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

FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 30 JUNE 2019

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DIRECTORS' REPORT

The directors of KGL Resources Limited submit herewith the financial statements of the consolidated entity consisting of KGL Resources Limited (KGL) and the entities it controlled for the half-year ended 30 June 2019.

Directors

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

Director	Position Held
Denis Wood	Executive Chairman
Ferdian Purnamasidi	Non-Executive Director
Peter Hay	Non-Executive Director
John Gooding	Non-Executive Director
Fiona Murdoch	Non-Executive Director

Principal Activity

The principal continuing activity of the Group during the half year was exploration and development of the Jervois Copper Project in the Northern Territory.

Review of Operations

The half year to 30 June 2019 began with an upgrade in the confidence levels of the mineral copper resources at the 100% owned Jervois Copper Project in the Northern Territory. Throughout the half year, the Company continued to prioritise infill drilling aimed at achieving further upgrades in the progress towards the project's development. Infill drilling at Reward and Rockface delivered some excellent results in a drilling program designed to increase the Indicated Resource category for copper as the Company moves towards eventually establishing an Ore Reserve essential for final project approval.

In August 2019, the Company announced a further significant upgrade in confidence in resource estimates with an increase in the Indicated Copper Category from 50% to 65% of total copper resources. The drilling at Reward and Rockface achieved the objective of increasing the confidence levels in the underground mineral resources by converting resources from the Inferred to Indicated category. Indicated Resources of copper at Reward and Rockface were increased by 240% and 34% respectively.

Total copper resources at Jervois now stand at

- 26.6 million tonnes at 1.47% copper and 24.7 g/t silver,
- containing 390,600 tonnes copper and 21.1 million ounces silver,
- including Indicated Resources of 255,000 tonnes contained copper and 12.7 million ounces contained silver.

The use of modern exploration technology including down hole electromagnetic surveying, continued to be successful in identifying drill targets in both infill drilling and new exploration.

Through exploration drilling, the Company continued to seek potential expansion opportunities in the highly prospective Jervois mineral field. The search expanded to new areas, with encouraging results at Reward East.

In other work essential for project development, the Environmental Impact Statement process was advanced towards approval with the supplementary EIS lodged during July 2019, and, in a major achievement, an adequate water supply for the project was successfully sourced.

Welcoming the latest resources update, KGL Executive Chairman Denis Wood commented:

> "With the Indicated Copper Resource category increasing from half to two thirds of the total copper resources at Jervois, we are very pleased to be delivering on our commitment to focus on improving the quality of mineral resources through infill drilling.

DIRECTORS' REPORT (Continued)
Review of Operations (Continued)

> "The announced resources upgrade is an important step towards the essential establishment of a Mining Reserve which, in conjunction with the EIS, our water sourcing success and mining and other planning work, is advancing us towards project development."

Upgrade of Mineral Resources

The Mineral Resources for the Jervois Project were updated in January 2019. They were updated again in July 2019 and announced in August 2019. The current estimates are detailed in Table 1. They show a 32% increase (over the January 2019 estimates) in contained copper for the Indicated Resources with increases of 34% and 240% for Rockface and Reward respectively.

Contained silver for the Indicated Resources was increased by 31% with increases of 236% and 37% for Reward and Rockface respectively.

More than 65% of the Jervois copper resource of 390,600 tonnes is now in the Indicated Resource category. This is mainly due to the major resource upgrades for the Rockface and Reward deposits.

While there has been a small increase in total contained copper at Jervois, the infill drilling has prompted a reinterpretation of the extent of the lead mineralisation at Reward with the result that the size of the deposit has been significantly reduced. The current lead Indicated Resource at Reward is a minor component of the total Mineral Resources at Jervois.

