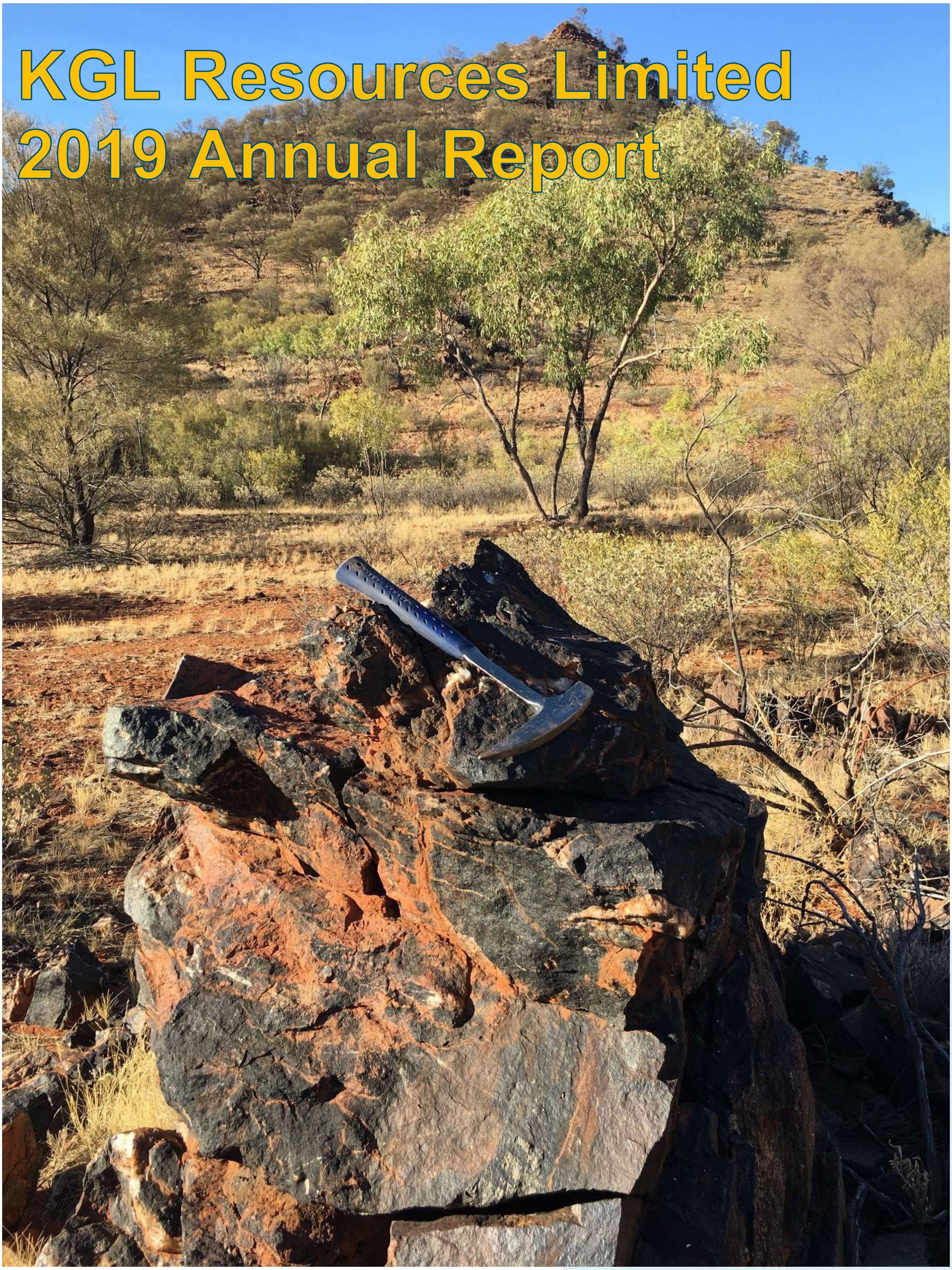
KGL Resources Limited
2019 Annual Report



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Chairman's Address

To our Shareholders,

Four years ago directors embarked on a strategy of intensive exploration designed to identify a mineral resource of such quality at Jervois as to enable us to proceed with a robust, copper-based mining project.

We have now achieved that goal. Directors are confident that we have at Jervois a resource that can be taken to development.

Our task now is to build a mine at Jervois. As you will be aware from our periodic reports to shareholders, we have been working to a timetable that provides for the commencement of project construction in mid-2020. However, uncertainty relating to the current global pandemic is limiting our ability to achieve this, with delays expected to project financing due to the impact of COVID-19 on global markets.

A key objective in 2019 was to upgrade the quality of the resource. Through modern, state-of-the-art exploration technology enabling efficient, targeted drilling, we increased confidence levels significantly. In only six months, between the January and July 2019 updates, copper in the Indicated Resource category was increased from 50% to 65% of the total Jervois resource of 390,000 tonnes of contained copper.

Since that upgrade, exploration has indicated the potential for further expansion of the resource and further upgrading of the confidence levels. Drilling has been particularly successful at the Reward deposit, where half of the currently known resource at Jervois is located. Additional high grade mineralisation has been intersected just below the proposed pit level, an additional mineralised zone has been discovered just to the south of the proposed pit, and at Reward Deeps continuity of more than 200 metres of high grade mineralisation has been confirmed.

Pre-development planning advanced on all fronts. McMahon Contractors were engaged to optimise the conceptual mine planning we had undertaken within Jervois. Proceeding in parallel were metallurgical processing and plant design as well as site infrastructure planning. A sustainable water source was located during the year, and a pipeline to deliver it to site was planned.

The Environmental Impact Statement process was completed and the Northern Territory's Environmental Protection Authority subsequently recommended approval of the project to the NT Government. The Company will lodge a Mine Management Plan with the government for final approval.

To fund the final pre-development activities, $12.4 million was raised by way of a placement in March and a shareholder entitlement offer in December. Directors thank shareholders for their displaying their confidence in the Company and the Jervois project through their strong participation in the capital raisings. The placement was made to three of the company's largest shareholders, and all of the top 10 shareholders participated in the entitlement offer.

