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

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

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

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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 2018.

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.

Other Current Directorships of ASX Listed Companies

None

Former Directorships of ASX Listed Companies in last three years

None

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 Business Development and Strategic Acquisitions within the resources sector. Ferdian brings over 17 years of professional experience working both in Australia and overseas.The Salim Group is a major shareholder of KGL through its Singapore based company KMP Pte Ltd. The Salim Group a diversified business 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 is also the Managing Director of Mach Energy Australia Pty Ltd which owns the world-class Mt Pleasant coal operation in the Hunter Valley region in New South Wales. In addition, Ferdian 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 2002.

Mr Purnamasidi is Chair Remuneration Committee and a member of the Audit and Risk Committee to 22 August 2018.

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.

Peter Hay

BENG (MINING)

BACHELOR OF COMMERCE

MEMBER OF INSTITUTE OF CHARTERED ACCOUNTANTS IN AUSTRALIA

Non-Executive Director

Appointed 02 November 2017

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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.

Fiona Murdoch

LLB (HONS)

MBA
GRADUATE OF THE AUSTRALIAN INSTITUTE OF COMPANY DIRECTORS (GAICD)

NON-EXECUTIVE DIRECTOR

APPOINTED 12 JUNE 2018**.**

Fiona brings more than 28 years of senior operational experience to the Board of KGL, including leadership roles in the mining and resources industry with AMCI Investment, MIM Holdings (later Xstrata Queensland) and Seqwater.

She has extensive domestic and international experience with major projects in Western Australia, Northern Territory and Queensland, and in South America, Dominican Republic, Papua New Guinea and the Philippines. Her stakeholder management experience has included working with Chinese, Japanese, South Korean, German and South American investment partners across multi-national, listed, private and statutory authority environments.

Fiona is a member of the Building Queensland Board and sits on the Joint Venture Committee for the West Pilbara Iron Ore Project. She was a Partner of corporate advisory firm Neuchâtel Partners for 10 years.

In March 2019, Fiona was appointed to the Board of listed bauxite miner Metro Mining Limited (ASX:MMI) and serves as Chair of the Remuneration Committee for Metro. She is also a Director of metallurgical services company Core Resources Pty Ltd and its subsidiary Toowong Process Pty Ltd.

Fiona is a Graduate of the AICD Company Director program and holds an MBA as well as an Honours degree in Law.

Ms Murdoch is Chair of Audit and Risk Committee and a member of the Remuneration Committee.

Other Current Directorships of ASX Listed Companies

Metro Mining Limited. Appointed 11 March 2019

Former Directorships of ASX Listed Companies in last three years

None.

John Gooding

BEng (Mining)

Non-Executive Director

Appointed 12 June 2018.

Mr Gooding is a mining engineer with over 40 years of experience in all aspects of gold and base metals operations including mining, exploration, smelting and refinery, sales and marketing and major capital expansion projects.

He most recently served as the Managing Director and Chief Executive Officer of Highlands Pacific and prior to this held executive management positions with Normandy Mining, MIM, Xstrata, Ok Tedi Mining and Roche Mining.

He holds a Mine Managers Certificate, is a Fellow of both the Institute of Engineers and the Australasian Institute of Mining and Metallurgy.

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

Other Current Directorships of ASX Listed Companies

Hillgrove Resources and Kasbah Resources

Former Directorships of ASX Listed Companies in last three years

Highland Resources

Christopher Bain
B App Sc (App Geo)

Grad Dip (GeoSc)
MAusIMM
GAICD

Non-executive Director

Appointed 5 September 2013

Resigned 30 June 2018

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 was Chair of the Audit and Risk Committee and a member of the Remuneration Committee to 30 June 2018.

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

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	22,601,709	-
F Purnamasidi	565,790	-
P Hay	2,118,191	-
J Gooding	-	-
F Murdoch	30,000	-

DIRECTORS' REPORT (CONTINUED)

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	8	8
C Bain	4	4
F Purnamasidi	8	7
P Hay	8	8
J Gooding	4	4
F Murdoch	4	4

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

Committee membership and meetings

Effective 31 July 2018, Ms Fiona Murdoch is Chair of the Audit and Risk Committee along with Peter Hay and John Gooding as members.

Effective 22 August 2018, Peter Hay is Chair of the Remuneration Committee along with Fiona Murdoch and John Gooding as members.

	Audit and Risk Committee		Remuneration Committee	
	Held*	Attended	Held*	Attended
Directors				
D Wood	2	2	1	1
C Bain	1	1	1	1
F Purnamasidi	2	2	1	1
Peter Hay	2	2	1	1
J Gooding	1	1	-	-
F Murdoch	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.

DIRECTORS' REPORT (CONTINUED)

Corporate Information (Continued)

Employees

The Group employed 7 employees as at 31 December 2018 (2017: 6 employees).

DIVIDENDS

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

DIRECTORS REPORT (CONTINUED)

REVIEW OF OPERATIONS

Significant increases in the quality, grade and size of the Mineral Resource at the Jervois Copper Project in the Northern Territory marked a year of progress by KGL towards the Project's development.

Discoveries at the Rockface prospect after more than three years of exploration increased the size and grade of the Jervois copper resource. Subsequent infill drilling upgraded resources at Reward and Rockface, resulting in more than half of the Jervois Copper Resource of 385,200 tonnes reporting in the Indicated Resource category.

At the same time, exploration drilling continued to produce encouraging results. The successful state-of-the-art Down Hole Electromagnetic (DHEM) technology that was a key to the Rockface discoveries was applied at Reward North late in the year with the high potential of extending high grade mineralisation.

Looking forward to 2019, the Company is proceeding with high impact infill drilling programs at Reward and Rockface to upgrade the Mineral Resource classification and estimate an Ore Reserve to support the financing initiatives for the development of the Jervois Project.

At Reward, infill drilling is expected to result in further upgrading of the Copper Resource, and exploration is being targeted at unlocking further potential at Reward North.

Capital raisings during the year comprising two share placements at premiums plus a share purchase plan to all shareholders raised $13.18 million to enable drilling and other exploration and project planning activities to continue throughout 2018 and into 2019. In February 2019, a share placement raised $6.5 million to fund high impact infill drilling at Reward and Rockface and other activities through 2019, with a view to further upgrading the Mineral Resource classification and estimating an Ore Reserve that will support the financing initiatives for the development of the Jervois Project.

Subject to government approvals and development financing, construction is expected to commence towards the end of 2019.

Resources Upgrade

In two Resource estimate updates announced in May 2018 and January 2019, the Company achieved an 18% increase in Copper Resources to 385,200 tonnes, a 39% increase in copper grade to 1.49% copper, and a 42% increase in the Indicated Copper Resource category which now comprises more than half the total Copper Resource at Jervois, as well as increases in the silver grade and the Indicated Silver Resource of 18% and 9% respectively.

The increases in the Copper Resource reflected the discoveries over the last four years of high-grade copper at the Rockface prospect. Rockface was included in the Jervois resource estimate for the first time in May 2018 with 92,000 tonnes copper and 1.7 million ounces silver. Following further infill drilling, the resource was upgraded with the Indicated category increasing by 190% to 55,900 tonnes so that it now comprises 61% of the combined Copper Resource at Rockface. The Rockface Silver Resource added to Jervois in May 2018 was also subsequently upgraded to 1 million ounces silver or 56% of the combined Silver Resource of 1.8 million ounces at Rockface.