Table 1 Mineral Resource for the Jervois Copper Project

Deposit	Category	Mt	Cu %	Ag g/t	Pb %	Zn %	Cu Kt	Ag Mozs	Pb Kt	Zn Kt	% Cu cut off
Reward OP	Indicated	5.1	1.22	27.9			61.7	4.5			0.5
Reward UG	Indicated	3.1	1.94	31.9			59.8	3.2			1
Bellbird OP	Indicated	3.8	1.23	7.6			46.7	0.9			0.5
Bellbird UG	Indicated	0.2	1.85	11.9			3.9	0.1			1
Rock Face UG	Indicated	3.1	2.44	13.5			74.9	1.3			1
Reward OP	Inferred	0.2	0.67	14.6			1.2	0.1			0.5
Reward UG	Inferred	2.1	1.70	32.3			35.6	2.2			1
Reward E OP	Inferred	0.7	0.76	7.1			5.4	0.2			0.5
Reward E UG	Inferred	0.8	1.29	12.0			10.8	0.3			1
Bellbird OP	Inferred	1.1	0.91	6.1			10.3	0.2			0.5
Bellbird UG	Inferred	1.7	2.02	12.7			33.6	0.7			1
Rock Face UG	Inferred	1.4	1.59	11.3			22.5	0.5			1
	Total	**23.3**	**1.57**	**19.0**			**366.3**	**14.2**			
Pb Resource											
Reward	Indicated	0.5	0.56	91.9	3.60	1.49	3.0	1.6	18.9	7.8	2% Pb
Reward S	Indicated	0.5	0.99	64.0	0.92	0.63	5.1	1.1	4.7	3.2	0.3
Reward	Inferred	0.3	0.51	56.8	3.58	1.73	1.4	0.5	9.8	4.7	2% Pb
Reward S	Inferred	1.4	0.81	78.0	1.78	0.93	11.1	3.4	24.4	12.8	0.3
Bellbird N	Inferred	0.7	0.57	17.9	1.71	2.52	3.8	0.4	11.3	16.7	0.2
	Total	**3.3**	**0.73**	**64.4**	**2.07**	**1.35**	**24.3**	**6.9**	**69.2**	**45.2**	
TOTAL	Indicated	16.3	1.57	24.2			255.0	12.7			
	Inferred	10.3	1.31	25.5			135.6	8.5			
		26.6	**1.47**	**24.7**			**390.6**	**21.1**			

DIRECTORS' REPORT (Continued)
Review of Operations (Continued)

(Minor rounding errors. The Marshall lode is now included in the Reward Deposit following drilling and improved modelling for mine planning purposes. The Green Parrot deposit has been renamed Reward South now that it is considered as a southern extension of Reward with potential for expansion.)

Figures 1 and 2 illustrate the progress of the copper and silver resource definition under KGL's ownership of the Jervois project.