I would like to thank my four fellow directors and KGL's staff for contributing so much effort and expertise.

During the year, Russell Dwyer, a civil engineer experienced in mining and construction projects, was appointed to the new position of Project Manager working with Project Director Paul Richardson. We also welcomed a new Chief Financial Officer, Amy Treble, who has extensive financial experience in the mining industry.

We are a small team with a strong collective focus on building a sustainable operation at Jervois and an understanding of the potential to build further value for KGL by expanding and extending Jervois sustainably into the future, beyond the proposed initial 10-year mine life.

Directors continue to be optimistic about the world copper market. The fundamentals remain favourable for the Jervois project. The world will struggle to produce enough copper, with production shortfalls forecast over the next 10 to 15 years. Mines will be confronted by declining ore grades. Average production grades have been falling and costs rising with major producers having to increase mine volumes to maintain copper production.

Chairman's Address

Several short-term factors have distorted these fundamentals. Social tensions in South America impacted on production last year, contributing to declines in copper stocks. However, the effect on copper prices was held in check by the US-China trade war. While this threat receded late in the year, the world has since been facing an economic downturn caused by the coronavirus (COVID-19) outbreak, and this has had a depressing effect on the copper market.

These influences have not changed the overarching growth in demand for copper in the present and future global markets. The world will need more copper to produce more consumer goods, to generate and transmit electricity, for construction, and to build electric vehicles.

Notwithstanding the short-term complexities of the copper market within the global economy, directors are confident in the medium and long-term outlook for copper. Jervois will be entering the world copper market at the right time.

> ***"We are a small team with a strong collective focus on building a sustainable operation at Jervois"***

Denis Wood

Chairman

Reserves and Resources

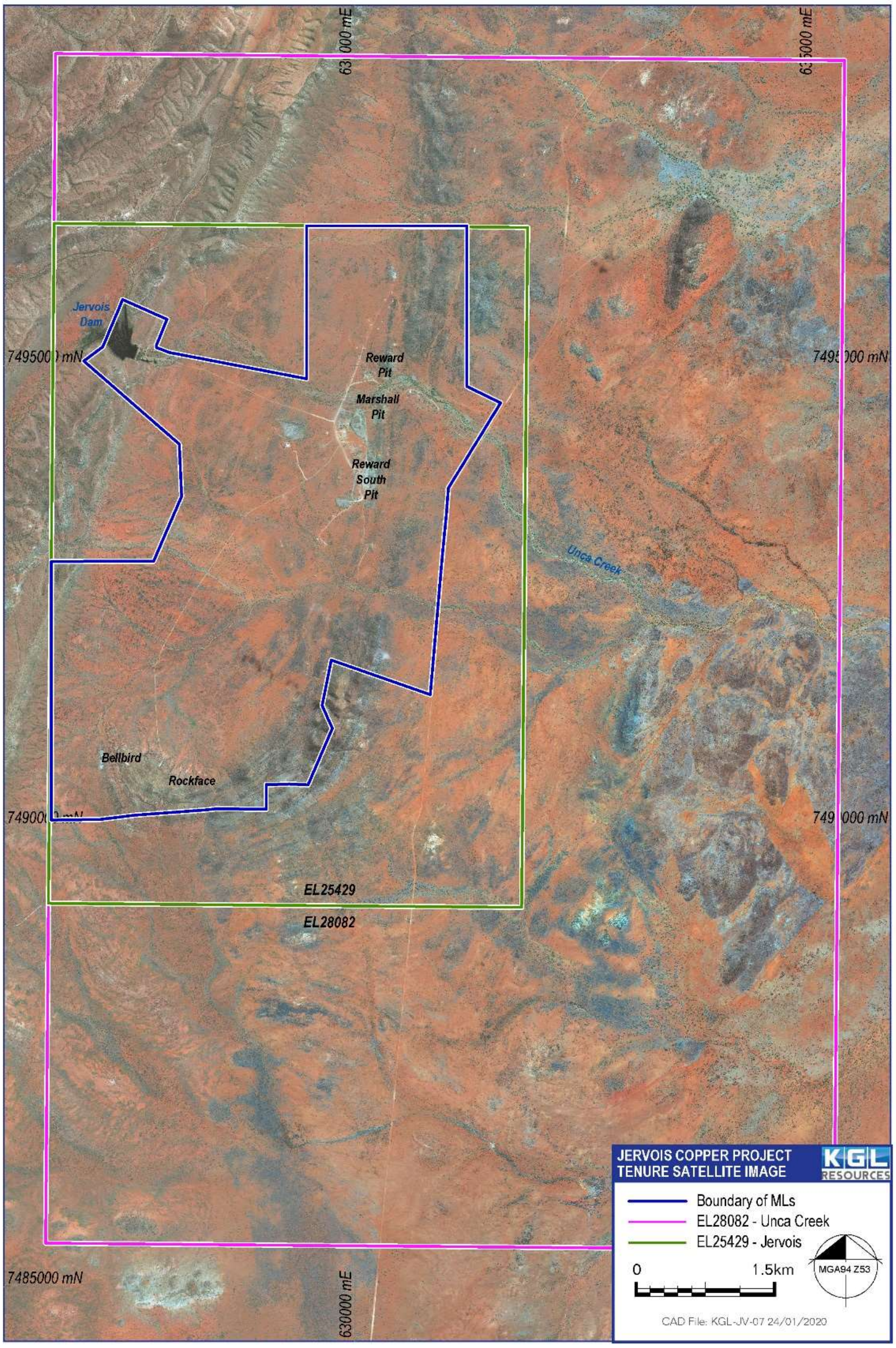
Deposit	Category	Mt	Cu %	Ag g/t	Pb %	Zn %	Cu Kt	Ag Mozs	Pb Kt	Zn Kt	% Cu cut off
Reward OP	Indicated	5.1	1.22	27.9			61.7	4.5			0.5
Reward UG	Indicated	3.1	1.94	31.9			59.8	3.2			1
Bellbird OP	Indicated	3.8	1.23	7.6			46.7	0.9			0.5
Bellbird UG	Indicated	0.2	1.85	11.9			3.9	0.1			1
Rock Face UG	Indicated	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			

Refer to Competent persons statement on page 25 of the Financial Statements.

