

Annual Report

FY 2017

KGL Resources Limited

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To Our Shareholders

More than two years ago, your directors set a strategic direction to improve the mineral resource at Jervois, particularly to increase the grade of copper, before committing to mine development. We aimed to give ourselves the confidence that Jervois could be developed as a low-cost producer, placed in the bottom half of the international cost curve, so that its sustained viability would be assured in a fluctuating market. We engaged modern, cost efficient exploration methods to ensure that the expensive business of drilling produced results.

Our pursuit of that strategy has resulted in a successful second year of progress for KGL. Intensive drilling, targeted by down hole electromagnetic (DHEM) surveying, has produced multiple high-grade intersections at increased depth and laterally at the Rockface Prospect. The zones of mineralisation at Rockface have been expanded and infill drilling has improved continuity. At the Reward prospect, five kilometres along strike to the north-east, similar technologies and targeted drilling have been improving the quality of the deposit.

We expect shortly to produce an updated Resource on which to base the re-opening of mining at Jervois as a low-cost, robust economic operation.

In parallel to the exploration program, all aspects of project development - mine planning, metallurgical, processing, infrastructure and commercial studies – are well advanced.

Being awarded major project status by the Northern Territory Government last year facilitated the negotiation of government approval processes. The only major approval outstanding is the Environmental Impact Statement which is in the final stages of preparation.

Following the conclusion of an Indigenous Land Use Agreement (ILUA) with the traditional owners and the Central Land Council, and its registration with the National Native Title Tribunal, the NT Government granted an additional mining lease so that KGL now has leases covering the total area necessary to proceed with all planned mine development.

The Aboriginal Areas Protection Authority certificate confirming that no aboriginal heritage matters would impact upon the Jervois project was followed by a similar certificate in relation to proposed drilling at the adjoining Unca Creek exploration project.

KGL acquired the Unca Creek tenement in 2017 for its considerable strategic value beyond the current priority of re-opening the Jervois mine. A strong copper trend extends north from the

Marshall-Reward deposits into Unca Creek where previous exploration and recent work by KGL indicate the potential for economic mineralisation.

Directors greatly value the tangible support of shareholders and new investors in the company.

During the year, there was strong shareholder participation in a \$2.48 million shareholder purchase plan in March and a \$12.4 million placement and entitlement offer in October.

Another share placement for \$1 million funded the Unca Creek acquisition and immediate exploration on the tenement.

A further placement in March this year raised \$6.73 million, giving KGL the security to complete the 2018 exploration program now intensively under way at Jervois.

Consistently supportive of the company, our major shareholder KMP Investments Pte Ltd (KMP) participated not only in the share purchase and entitlement offers, but also in all three placements. New investors welcomed to the two most recent placements included RCF Opportunities Fund LP which is a fund in the global resources private equity firm Resource Capital Funds, and an entity related to international mineral resources identity Mr Ernie Thrasher.

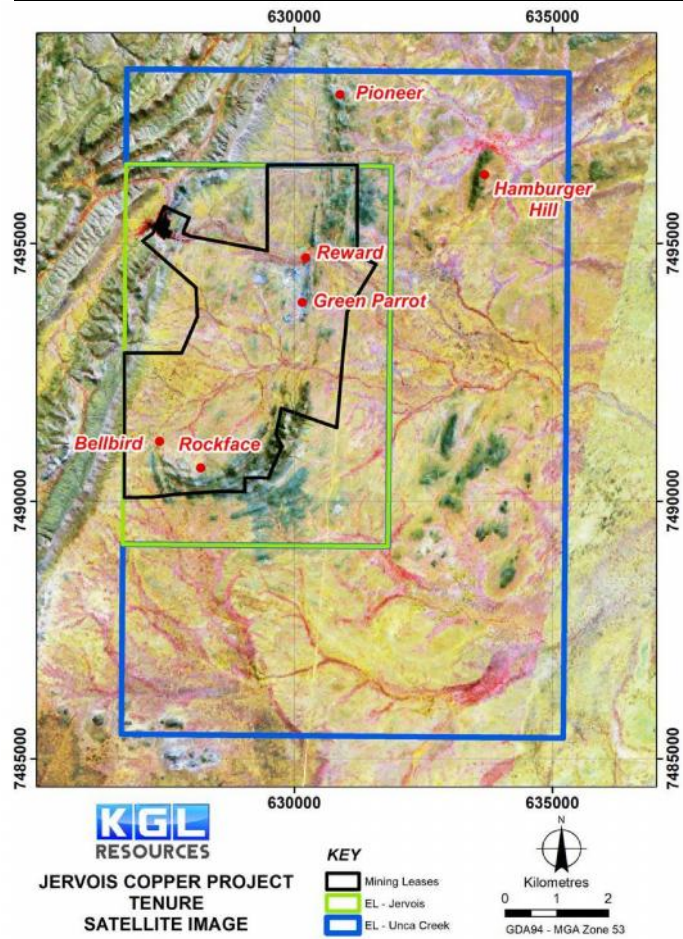
The company's small board and staff group were strengthened late in the year by the addition of director Peter Hay, an experienced mining engineer, executive and board member. I thank them all sincerely for their continuing efforts on your behalf.

We are advancing Jervois towards mine re-opening at a time of growing world copper demand spurred by strong economic growth in developing countries and the beginning of the electric vehicle era. In this positive environment, we are now focussed on updating the Resource and bringing Jervois into production as a modern, sustainably profitable copper and multi-metal mine.

Denis Wood
Executive Chairman

Tenements

Tenement Number	Location	Beneficial Holding
ML 30180	Jervois Project, Northern Territory	100%
ML 30182	Jervois Project, Northern Territory	100%
ML30829	Jervois Project, Northern Territory	100%
EL 25429	Jervois Project, Northern Territory	100%
EL 30242	Jervois Project, Northern Territory	100%
E28340	Yambah, Northern Territory	100%
E28271	Yambah, Northern Territory	100%
EL28082	Unca Creek, Northern Territory	100%



Resources

2017 Jervois Resource Estimate

The Resource estimate remain unchanged from 2016. The Company is in the process of updating the Jervois Resources and expects to release the updated Resource in this quarter.

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
	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
	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			
Jervois Lead/Zinc Resources	Category	Tonnes Mt	Copper %	Silver g/t	Lead %	Zinc %	Copper kt	Silver Moz	Lead kt	Zinc kt	Cut-off Cu%
Reward	Indicated	0.5	0.74	70.7	6.8	0.9	3.6	1.1	33.6	4.4	None
	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
	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	

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 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

Corporate Governance

Principle 1: Lay Solid foundations for management and oversight

A listed entity should establish and disclose the respective roles and responsibilities of its board and management. And how their performance is monitored and evaluated.

Recommendation	KGL's Compliance Statement
1.1 A listed entity should disclose: (a) The respective roles and responsibilities of its board and management; and (b) Those matters expressly reserved to the board and those delegated to management	Role of the Board The Board is responsible for the governance of the Company and its authority to act is derived from the Constitution. Specifically the following matters are reserved for the board Strategy) Providing the framework for, and approval of, the Company's strategic and business plans including general and specific goals.) Directing, monitoring and assessing the Group's performance against strategic and business plans, to ensure proper progress is being achieved.) Approving and monitoring capital management, major capital expenditure and project development acquisitions and divestments. Risk management) Identifying the principal risks of the Company's business.) Reviewing and ratifying the Group's systems of internal compliance and control, risk management and legal compliance, to determine the integrity and effectiveness of those systems.) Monitoring occupational health, safety and environmental performance and compliance and ensuring commitment of appropriate resources. Reporting) Approving and monitoring internal and external financial and other reporting, including reporting to shareholders, the ASX and other stakeholders. Management) Appointment and removal of the Chief Executive Officer.) Appointment and removal of the Company Secretary) Determining whether the remuneration and conditions of service of senior executives are appropriate.) Establishing and monitoring executive succession planning.) Delegating authority to the Chief Executive Officer. Performance) Approving criteria for assessing performance of the Chief Executive Officer.) Monitoring and evaluating the performance of the Chief Executive Officer.) Undertaking an annual performance evaluation of itself. Corporate governance) Encouraging ethical behaviour and compliance with the Company's Code of Conduct.) Evaluating the Company's compliance with corporate governance standards.) Performing such other functions as prescribed by law.

	<p>As at the date of this report, the Board has established the following committees to assist it in discharging its functions</p> <ul style="list-style-type: none">) Audit and Risk Committee) Remuneration and Nomination Committee <p>The company's Board Charter, providing details of the specific roles and accountabilities of the Board is provided on the website www.kglresources.com.au</p>
<p>1.2 A listed entity should:</p> <p>(a) Undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a director, and</p> <p>(b) Provide security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director.</p>	<p>Before a Director is appointed, the Board has and will undertake appropriate evaluations. Where a director is standing for election or re-election, the notice of meeting will set out information on the director including qualifications and experience, independence status and the recommendation of the rest of the Board on the resolution.</p> <p>The Explanatory Memorandum of the Notice of Meeting contains detailed information on each director standing for reelection/re-election.</p>
<p>1.3 A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment</p>	<p>Each Director executes a Letter of Appointment with the Company prior to appointment as a director. The Letter of Appointment covers the following key terms:</p> <ul style="list-style-type: none">) Performance requirements in terms of board meetings and matters under consideration) Key responsibilities and powers as detailed in the board Charter) Conditions of continuing in the role of director) Membership of committees) Remuneration) Consideration of independence and) Ability to seek independent advice. <p>Details of the Directors and Executives employment are also provided annually in the remuneration report.</p> <p>Each executive is employed under an employment agreement which sets out the employment terms, duties, and responsibilities, remuneration details and the circumstances under which employment can be terminated.</p>
<p>1.4 The company secretary of a listed entity should be accountable directly to the board, through the chair, on all matters to</p>	<p>The Company Secretary reports solely to the board and communication between the directors and the company secretary is open and unfettered. The Company Secretary advises the Board and its committees on governance matters, attends and takes minutes at all Board and board committee meetings, communications with the ASX and ASIC on all regulatory matters, monitors adherence to Board</p>

do with the proper functioning of the board.	policies and procedures and retains all professional advisors at the Board's request.
<p>1.5 A listed entity should</p> <p>(a) Have a diversity policy which includes requirement for the board or a relevant committee of the board to set measurable objectives for achieving gender diversity and to assess annually both the objectives and the entity's progress in achieving them</p> <p>(b) Disclose that policy or a summary of it; and</p> <p>(c) Disclose at the end of each reporting period the measurable objectives for achieving gender diversity set by the board in accordance with the entity's diversity policy and its progress toward achieving them and either</p> <p>i. The respective proportions of men and women on the board, in senior executive positions and across the whole organization</p> <p>ii. If the entity is a "relevant employer" under the Workplace Gender Equality Act, the entity's most recent "Gender Equality Indicators" as defined in and published under the Act.</p>	<p>KGL Resources Limited recognises that a diverse and inclusive workforce is not only good for KGL employees; it is also good for the company. It helps attract and retain talented people, create more innovative solutions and ultimately create value for KGL stakeholders. Although the company is yet to develop a diversity policy, it believes that a gender diverse workplace is aligned with the strategic objectives of the company. A policy will be developed as KGL develops other Human Resource policies as part of its ongoing growth and advancement of commodity projects.</p> <p>As at the date of this report, KGL employed 7 persons, 1 is a woman. There is 1 woman in a senior role, being the company secretary, and no women on the board.</p> <p>The company is not a "relevant employer" as defined under the Workplace Gender Equality Act.</p>