DIRECTORS' REPORT (CONTINUED)

REVIEW OF OPERATIONS (Continued)

Jervois Jan 2019	Category	Mt	Cu %	Ag g/t			Cu Kt	Ag Moz			Cu cut off %
Marshall OP	Indicated	1.4	1.45	35.6			20.1	1.6			0.5
Reward OP	Indicated	3.4	1.11	25.8			38	2.8			0.5
Reward UG	Indicated	0.8	2.27	37.9			17.6	0.9			1
Bellbird OP	Indicated	4	1.21	8.6			48.6	1.1			0.5
Bellbird UG	Indicated	0.2	1.84	12			3.9	0.1			1
Rockface UG	Indicated	1.9	2.99	16.1			55.9	1			1
Marshall OP	Inferred	0.3	0.9	20.2			2.6	0.2			0.5
Reward OP	Inferred	0.3	0.92	16.6			2.7	0.2			0.5
Reward UG	Inferred	3.8	1.91	33.2			73.2	4.1			1
Reward E OP	Inferred	0.5	0.78	6.6			3.8	0.1			0.5
Reward E UG	Inferred	0.7	1.45	12.9			10.3	0.3			1
Bellbird OP	Inferred	1.2	0.9	6.6			10.9	0.3			0.5
Bellbird UG	Inferred	1.7	2	12.7			33.6	0.7			1
Rockface UG	Inferred	1.7	2.12	15.5			36.3	0.8			1
	Indicated	**11.7**	1.57	19.94			**184.1**	**7.5**			-
Sub-total	Inferred	**10.2**	1.70	20.43			**173.4**	**6.7**			-
	Sub-total	**21.9**	**1.63**	**20.2**			**357.5**	**14.2**			-

2015 Lead Resource	Category	Mt	Cu %	Ag g/t	Pb %	Zn %	Cu Kt	Ag Moz	Lead Kt	Zinc Kt	Cu cut off %
Reward	Indicated	0.5	0.74	70.7	6.84	0.9	3.6	1.1	33.6	4.4	None
Green Parrot	Indicated	0.5	0.99	64	0.92	0.63	5.1	1.1	4.7	3.2	0.3
Reward	Inferred	0.8	0.51	90.9	8.64	1.17	4.1	2.3	69.4	9.4	None
Green Parrot	Inferred	1.4	0.81	78	1.78	0.93	11.1	3.4	24.4	12.8	0.3
Bellbird North	Inferred	0.7	0.57	17.9	1.71	2.52	3.8	0.4	11.3	16.7	0.2
	Sub-total	**3.8**	**0.72**	**67.5**	**3.74**	**1.21**	**27.7**	**8.3**	**143.5**	**46.5**	

	Indicated	12.7	1.52	23.8			192.8	9.7			
TOTAL	Inferred	13.1	1.47	30.4			192.4	12.8			
	TOTAL	**25.8**	**1.49**	**27.1**			**385.2**	**22.5**			

Table 1: Summary of Mineral Resource Estimates for Jervois as reported in Jan 2019.

DIRECTORS' REPORT (CONTINUED)

REVIEW OF OPERATIONS (Continued)

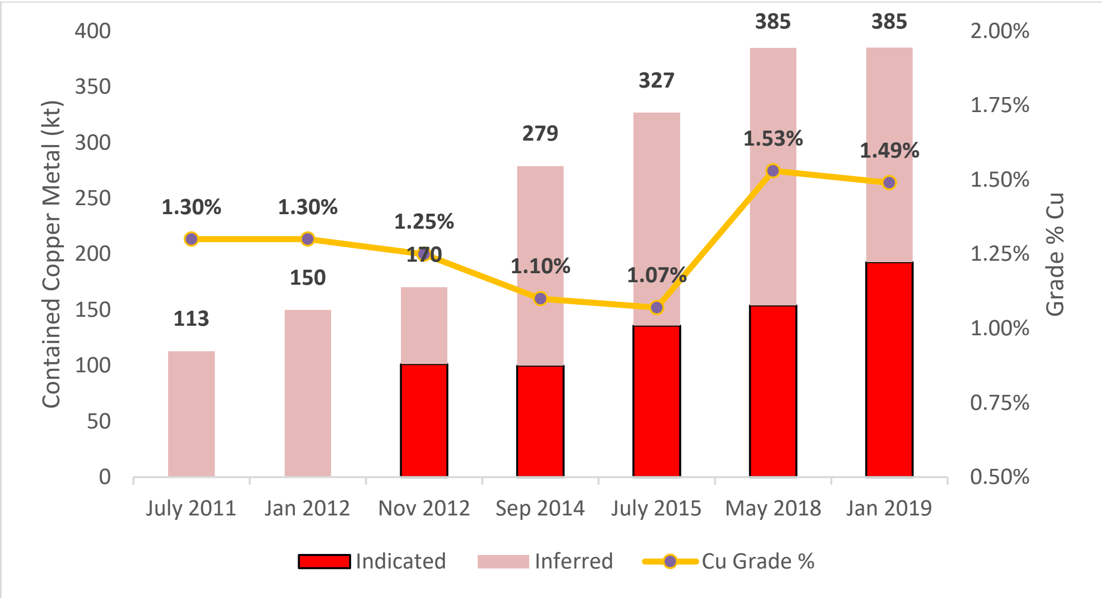

Figure 1: Copper Mineral Resource history at Jervois

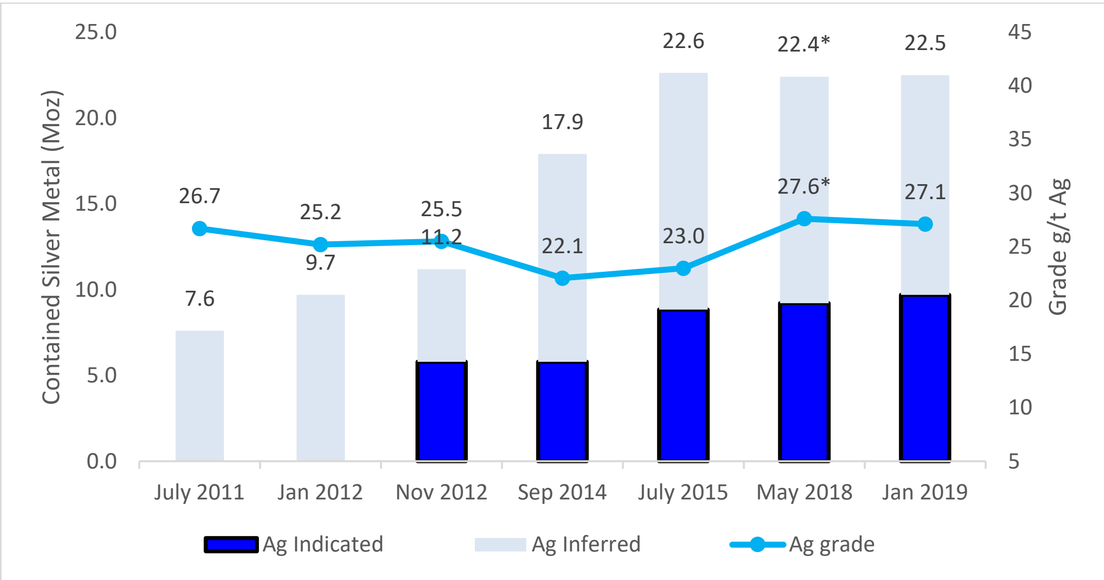

Figure 2: Silver Mineral Resource history at Jervois.
**Minor amendment after publication of the May 2018 Mineral Resource Estimate report.*