Tenement Holdings

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

Tenement Holdings



Map 1: KGL Jervois tenement map, Central NT

Corporate Governance Statement

Principle 1: Lay Solid foundations for management and oversight

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

Recommendation	*KGL's Compliance Statement*
1.1 *A listed entity should disclose:* **(a)** *The respective roles and responsibilities of its board and management; and* **(b)** *Those matters expressly reserved to the board and those delegated to management*	**Role of the Board** As detailed in the Board Charter, the Board is responsible for the management of the Company's affairs, including: • overseeing the Company, including its control and accountability systems; • appointing and removing the CEO and senior executives, and monitoring performance of the CEO and senior executives; • determining and approving the levels of authority to be given to the CEO and senior executives in relation to operational expenditures, capital expenditures, contracts and authorising any further delegations of those authorities by the CEO to the other employees of the Company; • approval of corporate strategy, financial plans and performance objectives; • reviewing, ratifying and monitoring systems of risk management and internal control, codes of conduct and legal compliance; • monitoring occupational health, safety and environmental performance and compliance and ensuring commitment of appropriate resources; • evaluating, approving and monitoring major capital expenditure, capital management and all major corporate transactions, including the issue of securities of the Company; and • approving all financial reports and material reporting and external communications by the Company. The CEO is responsible for running the affairs of the Company under delegated authority from the Board and to implement the policies and strategies set by the Board. In carrying out his or her responsibilities, the CEO must report to the Board in a timely manner and ensure all reports to the Board present a true and fair view of the Company's financial position and operating results. The CEO is accountable to the Board for the authority delegated to the CEO. The Board has established the following committees to assist it in discharging its functions: • Audit and Risk Committee • Remuneration and Nomination Committee The Board has approved an authorisation matrix which delegates financial and commitment authorities to roles within the organisation, clearly identifying limits, above which, the board has sole authority, The company's Board Charter, providing details of the specific roles and accountabilities of the Board is provided on the website www.kglresources.com.au
1.2 *A listed entity should:* (a) *Undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a director, and* (b) *Provide security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director.*	Before a Director is appointed, the Board undertakes appropriate evaluations including in-depth interviews and reference checks. Where a director is standing for election or re-election, the Notice of Meeting will set out information on the director including qualifications and experience, independence status and the recommendation of the rest of the Board on the resolution. The Explanatory Memorandum of the Notice of Meeting contains detailed information on each director standing for election/re-election. Additionally, a detailed profile for each director is included in the Company's Annual Report.

Corporate Governance Statement

Principle 1: Lay Solid foundations for management and oversight (continued)

Recommendation	KGL's Compliance Statement
1.3 *A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment*	Each Director executes a Letter of Appointment with the Company prior to appointment as a director. The Letter of Appointment covers the following key terms: • Performance requirements in terms of board meetings and matters under consideration • Key responsibilities and powers as detailed in the board Charter • Conditions of continuing in the role of director • Membership of committees • Remuneration • Consideration of independence and • Ability to seek independent advice. Details of the Directors and Key Management Personnel's employment are also provided annually in the Remuneration Report as part of the directors' report. Each executive is employed under an employment agreement which sets out the employment terms, duties, and responsibilities, remuneration details and the circumstances under which employment can be terminated.
1.4 *The Company Secretary of a listed entity should be accountable directly to the board, through the chair, on all matters to do with the proper functioning of the board.*	The Company Secretary reports solely to the board and communication between the directors and the Company Secretary is open and unfettered. The Company Secretary advises the Board and its committees on governance matters, attends and takes minutes at all Board and board committee meetings, communications with the ASX and ASIC on all regulatory matters, monitors adherence to Board policies and procedures and retains all professional advisors at the Board's request.
1.5 *A listed entity should* (a) *Have a diversity policy which includes requirement for the board or a relevant committee of the board to set measurable objectives for achieving gender diversity and to assess annually both the objectives and the entity's progress in achieving them* (b) *Disclose that policy or a summary of it; and* (c) *Disclose at the end of each reporting period the measurable objectives for achieving gender diversity set by the board in accordance with the entity's diversity policy and its progress toward achieving them and either* i. *The respective proportions of men and women on the board, in senior executive positions and across the whole organization* ii. *If the entity is a "relevant employer" under the Workplace Gender Equality Act, the entity's most recent "Gender Equality Indicators" as defined in and published under the Act.*	KGL Resources Limited recognises that a diverse and inclusive workforce helps attract and retain talented people, create more innovative solutions and ultimately create value for KGL stakeholders. The Company has a Diversity and Inclusiveness Policy and the Company amongst others, is accountable for promoting diversity in the workplace, including recognising, valuing and utilising the diverse skills and knowledge of staff and contractors. A copy of the policy can be found on the company website www.kglresources.com.au The Company is proud of the progress in increasing the diversity of the KGL board and workforce. With only 5 directors and 7 full time employees, KGL does not have a large workforce but has women in the roles of non-executive director, Chief Financial Officer Company Secretary and onsite geologist. Additionally, women occupy 2 of the casual field assistant roles. The company is not a "relevant employer" as defined under the Workplace Gender Equality Act.

Corporate Governance Statement

Principle 1: Lay Solid foundations for management and oversight (continued)

Recommendation	*KGL's Compliance Statement*
1.6 *A listed entity should:* (a) *Have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors; and* (b) *Disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.*	In June 2018, the composition of the board changed to ensure that the directors, collectively, held an appropriate suite of skills required to advance the Jervois project. Two new independent directors joined the board with extensive experience in, amongst others, mining and project development. The composition of the subcommittees has also changed during 2018. It is the intention of the board to undertake a performance assessment once the board and subcommittees have had a reasonable period performing in their current configuration.
1.7 *A listed entity should:* (a) *Have and disclose a process for periodically evaluating the performance of its senior executives; and* (b) *Disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.*	As the Company advances the Jervois project, consideration will be given to the appropriate structure of the executive roles within the company. As positions are filled, the Board in conjunction with the Remuneration and Nomination Committee consider the processes for evaluation of the performance of senior executives.