<p>1.6 A listed entity should:</p> <p>(a) Have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors; and</p> <p>(b) Disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.</p>	<p>The KGL board comprises only 4 members and although a formal process does not exist, evaluation of the performance of the board in relation to certain situations is undertaken on an ongoing basis</p> <p>A review of the board committees was undertaken in 2016 which lead to the Sustainability Committee being disbanded and issues relating to Sustainability being dealt with as a standing agenda item at Board Meetings.</p>
<p>1.7 A listed entity should:</p> <p>(a) Have and disclose a process for periodically evaluating the performance of its senior executives; and</p> <p>(b) Disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.</p>	<p>The last 24 months has seen significant restructuring undertaken of the executive roles within KGL. As the Company advances the Jervois project, consideration will be given to the appropriate structure of the executive roles within the company. As positions are filled, the Board in conjunction with the Remuneration and Nomination Committee consider the the processes for evaluation of the performance of senior executives.</p>

Principle 2: Structure the Board to add value

A listed entity should have a board of appropriate size, composition, skills and commitment to enable it to discharge its duties effectively.

Recommendation	KGL's Compliance Statement
<p>2.1 A board of a listed entity should</p> <p>(a) Have a nomination committee which:</p> <ul style="list-style-type: none"> i. Has at least three members, a majority of whom are independent directors ii. Is chaired by an independent director and disclose: iii. The charter of the committee iv. The members of the committee and v. As at the end of each reporting period, the number of times the committee met throughout the period and the individual attendance of the member at those meetings; or <p>(b) If it does not have a nomination committee, disclose that fact and the processes it employs to address board succession issues and to ensure that the board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively.</p>	<p>The Board has established a Remuneration and Nomination committee. The Committee is comprised of four directors, two of whom are independent. The Board considers that the size and composition of the Committee is appropriate given the board composition and the stage in the company's development and that the function of the committee is not compromised by its composition.</p> <p>The committee members are: Mr Ferdian Purnamasidi (Chairman and non-executive director) Mr Denis Wood (Director) Mr Chris Bain (Independent non-executive director) Mr Peter Hay (Independent non-executive director).</p> <p>The role of the committee is as follows:</p> <ul style="list-style-type: none">) Review and recommend policies on payments for directors) Identify and recommend to the Board candidates for the Board after considering appropriate mix of skills and experience and after assessment of how the candidates can contribute to the strategic direction of the company.) Approve and review induction procedures for new appointees of the Board to ensure that they can effectively discharge their responsibilities.) Assess and consider the amount of time required by non-executive directors to properly fulfil their duty to the company) Consider and recommend to the Board, candidates for election of re-election to the Board at each annual shareholders meeting) Review succession plans for the Board with a view to maintaining an appropriate balance of skills and experience on the Board

2.2 A listed entity should have and disclose a board skills matrix setting out the mix of skills and diversity that the board currently has or is looking to achieve in its membership.

Directors recognise the following skills as being either essential or desirable to the effective operation of the board. An assessment is made as to whether any of these skills are required from the members of the board or whether they are better sourced through a consultant. At present the board believes that these skills are adequately covered by the current directors and the use of consultants where necessary.

-) Ability to think strategically and identify and critically assess strategic opportunities and threats and develop effective strategies in the context of the strategic objectives of the company
-) Financial Performance Qualifications and experience in accounting and/or finance:
 - o Oversee budgets and efficient use of resources
 - o Analyse financial statements
 - o Critically assess financial viability and performance
 - o Contribute to strategic financial planning
 - o Oversee funding arrangements and accountability
-) Legal
 - o Formal legal qualifications
 - o Understanding of the legal framework in which companies operate.
-) Risk and compliance oversight
 - o Ability to identify key risks to the organisation in a wide range of areas including legal and regulatory compliance and monitor risk and compliance management frameworks and systems.
-) Corporate Governance
 - o Knowledge and experience in best practice corporate governance, particularly in the context of listed company requirements, including Corporate Governance Guidelines.
-) Major Transactions

Experience at a board level of overseeing and managing large acquisitions, divestments, joint ventures etc
-) Financial/Equity Market Experience

Experience in and understanding of the fundamentals and operation of financial/ equity markets.
-) Experience at an executive level
 - o Appointment and evaluation of the performance of the CEO and senior executive managers
 - o Oversight of strategic human resource management including workforce planning and employee and industrial relations
 - o Oversight of large scale organisation change.
-) Commercial and Technical Experience

A broad range of commercial/business and technical experience.
-) Metals industry experience

A thorough understanding of the metal/copper industry, including metals production, key stakeholders, geology and exploration, marketing and logistics.
-) Mine development and operation experience

A thorough understanding of the issues involved in developing and operating a mine in Australia.

 - o Knowledge of relevant mining legislation
 - o Mine planning, design and feasibility

	<ul style="list-style-type: none"> ○ Safety and environmental issues ○ Native title requirements ○ Product processing ○ Infrastructure requirements
<p>2.3 A listed entity should disclose</p> <p>(a) The name of the directors considered by the board to be independent directors</p> <p>(b) If a director has an interest, position, association or relationship of the type described in Box 2.3 but the board is of the opinion that it does not compromise the independence of the director</p>	<p>The Company considers that following directors are independent of the Company;</p> <ul style="list-style-type: none">) Mr Chris Bain (Non-executive Director)) Mr Peter Hay (Non-executive Director)
<p>2.4 A majority of the board of a listed entity should be independent directors</p>	<p>The Board of KGL Resources Limited currently has four members, two of whom are independent. Given the size of the board and the functions being managed, the Board considers it appropriate to have 2 independent directors.</p>
<p>2.5 The chair of the board of a listed entity should be an independent director and, in particular, should not be the same person as the CEO of the entity.</p>	<p>Mr Denis Wood is the Chairman of the Board but is now not considered independent. Following the restructuring of the executive team in 2015, including the CEO position being made redundant, Mr Wood has been undertaking a number of the executive functions within the company. Mr Wood has not taken any additional remuneration whilst undertaking this work.</p> <p>The Board considers this appropriate given the significant experience that Mr Wood has in the development of resource projects, the size of the company and the cost effectiveness of the current arrangement with Mr Wood.</p>
<p>2.6 A listed entity should have a program for inducting new directors and provide appropriate professional development opportunities for directors to develop and maintain the skills and knowledge need to perform their roles as directors effectively.</p>	<p>New directors undergo an induction process which includes receiving briefing from the Chairman and/or CEO on the company, being provided with copies of all report and announcements relevant to the company's recent activities and developments and when appropriate, a site familiarisation visit.</p>

Principle 3: Act ethically and responsibly

A listed entity should act ethically and responsibly.

Recommendation	KGL's Compliance Statement
3.1 A listed entity should (a) Have a code of conduct for its directors , senior executives and employees and (b) Disclose that code or a summary of it.	<p>The Company has a Code of Conduct which is given to all directors and employees when joining the Company.</p> <p>This Code of Conduct applies standards for appropriate ethical and professional behaviour for all employees and Directors working for KGL Resources Limited and/or its subsidiary companies. It sets out the fundamental values, which form the basis of, and underpin all of the Company's business relationships.</p> <p>The code specifically addresses the following areas and can be found on the company's website. www.kglresources.com.au</p> <ul style="list-style-type: none">) Compliance with the law) Occupational Health and Safety) Environment) Drug and Alcohol Use) Equal Employment Opportunity) Harassment) Confidentiality) Insider Trading) Personal Information and Privacy) Continuous Disclosure) Use of Company Resources and Fraud Prevention) Information Systems) Financial Inducements) Travel, Entertainment and Gifts <ul style="list-style-type: none"> o Expediting or Service Arrangements o Travel o Entertainment o Gifts) Conflicts of Interest) Outside Activities) Political Support) Violations of the Company's Policies and Procedures and Disciplinary Process) Responsibilities of Management of the Company) Professional Behaviour) Whistleblower Policy

Principle 4: safeguard integrity in corporate reporting

A listed entity should have formal and rigorous processes that independently verify and safeguard the integrity of its corporate reporting.