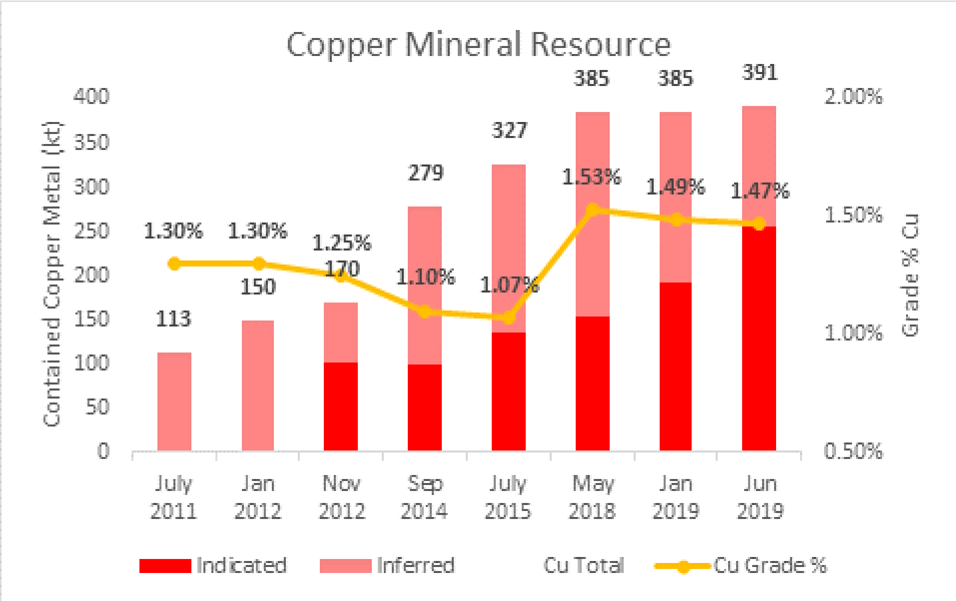

Figure 1 Copper Mineral Resource History at Jervois

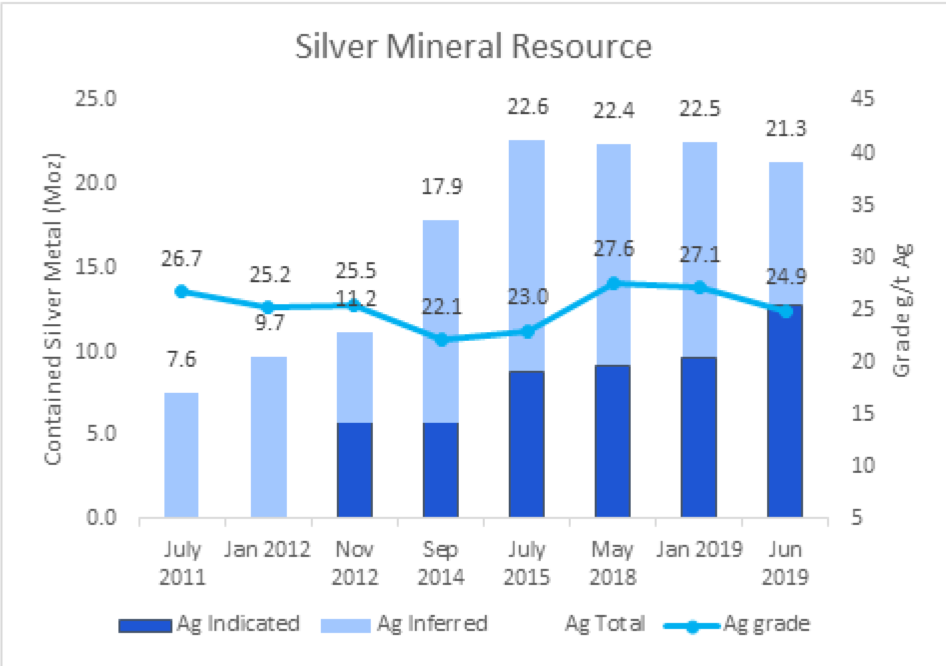

Figure 2 Silver Mineral Resource History at Jervois

There were some excellent results from the program of infill drilling that continued throughout the half year at the Reward and Rockface deposits in order to increase Indicated Copper Resources

DIRECTORS' REPORT (Continued)
Review of Operations (Continued)

Reward

Infill drilling at Reward intercepted significant mineralisation with similar results to the surrounding high-grade holes. This strengthened confidence in resource estimation and is expected to increase the proportion of copper resources in the Indicated Resource category.

Among notable intersections, results for hole KJCD326 included:

- 25.25 m @ 2.67% Cu, 47 g/t Ag, 0.44 g/t Au from 150.43 m
    - including 11.12 m @ 4.19% Cu, 84.2 g/t Ag, 0.55 g/t Au from 151.43 m

This high-grade intersection is particularly significant because it was intercepted just below the current proposed open pit floor. This widens the range of options for the final pit design.

KJCD329 was drilled north of KJCD326, below the planned pit, but with the objective of enhancing the underground resource. The mineralisation intersected graded:

- 11.39 m @ 4.72% Cu, 4.63% Pb, 2.97% Zn, 162 g/t Ag, 0.27g/t Au from 193.67 m
    - including 2.08 m @ 4.78% Cu, 22.19% Pb, 10.5% Zn, 615 g/t Ag, 0.29 g/t Au from 195.84 m

High grade lead lenses are not uncommon in the Reward area.

At Reward Deeps, the drill testing of conductors identified by DHEM surveying met with further success.

The assay results of holes drilled in late 2018 and the first half of 2019 recorded high grade intercepts and are expected to contribute to an upgrade of resources from inferred status to Indicated Copper Resources at Reward.

KJCD312 targeted Conductor 6 where it overlaps with Conductor R1 and intercepted:

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

KJCD314 also targeted Conductor 6 and its overlap with Conductor 1 and intercepted:

- 7.57 m @ 6.20% Cu, 55.6 g/t Ag, 1.68 g/t Au from 625.29 m – corresponding with Conductor R1 and R6

KJCD317 targeted the centre of the long and narrow conductor plate, R7 and intercepted:

- 16.19 m @ 2.41% Cu, 48.2 g/t Ag, 1.06 g/t Au from 422.84 m
    - including 4.82 m @ 3.78% Cu, 106.9 g/t Ag, 2.48 g/t Au from 432.42 m – corresponding with Conductor R1 and R7

Hole KJCD315 was designed as a resource extension hole. The good results were significant and should contribute additional Indicated Resources because the hole is 50 m west of the currently known Indicated Resource and is not associated with any known conductors. Intercepts included:

- 5.24 m @ 2.13% Cu, 11.7 g/t Ag and 0.46 g/t Au from 502.50 m, and
- 4.52 m @ 5.73% Cu, 109.2 g/t Ag and 1.21 g/t Au from 524.80 m.