Principle 2: Structure the Board to add value

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

Recommendation	*KGL's Compliance Statement*
2.1 *A board of a listed entity should* (a) *Have a nomination committee which:* i. *Has at least three members, a majority of whom are independent directors* ii. *Is chaired by an independent director and disclose:* iii. *The charter of the committee* iv. *The members of the committee and* v. *As at the end of each reporting period, the number of times the committee met throughout the period and the individual attendance of the member at those meetings; or* (b) *If it does not have a nomination committee, disclose that fact and the processes it employs to address board succession issues and to ensure that the board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively.*	The Board has established a Remuneration and Nomination committee. The Committee is comprised of three independent directors. The committee members are: Mr Peter Hay (Chairman and independent, non-executive director) Ms Fiona Murdoch (Independent and non-executive director) Mr John Gooding (Independent and non-executive director) The role of the committee is as follows: • Review and recommend policies on payments for directors • Identify and recommend to the Board candidates for the Board after considering appropriate mix of skills and experience and after assessment of how the candidates can contribute to the strategic direction of the company. • Approve and review induction procedures for new appointees of the Board to ensure that they can effectively discharge their responsibilities. • Assess and consider the amount of time required by non-executive directors to properly fulfil their duty to the company • Consider and recommend to the Board, candidates for election of re-election to the Board at each annual shareholders' meeting • Review succession plans for the Board with a view to maintaining an appropriate balance of skills and experience on the Board The details of meetings held and attendances can be found in the Directors' Report. A copy of the Remuneration and Nomination Committee Charter can be found on the company's website. www.kglresources.com.au

Corporate Governance Statement

Principle 2: Structure the Board to add value (continued)

Recommendation	KGL's Compliance Statement
2.2 *A listed entity should have and disclose a board skills matrix setting out the mix of skills and diversity that the board currently has or is looking to achieve in its membership.*	Directors recognise the following skills as being either essential or desirable to the effective operation of the board. An assessment is made as to whether any of these skills are required from the members of the board or whether they are better sourced through a consultant. At present the board believes that these skills are adequately cover by the current directors, especially following the introduction of the new directors in 2018. External consultants have been used on a limited basis. Skills required. • Ability to think strategically and identify and critically assess strategic opportunities and threats and develop effective strategies in the context of the strategic objectives of the company • Financial Performance. o Qualifications and experience in accounting and/or finance: o Oversee budgets and efficient use of resources o Analyse financial statements o Critically assess financial viability and performance o Contribute to strategic financial planning o Oversee funding arrangements and accountability • Legal o Formal legal qualifications o Understanding of the legal framework in which companies operate. • Risk and compliance oversight o Ability to identify key risks to the organisation in a wide range of areas including legal and regulatory compliance and monitor risk and compliance management frameworks and systems. • Corporate Governance o Knowledge and experience in best practice corporate governance, particularly in the context of listed company requirements, including Corporate Governance Guidelines. • Major Transactions o Experience at a board level of overseeing and managing large acquisitions, divestments, joint ventures etc • Financial/Equity Market Experience o Experience in and understanding of the fundamentals and operation of financial/ equity markets. • Experience at an executive level o Appointment and evaluation of the performance of the CEO and senior executive managers o Oversight of strategic human resource management including workforce planning and employee and industrial relations o Oversight of large scale organisation change. • Commercial and Technical Experience o A broad range of commercial/business and technical experience. • Metals industry experience o A thorough understanding of the metal/copper industry, including metals production, key stakeholders, geology and exploration, marketing and logistics. • Mine development and operation experience. A thorough understanding of the issues involved in developing and operating a mine in Australia. o Knowledge of relevant mining legislation o Mine planning, design and feasibility o Safety and environmental issues o Native title requirements o Product processing o Infrastructure requirements

Corporate Governance Statement

Principle 2: Structure the Board to add value (continued)

Recommendation	KGL's Compliance Statement
2.3 *The chair of the board of a listed entity should be an independent director and, in particular, should not be the same person as the CEO of the entity.*	Mr Denis Wood is the Chairman of the Board and is not considered independent. Mr Wood has been undertaking the role of the Executive Chairman following the restructuring of the executive team in 2015. The Board considers the current arrangement is appropriate given the significant experience that Mr Wood has in the development of resource projects, the size of the company and the fact that the company now has a majority of independent non-executive directors.
2.4 *A listed entity should have a program for inducting new directors and provide appropriate professional development opportunities for directors to develop and maintain the skills and knowledge need to perform their roles as directors effectively.*	New directors undergo an induction process which includes receiving briefing from the Chairman/CEO of the company, being provided with copies of all reports and announcements relevant to the company's recent activities and developments and a site familiarisation visit.

Principle 3: Act ethically and responsibly

A listed entity should act ethically and responsibly.

Recommendation	KGL's Compliance Statement

3.1 ***A listed entity should***
(a) *Have a code of conduct for its directors , senior executives and employees and*
(b) *Disclose that code or a summary of it.*
	The Company has a Code of Conduct which is given to all directors and employees when joining the Company.
	
	This Code of Conduct applies standards for appropriate ethical and professional behaviour for all employees and Directors working for KGL Resources Limited and/or its subsidiary companies. It sets out the fundamental values, which form the basis of, and underpin all of the Company's business relationships.
	
	The code specifically addresses the following areas and can be found on the company's website. www.kglresources.com.au
	
	• Compliance with the law
	• Occupational Health and Safety
	• Environment
	• Drug and Alcohol Use
	• Equal Employment Opportunity
	• Harassment
	• Confidentiality
	• Insider Trading
	• Personal Information and Privacy
	• Continuous Disclosure
	• Use of Company Resources and Fraud Prevention
	• Information Systems
	• Financial Inducements
	• Travel, Entertainment and Gifts
	    ○ Expediting or Service Arrangements
	    ○ Travel
	    ○ Entertainment
	    ○ Gifts
	• Conflicts of Interest
	• Outside Activities
	• Political Support
	• Violations of the Company's Policies and Procedures and Disciplinary Process
	• Responsibilities of Management of the Company
	• Professional Behaviour
	• Whistle blower Policy
	
	The Company is in the process of updating its Code of Conduct as part of an overall update of all policies.