Recommendation	KGL's Compliance Statement
<p>4.1 The board of a listed entity should:</p> <p>(a) Have an audit committee which</p> <p>i. Has at least 3 members, all of whom are non-executive directors and a majority of whom are independent directors and</p> <p>ii. Is chaired by an independent director who is not the chair of the board</p> <p>And disclose</p> <p>iii. The charter of the committee</p> <p>iv. The relevant qualifications and experience of the members of the committee; and</p> <p>v. In relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings or</p> <p>(b) If it does not have an audit committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of its corporate reporting,</p> <p>(c) including the processes for the appointment and</p>	<p>The Company has established an Audit and Risk Committee to assist the Board to safeguard the integrity of financial reporting.</p> <p>The Committee Charter sets out the role of the committee as follows:</p> <ul style="list-style-type: none">) To monitor the integrity of the financial statements of the Company, reviewing significant financial reporting judgments;) To review the Company's internal financial control system and, unless expressly addressed by a separate risk committee or by the Board itself, risk management systems;) To consider the appointment of the external auditor and to approve the remuneration and terms of engagement of the external auditor;) To monitor and review the external auditor's independence, objectivity and effectiveness, taking into consideration relevant professional and regulatory requirements; and) To develop and implement policy on the engagement of the external auditor to supply non-audit services, taking into account relevant ethical guidance regarding the provision of non-audit services by the external audit firm. <p>The Committee is comprised of Four directors, two of whom are independent. The Board considers that the size and composition of the Committee is appropriate given the board composition and the stage in the company's development and that the function of this committee is not compromised but its composition.</p> <p>The committee members are: Mr Chris Bain (Chairman, Independent non-executive director). Mr Ferdian Purnamasidi (Non-executive director) Mr Denis Wood (Director) Mr Peter Hay (Independent non-executive)</p> <p>The committee meets with the external auditor without management present on general matters concerning the audit and the financial management of the company. The Chair of the audit committee reports to the Board on the Committee's discussions, conclusions and recommendations</p> <p>The details of the qualifications and experience of the committee members and the number of meetings attended each year will be detailed in the Company's Annual Report and/or on the company's website.</p>

removal of the external auditor and the rotation of the audit engagement partner.

4.2 The board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control, which is operating effectively

The Company requires the Chief Executive Officer and Chief Financial Officer to provide the board their written opinion Stating:

-) The financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position of the entity in accordance with Section 295A of the Corporations Act and
-) That an opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

4.3 A listed entity that has an AGM should ensure that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit

The external auditors of the company are BDO (Queensland) Pty Ltd. The external auditor attends each Annual General meeting and is available to answer any questions from shareholders relevant to the conduct of the audit and the preparation and content of the audit report.

Principle 5: Make timely and balanced disclosure

A listed entity should have formal and rigorous processes that independently verify and safeguard the integrity of its corporate reporting.

Recommendation	KGL's Compliance Statement
5.1 A listed entity should (a) Have a written policy for complying with its continuous disclosure obligations under the Listing Rules and (b) Disclose that policy or a summary of it	<p>The Board has a policy to ensure that all employees understand the requirements of continuous disclosure. In accordance with this policy, employees, who become aware of potentially price sensitive information, must immediately report this to the CEO or Company Secretary.</p> <p>The Policy is listed on the Company's website www.kglresources.com.au .</p>

Principle 6: Respect the rights of security holders

A listed entity should make timely and balanced disclosure of all matters concerning it that a reasonable person would expect to have a material effect on the price or values of its securities.

Recommendation	KGL's Compliance Statement
6.1 A listed entity should provide information about itself and its governance to investors via its website.	<p>The Company's website contains detailed information about its business and projects. Details of the Board Members and Executive team are also listed.</p> <p>The Investor page provides helpful information to the shareholder. It allows shareholders to view all ASX and Media releases, copies of the annual reports and quarterly activities and cashflow statements. The website also contains the following corporate governance documents.</p> <p>Board Charter ASX Continuous Disclosure Policy Securities Trading Policy Audit & Risk Committee Charter Remuneration and Nomination Committee Charter Sustainability Policy</p>
6.2 A listed entity should design and implement an investor relation program to facilitate effective two way communication with investors	<p>Although the Company has not established a formal shareholder communication policy, it does take the appropriate measures to keep shareholders informed about its activities and to listen to issues or concerns raised by shareholders.</p> <p>Information is communicated to the members through compliance with ASX Listing Rules and the Corporations Act 2001, by way of the Annual Report, Half-Yearly Report, Quarterly Activities Reports, Appendix 5B cashflow reports, the Annual General Meeting and other meetings that may be called to obtain approval for Board recommendations. In addition to this the Company releases regular progress reports and presentation released to ASX to keep members abreast of the company's development. The Company also maintains a website -www.kglresources.com.au - where all of the Company's ASX announcements and media releases can be viewed at any time.</p>
6.3 A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders	<p>Notices of meeting sent to shareholders comply with the "Guideline for notices of meeting" issued by the ASX. In relation to the AGMs, shareholders are encouraged to submit questions before the meeting. The Chairman encourages shareholders at the AGM to ask questions or make comments about the Company's projects and the performance of the Board and senior management. The Chairman may respond directly to the questions or, at his discretion, refer the question to another director or the CEO.</p>
6.4 A listed entity should give the security holders the option to receive	<p>Shareholders have the option of electing to receive all shareholder communications by email. The Company provides a printed copy of the Annual Report to only those shareholders who have specifically</p>

communications from, and send communications to, the entity and its security registry electronically.

elected to receive a printed copy. Other shareholders are advised when the Annual Report is available on the Company's website. All announcements made to the ASX are available to shareholders by email through a subscription to the Company's website.

The KGL Share Register is managed and maintained by Link Market Services limited. Shareholders can access their shareholding details or make enquiries about their current shareholding by quoting their Shareholder Reference Number or Holder Identification number via the Link Market Services Investor Centre

Principle 7: Recognise and manage risk

A listed entity should establish a sound risk management framework and periodically review the effectiveness of that framework.

Recommendation	KGL's Compliance Statement
<p>7.1 The board of a listed entity should:</p> <p>(a) Have a committee or committees to oversee risk each of which</p> <p>i. Has at least three members , a majority of whom are independent directors and</p> <p>ii. Is chaired by an independent director</p> <p>And disclose</p> <p>iii. The charter of the committee</p> <p>iv. The members of the committee and</p> <p>v. As at the end of each reporting period , the number of times the committee met throughout the period and the individual attendances of the members at those meetings or</p> <p>(b) If it does not have a risk committee or</p>	<p>The Directors continually monitor areas of significant business risk, recognising that there are inherent risks associated with the exploration for, development and mining of mineral deposits.</p> <p>Specifically, in relation to risk oversight the Board is conscious of its responsibilities to: ensure compliance in legal, statutory and ethical matters; monitor the business environment; identify business opportunities; and monitor the systems established to ensure proper and appropriate responses to member complaints and enquiries. In the context of the Company's exploration and development project, the Board considers these risks at each board meeting.</p> <p>Additionally, the Board has established an Audit & Risk Committee. The details of meetings and attendance of the Audit and Risk can be found in the Company's annual report.</p>

<p>committees that satisfy (a) above, disclose that fact and the processes it employs for overseeing the entity's risk management framework.</p>	
<p>7.2 The board or a committee of the board should;</p> <p>(a) Review the entity's risk management framework at least annually to satisfy itself that it continues to be sound; and</p> <p>(b) disclose, in relation to each reporting period whether which a review has taken place.</p>	<p>The Board considers risks specific to each stage of development and a comprehensive risk assessment is undertaken at each stage. As the company development is rapidly changing, it is considered more appropriate to assess risk at each stage of development and following each program rather than having a specific framework.</p>
<p>7.3 A listed entity should disclose</p> <p>(a) If it has an internal audit function, how the function is structured and what role it performs</p> <p>(b) If it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.</p>	<p>The Company does not have an internal audit function and considers this appropriate for the size of the Company and the stage of its development.</p> <p>The Audit & Risk Committee meets twice a year to receive and consider reports on, and monitor and discuss, known and emerging risk and compliance issues, including non-financial operational and other business risks.</p> <p>In support of the functions of the Audit & Risk Committee, the Company's managers are directly responsible for risk management in their respective areas of accountability.</p> <p>Operational, financial, legal, compliance, strategic and reputational risks continue to be managed primarily by the Directors and where appropriate, these risks are managed with the support of relevant external professional advisers.</p>
<p>7.4 A listed entity should disclose whether it has any material exposure to economic, environmental and social risks and, if it does, how it manages or intends to manage those risks</p>	<p>The following risk are related to the Company specifically Exploration, development, mining and processing risks</p> <p>The business of mineral exploration, project development and mining by its nature contains elements of significant risk. Ultimate and continuous success of these activities is dependent on many factors such as:</p> <ul style="list-style-type: none"> (a) successful conclusions to feasibility studies; (b) access to adequate capital for project development;

(c) design and construction of efficient mining and processing facilities within capital expenditure budgets;

(d) securing and maintaining title to tenements and compliance with the terms of those tenements;

(e) obtaining consents and approvals necessary for the conduct of exploration and mining; and

(f) access to competent operational management and prudent financial administration, including the availability and reliability of appropriately skilled and experienced employees, contractors and consultants.

Whether or not income will result from projects undergoing exploration and development programs depends on the successful establishment of mining operations. A range of factors including but not limited to costs, actual mineralisation, consistency and reliability of ore grades and commodity prices can affect successful project development and mining operations.

Construction and operational cost risk

The capital expenditure required to develop the Jervois Project may differ from the current expectations of KGL. In addition, actual operational costs may differ from current estimates. Increases in capital or operating expenditure will adversely affect the profitability of the Jervois Project.

Licences and permits

KGL must obtain a number of permits issued by various governmental agencies and regulatory bodies to carry out its planned operations. KGL may be unable to obtain and renew permits and licences necessary for its exploration, development or mining. In particular, licenses and permits are required to develop the Jervois Project in to an operating mine.

Resource and production estimates

Resource estimates are expressions of judgment based on knowledge, experience and resource modelling. As such, resource estimates are inherently imprecise and rely to some extent on interpretations made. Despite employing qualified professionals to prepare resource estimates, such estimates may nevertheless prove to be inaccurate. Furthermore, resource estimates may change over time as new information becomes available. Should KGL encounter mineralisation or geological formations different from those predicted by past drilling, sampling and interpretations, resource estimates may need to be altered in a way that could adversely affect the operations of KGL.

Future financing

There can be no assurance that any future financing required by KGL to support proposed development plans will be available on satisfactory terms or at all. The inability to obtain funding could adversely affect KGL and result in a default in tenement obligations and forfeiture of permits or licences if not remedied.

Key personnel

The success of KGL depends largely on the core competencies of its directors and management, and their familiarisation with, and ability to operate in the metals and mining industry and the ability of KGL to retain its key executives. KGL may be adversely affected if any of the directors or management leaves KGL. KGL might not be able to replace them with persons of equivalent expertise and experience within a reasonable period of time or at all and KGL may incur additional expenses to recruit, train and retain personnel.

Environmental risks

Despite efforts to conduct its activities in an environmentally responsible manner and in accordance with all applicable laws, there is a risk of an adverse environmental event occurring which could delay the further development of the Jervois Project and may subject KGL to substantial penalties including fines, damages, clean-up costs or other penalties.