Also expected to contribute to the Indicated Resource category are the results of Hole KJCD284 which targeted an area outside the current Indicated Resource and intersected:

- 6.19 m @ 3.39% Cu, 31.7 g/t Ag, 0.65 g/t Au from 727.33 m
    - including 2.92 m @ 6.39% Cu, 55.6 g/t Ag, 1.19 g/t Au from 730.6 m

The results of the infill drilling program having identified the possibility of expanding the underground resource at Reward, the drilling program for the September quarter was adjusted to test this.

Rockface North

Results obtained during the half year from drilling at Rockface North are expected to upgrade resources from Inferred to Indicated status. Five holes targeted the sparsely drilled upper portion of Conductor 6 following up previous high-grade intercepts in the relatively shallow part of Rockface North.

DIRECTORS' REPORT (Continued)
Review of Operations (Continued)

KJCD322 achieved another very significant intersection which intercepted the extreme upper edge of Conductor 6:

- 3.37 m @ 3.47% Cu, 21.3 g/t Ag, 0.23 g/t Au from 436.58 m
-

KJCD281 intercepted a wide zone of mineralisation on the eastern edge of Conductor 6:

- 42.29 m @ 0.85% Cu, 7.0 g/t Ag, 0.06 g/t Au from 554.15 m
    - including 3.94 m @ 2.69% Cu, 30.6 g/t Ag, 0.18 g/t Au from 554.15 m
    - and including 10.00 m @ 0.98% Cu, 4.9 g/t Ag, 0.06 g/t Au from 572.00 m

The results show that mineralisation extends to the upper and eastern edges of the conductor plates of the Rockface North Lode. The mineralisation in the Indicated Resource blocks also extends eastwards along strike.
Infill holes at the Rockface Main and North Lodes later in the half year also intercepted significant mineralisation with similar results to surrounding holes, further increasing confidence in the resource estimation.

KJCD212D1 intercepts included:

- 18.11 m @ 1.46% Cu, 14.60 g/t Ag, 0.13 g/t Au from 663.46 m
    - including 3.19 m @ 4.12% Cu, 56.50 g/t Ag, 0.31 g/t Au from 663.46 m

KJCD212D2 intercepts included:

- 4.67 m @ 1.38% Cu, 13.40 g/t Ag, 0.13 g/t Au from 670.28 m
- and 8.97 m @ 2.10% Cu, 7.30 g/t Ag, 0.16 g/t Au from 686.43 m
    - including 1.97 m @ 7.20% Cu, 17.50 g/t Ag, 0.22 Au from 686.43 m

KJCD244D1 intercepts included:

- 9.28 m @ 1.97% Cu, 11.50 g/t Ag, 0.08 g/t Au from 462.42 m
    - including 1.31 m @ 10.17% Cu, 60.50 g/t Ag, 0.34 g/t Au from 462.42 m

Holes KJCD212D1 and KJCD244D1 at the outer limits of the current Inferred Resource estimates at the Rockface North Lode both intercepted a narrow zone of high-grade copper mineralisation in an envelope of lower-grade copper mineralisation.

At <u>Reward South</u>, three holes were drilled when drill scheduling of the on-site rigs allowed for some infill drilling. Intersections showed a large degree of variation in grade and width of the interpreted mineralised lode. More exploration is needed to increase confidence levels in the current estimated Resource, but this is not a priority in current Jervois project planning.

<u>Exploration</u>

While the highest priority continued to be given to infill drilling to increase confidence levels in the Jervois resources, the Company continued to seek potential expansion opportunities in the highly prospective Jervois Mineral Field.

At <u>Reward East</u>, encouraging results were obtained from the drilling of a new conductor, an interpreted mineralised lode 70 m east of the main Reward Lode. The intercepts at Reward East have been followed up by more drilling to further assess the potential of this area.

All holes drilled at Reward East and Reward North encountered significant mineralisation and point to continuity to the north and east.

DIRECTORS' REPORT (Continued)
Review of Operations (Continued)

At Reward North, results from four shallow holes and previous intercepts along strike to the north and across the EL boundary suggest possible trends in shallow copper mineralisation over 1%. A newly delineated conductor was targeted with one hole, KJCD335, which intercepted 1.25 m @ 1.44% Cu from 275.79 m. However, further drilling in the area now has lower priority in the present project planning.