Corporate Governance Statement

Principle 4: safeguard integrity in corporate reporting

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

Recommendation	*KGL's Compliance Statement*
4.1 *The board of a listed entity should:* (a) *Have an audit committee which* i. *Has at least 3 members, all of whom are non-executive directors and a majority of whom are independent directors and* ii. *Is chaired by an independent director who is not the chair of the board And disclose* iii. *The charter of the committee* iv. *The relevant qualifications and experience of the members of the committee; and* v. *In relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings or* (b) *If it does not have an audit committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of its corporate reporting,* (c) *including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner.*	The Company has established an Audit and Risk Committee to assist the Board in its oversight of: • the integrity of the Company's accounting and financial reporting practices; • the company's risk profile and risk policies; • the effectiveness of the Company's system of internal control and framework for risk management; and • the Company's compliance with applicable legal and regulatory obligations. The general responsibilities and functions of the Committee, as set out in the Charter, are: • assessing whether the Company's external reporting is consistent with the information and knowledge of members of the Audit and Risk Committee and whether it is adequate for the needs of the Company's shareholders; • assessing the management processes supporting external reporting; • overseeing the development, implementation and review of the procedures for selection and appointment of the Company's external auditor and for the rotation of external audit engagement partners; • making recommendations to the Board about the appointment and removal of the Company's external auditor; • assessing the performance and independence of the Company's external auditors, including confirming that provision of non-audit services by the Company's external auditors has not compromised the auditor's independence (if the Company's external auditor provides non-audit services); • reporting to the Board the results of the Audit and Risk Committee's review of the Company's risk management, internal controls and compliance systems and processes; • monitoring, reviewing and assessing the propriety of related party transactions; • ensuring that Management has implemented a structured and comprehensive risk management system across the Company; • reviewing, and approving for recommendation to the Board, guidelines and policies governing the oversight and management of the Company's material business risks, including the processes by which Management assess, manage and control the Company's exposure to risk; and • monitoring material changes to the Company's risk profile. The Committee is comprised of three directors, all of whom are independent. The committee members are: Ms Fiona Murdoch (Chairman, Independent non-executive director). Mr Peter Hay (Independent non-executive) Mr John Gooding (Independent nonexecutive) The committee meets with the external auditor without management present on general matters concerning the audit and the financial management of the company. The Chair of the audit committee reports to the Board on the Committee's discussions, conclusions and recommendations. The Committee reviews the performance of the external auditor, most regularly after the release of the Annual Financial Statements, to ensure that the auditor has provided an efficient and effective audit. The Committee is responsible for recommending to the Board the removal of the auditor if, in its opinion, the auditor is not meeting the standards required by the Committee. The appointment of New Auditors would also be recommended by the Committee. Partner rotation complies with the requirements of the Corporations Act.

Corporate Governance Statement

Principle 4: safeguard integrity in corporate reporting (continued)

Recommendation	KGL's Compliance Statement
4.1 *(continued)*	The details of the qualifications and experience of the committee members and the number of meetings attended each year is detailed in the Company's Directors' Report and/or on the company's website.
4.2 *The board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control, which is operating effectively*	The Company requires the Executive Chairman and Chief Financial Officer to provide the board their written opinion Stating: • The financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position of the entity in accordance with Section 295A of the Corporations Act and • That an opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.
4.3 *A listed entity that has an AGM should ensure that is external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.*	The external auditors of the company are BDO (Queensland) Pty Ltd. The external auditor attends each Annual General meeting and is available to answer any questions from shareholders relevant to the conduct of the audit and the preparation and content of the audit report.

Principle 5: Make timely and balanced disclosure

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

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

Corporate Governance Statement

Principle 6: Respect the rights of security holders

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

Recommendation	*KGL's Compliance Statement*
6.1 *A listed entity should provide information about itself and its governance to investors via its website.*	The Company's website contains detailed information about its business and projects. Details of the Board Members and Executive team are also listed. The Investor page provides helpful information to the shareholder. It allows shareholders to view all ASX and Media releases, copies of the annual reports and quarterly activities and cashflow statements. The website also contains the following corporate governance documents. Board Charter ASX Continuous Disclosure Policy Securities Trading Policy Audit & Risk Committee Charter Remuneration and Nomination Committee Charter Workplace Health and Safety Policy Bullying and Harassment Policy Mental health and Wellbeing Policy Diversity and Inclusiveness Policy Whistleblowers Policy Environmental Policy
6.2 *A listed entity should design and implement an investor relation program to facilitate effective two-way communication with investors*	Although the Company has not established a formal shareholder communication policy, it does take the appropriate measures to keep shareholders informed about its activities and to listen to issues or concerns raised by shareholders. Information is communicated to the members through compliance with ASX Listing Rules and the Corporations Act 2001, by way of the Annual Report, Half-Yearly Report, Quarterly Activities Reports, Appendix 5B cashflow reports, the Annual General Meeting and other meetings that may be called to obtain approval for Board recommendations. In addition to this the Company releases regular progress reports and presentation released to ASX to keep members abreast of the company's development. The Company also maintains a website -www.kglresources.com.au - where all of the Company's ASX announcements and media releases can be viewed at any time.
6.3 *A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders*	Notices of meeting sent to shareholders comply with the "Guideline for notices of meeting" issued by the ASX. In relation to the AGMs, shareholders are encouraged to submit questions before the meeting. The Chairman encourages shareholders at the AGM to ask questions or make comments about the Company's projects and the performance of the Board and senior management. The Chairman may respond directly to the questions or, at his discretion, refer the question to another director or executive.
6.4 *A listed entity should give the security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.*	Shareholders have the option of electing to receive all shareholder communications by email. The Company provides a printed copy of the Annual Report to only those shareholders who have specifically elected to receive a printed copy. Other shareholders are advised when the Annual Report is available on the Company's website. All announcements made to the ASX are available to shareholders by email through a subscription to the Company's website. The KGL Share Register is managed and maintained by Link Market Services limited. Shareholders can access their shareholding details or make enquiries about their current shareholding by quoting their Shareholder Reference Number or Holder Identification number via the Link Market Services Investor Centre. Shareholders are also able to receive notices from the company (e.g. Notices of Meeting, Entitlement offers etc.) and undertake voting at company meetings electronically.