Capital raising risk

If a significant number of eligible shareholders do not participate in the rights issue and the underwriting is terminated, a shortfall may result. Should this occur, KGL will revise the use of funds to match the total amount raised through the rights issue. This may result in some of KGL's projects, including but not limited to the Jervois Project, being delayed, or having the extent of its scope reduced.

Political and regulatory

Mining is an industry which has become subject to increasing legislative regulation, including but not limited to environmental responsibility and liability. The potential for liability is an ever present risk. The use and disposal of chemicals in the mining industry is under constant legislative scrutiny and regulation. The introduction of new laws and regulations or changes to underlying policy may adversely impact on the operations of KGL.

Principle 8: Remunerate fairly and responsibly

A listed entity should pay director remuneration sufficient to attract and retain high quality directors and design its executive remuneration to attract, retain and motivate high quality senior executives and to align their interests with the creation of value for security holders.

Recommendation	KGL's Compliance Statement
<p>8.1 The board of a listed entity should:</p> <p>(a) Have remuneration committee which</p> <ul style="list-style-type: none"> i. Has at least 3 members, a majority of whom are independent directors; and ii. Is chaired by an independent director And disclose iii. The charter of the committee iv. The members of the committee; and v. As at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or <p>(b) If it does not have a remuneration committee, disclose that fact, and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive.</p>	<p>The Company has established a Remuneration and Nomination Committee to assist the Board on all matters relating to remuneration.</p> <p>The Committee Charter sets out the role of the committee as follows:</p> <ul style="list-style-type: none">) make recommendations to the Board regarding their remuneration framework for directors, including in relation to; <ul style="list-style-type: none"> o the level of fees payable to each non-executive director within the maximum aggregate level of remuneration approved by the Company's shareholders; o any changes to the maximum aggregate level of remuneration approved by the Company's shareholders; o the manner in which fees may be taken; and o any other applicable arrangements, including for example, payments of fees for special exertions, director expense claims and ad hoc Committee fees.) review the competitiveness of the Company's executive compensation programs to ensure: <ul style="list-style-type: none"> o the attraction and retention of corporate officers; o the motivation of corporate officers to achieve the Company's business objectives; and o the alignment of the interests of key leadership with the long-term interests of the Company's shareholders; o review trends in management compensation, oversee the development of new compensation plans and, when necessary, approve the revision of existing plans; o 'review the performance of executive management;) review and approve Executive Directors goals and objectives, evaluate Executive Directors performance in light of these corporate objectives, and set Executive Directors compensation levels consistent with Company philosophy;) recommend appropriate salary, bonus and other compensation to the Board for approval;

	<ul style="list-style-type: none">) review and approve compensation packages for new corporate officers and termination packages for corporate officers as requested by management;) review and approve the awards made under any executive officer bonus plan, and provide an appropriate report to the Board;) review and make recommendations concerning long-term incentive compensation plans, including the use of share options and other equity-based plans. Except as otherwise delegated by the Board, the committee will act on behalf of the Board as the "Committee" established to administer equity-based and employee benefit plans, and as such will discharge any responsibilities imposed on the committee under those plans, including making and authorising grants, in accordance with the terms of those plans; <p>The Committee is comprised of four directors including two independent directors.</p> <p>The committee members are: Mr Ferdian Purnamasidi (Chairman and Non-executive director). Mr Denis Wood (Director) Mr Chris Bain (Independent non-executive director) Mr Peter Hay (Independent non-executive director) The details of the qualifications and experience of the committee members and the number of meetings attended each year will be detailed in the Company's Annual Report and/or the company website.</p>
8.2 A listed entity should separately disclose its policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives.	<p>In December 2015, the board took measures to reduce the administrative costs of the company in response to low commodity prices and market conditions. The measures included reducing the size of the board and reducing the board fees by 30%. Senior executive remuneration are designed to ensure that the level and composition of the package is reasonable and appropriate for the demands of the role whilst being cognisant of commodity and market conditions. Full details of payments to executives can be found in the Remuneration Report as part of the Director Report section of the Annual Report.</p>
8.3 A listed entity which has an equity based remuneration scheme should: (a) Have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme and (b) Disclose that policy or a summary of it.	<p>The Company has a Securities Trading Policy. This policy strictly prohibits Directors and Employees from entering into any transaction that is designed to limit the economic risk of a holding in unvested KGL Resources Limited securities</p> <p>A full copy of the policy can be found on the Company's website www.kglresources.com.au</p>

Additional Information

As at 16 April 2018

1. Names of Substantial Holders

Name of Holder	No of Securities	% Issued Capital
KMP Investments Pte Ltd	62,466,337	25.7
Mr Denis Wood	22,356,254	9.2
Pegasus CP One	11,655,732	7.28%
Marshall Plenty Investments	12,500,000	5.14%

2. Number of holders in each class of equities

	No of Holders	No of Units
Ordinary Shares	2,541	243,030,484

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	212,136,801	177
10,001 to 100,000	25,089,953	772
5,001 to 10,000	3,215,975	419
1,001 to 5,000	2,497,887	892
1 to 1,000	89,868	281
Total	243,030,484	2,541

5. Unmarketable Parcels

Number of holders with a holding of less than a marketable parcel is 434 at a price of \$0.32

Additional Information (cont)

6. 20 Largest holders in each class of quoted security

Rank	Name	11 Apr 2017	%IC
1	KMP INVESTMENTS PTE LTD	62,466,337	25.70
2	J P MORGAN NOMINEES AUSTRALIA LIMITED	19,744,698	8.12
3	MR DENIS LESLIE WOOD & MRS ANNE WOOD	18,567,472	7.64
4	MARSHALL PLENTY INVESTMENTS	12,500,000	5.14
5	BELL POTTER NOMINEES LTD	10,909,091	4.49
6	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	10,272,354	4.23
7	CITICORP NOMINEES PTY LIMITED	4,211,569	1.73
8	COAL INDUSTRY SERVICES PTY LTD	3,788,782	1.56
9	ROBRIAN PTY LTD	3,000,000	1.23
10	REDLAND PLAINS PTY LTD	2,830,623	1.16
11	SCML INVESTMENTS PTY LTD	2,561,979	1.05
12	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	1,972,022	0.81
13	HAY SUPERANNUATION PTY LTD	1,756,310	0.72
14	BNP PARIBAS NOMINEES PTY LTD	1,512,701	0.62
15	TRI-STAR ENERGY COMPANY	1,351,351	0.56
16	AMMF INVESTMENTS PTY LTD	1,300,000	0.53
17	EDNA SECURITIES PTY LTD	1,276,055	0.53
18	TJSMSF PTY LIMITED	1,216,541	0.50
19	INVIA CUSTODIAN PTY LIMITED	1,180,000	0.49
20	AMMF INVESTMENTS PTY LTD	1,151,515	0.47
	Total	163,569,400	67.30

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 2017**

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 2017.

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

Executive Chairman

BSc (Geology).

Appointed 28 July 2015

Denis Wood is an Australian and international mining industry director, investor, executive and professional metallurgist and geologist with more than 45 years' experience.

Denis's early career comprised 13 years with BHP as a metallurgist followed by eight years with the mining industry technical services provider CCI Holdings where he reached the position of Managing Director.

Denis then moved to Chicago to join a multinational company which supplied a complete range of services to the mining industry. Responsible for commercial testing and engineering, he managed more than 50 branches in the United States as well as operations in South Africa and South America.

Upon returning to Australia, Denis took up multiple directorships and shareholdings of Australian based resource companies including QCC, Cumnock Coal, Sedgman, Jupiter Mines and Marathon Resources. Denis then accepted the position of Managing Director/CEO of Australian Premium Coals, a subsidiary of Macarthur Coal Limited, and was responsible for the successful development of greenfield sites including the Coppabella and Moorvale coal mines in Central Queensland. Subsequently he spent eight years as the Executive Director of the Talbot Group in the position of Director of Resources.

Following a brief retirement, Denis returned to the industry to restructure and focus the direction of KGL Resources to become a robust, world class copper producer in the Northern Territory.

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

Mr Wood is member of the Audit and Risk Committee and the Remuneration Committee.

Other Current Directorships of ASX Listed Companies

None

Former Directorships of ASX Listed Companies in last three years

None

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

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 Remuneration Committee.

Other Current Directorships of ASX Listed Companies

Metalicity Limited. (Formerly PLD Corporation Ltd) appointed 19 August 2013. Retired 31 December 2017.

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

Former Directorships of ASX Listed Companies in last three years

None

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

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.

The Salim Group is a diversified conglomerate which owns interests in companies involved in the mining business, dairy products, flour milling, instant noodles, cooking oil, automobile assembly, property, insurance and retail.

Ferdian has spent the past six years facilitating resource development opportunities between Indonesia and Australia. His experiences in Australia include serving as Director at Mach Energy Australia which owns the world-class Mt Pleasant coal operation in the Hunter Valley region in New South Wales. He is also a Director at Robust Resources Limited, a gold & silver exploration company with projects in Indonesia.

In addition, Ferdian also sits at multiple Indonesian projects owned by the wider Salim Group.

Ferdian graduated with Bachelor of Commerce from the Curtin University of Western Australia in 2012 and spent a few years working in Australia within various executive roles.

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

Mr Purnamasidi is Chair of the Remuneration Committee and a member of the Audit and Risk Committee.

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.

KGL RESOURCES LIMITED AND ITS CONTROLLED ENTITIES

ABN 52 082 658 080

Peter Hay

BEng (MINING)

BACHELOR OF COMMERCE

**MEMBER OF INSTITUTE OF
CHARTERED ACCOUNTANTS IN
AUSTRALIA**

Non-Executive Director

Appointed 02 November 2017

Mr Hay has a Bachelor of Engineering (Mining) and Bachelor of Commerce and is an associate member of the Institute of Chartered Accountants based in Brisbane. With over 30 years' experience in the mining industry, he has held senior positions in some of Queensland's largest resource companies, including General Manager of Pan Australian Mining Limited, Managing Director of Sedgman Limited and Joint Managing Director of Macarthur Coal Ltd. Mr Hay has extensive experience as a non-executive director of companies including Sedgman Limited and Aston Resources Limited.

Mr Hay is member of the Audit and Risk Committee and the Remuneration Committee.