DIRECTORS' REPORT (CONTINUED)

REVIEW OF OPERATIONS (Continued)

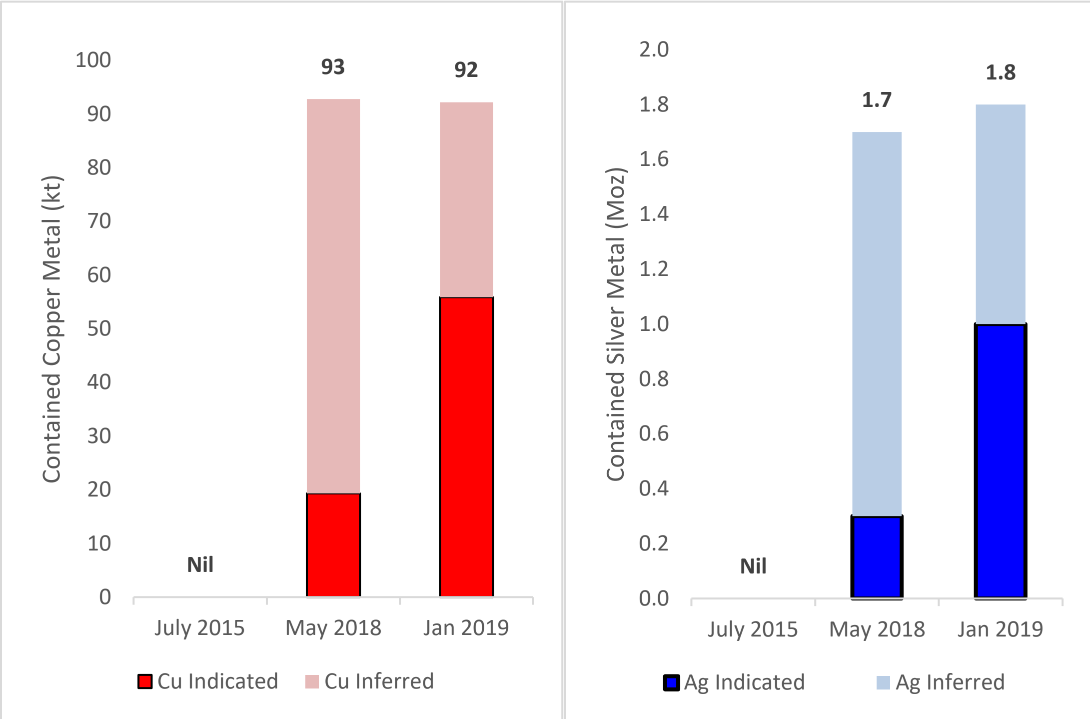

Figure 3: Mineral Resources at Rockface UG to date, left: contained Copper; right: contained Silver

Infill drilling

Infill drilling at Rockface and Reward during the year contributed to the significant upgrading of resources reported above.

Further infill drilling at Reward late in the year produced very good results and is expected to contribute to a further increase in the Indicated Copper Resources. The drilling targeted the proposed underground area below the proposed open pit outline. Mineralisation was intersected in every one of 20 holes in the target area, with 17 out of the 20 reporting intercepts of more than 1% copper over more than 3 m, including 8 of the intercepts over more than 7 m. Among the best results were

- 16.77 m @ 2.05% Cu, 0.63% Pb, 0.98% Zn, 78.5 g/t Ag, 0.28 g/t Au from 222.23 m (Hole KJCD299W1) including 9.23 m @ 3.04% Cu, 1.03% Pb, 1.58% Zn, 114.9 g/t Ag, 0.47 g/t Au from 223.55 m, and
- 6.17 m @ 5% Cu, 0.04% Pb, 0.18% Zn, 34 g/t Ag, 1.52 g/t Au from 373.08 m (Hole KJCD309)
- 6.4 m @ 5.1% Cu, 46 g/t Ag and 0.76 g/t Aug from 733 m (Hole KJCD312).

Drilling late in 2018 included five holes that targeted the periphery of the Reward Deeps with the aim of extending and improving the resource. The best results are from hole KJCD315 with:

- 5.24 m @ 2.13% Cu, 1.70 g/t Ag and 0.46 g/t Au from 502.50 m, and
- 4.52 m @ 5.73% Cu, 109.20 g/t Ag and 1.21 g/t Au from 524.80 m.

Being 50 m west of the upper portion of the Reward Deeps Indicated Resource, this intercept should also add to the Indicated Resources at Reward. Enhancing the significance and value of the intercept is the fact that it is outside any known conductors identified by DHEM surveying.

DIRECTORS' REPORT (CONTINUED)

REVIEW OF OPERATIONS (Continued)

Hole KJCD312, in the centre of conductor R6, intercepted:

- 6.44 m @ 5.09% Cu, 45.70 g/t Ag and 0.76 g/t Aug from 733.00 m.

Exploration

While the focus for the year was on upgrading resources to advance Jervois towards project development, the Company continued to pursue high potential exploration opportunities for extending mineralisation.

Exploration around the recently discovered Reward North fault and Reward Deeps identified conductor zones that indicate additional high-grade copper. The work comprised mapping and drilling in pursuit of a portion of the Reward Deeps lode that the fault may have offset. Down Hole Electromagnetic (DHEM) surveys indicated the presence of strongly conductive material with a similar signature to the Rockface high grade copper mineralisation. Surface mapping and drilling have demonstrated potential mineralisation over more than 500 m strike length. Further drilling is being planned to test the conductors for copper mineralisation.