New areas were explored along the Jervois J-fold, with all holes drilled at Amigo, Krak Ridge, Bellbird and Ma'a Salama intercepting mineralisation.

Shallow drill holes were drilled at Amigo, a prospect located close to Rockface and with similar geology. Though the copper intercepts are relatively thin and of a relatively low tenor, they are comparable with the upper section of Rockface. The similarities are encouraging and follow-up exploration work is planned.

One hole drilled at Krak Ridge intercepted three narrow zones of chalcopyrite mineralisation. Additional surface mapping and geological interpretation is being undertaken to evaluate prospectivity.

Assays are pending for drilling undertaken at Ma'a Salama and Bellbird South. At Ma'a Salama, copper occurrences have been mapped at surface, and prospectivity is enhanced by magnetic features at depth and positive results from an earlier IP survey. Bellbird South follows the trend from the main Bellbird Lode, and a large IP chargeability anomaly similar to that of Rockface makes this an attractive target.

Project development work

Water supply: In a major advance towards project development, groundwater drilling identified sufficient water to meet the needs of the Jervois Project. Drilling had been delayed by heavy rain in March and associated delays in obtaining permits.

The ten-hole drilling program was in the Lucy Creek area, located approximately 40 km north of the Jervois Project. Six of the 10 initial holes drilled will yield suitable waterflow rates. The 6 bores combined with a single bore drilled in 2018 will provide the required water for the project, with 10% to 20% contingency, and with 4 bores expected to operate at any one time.

Environmental Impact Statement (EIS): The Company continued to progress the approval process of the EIS, the only outstanding approval required for the project, with no issues that would prevent the mine development having arisen in the EIS process. The focus of work in the half year was on detailed technical studies to support responses to stakeholders' queries and preparation of the EIS supplementary report. The supplementary EIS was submitted in July 2019 for review by the Northern Territory Environmental Protection Authority which, subject to no further questions, will provide an Assessment Report to the appropriate government ministers.

Development planning: Initial studies into conceptual mine planning, processing and process plant design were completed; Negotiations will continue with mining contractors and processing consultants to optimise the studies, with a final goal of completing an approved financial model for the project.

Negotiations held with potential power suppliers and village and transport logistics providers will also continue.

Placement

During the half year, the Company raised $6,500,000 before costs, through the issue of 21,666,666 new shares at 30 cents per share to three large shareholders in KGL.

Two of the investors made their first investments in KGL last year. Marshall Plenty, a company associated with international mineral resources identity Mr Ernie Thrasher, acquired 12,683,333 shares in the latest placement. ASM Connaught House Fund LP, ASM Connaught House Fund (Master) II LP and ASM Connaught House Fund (Master) III LP, which are managed by Argyle Street Management Limited, acquired 3,333,333 shares. KMP Investments Pty Ltd, KGL's largest shareholder, acquired 5,650,000 shares. The funds are being applied to the infill drilling programs at Reward and Rockface, exploration and working capital.

DIRECTORS' REPORT (Continued)

Review of Operations (Continued)

Welcoming the investments, the Chairman of KGL Mr Denis Wood, said that the decisions by the three respected international investors to further increase significantly their stakes in KGL represented a strong vote of confidence in the Company and the Jervois Project.

Financial Review

For the half-year ended 30 June 2019, the KGL group recorded loss after taxation of $1,572,903 (Loss 2018: $547,648).

In the half year to 30 June 2019 $7,351,301 (2018: $6,443,405), was incurred developing the Jervois Project. Employee benefits expenses from continued operations were in the half year to 30 June 2019 $1,358,240 (2018: $348,301), of which noncash share-based payment of $1 m was made to the Executive Chairman Mr Denis Wood.

The Company raised $6,477,269 after costs through the issue of 21,666,666 shares by way of a share purchase plan at $0.30 raising $6,500,000.

The KGL cash reserve as at 30 June 2019 was $964,030 plus $10,514,687 in term deposits.

Auditor's Independence Declaration

A copy of the independence declaration by the lead auditor under section 307C is included on page 11 to this directors' report.

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

Denis Wood

Chairman
27 August 2019

JORC Compliance Statement

The Jervois Resources information were first released to the market on 22 July 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.