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	22,356,254	-
C Bain	227,272	-
F Purnamasidi	404,848	-
P Hay	1,756,310	

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:

Directors	Held*	Attended
D Wood	6	6
C Bain	6	6
F Purnamasidi	6	6
P Hay	1	1

*Number of meetings held during the time the director held office during the year.

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

DIRECTORS REPORT (CONTINUED)

MEETINGS OF DIRECTORS (Continued)

Committee membership and meetings

The members of the Committees are Denis Wood, Chris Bain, Ferdian Purnamasidi and Peter Hay. Mr Chris Bain is the Chairman of the Audit and Risk Committee along with Denis Wood, Peter Hay and Ferdian Purnamasidi as members.

Mr Purnamasidi is the Chairman of the Nomination and Remuneration Committee along with Denis Wood, Peter Hay 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
F Purnamasidi	2	2	1	1
Peter Hay	1	1	-	-

*Number of meetings held during the time the director was a member of the Committee during the year.

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 6 employees as at 31 December 2017 (2016: 3 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
ABN 52 082 658 080

DIRECTORS REPORT (CONTINUED)

REVIEW OF OPERATIONS

KGL experienced another year of outstandingly successful exploration at the Jervois Copper Project in the Northern Territory as new zones of high grade mineralisation were discovered.

Intensive drilling resulted in multiple high grade intersections at increased depth and laterally at the Rockface Prospect and at the Reward Prospect five kilometres along strike to the north-east. Down hole electromagnetic (DHEM) surveying continued to guide exploration, reliably identifying large mineralised zones and drill targets.

The effective modern technologies employed by KGL ensured that the funds sourced from two equity raisings during the year were applied in the most cost efficient way. Shareholders participated strongly in a \$2.48 million shareholder purchase plan in February and a \$12.4 million placement and entitlement offer in September. New investors in the placement included RCF Opportunities Fund LP, a fund in the global resources private equity firm Resource Capital Funds, at \$3 million the largest subscriber to the placement.

In addition, a \$1 million share placement to four parties including KGL's major shareholder KMP Investments funded the Unca Creek exploration project comprising the acquisition of the tenement adjoining Jervois and future exploration on the tenement.

In February 2018, a private placement at a premium price raised \$6.73 million, giving KGL the security to complete the 2018 exploration program.

The successful extension and infill drilling at Jervois during the year advanced the Company closer to a new Resource estimate. This, together with progress made in gaining approvals and in metallurgical, processing, infrastructure and commercial studies, contributed to advancement towards the goal of developing a low-cost copper and multi-metal mine at Jervois.

Exploration

Rockface

DHEM surveying and drilling at Rockface discovered high grade copper and broad mineralised zones at increasing depth and extended mineralisation to the east, while infill drilling progressively confirmed the continuity of known mineralised zones to the west. The results continued to confirm the trend of grade increasing with depth.

In the east, hole KJCD201, drilled in late 2016 and announced early in 2017, intersected 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.

A further nine-hole drilling program in 2017, targeting newly discovered high potential zones in the east as well as infill drilling, had immediate positive results. Assays for hole KJCD205, in Conductor 6, included:

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

KJCD205 intersected a second zone of mineralisation in Conductor 5, the main zone assaying:

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

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

DIRECTORS REPORT (CONTINUED)

REVIEW OF OPERATIONS (CONTINUED)

A lower grade interval was also intersected and included 12.65m @ 1.03% Cu, 5.2g/t Ag, 0.05g/t Au from 629 m.

Hole KJCD208 intersected zones of copper mineralisation in Conductor 6 assaying:

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

and, between Conductors 5 & 7, 10.7m @ 1.18% Cu, 4.9g/t Ag, 0.21g/t Au from 662m

Hole KJCD211 intersected chalcopryrite mineralisation in Conductor 6:

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

Another zone of weaker mineralisation was also intersected between Conductors 3 & 5.

Hole KJCD212 was a large step-out both deeper and further east than previous drilling. Assays confirmed continued high grades in the east intersecting Conductor 8:

- **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**

Hole KJCD218 was designed to test the up-dip extension of the eastern zone and was the shallowest hole yet drilled into Conductor 6. Although the width is narrowing, the grades of copper, silver and gold remain high, with results including:

- **3.35m @ 5.27% Cu, 31.8g/t Ag, 0.47g/t Au from 421.15 m**

Hole KJD226W1 intersected two intervals of massive sulphide. Intercepts included:

- **6.62m @ 3.8% Cu, 0.72% Zn, 33.2g/t Ag, 0.24g/t Au from 590.72 m (Conductor 6)**
- **4.18m @ 3.16% Cu, 0.32% Zn, 25.6g/t Ag, 0.25g/t Au from 607.57 m (Conductor 8)**

Hole KJD227 intersected chalcopryrite mineralisation. A follow up DHEM survey confirmed this intersection was on the very eastern edge of Conductor 8. Intercepts included 14.23m @ 0.76% Cu, 7.5g/t Ag, 0.11g/t Au from 764.12m

In the west, infill and confirmatory drilling was undertaken. Drill results confirmed continuity of high grade copper across previously undrilled spaces. Drilled in late 2016 and announced in early 2017, hole KJCD203 targeted Conductors 2, 3 and 4 in a 105m zone between previous high grade intersections and encountered further high grade copper mineralisation. 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**

Hole KJCD210, while testing the previously undrilled Conductor 1 and shallower regions of Conductor 3, encountered weaker mineralisation, and in Conductor 3 intersected:

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

Several holes were drilled to test the edges of the Conductors identified by DHEM surveying.

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

DIRECTORS REPORT (CONTINUED)

REVIEW OF OPERATIONS (CONTINUED)

Hole KJCD215, designed to test the western edges of Conductor 3 and 5 in a 100m space between drill holes, delivered assay results that included:

- **8.24m @ 9.21% Cu, 0.19% Zn, 38.1g/t Ag, 0.29g/t Au from 587.5m (Conductor 3) including 4.57m @ 14.00% Cu, 53.6g/t Ag, 0.34g/t Au from 588.48m**
- **14.17m @ 4.74% Cu, 23.0g/t Ag, 0.28g/t Au from 610.09 m (Conductor 5)**

Hole KJCD214 improved understanding of the western edges of conductors 3 and 4, producing assays that included:

- **7.92m @ 1.65% Cu, 8.4g/t Ag, 0.12g/t Au from 405.54m (Conductor 3)**
- **5.04m @ 0.44% Cu, 4.62% Pb, 0.65% Zn, 68g/t Ag, 0.06g/t Au from 413.46m**
- **11.5m @ 1.73% Cu, 7.8g/t Ag, 0.06g/t Au from 420.5m (Conductor 4) including 2.75m @ 4.47% Cu, 21.6g/t Ag, 0.18g/t Au from 420.5m**
- **1.56m @ 1.32% Cu, 4.5g/t Ag, 0.05g/t Au from 439.2m**

Hole KJCD219, designed to test the eastern edge of Conductor 3, intersected a broad zone of low grade copper assaying:

- **29.24m @ 0.35% Cu, 2.1 g/t Ag, 0.06 g/t Au from 319.76m including 1.25m @ 3.6% Cu, 12.3g/t Ag, 0.58g/t Au from 347.75m**

Hole KJCD221 intersected a broad zone in Conductor 3 close to the western edge assaying:

21.67m @ 1.55% Cu, 8.8g/t Ag, 0.08g/t Au from 303.38m including 5.46m @ 2.35% Cu, 14.2g/t Ag, 0.08g/t Au from 308.54m

Hole KJCD222 intersected a 10.7m interval in Conductor 3:

- **10.7m @ 4.38% Cu, 20.1g/t Ag, 0.47g/t Au from 485.2m including 4.9m @ 7.29% Cu, 33.9g/t Ag, 0.91g/t Au from 488.65m**

and a further 6.45m wide zone of lower grade mineralisation just above Conductor 5.

Hole KJCD225, testing the western edge of Conductors 3 and 5, produced assays including:

- **8.15m @ 1.28% Cu, 0.49% Pb, 0.36% Zn, 16.4g/t Ag, 0.07g/t Au from 362.55m**
- **11.2m @ 0.66% Cu, 5.0% Pb, 2.17% Zn, 30.7g/t Ag, 0.05g/t Au from 371.5m**

Hole KJCD228 intersected broad mineralisation in Conductor 5, significant intercepts including:

- **17.37m @ 3.59% Cu, 16.1g/t Ag, 0.24g/t Au from 557.83m**

Hole KJCD229 intersected mineralisation coincident with the lower and western edge of Conductor 3 and a second narrow zone coincident with the strike extension of Conductor 5. Significant intercepts included:

- **4.63m @ 1.78% Cu, 5.9g/t Ag, 0.06g/t Au from 546.06m**
- **2.12m @ 1.9% Cu, 9.6g/t Ag, 0.08g/t Au from 580.65m**

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

DIRECTORS REPORT (CONTINUED)

REVIEW OF OPERATIONS (CONTINUED)

Reward

Experience at Rockface proved valuable at the Reward prospect during the year. DHEM surveys undertaken at Reward in late 2014 identified several conductors using the same technology that has been applied successfully at Rockface. What was learned at Rockface about the style, controls on mineralisation and geophysical response was applied at Reward.

In the second half of the year, KJD216, the first hole drilled at the Reward prospect for more than two years, intersected Conductor R1, 95m below the deepest previous intercept of R1. KJD216 discovered a significant extension of mineralisation and returned high grade copper, silver and gold assays. The intersection assayed:

- **11.63m @ 4.2% Cu, 0.81% Pb, 1.07% Zn, 86g/t Ag, 0.65g/t Au from 636.1m including 2.27m @ 11.14% Cu, 3.46% Pb, 4.75% Zn, 329.3g/t Ag, 1.33g/t Au from 644.4m**

Further drilling at the northern end of Reward, guided by the results of DHEM surveying, continued to intersect high grade copper, silver and gold. Precious metal grades were particularly attractive with one interval greater than 1m assaying 21.52g/t gold (hole KJD223 reported below).

In hole KJD220W1, which targeted DHEM Conductors R1 and R3, significant mineralisation included:

- **9.57m @ 5.11% Cu, 0.4% Pb, 0.31% Zn, 78.5g/t Ag, 2.44g/t Au from 561.82 m**

Modelling from DHEM surveying indicated the presence of a new strong Conductor R6 centred to the south and below KJD216.