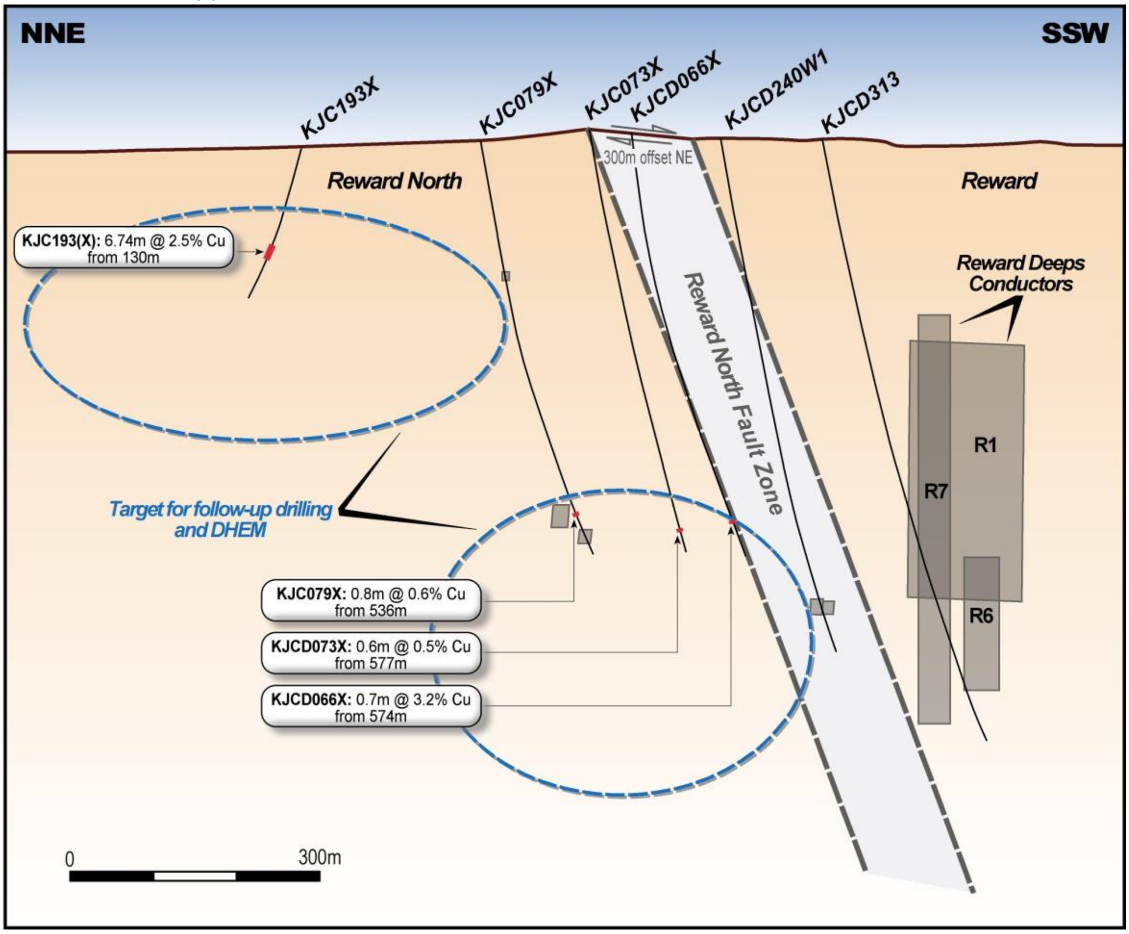

Figure 4: Diagram of Reward and Reward North – the copper-bearing lodes mapped at surface are offset by the NE trending Reward North Fault. The diagram also shows recent assays from Reward North and the new conductor plates modelled after recent DHEM surveys at Reward North and Reward Deeps.

DIRECTORS' REPORT (CONTINUED)

REVIEW OF OPERATIONS (Continued)

Project development

Planning for project development continued during the year. The Company plans concurrent open cut and underground mining progressing from Reward to Bellbird open cut operations while underground mining will commence at Rockface and then move to Reward. This will enable a blend of the higher-grade underground ore and open cut material.to be produced concurrently.

With the focus on upgrading mineral resources, the higher grades of ore now expected have reduced the required plant throughput from 2.2 million to 1.6 million tonnes a year, and therefore a smaller processing plant than previously envisaged is now being planned. At the same time, the projected concentrate production both annually and in total has been increased.

Once production is under way, attention will be given to exploration at Jervois and the surrounding Unca Creek where there is high potential to extend the life of the project and increase production.

Environmental Impact Study

The draft Environmental Impact Statement was lodged with the Northern Territory Environmental Protection Authority in October and the government and public review period closed on 14 December. Comments received from the review process were positive for the Project. The Company is now preparing a supplementary report as part of the regulatory process for the EIS, the last major approval required for the Project.

The comments from the public consultation and the government's information requests do not demonstrate any potential impediments to the project development. However, some delay in the EIS approval timeframe and consequently the Company's current development program is expected as the required lease and clearances are obtained in order to secure the most reliable and environmentally sustainable source of water for the Project.

Strengthening of board and management

In June 2018, KGL's Board and senior management were strengthened during the year with the appointments of Mr John Gooding and Ms Fiona Murdoch as Directors and Mr Paul Richardson to the key executive position of Project Director.

Mr Chris Bain resigned as a Director, Chairman Denis Wood thanking him for his contribution to the Company's strategy and governance during his almost five years on the board.

Mr Gooding is a leading Australian mining industry figure with an intense knowledge of the development and operation of copper mines, having held executive leadership positions in Highlands Pacific Limited, Xstrata, MIM and Normandy Mining Limited.

Ms Murdoch is experienced in executive and non-executive roles in mining and infrastructure, including in MIM, Xstrata and Seqwater and with AMCI Investments Pty Ltd where she is currently GM Commercial.

Mr Richardson is a mineral processing engineer skilled at project development and mining management, having held senior positions in Australian resources companies including St Barbara Mines Limited, Allegiance Metals Pty Ltd, BCD Resources NL and Avenira Limited, and in project feasibility and development including Avebury Nickel in Tasmania and the Wonarah Phosphate Project in the NT.

DIRECTORS' REPORT (CONTINUED)

REVIEW OF OPERATIONS (Continued)

FINANCIAL REVIEW

For the year ended 31 December 2018, the KGL Group recorded loss after income tax of $1,229,078 (2017: loss of $1,264,772).

Employee expenses increased in the year to 31 December 2018 to $817,249 (2017 $721,233) resulting from the expansion of the board and new management appointments.

The KGL cash reserve as at 31 December 2018 was $10,746,168, including $576,202 in cash and cash equivalents and $10,169,966 classified as financial assets held to maturity. The company's planned operations for 2019 are fully funded.

CAPITAL RAISINGS / CAPITAL STRUCTURE

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.

During the year the company raised an additional $6,449,406 via two placements through the issue of 15,019,737 at $0.38 and 2,248,200 at $0.33

On the 26th February 2019 the company announced the placement 21,666,667 shares at a share price of $0.30 raising $6,500,000. This is scheduled to complete on the 26th March 2019.

SUMMARY OF SHARES AND OPTION ISSUE

As at the date of this report there were 276,315,087 ordinary shares on issue, no performance rights.

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.

DIRECTORS' REPORT (CONTINUED)

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.

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 2018. 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 the employees measured contribution to the Company.

DIRECTORS REPORT (CONTINUED)

REMUNERATION REPORT (AUDITED) (Continued)

Relationship between remuneration and the Company's performance

The earnings of the consolidated entity for the five years to 31 December 2018 are summarised below:

	2018 $	2017 $	2016 $	2015 $	2014 $
Sales revenue	-	-	-	-	-
EBITDA	(1,533,597)	(1,273,802)	(2,299,353)	(2,413,004)	3,097,427
EBIT	(1,512,183)	(1,264,772)	(2,290,988)	(2,430,262)	3,006,078
Profit/(Loss) after income tax	(1,229,078)	(1,264,772)	(2,262,359)	(2,430,262)	3,436,689
Total KMP remuneration	238,685	163,635	558,490	508,755	731,695

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

	2018	2017	2016	2015	2014
Share price at financial year end ($)	$0.29	$0.36	$0.265	$0.10	$0.225
Total dividends declared (cents per share)	-	-	-	-	-
Basic loss per share (cents per share)	(0.50)	(0.65)	(1.33)	(1.72)	2.45

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.

