – Material uncertainty relating to going concern**

We draw attention to Note 1 in the financial report which describes the events and/or conditions which give rise to the existence of a material uncertainty that may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business. Our conclusion is not modified in respect of this matter.

**BDO Audit Pty Ltd**

**C R Jenkins**
Director

Brisbane, 8 September 2017