Hole KJD223, designed to test conductor R6 coincident with the bottom edge of conductor R1, intersected high grades of copper, silver and gold. Significant mineralisation included:

- **8.16m @ 5.03% Cu, 35.9g/t Ag, 3.35g/t Au from 691.44 m including 1.12m @ 15.24% Cu, 92.2g/t Ag, 21.52g/t Au from 696.18 m**

Assays from further drilling were pending at the end of 2017.

Approval processes and other progress at Jervois

KGL's good relationship with the Northern Territory Government was evidenced in March 2017 by the Jervois 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 completed the processes for the application for the mining lease over the area of the Jervois lease not then covered by the existing lease.

Subsequently, the Northern Territory Government granted a further mining lease (ML30829) at Jervois, extending the area beyond the mining leases that the Company already held. KGL's approved mining leases now cover the total area necessary to proceed with all mining and mineral processing currently planned.

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

DIRECTORS REPORT (CONTINUED)

REVIEW OF OPERATIONS (CONTINUED)

The Northern Territory Environment Protection Authority approved revised Terms of Reference for the Company to address in the Environmental Impact Statement (EIS) for the Jervois Project. 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. At year's end, preparation of the EIS by the Company was well under way.

In parallel, initial engineering design work commenced with a particular focus on mining and processing based on the higher-grade underground mineralisation. Separately preliminary discussions were initiated with relevant rail and port operators.

An Aboriginal Areas Protection Authority certificate was received, confirming that no aboriginal heritage matters would impact upon the Jervois project. Work continued towards obtaining a similar certificate in relation to proposed drilling at Unca Creek.

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).

Of considerable strategic value to KGL, Unca Creek almost trebled the size of the Jervois Project to 110.8km². It has geological similarities to Jervois, and although relatively underexplored, work undertaken by previous tenement holders indicated exploration potential and offered multiple walk-up drill targets.

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 additional potential in the southern area of the tenement.

Following the acquisition, a gravity survey highlighted further exploration potential, providing encouraging correlation between many anomalies revealed in the survey and zones of known mineralisation on both the newly acquired and longer held Jervois tenements. Following the survey, the Company proceeded with a program to identify and prioritise drilling targets.

Continuing work at Jervois

Modelling of the late 2017 drilling results and DHEM surveys continued into the New Year and drilling recommenced in January. The Company now has the funding to complete the total current exploration program at Jervois, enabling two drilling rigs to remain on site for the whole of 2018, and to complete the Environmental Impact Statement, an essential step towards project development at the growing Jervois Copper Project.

The program at both the Rockface and Reward prospects will aim to extend knowledge of the mineralised zones and will include infill drilling to move towards the preparation of a new Resource estimate.

Planning will continue on identifying priority drilling targets in the adjoining Unca Creek tenement.

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

DIRECTORS REPORT (CONTINUED)

REVIEW OF OPERATIONS (CONTINUED)

Further R & D Tax Incentive refund

KGL received a further R & D Tax Incentive refund of \$1.6 million during the 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.

New director

In November, 2017, KGL announced the appointment of Mr Peter Hay as a director of the Company. Welcoming the appointment, KGL Chairman Denis Wood said that the in-depth mining experience and governance skills of Mr Hay, a mining engineer who has held CEO and other senior executive management roles and board positions in the resources industry, would complement those of other KGL directors and strengthen the Company as the Jervois Project advanced towards development.

FINANCIAL REVIEW

For the year ended 31 December 2017, the KGL Group recorded loss after income tax of \$1,264,772 (2016: loss of \$2,262,359).

Employee expenses reduced in the year to 31 December 2017 to \$721,233 (2016 \$1,371,904) resulting from a redundancy program in 2016.

The KGL cash reserve as at 31 December 2017 was \$12,474,052, including \$4,008,458 in cash and cash equivalents and \$8,465,594 classified as financial assets held to maturity. The company's planned operations for 2018 are fully funded.

CAPITAL RAISINGS / CAPITAL STRUCTURE

On the 3 March 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.

During the year the company raised an additional \$8,255,454 through the issue of 26,887,548 shares with shares priced between \$0.30 and \$0.37 via four separate placements. On the 13 September 2017 the company completed a 1:11 rights issue raising \$5,141,675 issuing 17,138,917 share at a share price of \$0.30

On the 3rd March 2018, the company completed a placement of 16,825,000 shares at a share price of \$0.40 raising \$6,730,000.

Summary of shares and options on issue

As at the date of this report there were 243,030,484 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. On 20th March 2017, the remaining 375,000 performance share were cancelled as they expired without meeting their vesting conditions. No Performance rights were granted during the year.

DIRECTORS REPORT (CONTINUED)

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

No significant changes in the occurred in the state of affairs during the year.

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.

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.

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 of fixed 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 2017. It is the Board's policy that employment contracts are entered into with all the senior executives.

The company may, at the absolute discretion of the board, introduce short term and/or long term incentives in the form of cash and/or shares in the Company. Entitlement to these incentives would be based upon your measured contribution to the Company.

Relationship between remuneration and the Company's performance

The earnings of the consolidated entity for the five years to 31 December 2017 are summarised below:

	2017	2016	2015	2014	2013
	\$	\$	\$	\$	\$
Sales revenue	-	-	-	-	5,183,763
EBITDA	(1,273,802)	(2,299,353)	(2,413,004)	3,097,427	(14,901,040)
EBIT	(1,264,772)	(2,290,988)	(2,430,262)	3,006,078	(15,056,518)
Profit/(Loss) after income tax	(1,264,772)	(2,262,359)	(2,430,262)	3,436,689	(14,471,412)
Total KMP remuneration	163,635	558,490	508,755	731,695	1,025,491

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

	2017	2016	2015	2014	2013
Share price at financial year end (\$)	\$0.36	\$0.265	\$0.10	\$0.225	\$0.105
Total dividends declared (cents per share)	-	-	-	-	-
Basic earnings per share (cents per share)	(0.65)	(1.33)	(1.72)	2.45	(10.33)

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. 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.

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

DIRECTORS REPORT (CONTINUED)

REMUNERATION REPORT (AUDITED) (CONTINUED)

Remuneration of executive director

Denis 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.

Remuneration of non- executive director

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's 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.

Peter Hay (Appointed 02 Nov 2017)

By mutual agreement approved by the Board, Mr Peter Hay 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
ABN 52 082 658 080

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 2017	\$	\$	\$	\$	\$	\$	\$	%
Directors								
D Wood	47,250	-	-	-	4,489	-	51,739	-
C Bain	47,250	-	-	-	4,489	-	51,739	-
F Purnamasidi	47,250	-	-	-	4,489	-	51,739	-
P Hay****	7,689	-	-	-	730	-	8,419	-
	149,439	-	-	-	14,197	-	163,636	-
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	-

* Appointed 26 April 2016

** Resigned 21 April 2016

*** Resigned 05 May 2016

**** Appointed 02 November 2017

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
ABN 52 082 658 080

DIRECTORS REPORT (CONTINUED)

REMUNERATION REPORT (AUDITED) (CONTINUED)

Cash bonuses

There were no Cash bonuses granted in relation to the 2017 or 2016 years any of the KMP.

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 2017	Opening balance 1 January 2017	Granted as remuneration	Options exercised	Cancelled /Forfeited	Closing balance 31 December 2017	Exercisable at 31 December 2017
Directors						
D Wood	-	-	-	-	-	-
C Bain	-	-	-	-	-	-
P Hay	-	-	-	-	-	-
B Ellis	-	-	-	-	-	-
Total	-	-	-	-	-	-

Shareholdings of directors & key management personnel

31 December 2017	Balance 1 January 2017	Rights Purchases	On Market Purchases	Cancelled / Forfeited	Balance 31 December 2017	Held nominally at 31 December 2017
Ordinary Shares						
Directors						
D Wood	16,771,011	5,585,243	-	-	22,356,254	-
C Bain	152,777	74,495	-	-	227,272	-
F Purnamasidi	10,000	61,515	333,333	-	404,848	-
P Hay*	1,756,310	-	-	-	1,756,310	-
Total	18,690,098	5,721,253	333,333	-	24,744,684	-

*Opening balance for P Hay at appointment.

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 (2016: nil). At year end, there were no outstanding amounts receivable from or payable to key management personnel (2016: nil).

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 2nd March 2018 KGL announced a Share Placement to raise \$6.73m offering 16,825,000 shares at \$0.40. These proceeds will be used to secure the Jervois exploration program through 2018.

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 totalling \$8,500, refer note 19.

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

On behalf of the Board,



Denis Wood

Chairman

Brisbane

Dated: 28 March 2018

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

DIRECTORS REPORT (CONTINUED)

Competent Persons 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 Reported	originally	JORC Under	Reported
KJCD201	09/02/2017		2012	
KJCD203	09/02/2017		2012	
KJCD205	22/03/2017		2012	
KJCD208	30/06/2017		2012	
KJCD210	29/06/2017		2012	
KJCD211	29/06/2017		2012	
KJCD212	30/10/2017		2016	
KJCD214	30/10/2017		2012	
KJCD215	30/10/2017		2012	
KJCD218	14/12/2017		2012	
KJCD219	14/12/2017		2012	
KJCD221	14/12/2017		2012	
KJCD222	14/12/2017		2012	
KJCD225	14/12/2017		2012	
KJCD228	15/02/2018		2012	
KJCD229	15/02/2018		2012	
KJD216	25/09/2017		2012	
KJD220W1	12/12/2017		2012	
KJD223	12/12/2017		2012	
KJD226W1	15/02/2018		2012	
KJD227	15/02/2018		2012	

AUDITOR'S INDEPENDENCE DECLARATION



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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 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 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', with a stylized flourish at the end.