Remuneration of executive director

Denis Wood

By mutual agreement approved by the Board, Mr Denis Wood is engaged to provide services as Executive Chairman, with an annual director's fee of $47,250 plus $4,489 superannuation subject to annual review. Mr Wood receives no additional remuneration for the role of CEO.

Remuneration of non- executive director

Ferdian Purnamasidi

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

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.

John Gooding (Appointed 12 Jun 2018)

By mutual agreement approved by the Board, Mr John Gooding 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.

DIRECTORS' REPORT (CONTINUED)

REMUNERATION REPORT (AUDITED) (CONTINUED)

Fiona Murdoch (Appointed 12 Jun 2018)

By mutual agreement approved by the Board, Mrs Fiona Murdoch is engaged to provide services as a Non-executive Director through her company Corporate Elements Pty Ltd with an annual director's fee of $47,250 plus $4,489 superannuation subject to annual review.

Christopher Bain (Resigned 30 Jun 2018)

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.

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 #			
	Cash salary and fees	Cash bonus	Non-monetary benefits	Termination Payments	Superannuation	Share-based payment options	Total	% total performance related
Year ended 31 Dec 2018 Directors	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**%**
D Wood	47,250	-	-	-	4,489	-	51,739	-
C Bain*	23,625	-	-	-	2,244	-	25,869	-
F Purnamasidi	47,250	-	-	-	4,489	-	51,739	-
P Hay	47,250	-	-	-	4,489	-	51,739	-
J Gooding**	26,212	-	-	-	2,490	-	28,702	
F Murdoch**	26,390	-	-	-	2,507	-	28,897	
	217,977	-	-	-	20,708	-	238,685	-
Year ended 31 Dec 2017 Directors	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**%**
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	-

* Resigned 30 June 2018
** Appointed 12 June 2018
***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.

DIRECTORS' REPORT (CONTINUED)

REMUNERATION REPORT (AUDITED) (CONTINUED)

Cash bonuses

There were no Cash bonuses granted in relation to the 2018 or 2017 for 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 2018	Opening balance 1 January 2018	Granted as remuneration	Options exercised	Cancelled /Forfeited	Closing balance 31 December 2018	Exercisable at 31 December 2018
Directors						
D Wood	-	-	-	-	-	-
C Bain	-	-	-	-	-	-
P Hay	-	-	-	-	-	-
J Gooding						
F Murdoch						
Total	**-**	**-**	**-**	**-**	**-**	**-**

Shareholdings of directors & key management personnel

31 December 2018	Balance 1 January 2018	SPP	On Market Purchases	Cancelled / Forfeited	Balance 31 December 2018	Held nominally at 31 December 2018
Ordinary Shares						
Directors						
D Wood	22,356,254	45,455	200,000		22,601,709	-
C Bain*	227,272		-	(227,272)	-	-
F Purnamasidi	404,848	6,061	154,881	-	565,790	-
P Hay	1,756,310	45,455	316,426	-	2,118,191	-
J Gooding**	-	-	-	-	-	-
F Murdoch**	-	-	30,000	-	30,000	-
Total	**24,744,684**	**96,971**	**701,307**	**(227,272)**	**25,315,690**	**-**

* Chris Bain resigned 30/06/2018.

**Opening balance for John Gooding and Fiona Murdoch 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 (2017: nil). At year end, there were no outstanding amounts receivable from or payable to key management personnel (2017: nil).

This is the end of the audited remuneration report.

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*.

EVENTS AFTER THE REPORTING PERIOD

On the 26th February 2019 KGL announced a Share Placement to raise $6.5m offering 21,666,667 shares at $0.30. These proceeds will be used to take Jervois Copper Project to development ready Stage.

At 27th March 2019 funds $4.805m has been receipted and the company issued 16,016,666 shares at $0.30.

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.

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

On behalf of the Board,

Denis Wood

Chairman

Brisbane

Dated: 28 March 2019

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.

The Jervois Resources information was were first released to the market on 23 January 2019 and complies with JORC 2012. The company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcement and that all material assumptions and technical parameters underpinning the estimates in the relevant market announcement continue to apply and have not materially changed. The company confirms that the form and context in which the Competent Person's findings are presented have not been materially modified from the original market announcement

Hole	Date originally Reported	JORC Reported Under
KJCD066X	23/01/2019	2012
KJCD073X	23/01/2019	2012
KJCD079X	23/01/2019	2012
KJC193(X)	23/01/2019	2012
KJCD229W1	23/01/2019	2012
KJCD309	23/01/2019	2012
KJCD312	26/02/2019	2012
KJCD315	26/02/2019	2012

BDO

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

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

DECLARATION OF INDEPENDENCE BY T R MANN TO THE DIRECTORS OF KGL RESOURCES LIMITED

As lead auditor of KGL Resources Limited for the year ended 31 December 2018, 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.

T R Mann
Director

BDO Audit Pty Ltd

Brisbane, 28 March 2019

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 Australian 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 2018 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 2018.

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 2019

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 2018

			Consolidated
		2018	2017
	Note	**$**	$
Revenue and other income	2	**292,105**	83,389
Employee benefits expense	3(b)	**(817,249)**	(721,233)
Depreciation and amortisation expense		**(12,414)**	(9,030)
Professional and consultancy fees expense		**(289,230)**	(283,557)
Corporate overheads expense	3(a)	**(168,860)**	(162,571)
Investor relations expense		**(85,990)**	(42,909)
Other expenses		**(147,440)**	(128,272)
Impairment write back / (expense)	3(c)	**-**	(589)
Loss before income tax		**(1,229,078)**	(1,264,772)
Income tax benefit	4	**-**	-
Net profit / (loss) for the year		**(1,229,078)**	(1,264,772)
Other comprehensive income, net of tax		-	-
Total comprehensive income for the year		**(1,229,078)**	(1,264,772)
Loss per share for profit / (loss) from attributable to the owners of KGL Resources Limited			
Basic loss per share (cents per share)	5	**(0.50)**	(0.65)
Diluted loss per share (cents per share)	5	**(0.50)**	(0.65)

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 2018

		Consolidated	
		2018	2017
		$	$
Current assets	Note		
Cash and cash equivalents	14(b)	**576,202**	4,008,458
Trade and other receivables	6	**286,623**	99,695
Term deposits	7	**10,169,966**	8,465,594
Prepayments		**104,822**	85,192
Total current assets		**11,137,613**	12,658,939
Non-current assets			
Term deposits	7	**204,979**	145,445
Property, plant and equipment	8	**222,798**	66,785
Exploration and evaluation assets	9	**46,253,894**	32,387,075
Intangible assets	10	**13,375**	17,833
Total non-current assets		**46,695,046**	32,617,138
Total assets		**57,832,659**	45,276,077
Current liabilities			
Trade and other payables	12	**1,575,497**	911,340
Total current liabilities		**1,575,497**	911,340
Total liabilities		**1,575,497**	911,340
Net assets		**56,257,162**	44,364,737
Equity			
Contributed equity	13	**173,200,789**	160,079,287
Accumulated losses		**(116,943,627)**	(115,714,550)
Total equity		**56,257,162**	44,364,737