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

Hole		Date originally Reported	JORC Reported Under
KJCD	212D1	29/07/2019	2012
KJCD	212D2	29/07/2019	2012
KJCD	231D1	26/04/2019	2012
KJCD	244D1	26/04/2019	2012
KJCD	281	26/04/2019	2012
KJCD	284	26/04/2019	2012
KJCD	312	26/04/2019	2012
KJCD	314	26/04/2019	2012
KJCD	315	26/04/2019	2012
KJCD	317	26/04/2019	2012
KJCD	322	26/04/2019	2012
KJCD	326	29/07/2019	2012
KJCD	329	29/07/2019	2012
KJCD	335	29/07/2019	2012

AUDITOR'S INDEPENDENCE DECLARATION

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

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

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

As lead auditor for the review of KGL Resources Limited for the half-year ended 30 June 2019, I declare that, to the best of my knowledge and belief, there have been:

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

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

T R Mann
Director

BDO Audit Pty Ltd

Brisbane, 27 August 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE HALF-YEAR ENDED 30 JUNE 2019

	Note	Half-year ended 30 Jun 2019 $	Half-year ended 30 Jun 2018 $
Revenue and other income		**118,897**	149,481
Employee benefits expense	2	**(1,358,240)**	(348,301)
Depreciation and amortisation expense		**(5,241)**	(7,173)
Professional and consultancy fees expense		**(116,667)**	(136,354)
Head office facility overheads expense		**(76,332)**	(84,677)
Business development and investor relations expense		**(51,835)**	(46,590)
Other expenses		**(83,485)**	(74,034)
Loss before income tax		**(1,572,903)**	(547,648)
Income tax expense		**-**	-
Net profit/(loss) for the half-year		**(1,572,903)**	(547,648)
Other comprehensive income		**-**	-
Total comprehensive income for the half-year		**(1,572,903)**	(547,648)
Net profit/(loss) attributable to:			
Owners of KGL Resources Limited		**(1,572,903)**	(547,648)
		(1,572,903)	(547,648)
Total comprehensive income attributable to			
Owners of KGL Resources Limited		**(1,572,903)**	(547,648)
		(1,572,903)	(547,648)
Earnings per share attributable to the owners of KGL Resources Limited			
Basic earnings per share (cents per share)		**(0.58)**	(0.23)
Diluted earnings per share (cents per share)		**(0.58)**	(0.23)

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2019

	Note	30 Jun 2019	31 Dec 2018
		$	$
Current assets			
Cash and cash equivalents		**964,030**	576,202
Trade and other receivables	5	**333,444**	286,623
Term deposits		**10,514,687**	10,169,966
Prepayments		**127,969**	104,822
Total current assets		**11,940,130**	11,137,613
Non-current assets			
Term deposits		**204,979**	204,979
Property, plant and equipment	3	**391,238**	222,798
Exploration and evaluation assets	4	**53,605,195**	46,253,894
Intangible assets		**9,363**	13,375
Total non-current assets		**54,210,775**	46,695,046
TOTAL ASSETS		**66,150,905**	57,832,659
Current liabilities			
Trade and other payables	6	**3,827,884**	1,575,498
Lease Liabilities	7	**83,278**	-
Total current liabilities		**3,911,162**	1,575,498
Non-Current liabilities			
Non-Current Lease Liabilities	7	**78,216**	-
Total current liabilities		**78,216**	-
TOTAL LIABILITIES		**3,989,378**	1,575,497
NET ASSETS		**62,161,527**	56,257,161
Equity			
Contributed equity	8	**180,678,058**	173,200,789
Accumulated losses		**(118,516,531)**	(116,943,628)
Total equity		**62,161,527**	56,257,161

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

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE HALF-YEAR ENDED 30 JUNE 2019

	Note	Half-year ended 30 Jun 2019 $	Half-year ended 30 Jun 2018 $
Cash flows from operating activities			
GST refunded		**635,877**	546,004
Payments to suppliers and employees		**(1,233,280)**	(1,521,269)
Interest received		**90,056**	124,213
Net cash used in operating activities		**(507,347)**	(851,052)
Cash flows from investing activities			
Payments for exploration and evaluation assets		**(5,229,198)**	(5,200,816)
Payments for property, plant and equipment		**(8,175)**	(65,156)
Movement in term deposits		**(344,721)**	(3,584,161)
Net cash used in investing activities		**(5,582,094)**	(8,850,133)
Cash flows from financing activities			
Net proceeds from issue of shares	7	**6,477,269**	6,710,090
Net cash used in financing activities		**6,477,269**	6,710,090
Net (decrease)/increase in cash and cash equivalents		**387,828**	(2,991,095)
Cash and cash equivalents at the beginning of the period		**576,202**	4,008,458
Cash and cash equivalents at end of period		**964,030**	1,017,363