C R Jenkins
Director

BDO Audit Pty Ltd

Brisbane, 28 March 2018

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

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 2017 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 2017.
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: 28 March 2018

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 2017

		2017	Consolidated 2016
	Note	\$	\$
Revenue and other income	2	83,389	151,820
Employee benefits expense	3(b)	(721,233)	(1,371,904)
Depreciation and amortisation expense		(9,030)	(8,365)
Professional and consultancy fees expense		(283,557)	(447,820)
Corporate overheads expense	3(a)	(162,571)	(396,768)
Investor relations expense		(42,909)	(71,349)
Other expenses		(128,272)	(58,824)
Impairment write back / (expense)	3(c)	(589)	(566)
Loss on sale of tenements	15	-	(58,583)
Loss before income tax		(1,264,772)	(2,262,359)
Income tax benefit	4	-	-
Net profit / (loss) for the year		(1,264,772)	(2,262,359)
Other comprehensive income			
Total comprehensive income for the year		(1,264,772)	(2,262,359)

Earnings per share for profit / (loss) from attributable to the owners of KGL Resources Limited

Basic earnings per share (cents per share)	5	(0.65)	(1.33)
Diluted earnings per share (cents per share)	5	(0.65)	(1.33)

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 2017

		2017	Consolidated 2016
		\$	\$
Current assets	Note		
Cash and cash equivalents	16(b)	4,008,458	2,099,580
Trade and other receivables	6	99,695	115,972
Financial assets held to maturity	7	8,465,594	459,939
Prepayments		85,192	72,110
Total current assets		12,658,939	2,747,601
Non-current assets			
Financial assets held to maturity	7	145,445	137,664
Property, plant and equipment	8	66,785	35,126
Exploration and evaluation assets	9	32,387,075	27,619,482
Intangible assets	10	17,833	604
Total non-current assets		32,617,138	27,792,877
Total assets		45,276,077	30,540,478
Current liabilities			
Trade and other payables	12	911,340	511,343
Total current liabilities		911,340	511,343
Total liabilities		911,340	511,343
Net assets		44,364,737	30,029,135
Equity			
Contributed equity	13	160,079,287	144,478,912
Reserves	14	-	3,701,075
Accumulated losses		(115,714,550)	(118,150,852)
Total equity		44,364,737	30,029,135

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 2017

		Consolidated	
	Note	2017 \$	2016 \$
Cash flows from operating activities			
Receipts in the course of operations		587,419	89,574
Payments to suppliers and employees		(1,899,210)	(2,470,785)
Interest received		45,052	28,629
Net cash used in operating activities	16(a)	(1,266,739)	(2,352,581)
Cash flows from investing activities			
Receipts from R&D refunds		1,639,990	3,063,482
Payment for exploration and evaluation assets		(5,440,338)	(2,432,712)
Payment for property, plant and equipment		(64,899)	(29,283)
Payment for intangible assets		(17,230)	-
Movement in held to maturity financial assets		(8,013,436)	462,121
Acquisition Tenement		(528,844)	-
Net cash provided by / (used in) investing activities		(12,424,757)	1,063,608
Cash flows from financing activities			
Proceed from issue of shares		15,600,374	2,906,005
Loans provided to associates		-	-
Net cash provided by / (used in) financing activities		15,600,374	2,906,005
Net increase/ (decrease) in cash and cash equivalents		1,908,878	1,617,032
Cash and cash equivalents at the beginning of the year		2,099,580	482,548
Cash and cash equivalents at the end of the year	16(b)	4,008,458	2,099,580

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

KGL RESOURCES LIMITED AND ITS CONTROLLED ENTITIES
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STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2017

Consolidated	Contributed equity	Accumulated losses	Share-based payments reserve	Total equity
	\$	\$	\$	\$
Balance at 1 January 2017	144,478,912	(118,150,852)	3,701,075	30,029,135
Loss for the year	-	(1,264,772)	-	(1,264,772)
Other comprehensive income				
Total comprehensive income for the year	-	(1,264,772)	-	(1,264,772)
Transactions with owners in their capacity as owners				
Issue of share capital (net of costs)	15,600,374	-	-	15,600,374
Transfer to/from reserves	-	3,701,075	(3,701,075)	-
Balance at 31 December 2017	160,079,286	(115,714,550)	-	44,364,737

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

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 FOR THE YEAR ENDED 31 DECEMBER 2017

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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 the ultimate parent entity is included in Note 28.

The financial statements were authorised for issue in accordance with a resolution of the directors on 28 March 2018.

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 2017. 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 2017. 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

This standard is applicable to annual reporting periods beginning on or after 1 January 2018 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

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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. The impact of its adoption will not result in any changes to net assets but will require amendments to disclosures.

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 assessed 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.

(d) 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:

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).

(e) 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

1. Summary of significant accounting policies (continued)

(e) Income tax (continued)

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.

(f) 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.

(g) Share-based payments

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)

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

- where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST 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 included.

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

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

1. Summary of significant accounting policies (continued)

(h) Goods and services tax (GST) (continued)

Cash flows are included in the statement of cashflows on a gross basis and the GST 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 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 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.

(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.

KGL RESOURCES LIMITED AND ITS CONTROLLED ENTITIES
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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

1. Summary of significant accounting policies (continued)

(k) Financial assets and liabilities (continued)

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 Assets held to maturity

Held-to-maturity financial assets that have fixed maturities and fixed or determinable payments, and it is the Group's intention to hold these investments to maturity. They are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial asset is derecognised.

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.

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

1. Summary of significant accounting policies (continued)

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

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.

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.

(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.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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 long service leave 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 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:

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 tenements held.

KGL RESOURCES LIMITED AND ITS CONTROLLED ENTITIES
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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

1. Summary of significant accounting policies (continued)

(w) Comparative Figures

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

	Notes	Consolidated 2017 \$	2016 \$
2. Revenue and Other Income			
Revenue and other income from continuing operations			
Other revenue			
Leasing income		-	119,191
Interest		75,389	28,629
Total other revenue		75,389	147,820
Other income			
Profit on sale of assets		8,000	4,000
Total other income		8,000	4,000
Total revenue and other income		83,389	151,820
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		104,975	132,558
Other expenses		57,596	264,210
		162,571	396,768
(b) Employee benefits			
Salaries, wages, and related costs (including executive directors)		662,099	1,270,611
Superannuation contributions (defined contribution)		59,134	101,293
		721,233	1,371,904
(c) Impairment (write back) / expense			
Impairment of Receivables		(589)	(566)
		(589)	(566)

KGL RESOURCES LIMITED AND ITS CONTROLLED ENTITIES
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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

Consolidated

4. Income Tax

	2017 \$	2016 \$
(a) The components of tax expenses comprise		
Deferred tax arising from origination and reversal of temporary differences	-	-
Total income tax expense in profit and loss	-	-
(b) Reconciliation		
Profit / (loss) from continuing operations before income tax	(1,264,772)	(2,262,359)
Income tax expense/ (benefit) calculated at 27.5% (2016: 30%)	(347,812)	(678,708)
Effect of expenses that are not deductible in determining taxable profit or loss	445	17,575
Deferred tax assets arising from temporary differences not recognised	347,367	661,133
Total income tax benefit in profit and loss	-	-
(c) Unrecognised deferred tax assets		
Prior year tax losses brought forward	110,851,982	105,883,075
Prior year losses utilised – loan forgiveness		
Losses recognised	(32,234,249)	(27,521,732)
Current year tax losses	7,615,661	4,968,907
Unrecognised tax losses	86,223,394	83,330,250
Deferred tax assets not taken up	23,711,433	24,999,075
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.		
(d) Recognised net deferred tax assets		
<i>Deferred tax liabilities</i>		
Exploration and prospecting	(8,906,446)	(8,285,845)
Foreign exchange	(8,906,446)	(8,285,845)
<i>Deferred tax assets</i>		
Tax losses	8,864,418	8,256,520
Business related costs		
Provisions/accruals	42,027	29,325
	8,906,446	8,285,845
Net deferred tax asset recognised	-	-
(e) There are no franking credits available.		

KGL RESOURCES LIMITED AND ITS CONTROLLED ENTITIES
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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

	2016	Consolidated 2015
5. Earnings per share	\$	\$
Profit /(loss) attributable to the owners of KGL Resources Limited:		
Profit /(loss)	<u>(1,264,772)</u>	<u>(2,262,359)</u>
	<u>(1,264,772)</u>	<u>(2,262,359)</u>
	Cents per/share	Cents per/share
Basic profit / (loss) per share (cents per share)	<u>(0.65)</u>	<u>(1.33)</u>
	<u>(0.65)</u>	<u>(1.33)</u>
Diluted profit / (loss) per share (cents per share)	<u>(0.65)</u>	<u>(1.33)</u>
	<u>(0.65)</u>	<u>(1.33)</u>
	# Shares	# Shares
Weighted average number of ordinary shares used in the calculation of basic and diluted per share	193,872,294	170,091,106

At 31 December 2017, the Company had no options (2016 375,000 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.

6. Trade and other receivables – current

	2017	Consolidated 2016
	\$	\$
GST receivable (net)	92,010	99,461
Other receivables	7,685	16,511
	<u>99,695</u>	<u>115,972</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.

	2017	Consolidated 2016
7. Financial assets held to maturity		
<i>Current</i>		
Term Deposits	<u>8,465,594</u>	<u>459,939</u>
	<u>8,465,594</u>	<u>459,939</u>
<i>Non-current</i>		
Term Deposits	<u>145,445</u>	<u>137,664</u>
	<u>145,445</u>	<u>137,664</u>

Rolling one year interest bearing term deposits to support environmental bank guarantees with the department of mines and other guarantees. Guarantees of \$145,445 (2016: \$137,664) have been provided to the Department of Mines and other suppliers.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

8. Property, plant and equipment

	2017 \$	Consolidated 2016 \$
Cost	639,292	555,649
Accumulated depreciation, amortisation and impairment	(572,507)	(520,523)
Net carrying amount	<u>66,785</u>	<u>35,126</u>
At 1 January, net of accumulated depreciation	35,126	80,198
Additions	103,921	29,283
Depreciation and amortisation	(51,984)	(67,844)
Disposals	(20,278)	(6,511)
At 31 December, net of accumulated depreciation	<u>66,785</u>	<u>35,126</u>

9. Exploration and evaluation assets

	2017 \$	Consolidated 2016 \$
Deferred exploration and evaluation assets	<u>32,387,075</u>	<u>27,619,482</u>
<i>Deferred exploration and evaluation assets</i>		
Balance at beginning of the year	27,619,483	28,016,918
Current year expenditure	6,407,582	2,666,047
R&D Tax Credit	(1,639,990)	(3,063,482)
Balance at end of the year	<u>32,387,075</u>	<u>27,619,483</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

	2017 \$	Consolidated 2016 \$
Software at cost	322,227	300,827
Accumulated amortisation and impairment	(304,394)	(300,223)
Net carrying amount	<u>17,833</u>	<u>604</u>
At 1 January, net of accumulated depreciation	604	1,266
Additions	21,400	-
Amortisation	(4,171)	(662)
At 31 December, net of accumulated depreciation	<u>17,833</u>	<u>604</u>

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

11. Subsidiaries

Interests in subsidiaries

Information relating to the group's interests in principal subsidiaries at 31 December 2017 is set out below.