Corporate Governance Statement

Principle 7: Recognise and manage risk

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

Recommendation	KGL's Compliance Statement
7.1 *The board of a listed entity should:* (a) *Have a committee or committees to oversee risk each of which* i. *Has at least three members , a majority of whom are independent directors and* ii. *Is chaired by an independent director* *And disclose* iii. *The charter of the committee* iv. *The members of the committee and* v. *As at the end of each reporting period , the number of times the committee met throughout the period and the individual attendances of the members at those meetings or* (b) *If it does not have a risk committee or committees that satisfy (a) above, disclose that fact and the processes it employees for overseeing the entity's risk management framework.*	The Directors continually monitor areas of significant business risk, recognising that there are inherent risks associated with the exploration for, development and mining of mineral deposits. Specifically, in relation to risk oversight the Board is conscious of its responsibilities to: ensure compliance in legal, statutory and ethical matters; monitor the business environment; identify business opportunities; and monitor the systems established to ensure proper and appropriate responses to member complaints and enquiries. In the context of the Company's exploration and development project, the Board considers these risks at each board meeting. Additionally, the Board has established an Audit & Risk Committee. The details of meetings and attendance of the Audit and Risk can be found in the Company's Directors' report.
7.2 *The board or a committee of the board should;* (a) *Review the entity's risk management framework at least annually to satisfy itself that it continues to be sound; and* (b) *disclose, in relation to each reporting period whether which a review has taken place.*	The Board considers risks specific to each stage of development and a comprehensive risk assessment is undertaken at each stage. As the company development is rapidly changing, it is considered appropriate to assess risk at each stage of development and following each program. To track the risks identified, the Company has established a risk register and a compliance register which is reported at each board meeting for review.
7.3 *A listed entity should disclose* (a) *If it has an internal audit function, how the function is structured and what role it performs* (b) *If it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.*	The Company does not have an internal audit function and considers this appropriate for the size of the Company and the stage of its development. The Audit & Risk Committee meets at least three times a year to receive and consider reports on, and monitor and discuss, known and emerging risk and compliance issues, including non-financial operational and other business risks. In support of the functions of the Audit & Risk Committee, the Company's managers are directly responsible for risk management in their respective areas of accountability. Operational, financial, legal, compliance, strategic and reputational risks continue to be managed primarily by the Directors and where appropriate, these risks are managed with the support of relevant external professional advisers. The board receive monthly reports to ensure that management are appropriately addressing the risks to company. Specifically, a compliance register is presented in each Monthly Report detailing the major items that the company must adhere to. The register provides specifics of actions taken to ensure compliance.

Corporate Governance Statement

Principle 7: Recognise and manage risk (continued)

Recommendation	KGL's Compliance Statement
7.4 *A listed entity should disclose whether it has any material exposure to economic, environmental and social risks and, if it does, how it manages or intends to manage those risks*	The following risks are related to the Company specifically **Future Capital Raisings** KGLs' ongoing activities may require substantial further financing in the future, in addition to amounts raised pursuant to the Entitlement Offer. KGL will require additional funding to bring the Jervois Copper Project into commercial production. Any additional equity financing may be dilutive to Shareholders, may be undertaken at lower prices than the current market price and debt financing, if available, may involve restrictive covenants which limit KGL's operations and business strategy. Although the Directors believe that additional capital can be obtained, no assurances can be made that appropriate capital or funding, if and when needed, will be available on terms favourable to KGL or at all. If KGL is unable to obtain additional financing as needed, it may be required to reduce, delay or suspend its operations and this could have a material adverse effect on KGL's activities and could affect KGL's ability to continue as a going concern. **Exploration Risk** The success of KGL depends on the delineation of economically mineable reserves and resources, access to required development capital, movement in the price of commodities, securing and maintaining title to KGL' exploration and mining tenements and obtaining all consents and approvals necessary for the conduct of its exploration activities. Exploration on KGL' existing tenements may be unsuccessful, resulting in a reduction of the value of those tenements, diminution in the cash reserves of KGL and possible relinquishment of the tenements. The exploration costs of KGL are based on certain assumptions with respect to the method and timing of exploration. By their nature, these estimates and assumptions are subject to significant uncertainties and, accordingly, the actual costs may materially differ from these estimates and assumptions. Accordingly, no assurance can be given that the cost estimates and the underlying assumptions will be realised in practice, which may materially and adversely affect KGL' viability. If the level of operating expenditure required is higher than expected, the financial position of KGL may be adversely affected. KGL may also experience unexpected shortages or increases in the costs of consumables, spare parts, plant and equipment. **Feasibility and Development Risks** It may not always be possible for KGL to exploit successful discoveries which may be made in areas in which KGL has an interest. Such exploitation would involve obtaining the necessary licences or clearances from relevant authorities that may require conditions to be satisfied and/or the exercise of discretions by such authorities. It may or may not be possible for such conditions to be satisfied. Further, the decision to proceed to further exploitation may require participation of other companies whose interests and objectives may not be the same as KGL's. Given the early stage of KGL's projects, there will be a complex, multidisciplinary process to be undertaken to complete a feasibility study to support any development proposal. There is a risk that the feasibility study and associated technical works will not achieve the results expected. There is also a risk that even if a positive feasibility study is produced, the project may not be successfully developed for commercial or financial reasons.