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 2018

	Note	Consolidated **2018** **$**	 2017 $
Cash flows from operating activities			
Receipts in the course of operations		1,181,503	587,419
Payments to suppliers and employees		(2,791,668)	(1,899,210)
Interest received		296,094	45,052
Net cash used in operating activities	14(a)	**(1,314,070)**	(1,266,739)
Cash flows from investing activities			
Receipts from R&D refunds		-	1,639,990
Payment for exploration and evaluation assets		(13,308,290)	(5,440,338)
Payment for property, plant and equipment		(167,492)	(64,899)
Payment for intangible assets		-	(17,230)
Movement in term deposits		(1,763,906)	(8,013,436)
Acquisition Tenement		-	(528,844)
Net cash provided by / (used in) investing activities		**(15,239,688)**	(12,424,757)
Cash flows from financing activities			
Proceed from issue of shares		13,121,502	15,600,374
Net cash provided by / (used in) financing activities		**13,121,502**	15,600,374
Net increase/ (decrease) in cash and cash equivalents		**(3,432,256)**	1,908,878
Cash and cash equivalents at the beginning of the year		**4,008,458**	2,099,580
Cash and cash equivalents at the end of the year	14(b)	**576,202**	4,008,458

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

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

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2018

Consolidated	Contributed equity	Accumulated losses	Share-based payments reserve	Total equity
	$	$	$	$
Balance at 1 January 2018	**160,079,287**	**(115,714,550)**	**-**	**44,364,737**
Loss for the year	**-**	**(1,229,078)**	**-**	**(1,229,078)**
Other comprehensive income, net of tax	**-**	**-**	**-**	**-**
Total comprehensive income for the year	**-**	**(1,229,078)**	**-**	**(1,229,078)**
Transactions with owners in their capacity as owners				
Issue of share capital (net of costs)	**13,121,502**	**-**	**-**	**13,121,502**
Balance at 31 December 2018	**173,200,789**	**(116,943,628)**	**-**	**56,257,162**

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, net of tax	**-**	**-**	**-**	**-**
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	**160,079,287**	**(115,714,550)**	**-**	**44,364,737**

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

Note Contents

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 2019.

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:

New and amended standards adopted by the group

A number of new or amended standards became applicable for the current reporting period and the group had to change its accounting policies as a result of adopting the following standards:

- AASB 9 *Financial Instruments*; and
- AASB 15 *Revenue from Contracts with Customers*

The impact of the adoption of these standards and the new accounting policies are disclosed below. The other standards did not have any impact on the group's accounting policies and did not require retrospective adjustments.

(a) AASB 15 *Revenue from Contracts with Customers – Impact of adoption*

The group has adopted AASB 15 Revenue from Contracts with Customers from 1 January 2018. In accordance with the transition provisions in AASB 15, the group has adopted the new rules retrospectively however there was no material impact on the amounts disclosed previously and as a result there has been no restatement required as a result of reclassification or remeasurement and no change to the previously disclosed accounting policies.

(b) AASB 9 *Financial Instruments* – Impact of adoption

AASB 9 replaces the provisions of AASB 139 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of AASB 9 Financial Instruments from 1 January 2018 resulted in changes in accounting policies. The new accounting policies are set out in note below. In accordance with the transitional provisions in AASB 9 (7.2.15) and (7.2.26), comparative figures have not been restated.

1. Summary of significant accounting policies (continued)

(b) AASB 9 *Financial Instruments* – Impact of adoption (continued)

(i) **Classification and Measurement**

On 1 January 2018 (the date of initial application of AASB 9), the group's management has assessed which business models apply to the financial assets held by the group and has classified its financial instruments into the appropriate AASB 9 categories. The main effects resulting from this reclassification was the classification of 'Financial assets held to maturity' to 'Term deposits'. There was no change to the measurement of these assets.

(ii) **Impairment of financial assets**

The group has one type of financial asset that is subject to AASB 9's new expected credit loss model, being trade and other receivables.

The group was required to revise its impairment methodology under AASB. There was no material impact of the change in impairment methodology on the group's retained earnings and equity.

While cash and cash equivalents and term deposits are also subject to the impairment requirements of AASB 9, there was no material impairment loss identified.

AASB 9 *Financial Instruments* – Accounting policies applied from 1 January 2018

(i) **Investments and other financial assets**

Classification

From 1 January 2018, the group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI, or through profit or loss); and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

The group reclassifies debt investments when and only when its business model for managing those assets changes.

Measurement

At initial recognition, the group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018
1. Summary of significant accounting policies (continued)

(b) AASB 9 *Financial Instruments* – Impact of adoption (continued)

AASB 9 *Financial Instruments* – Accounting policies applied from 1 January 2018 (continued)

Debt instruments

Subsequent measurement of debt instruments depends on the group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the group classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses), together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.
- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the statement of profit or loss.
- FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. Again or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

Impairment

From 1 January 2018, the group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the group applies the simplified approach permitted by AASB 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

Impact of standards issued but not yet applied by the entity

AASB 16 *Leases*

AASB 16 was issued in February 2016. It will result in almost all leases being recognised on the statement of financial position, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The accounting for lessors will not significantly change.

The standard will affect primarily the accounting for the group's operating leases. As at the reporting date, the group has non-cancellable operating lease commitments of $38,857. However, the group has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the group's profit and classification of cash flows.

Some of the commitments may be covered by the exception for short-term and low-value leases and some commitments may relate to arrangements that will not qualify as leases under AASB 16.

The standard is mandatory for first interim periods within annual reporting periods beginning on or after 1 January 2019. The group does not intend to adopt the standard before its effective date.

1. Summary of significant accounting policies (continued)

(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 2018
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.

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.

(g) 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018
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) 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.

(l) 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 2018

1. Summary of significant accounting policies (continued)

(l) 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.

(m) 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

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

(n) 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.

(o) 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.

(p) 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018
1. Summary of significant accounting policies (continued)

(q) 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.

(r) 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.

(s) 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.

(t) 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.

(u) 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:

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

1. Summary of significant accounting policies (continued)

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

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.

(w) Comparative Figures

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

(x) Going Concern

The financial report has been prepared on the going concern basis, which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the normal course of business.

As disclosed in the financial report, the consolidated entity incurred a net loss of $1,229,078 and net operating cash outflows of $1,314,070 for the period ended 31 December 2018. As at 31 December 2018 the consolidated entity has Cash of $576,202 and current Term Deposits of $10,169,966.

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

- the ability of the Company to raise capital as and when necessary; and/or
- the successful exploration and subsequent exploitation of the consolidated entity's tenements.

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

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

- the consolidated entity has a proven history of successfully raising funds which included the agreed raising $13,179,400 through a series of share placements in 2018; and
- the Directors believe there is sufficient cash available for the consolidated entity to continue operating until it can raise further capital to fund its ongoing activities.