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

Name	Country of Incorporation	2017 % Held	2016 % Held
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

Different reporting dates

Jinka Minerals Ltd has a reporting date of 30 June 2017. 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.

12. Trade and other payables – current

	2017 \$	Consolidated 2016 \$
Unsecured trade payables	803,645	168,589
Employee benefits	107,695	342,754
	911,340	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 because these are non-interest bearing.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

13. Contributed equity

Consolidated

31 Dec 2017 31 Dec 2016

(a) Issued and paid up capital

Ordinary shares fully paid

160,079,287 144,478,912

(b) Movements in shares on issue

	2017		2016	
	Number of shares issued	Issued capital \$	Number of shares issued	Issued capital \$
Details				
Beginning of the financial year	172,990,858	144,478,912	141,540,563	141,572,907
Exercise of options	-	-	-	-
Rights Issue	53,214,626	15,877,979	31,450,295	2,987,778
Share issue Costs	-	(277,604)	-	(81,773)
Closing balance	226,205,484	160,079,287	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 financial year, there were zero (31 December 2016: 375,000) unissued ordinary shares in respect of which the following options were outstanding.

14. Reserves

Share based payments reserve

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

15. Disposal of the tenements

Consolidated

2017 2016

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

- 1

Represented by:

Investment in Kentor Energy (Equity Accounted)

- 58,584

Net assets

- -

Loss on sale of Kentor Energy

- 58,583

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

16. Notes to the statement of cash flows

(a) Reconciliation of loss after tax to net cash flows from operations	2017	2016
	\$	\$
Net profit/(loss) for the year	(1,264,772)	(2,262,359)
<i>Non cash flows in operating result</i>		
Loss on sale of tenements	-	58,583
Depreciation and amortisation expense	9,030	68,506
Loss on sale of fixed assets	-	6,511
Loss on sale of CJSC Kentor	-	-
Share of equity accounted profit	-	-
Impaired Receivables	-	-
<i>Change in operating assets and liabilities</i>		
Share Capital – Capital raising costs	-	-
(Increase)/Decrease in receivables	16,277	(33,616)
(Increase)/Decrease in capital items	(414,190)	-
(Increase)/Decrease in prepayments	(13,083)	18,441
Increase/(Decrease) in payables	399,999	(208,648)
	(1,266,739)	(2,352,582)
	2017	Consolidated 2016
	\$	\$
(b) Cash on hand and at call	4,008,458	2,099,580
Term deposits	-	-
	4,008,458	2,099,580

(c) **Facilities with banks**

There are no facilities at balance date (2016: Nil).

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

There are no non-cash financing and investing activities for the 2017 and 2016 years.

17. Share based payments

There were no share based payments expense recognised in the year.

Employee options

In the past employee options are granted 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:

	2017		2016	
	Number of options	Weighted average exercise price \$	Number of options	Weighted average exercise price \$
Balance at beginning of year	375,000	-	2,475,000	0.90
- granted	-	-	-	-
- forfeited	375,000	-	(2,100,000)	(1.09)
- exercised	-	-	-	-
Balance at end of year	-	-	375,000	-

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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

Options held at the beginning of the year have expired on 24 February 2017.

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>						

At 2016 year end only Tranche C options were exercisable. Directors had taken the view that these options pertaining to Tranche C 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
			\$	%	%
C	10 Feb 2014	24 Feb 2017	0.115	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.

The following sets out the conditions attached to each tranche.

Tranche	Conditions	Estimated Vesting Date
C	The completion of the Jervois Definitive Feasibility Study	Highly unlikely condition will be satisfied by 24 Feb 2017

18. 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.

<i>Key management personnel compensation</i>	Consolidated	
	2017	2016
	\$	\$
Short-term employee benefits	149,439	241,602
Termination payments	-	274,941
Post-employment benefits	14,197	41,948
Share-based payments	-	-
	<u>163,636</u>	<u>558,489</u>

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

	Consolidated 2017 \$	2016 \$
19. Auditors' remuneration		
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	41,025	38,500
Non-audit services were provided by the auditors.		
• R & D Tax Services	8,500	20,000

20. Segment information

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

21. 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.

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.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

21. Financial instruments (continued)

(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 2017 \$	2016 \$
Financial assets		
Loans and receivables (including cash)	12,719,193	2,813,156
Financial liabilities		
Measured at amortised cost	(803,645)	(168,589)

(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 2017 and 2016 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 \$541,632 (2016: \$383,011) to National Australia Bank Limited and \$11,923,507 (2016: \$2,174,288) 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.

At the end of the reporting periods for 2017 and 2016 there was no foreign currency that was being held as a hedging instrument.

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.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

21. Financial instruments (continued)

(d) Market risk (continued)

i) Interest rate risk (continued)

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:

CONSOLIDATED	Weighted average interest rate	Floating interest rate \$	1 year or less \$	<u>Fixed interest maturing in:</u>		Non- interest bearing \$	Total \$
				over 1 to 5 years \$	5 years or more \$		
31 December 2017							
Financial assets							
Cash	0.93%	3,999,545	-	-	-	8,913	4,008,458
Deposits	0.40%	-	8,465,594	-	-	145,445	8,611,039
Trade and other receivables	N/A	-	-	-	-	99,695	99,695
		3,999,545	8,465,594	-	-	254,053	12,719,192
Financial liabilities							
Trade and other payables	N/A	-	-	-	-	(803,645)	(803,645)
Borrowings	N/A	-	-	-	-	-	-
		-	-	-	-	(803,645)	(803,645)
		3,999,545	8,465,594	-	-	(549,592)	11,915,547

CONSOLIDATED	Weighted average interest rate	Floating interest rate \$	1 year or less \$	<u>Fixed interest maturing in:</u>		Non- interest bearing \$	Total \$
				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

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

The following sensitivity analysis is based on the interest rate risk exposures in existence at the reporting date. At 31 December 2017, 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)	
	2017 \$	2016 \$	2017 \$	2016 \$
+0.5% (50 basis points)	92,355	48,016	-	-
-0.5% (50 basis points)	(92,355)	(48,016)	-	-

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

21. Financial instruments (continued)

(e) 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 2017					
Financial assets					
Cash	3,993,318	0	0	3,993,318	4,008,458
Deposits	8,626,179	0	0	8,626,179	8,611,040
Trade and other receivables	99,695	0	0	99,695	99,695
	12,719,192	0	0	12,719,192	12,719,193
Financial liabilities					
Trade and other payables	-593,740	0	0	-593,740	-593,740
	-593,740	0	0	-593,740	-593,740
Net maturity	12,125,452	0	0	12,125,452	12,125,453
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

(f) Fair values

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

22. 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.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

23. Commitments

	2017	Consolidated 2016
	\$	\$
<u>Capital expenditure commitments</u>		
No longer than 1 year	150,000	97,333
Between 1 and 5 years	64,583	175,000
Greater than 5 years	-	-
	214,583	272,333
<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	67,251	34,530
Between 1 and 5 years	44,287	11,889
Greater than 5 years	1,513	3,190
	113,051	49,609

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. The annual rental commitments on these leases 38,857 per annum with expiry terms of between 1 month to 5 years.

24. Contingent liabilities and contingent assets

There are no contingent assets or contingent liabilities as at 31 December 2017.

25. Subsequent events

In February 2018 KGL completed a Share Placement to raise \$6.73m offering 16,825,000 shares at \$0.40. These proceeds will be used to secure the Jervois exploration program through 2018.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

26. 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	2017	2016
	\$	\$
Current assets	12,353,287	2,439,456
Non-current assets	32,355,754	27,697,188
Total assets	44,709,041	30,136,644
Current liabilities	(161,038)	(135,210)
Total liabilities	(161,038)	(135,210)
Net assets	44,548,003	30,001,434
Contributed equity	160,079,287	144,478,912
Share-based payments reserve	-	3,701,075
Retained earnings/(accumulated losses)	(115,531,284)	(118,178,553)
Total shareholders' equity	44,548,003	30,001,434
Profit/(loss) for the year	(1,306,299)	(2,970,010)
Other comprehensive income	-	-
Total comprehensive income for the year	(1,306,299)	(2,970,010)

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 2017 (2017 - \$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 statement of financial position as at 31 December 2017, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the 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 2017 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

<i>Key audit matter</i>	<i>How the matter was addressed in our audit</i>
<p>The company carries significant exploration and evaluation assets of \$32,387,075 as at 31 December 2017 as disclosed in note 9 to the financial statements.</p> <p>The recoverability of exploration and evaluation assets are a key audit matter due to:</p> <ul style="list-style-type: none"> • The significance of the total balance (72% of total assets); and • The level of procedures undertaken to evaluate management's application of the requirements of AASB 6 <i>Exploration for and Evaluation of Mineral Resources</i> ('AASB 6') in light of any indicators of impairment that may be present. 	<p>Our procedures included, but are not limited to the following:</p> <ul style="list-style-type: none"> • Obtaining evidence that the Group has valid rights to explore in the areas represented by the capitalised exploration and evaluation expenditure by obtaining supporting documentation such as licence agreements and also considering whether the Group maintains the tenements in good standing. • Making enquiries of management with respect to the status of ongoing exploration programs in the respective areas of interest and assessing the Group's cashflow forecast for the level of budgeted spend on exploration projects. • Enquiring of management, reviewing ASX announcements and reviewing directors' minutes to ensure that the Group had not decided to discontinue activities in any applicable areas of interest and to assess whether there are any other facts or circumstances that existed to indicate impairment testing was required.

Other information

The directors are responsible for the other information. The other information comprises the information in the Group's financial report for the year ended 31 December 2017, 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_responsibilities/ar1.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 12 to 16 of the directors' report for the year ended 31 December 2017.

In our opinion, the Remuneration Report of KGL Resources Ltd, for the year ended 31 December 2017, 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

A handwritten signature in black ink, appearing to read 'C R Jenkins', is written over a faint, larger signature that appears to be 'BDO'.

C R Jenkins
Director

Brisbane, 28 March 2018