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 30 JUNE 2019

	Contributed Equity $	Accumulated losses $	Total equity $
Balance at 1 January 2019	**173,200,789**	**(116,943,628)**	**56,257,161**
Profit/(loss) for the half-year	**-**	**(1,572,903)**	**(1,572,903)**
Other comprehensive income			
Total comprehensive income for the half-year	**-**	**(1,572,903)**	**(1,572,903)**
Transactions with owners in their capacity as owners			
Issue of Share Capital, net of share issue costs.	**7,477,269**	**-**	**7,477,269**
Balance at 30 June 2019	**180,678,058**	**(118,516,531)**	**62,161,527**

	Contributed Equity $	Accumulated losses $	Total equity $
Balance at 1 January 2018	160,079,287	(115,714,550)	44,364,737
Profit/(loss) for the half-year	-	(547,648)	(547,648)
Other comprehensive income			
Total comprehensive income for the half-year	-	(547,648)	(547,648)
Transactions with owners in their capacity as owners			
Issue of Share Capital, net of share issue costs.	6,710,090	-	6,710,090
Balance at 30 June 2018	166,789,377	(116,262,198)	50,527,179

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

Notes to the Financial Statements for the Half-Year Ended 30 June 2019

Note 1. Basis of preparation

These general purpose financial statements for the half-year reporting period ended 30 June 2019 have been prepared in accordance with Australian Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Act 2001.

The financial statements have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

These half-year financial statements do not include all the notes of the type normally included in annual financial statements and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial statements. Accordingly, these half-year financial statements are to be read in conjunction with the annual financial statements for the year ended 31 December 2018 and any public announcements made by KGL Resources Limited during the half-year reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The same accounting policies and methods of computation have generally been followed in these half-year financial statements as compared with the most recent annual financial statements except for the adoption of new and amended standards as set out below.

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 and make adjustments as a result of adopting AASB 16 *Leases*.

The impact of the adoption of the leasing standard 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 16 Leases

The group has adopted AASB 16 from 1 January 2019 but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019.

(i) *Adjustments recognised on adoption of AASB 16*

On adoption of AASB 16, the group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of AASB117 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was between 4.59% and 5.50%.

There were no leases previously classified as finance leases.

The associated right-of-use assets were measured at the amount equal to the lease liability, less any accumulated depreciation and any accumulated impairment loss.

(ii) *Practical expedients applied*

In applying AASB 16 for the first time, the group has used the following practical expedient permitted by the standard:

- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases

- the Brisbane office lease expires on the 31st August and there is no option to extend this has not been reflected.
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

(iii) *The group's leasing activities and how these are accounted for*

The group leases various equipment and cars. Rental contracts are typically made for fixed periods of 3 to 8 years but may have extension options as described in (ii) below. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Until the 2018 calendar year, leases of property, plant and equipment were classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate
- amounts expected to be payable by the lessee under residual value guarantees
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT-equipment and small items of office furniture.

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 $1,572,903 and net operating cash outflows of $507,347 for the period ended 30 June 2019. As at 30 June 2019 the consolidated entity has cash of $964,030 and current term deposits of $10,514,687.

Notes to the Financial Statements for the Half-Year Ended 30 June 2019 (Continued)

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

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

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

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

- the consolidated entity has a proven history of successfully raising funds which included during the period raising $6,500,000, through a share placement plan in March 2019; 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.

Segment information

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

Management currently identifies the Group as having only one reportable segment, being exploration at the Jervois site in the Northern Territory. The financial results from this segment are equivalent to the financial statements of the Group. There were no changes in identified reportable segments during the period since the last annual financial statements.

Note 2. Employee benefits expense

Total employee benefits expense as at balance date includes the share-based payment expense of $1,000,000 corresponding to the 4 million shares issued to the executive chair, Denis Wood for his past three years of service.

Note 3. Property, plant and equipment

	Plant & Equipment 30 Jun 2019 $	Plant & Equipment 31 Dec 2018 $
At 1st January, net of accumulated depreciation	**222,798**	66,785
Additions – Property, plant and equipment	**173,681**	164,414
Disposals	**-**	-
Depreciation and amortisation	**(7,173)**	(8,401)
At the end of the period, net of accumulated depreciation	**391,238**	222,798
Cost – Property, plant and equipment	**977,387**	803,706
Accumulated depreciation – Property, plant and equipment	**(586,149)**	(580,908)
Net carrying amount	**391,238**	222,798

Included in the above balances are right-of-use assets as a result of the adoption of AASB 16 *Leases*.