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

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

2. Revenue and Other Income

	Notes	Consolidated 2018 $	Consolidated 2017 $
Revenue and other income from continuing operations			
Other revenue			
Interest received		**292,105**	75,389
Total other revenue		**292,105**	75,389
Other income			
Profit on sale of assets		**-**	8,000
Total other income		**-**	8,000
Total revenue and other income		**292,105**	83,389

3. Expenses

Loss before income tax from continuing operations includes the following specific expenses:

		Consolidated 2018 $	Consolidated 2017 $
(a)	**Head office facilities overheads expense**		
	Rental expense – minimum lease payments	**66,537**	57,596
	Other expenses	**102,323**	104,975
		168,860	162,571
(b)	**Employee benefits**		
	Salaries, wages, and related costs	**418,586**	512,660
	Directors' Fees (excluding superannuation)	**217,977**	149,439
	Redundancy	**118,708**	-
	Superannuation contributions (defined contribution)	**61,978**	59,134
		817,249	721,233
(c)	**Impairment (write back) / expense**		
	Impairment of Receivables	**-**	(589)
		-	(589)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

4. Income Tax

		Consolidated	
		2018	2017
(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	**(1,229,078)**	(1,264,772)
	Income tax expense/ (benefit) calculated at 27.5% (2016: 30%)	**(337,996)**	(347,812)
	Effect of expenses that are not deductible in determining taxable profit or loss	**21**	445
	Deferred tax assets arising from temporary differences not recognised	**337,975**	347,367
	Total income tax benefit in profit and loss	**-**	-
(c)	**Unrecognised deferred tax assets**		
	Prior year tax losses brought forward - gross	**118,467,643**	110,851,982
	Total losses recognised - gross	**(46,050,612)**	(32,234,249)
	Current year tax losses - gross	**15,045,365**	7,615,661
	Unrecognised tax losses - gross	**87,462,396**	86,223,394
	Deferred tax assets not taken up – at 27.5%	**24,052,159**	23,711,433

This future income tax benefit will only be obtained if:

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

		Consolidated	
		2018	2017
(d)	**Recognised net deferred tax assets**	**$**	$
	Deferred tax liabilities		
	Exploration and prospecting	**(12,719,821)**	**(8,906,446)**
	Foreign exchange		
		(12,719,821)	**(8,906,446)**
	Deferred tax assets		
	Tax losses	**12,663,918**	**8,864,418**
	Business related costs		
	Provisions/accruals	**55,903**	**42,027**
		12,719,821	**8,906,446**
	Net deferred tax asset recognised	**-**	**-**

(e) There are no franking credits available.

	Consolidated	
	2018	2017
5. Loss per share	**$**	$
Profit /(loss) attributable to the owners of KGL Resources Limited:		
Profit /(loss)	**(1,229,078)**	(1,264,772)
	(1,229,078)	(1,264,772)
	Cents per/share	Cents per/share
Basic (loss) per share (cents per share)	**(0.50)**	(0.65)
	(0.50)	(0.65)
Diluted (loss) per share (cents per share)	**(0.50)**	(0.65)
	(0.50)	(0.65)
	# Shares	# Shares
Weighted average number of ordinary shares used in the calculation of basic and diluted loss per share	**245,836,397**	193,872,294

At 31 December 2018, the Company had no options (2017: nil options) over unissued shares and has incurred a net loss.

6. Trade and other receivables – current	Consolidated	
	2018	2017
	$	$
GST receivable (net)	**260,496**	64,347
Other receivables	**26,127**	35,348
	286,623	99,695

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

	Consolidated	
7. Term deposits	**2018**	2017
Current		
Term Deposits	**10,169,966**	8,465,594
	10,169,966	8,465,594
Non-current		
Term Deposits	**204,979**	145,445
	204,979	145,445

Rolling one year interest bearing term deposits to support environmental bank guarantees with the department of mines and other guarantees. Guarantees of $204,979 (2017: $145,445) have been provided to the Department of Mines and other suppliers.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

8. Property, plant and equipment

	Consolidated 2018 $	2017 $
Cost	**803,706**	639,292
Accumulated depreciation, amortisation and impairment	**(580,908)**	(572,507)
Net carrying amount	**222,798**	66,785
At 1 January, net of accumulated depreciation	**66,785**	35,126
Additions	**164,414**	103,921
Depreciation and amortisation	**(8,401)**	(51,984)
Disposals	**-**	(20,278)
At 31 December, net of accumulated depreciation	**222,798**	66,785

9. Exploration and evaluation assets

	Consolidated 2018 $	2017 $
Deferred exploration and evaluation assets	**46,253,894**	32,387,075
Deferred exploration and evaluation assets		
Balance at beginning of the year	**32,387,075**	27,619,483
Current year expenditure	**13,866,819**	6,407,582
R&D Tax Credit	**-**	(1,639,990)
Balance at end of the year	**46,253,894**	32,387,075

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

10. Intangible assets

	Consolidated 2018 $	2017 $
Software at cost	**322,227**	322,227
Accumulated amortisation and impairment	**(308,852)**	(304,394)
Net carrying amount	**13,375**	17,833
At 1 January, net of accumulated depreciation	**17,833**	604
Additions	-	21,400
Amortisation	**(4,458)**	(4,171)
At 31 December, net of accumulated depreciation	**13,375**	17,833

11. Subsidiaries

Interests in subsidiaries

Information relating to the group's interests in principal subsidiaries at 31 December 2018 is set out below.

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

Name	Country of Incorporation	**2018 % Held**	2017 % 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 2018. 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.

	Consolidated	
12. Trade and other payables – current	**2018 $**	2017 $
Unsecured trade payables	**1,374,903**	795,266
Employee benefits	**200,594**	116,074
	1,575,497	911,340

(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.

13. Contributed equity

	Consolidated	
	31 Dec 2018	31 Dec 2017
(a) Issued and paid up capital		
Ordinary shares fully paid	**173,200,789**	160,079,287

(b) Movements in shares on issue

Details	**2018** Number of shares issued	**2018** Issued capital $	2017 Number of shares issued	2017 Issued capital $
Beginning of the financial year	**226,205,484**	**160,079,287**	172,990,858	144,478,912
Exercise of options	**-**	**-**	-	-
Rights Issue	**34,092,937**	**13,179,400**	53,214,626	15,877,979
Share issue Costs	**-**	**(57,898)**	-	(277,604)
Closing balance	**260,298,421**	**173,200,789**	226,205,484	160,079,287

(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 2017: zero) unissued ordinary shares in respect of which the following options were outstanding.

14. Notes to the statement of cash flows

(a) **Reconciliation of loss after tax to net cash flows from operations**

	2018 $	2017 $
Net profit/(loss) for the year	**(1,229,078)**	(1,264,772)
Non cash flows in operating result		
Depreciation and amortisation expense	**12,414**	9,030
Change in operating assets and liabilities		
(Increase)/Decrease in receivables	**(186,928)**	16,277
(Increase)/Decrease in payables for exploration & evaluation assets	**(555,006)**	(414,190)
(Increase)/Decrease in prepayments	**(19,928)**	(13,083)
Increase/(Decrease) in payables	**664,156**	399,999
	(1,314,070)	(1,266,739)

	Consolidated 2018 $	2017 $
(b) Cash on hand and at call	**576,202**	4,008,458
	576,202	4,008,458

(c) **Facilities with banks**

There are no facilities at balance date (2017: Nil).

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

There are no non-cash financing and investing activities for the 2018 and 2017 years.

15. 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:

	2018		2017	
	Number of options	**Weighted average exercise price $**	Number of options	Weighted average exercise price $
Balance at beginning of year	-	-	375,000	-
- granted	-	-	-	-
- forfeited	-	-	(375,000)	-
- exercised	-	-	-	-
Balance at end of year	-	-	-	-

The options held at the beginning of the prior year expired on 24 February 2017. Details of these options are shown below:

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

The fair value of these options was 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.