Corporate Governance Statement

Principle 7: Recognise and manage risk (continued)

Recommendation	KGL's Compliance Statement
7.4 *(continued)*	**Regulatory Risk** KGL's operations are subject to various Federal, State and local laws and plans, including those relating to mining, prospecting, development permit and licence requirements, industrial relations, environment, land use, royalties, water, native title and cultural heritage, mine safety and occupational health. Approvals, licences and permits required to comply with such rules are subject to the discretion of the applicable government officials. No assurance can be given that KGL will be successful in obtaining any or all of the various approvals, licences and permits or maintaining such authorisations in full force and effect without modification or revocation. To the extent such approvals are required and not retained or obtained in a timely manner or at all, KGL may be curtailed or prohibited from continuing or proceeding with production and exploration. KGL's business and results of operations could be adversely affected if applications lodged for exploration licences are not granted. Mining and exploration tenements are subject to periodic renewal. The renewal of the term of a granted tenement is also subject to the discretion of the relevant Minister. Renewal conditions may include increased expenditure and work commitments or compulsory relinquishment of areas of the tenements comprising KGL's projects. The imposition of new conditions or the inability to meet those conditions may adversely affect the operations, financial position and/or performance of KGL. It is also possible that, in relation to tenements which KGL has an interest in or will in the future acquire such an interest, there may be areas over which legitimate common law native title rights of Aboriginal Australians exist. If native title rights do exist, the ability of KGL to gain access to tenements (through obtaining consent of any relevant landowner), or to progress from the exploration phase to the development and mining phases of operations may be affected. KGL has a registered Indigenous Land Use Agreement with the traditional owners for its Jervois Copper Project. **Occupational Health and Safety** Given KGL' exploration activities (and especially if it achieves exploration success leading to mining activities), it will face the risk of workplace injuries which may result in workers' compensation claims, related common law claims and potential occupational health and safety prosecutions. Further, the production processes used in conducting any future mining activities of KGL can be dangerous. KGL has, and intends to maintain, a range of workplace practices, procedures and policies which will seek to provide a safe and healthy working environment for its employees, visitors and the community **Limited operating history of KGL** KGL has limited operating history on which it can base an evaluation of its future prospects. If KGL' business model does not prove to be profitable, investors may lose their investment. KGL's historical financial information is of limited value because of KGL' lack of operating history and the emerging nature of its business. The prospects of KGL must be considered in the light of the risks, expenses and difficulties frequently encountered by companies in their early stage of development, particularly in the mineral exploration sector, which has a high level of inherent uncertainty. **Key Personnel** In formulating its exploration programs, KGL relies to a significant extent upon the experience and expertise of the Directors and management. A number of key personnel are important to attaining the business goals of KGL. One or more of these key employees could leave their employment, and this may adversely affect the ability of KGL to conduct its business and, accordingly, affect the financial performance of KGL and its Share price. Recruiting and retaining qualified personnel are important to KGL' success. The number of persons skilled in the exploration and development of mining properties is limited and competition for such persons is strong. **Resource Estimate Risk** Resource estimates are expressions of judgement based on knowledge, experience and industry practice. These estimates are expressions of judgment based on knowledge, experience and industry practice. These estimates were appropriate when made but may change significantly when new information becomes available. There are risks associated with such estimates. Resource estimates are necessarily imprecise and depend to some extent on interpretations, which may ultimately prove to be inaccurate and require adjustment. Adjustments to resource estimates could affect KGL' future plans and ultimately its financial performance and value. Copper and gold price fluctuations, as well as increased production costs or reduced throughput and/or recovery rates may render resources containing relatively lower grades uneconomic and may materially affect resource estimations.

Corporate Governance Statement

Principle 7: Recognise and manage risk (continued)

Recommendation	KGL's Compliance Statement
7.4 *(continued)*	**Environmental Risk** The operations and activities of KGL are subject to the environmental laws and regulations of Australia. As with most exploration projects and mining operations, KGL's operations and activities are expected to have an impact on the environment, particularly if advanced exploration or mine development proceeds. KGL attempts to conduct its operations and activities to the highest standard of environmental obligation, including compliance with all environmental laws and regulations. KGL is unable to predict the effect of additional environmental laws and regulations which may be adopted in the future, including whether any such laws or regulations would materially increase KGL's cost of doing business or affect its operations in any area. However, there can be no assurances that new environmental laws, regulations or stricter enforcement policies, once implemented, will not oblige KGL to incur significant expenses and undertake significant investments which could have a material adverse effect on KGL's business, financial condition and performance. **Availability of equipment and contractors** Given the current level of activity across the Australian mining industry, the availability of appropriate equipment, including drill rigs, is in short supply. There is also high demand for contractors providing other services to the mining industry. Consequently, there is a risk that KGL may not be able to source all the equipment and contractors required to fulfil its proposed exploration activities. There is also a risk that hired contractors may underperform or that equipment may malfunction, either of which may affect the progress of KGL's exploration activities. **Fluctuations in Copper Price and Australian Dollar Exchange Rate** The copper mining industry is competitive. There can be no assurance that copper and gold prices will be such that KGL can mine its deposits at a profit. Copper and gold prices fluctuate due to a variety of factors including supply and demand fundamentals, international economic and political trends, expectations of inflation, currency exchange fluctuations, interest rates, global or regional consumption patterns and speculative activities. Similarly, demand and supply of capital and currencies, forward trading activities, relative interest rates and exchange rates and relative economic conditions can impact exchange rates. **Climate Change Risk** The operations and activities of KGL are subject to changes to local or international compliance regulations related to climate change mitigation efforts, specific taxation or penalties for carbon emissions or environmental damage, and other possible restraints on industry that may further impact KGL and its profitability. While KGL will endeavour to manage these risks and limit any consequential impacts, there can be no guarantee that KGL will not be impacted by these occurrences. Climate change may also cause certain physical and environmental risks that cannot be predicted by KGL, including events such as increased severity of weather patterns, incidence of extreme weather events and longer-term physical risks such as shifting climate patterns. All these risks associated with climate change may significantly change the industry in which KGL operates. **Macro-Economic Risks** On 11 March 2020, the World Health Organisation Director-General declared the outbreak of the novel coronavirus (2019-nCoV) a pandemic. This emerging macro-economic risk may adversely affect the ability of KGL to obtain and / or complete the financing of the Jervois project within forecast timeframes.

Corporate Governance Statement

Principle 8: Remunerate fairly and responsibly

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

Recommendation	*KGL's Compliance Statement*

8.1 *The board of a listed entity should:*
(a) *Have remuneration committee which*
i. *Has at least 3 members, a majority of whom are independent directors; and*
ii. *Is chaired by an independent director*
And disclose
iii. *The charter of the committee*
iv. *The members of the committee; and*
v. *As at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or*
(b) *If it does not have a remuneration committee, disclose that fact, and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive.*
	The Company has established a Remuneration and Nomination Committee to assist the Board on all matters relating to remuneration.
	