(a) Right-of-use Asset	**Plant & Equipment 30 Jun 2019**	Plant & Equipment 31 Dec 2018
Cost	**197,997**	-
Accumulated depreciation	**(40,218)**	-
Net carrying amount	**157,779**	-

Right-of-use assets relates to plant and equipment used in exploration activities. Depreciation of right-of-use assets is capitalised to exploration and evaluation assets.

Note 4. Exploration and evaluation assets

	30 Jun 2019 $	31 Dec 2018 $
Deferred exploration and evaluation assets	**53,605,195**	46,253,894
Deferred exploration and evaluation assets		
Balance at beginning of the period	**46,253,894**	32,387,075
Current period expenditure	**7,351,301**	13,866,819
R&D Tax Credit	**-**	-
Balance at end of the period	**53,605,195**	46,253,894

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.

Notes to the Financial Statements for the Half-Year Ended 30 June 2019 (Continued)

Note 5. Trade and other receivables

	30 Jun 2019 $	31 Dec 2018 $
GST Receivable (net)	**265,583**	260,496
Other Receivables	**67,861**	26,127
	333,444	286,623

(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 half-year end.

Note 6. Trade and other payables

	30 Jun 2019 $	31 Dec 2018 $
Unsecured trade payables	**3,596,371**	1,374,903
Employee benefits	**231,514**	200,594
	3,827,884	1,575,497

(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 as these are non-interest bearing.

Note 7. Lease liabilities

	30 Jun 2019 $	31 Dec 2018 $
Current lease liabilities	**83,278**	-
Non-current lease liabilities	**78,216**	-
	161,494	-

Note 8. Contributed equity	30 Jun 2019 $	31 Dec 2018 $
(a) Issued and paid up capital		
Ordinary shares fully paid	**180,678,058**	173,200,789

(b) Movements in shares on issue

	30 Jun 2019		31 Dec 2018	
Details	**Number of Shares issued**	**Issued capital $**	Number of Shares issued	Issued capital $
Beginning of the half-year	**260,298,421**	**173,200,789**	226,205,484	160,079,287
Exercise of options	**-**	**-**	-	-
Issue Shares	**25,666,666**	**6,500,000**	34,092,937	13,179,400
Share based payments		**1,000,000**		
Share Issue Costs	**-**	**(22,731)**	-	(57,898)
Closing balance	**285,965,087**	**180,678,058**	260,298,421	173,200,789

Notes to the Financial Statements for the Half-Year Ended 30 June 2019 (Continued)

Note 8. Contributed equity (continued)

(c) Share based payments for the period relates to 4,000,000 shares issued to the executive chairman, Dennis Wood at nil consideration, in respect of services provided to the Company over the last 3 years. The share issue was granted on 21 May 2019 upon approval of shareholders in the Annual General Meeting.

(d) 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.

Note 9. Fair value measurement

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

Note 10. Contingent liabilities and assets

There have been no material changes to contingent liabilities and assets since the 31 December 2018 financial report.

Note 11. Events subsequent to reporting date

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

Note 12. Related Party Transactions

During the half-year to 30th June 2019 there were no related party transactions requiring disclosure.

Directors' Declaration

The directors of the company declare that in their opinion:

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

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

   b) Give a true and fair view of the consolidated entity's financial position as at 30 June 2019 and of its performance for the half-year ended on that date.

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

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

Denis Wood
Chairman

Brisbane
27 August 2019

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

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

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of KGL Resources Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of KGL Resources Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2019, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year then ended, notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration.

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

(i) Giving a true and fair view of the Group's financial position as at 30 June 2019 and of its financial performance for the half-year ended on that date; and

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

Emphasis of matter – Material uncertainty relating to going concern

We draw attention to Note 1 in the financial report which describes the events and/or conditions which give rise to the existence of a material uncertainty that may cast significant doubt about the 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 conclusion is not modified in respect of this matter.

Directors' responsibility for the Half-Year Financial Report

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

Auditor’s responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group’s financial position as at 30 June 2019 and its financial performance for the half-year ended on that date and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

BDO Audit Pty Ltd

BDO

TMann

T R Mann
Director

Brisbane, 27 August 2019