The following sets out the vesting conditions attached to this tranche.

Tranche	**Conditions**	**Estimated Vesting Date**
C	The completion of the Jervois Definitive Feasibility Study	N/A – expired in prior year

16. 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.

	Consolidated	
Key management personnel compensation	**2018**	2017
	$	$
Short-term employee benefits	**217,977**	149,439
Termination payments	**-**	-
Post-employment benefits	**20,708**	14,197
Share-based payments	**-**	-
	238,685	163,636

	Consolidated	
	2018	2017
	$	$
17. Auditor's 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	**62,770**	41,025
Non-audit services were provided by the auditors.		
• R & D Tax Services	**-**	8,500

18. 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

19. 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.

(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	
	2018	2017
	$	$
Financial assets		
Cash & cash equivalents	**576,202**	4,008,458
Term deposits	**10,374,945**	8,611,039
Trade and other receivables	**286,623**	99,965
Financial liabilities		
Measured at amortised cost – trade payables	**(1,374,903)**	(795,266)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018
19. Financial instruments (continued)

(c) Credit risk exposures

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

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

In the 2018 and 2017 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 $447,712 (2017: $541,632) to National Australia Bank Limited and $10,294,814 (2017: $11,923,507) 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 2018 and 2017 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.

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 $	Fixed interest maturing in: 1 year or less $	over 1 to 5 years $	5 years or more $	Non-interest bearing $	**Total $**
31 December 2018							
Financial assets							
Cash	0.49%	**572,559**	**-**	**-**	**-**	**3,643**	**576,202**
Term deposits	0.65%	**-**	**10,169,966**	**-**	**-**	**204,979**	**10,374,945**
Trade and other receivables	N/A	**-**	**-**	**-**	**-**	**286,623**	**286,623**
		572,559	**10,169,966**	**-**	**-**	**495,245**	**11,237,770**
Financial liabilities							
Trade and other payables	N/A	**-**	**-**	**-**	**-**	**(1,374,903)**	**(1,374,903)**
		-	**-**	**-**	**-**	**(1,374,903)**	**(1,374,903)**
		572,559	**10,169,966**	**-**	**-**	**(879,658)**	**9,862,867**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018
19. Financial instruments (continued)

(d) Market risk exposures (continued)

CONSOLIDATED	Weighted average interest rate	Floating interest rate $	Fixed interest maturing in: 1 year or less $	over 1 to 5 years $	5 years or more $	Non-interest bearing $	Total $
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**

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 2018, 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:

	Net loss Higher/(Lower)		Other comprehensive income Higher/(Lower)	
Consolidated	**2018 $**	**2017 $**	**2018 $**	**2017 $**
+0.5% (50 basis points)	**224,005**	**92,355**	**-**	-
-0.5% (50 basis points)	**(224,005)**	**(92,355)**	**-**	-

(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.

19. Financial instruments (continued)

(e) Liquidity risk (continued)

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 2018					
Financial liabilities					
Trade and other payables	**(1,374,903)**	**-**	**-**	**(1,374,903)**	**(1,374,903)**
	(1,374,903)	**-**	**-**	**(1,399,927)**	**(1,399,927)**
31 December 2017					
Financial liabilities					
Trade and other payables	**(593,740)**	**-**	**-**	**(593,740**	**(593,740)**
	(593,740)	**-**	**-**	**(593,740**	**(593,740)**

(f) Fair values

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

20. 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.

21. Commitments

	Consolidated 2018 $	2017 $
Capital expenditure commitments – exploration & evaluation assets		
No longer than 1 year	**112,050**	150,000
Between 1 and 5 years	**21,667**	64,583
Greater than 5 years	**-**	-
	133,717	214,583
Non-cancellable operating lease commitments		
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
No longer than 1 year	**83,367**	**67,251**
Between 1 and 5 years	**148,665**	**44,287**
Greater than 5 years	**60,329**	**1,513**
	292,361	**113,051**

Capital commitments

There are capital and rental commitments on tenements ranging from $4,000 to $40,000 per annum with expiry terms of between 1 to 5 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 $25,905 per annum with expiry terms within 1 year.

22. Contingent liabilities and contingent assets

There are no contingent assets or contingent liabilities as at 31 December 2018.

23. Events after reporting date

On the 26th February 2019 KGL announced a Share Placement to raise $6.5m offering 21,666,667 shares at $0.30. These proceeds will be used to take Jervois Copper Project to development ready Stage.

At 27th March 2019 funds $4.805m has been receipted and the company issued 16,016,666 shares at $0.30.

24. 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	**2018**	2017
	$	$
Current assets	**10,701,783**	12,353,287
Non-current assets	**45,765,403**	32,355,754
Total assets	**56,467,186**	44,709,041
Current liabilities	**(210,024)**	(161,038)
Total liabilities	**(210,024)**	(161,038)
Net assets	**56,257,162**	44,548,003
Contributed equity	**173,200,789**	160,079,287
Share-based payments reserve	**-**	-
Retained earnings/(accumulated losses)	**(116,943,627)**	(115,531,284)
Total shareholders' equity	**56,257,162**	44,548,003
Profit/(loss) for the year	**(1,412,343)**	(1,306,299)
Other comprehensive income	**-**	-
Total comprehensive income for the year	**(1,412,343)**	(1,306,299)

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 2018 (2017 - $nil).

Contingent liabilities

The parent entity has no known contingent liabilities.

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

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

INDEPENDENT AUDITOR'S REPORT

To the members of KGL Resources Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of KGL Resources Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2018, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial report, including a summary of significant accounting policies and the directors' declaration.

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

(i) Giving a true and fair view of the Group's financial position as at 31 December 2018 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.

Material uncertainty related to going concern

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

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. In addition to the matter described in the *Material uncertainty related to going concern section,* we have determined the matters described below to be the key audit matters to be communicated in our report.

Recoverability of exploration and evaluation assets

Key audit matter	*How the matter was addressed in our audit*
Refer to note 9 in the financial report. The Group carries significant exploration and evaluation assets as at 31 December 2018 in relation to the application of the Group's accounting policy for exploration and evaluation assets. The recoverability of exploration and evaluation assets is a key audit matter due to: • The significance of the total balance; and • The level of procedures undertaken to evaluate management's application of the requirements of AASB 6 *Exploration for and Evaluation of Mineral Resources* ('AASB 6') in light of any indicators of impairment that may be present.	Our procedures included, but are not limited to the following: • 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 contained in the Directors' Report for the year ended 31 December 2018, but does not include the financial report and our auditor's report thereon, which we obtained prior to the date of this auditor's report, and the Annual Report, which is expected to be made available to us after that date.

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 identified above 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 on the other information that we obtained prior to the date of this auditor's report, 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.

When we read the Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors and will request that it is corrected. If it is not corrected, we will seek to have the matter appropriately brought to the attention of users for whom our report is prepared.

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 15 to 19 of the directors' report for the year ended 31 December 2018.

In our opinion, the Remuneration Report of KGL Resources Limited, for the year ended 31 December 2018, 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

BDO

T Mann

T R Mann

Director

Brisbane, 28 March 2019