	The Committee Charter sets out the role of the committee as follows:
	
	• make recommendations to the Board regarding their remuneration framework for directors, including in relation to;
	  ○ the level of fees payable to each non-executive director within the maximum aggregate level of remuneration approved by the Company's shareholders;
	  ○ any changes to the maximum aggregate level of remuneration approved by the Company's shareholders;
	  ○ the manner in which fees may be taken; and
	  ○ any other applicable arrangements, including for example, payments of fees for special exertions, director expense claims and ad hoc Committee fees.
	• review the competitiveness of the Company's executive compensation programs to ensure:
	  ○ the attraction and retention of corporate officers;
	  ○ the motivation of corporate officers to achieve the Company's business objectives; and
	  ○ the alignment of the interests of key leadership with the long-term interests of the Company's shareholders;
	  ○ review trends in management compensation, oversee the development of new compensation plans and, when necessary, approve the revision of existing plans;
	  ○ review the performance of executive management;
	• review and approve Executive Directors goals and objectives, evaluate Executive Directors performance in light of these corporate objectives, and set Executive Directors compensation levels consistent with Company philosophy;
	• recommend appropriate salary, bonus and other compensation to the Board for approval;
	• review and approve compensation packages for new corporate officers and termination packages for corporate officers as requested by management;
	• review and approve the awards made under any executive officer bonus plan, and provide an appropriate report to the Board;
	• review and make recommendations concerning long-term incentive compensation plans, including the use of share options and other equity-based plans. Except as otherwise delegated by the Board, the committee will act on behalf of the Board as the "Committee" established to administer equity-based and employee benefit plans, and as such will discharge any responsibilities imposed on the committee under those plans, including making and authorising grants, in accordance with the terms of those plans;
	
	The Committee is comprised of three independent directors.
	
	The committee members are:
	Mr Peter Hay (Chairman and Non-executive director).
	Ms Fiona Murdoch (independent non-executive)
	Mr John Gooding (independent non-executive)
	
	The details of the qualifications and experience of the committee members and the number of meetings attended each year will be detailed in the Company's Annual Report and/or the company website.

Corporate Governance Statement

Principle 8: Remunerate fairly and responsibly (continued)

Recommendation	KGL's Compliance Statement
8.2 *A listed entity should separately disclose its policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives.*	With a small number of executive roles, the Company takes an individual approach to setting the remuneration for these roles. As the Company progresses the development of the Jervois project and the number of roles increase, policies and practices will be established. The directors are paid a fixed remuneration per month. The Executive Chairman has to dated received no additional remuneration for undertaking the role of the CEO. In 2019 the board, with shareholder approval granted the Executive Chairman 4 million shares for the 3 years in the CEO role. Full details of payments to executives can be found in the Remuneration Report as part of the Director Report section of the Annual Report.
8.3 *A listed entity which has an equity-based remuneration scheme should:* **(a)** *Have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme and* **(b)** *Disclose that policy or a summary of it.*	The Company has a Securities Trading Policy. This policy strictly prohibits Directors and Employees from entering into any transaction that is designed to limit the economic risk of a holding in unvested KGL Resources Limited securities. A full copy of the policy can be found on the Company's website **www.kglresources.com.au**

Additional Information

Additional Information - as at 20 March 2020

1. Names of Substantial Holders

	Name of Holder	No of Securities	% Issued Capital
	KMP Investments Pte Ltd	82,757,016	26.54%
	Marshall Plenty Investments	28,331,249	9.09%
	Mr Denis Wood	30,264,422	9.70%
	Pegasus CP One	18,050,000	6.40%

2. Number of holders in each class of equities

	No of Holders	No of Units
Ordinary Shares	2,212	311,818,103

3. Voting rights attached to each class of security

Each fully paid ordinary share is entitled to one vote.

4. Distribution Schedule

Range	Securities	No of Holders
100,001 and Over	284,542,083	172
10,001 to 100,000	22,404,608	652
5,001 to 10,000	2,639,145	345
1,001 to 5,000	2,151,880	770
1 to 1,000	80,387	273
Total	**311,818,103**	**2,212**

5. Unmarketable Parcels

Number of holders with a holding of less than a marketable parcel is 871 at a price of $0.13.

Additional Information

6. 20 Largest holders in each class of quoted security

Rank	Name	16 Mar 2020	%IC
1	KMP INVESTMENTS PTE LTD	**82,757,016**	**26.54**
2	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	**41,845,363**	**13.42**
3	MARSHALL PLENTY INVESTMENTS	**28,331,249**	**9.09**
4	MR DENIS LESLIE WOOD & MRS ANNE WOOD	**26,175,906**	**8.39**
5	BELL POTTER NOMINEES LTD	**14,213,352**	**4.56**
6	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	**10,318,917**	**3.31**
7	CITICORP NOMINEES PTY LIMITED	**6,148,386**	**1.97**
8	COAL INDUSTRY SERVICES PTY LTD	**4,088,516**	**1.31**
9	ROBRIAN PTY LTD	**3,500,000**	**1.12**
10	SCML INVESTMENTS PTY LTD	**2,933,363**	**0.94**
11	HAY SUPERANNUATION PTY LTD	**2,382,964**	**0.76**
12	TRI-STAR ENERGY COMPANY	**1,881,806**	**0.60**
13	INVIA CUSTODIAN PTY LIMITED	**1,800,000**	**0.58**
14	ANGEL FIRE INVESTMENTS PTY LTD	**1,784,305**	**0.57**
15	MR CHRISTOPHER IAN WALLIN & MS FIONA KAY MCLOUGHLIN & MRS SYLVIA FAY BHATIA	**1,642,655**	**0.53**
16	TJSMSF PTY LIMITED	**1,419,745**	**0.46**
17	MRS MELINDA GAYE TURNER	**1,400,000**	**0.45**
18	INVIA CUSTODIAN PTY LIMITED	**1,350,000**	**0.43**
19	JCT CRT SERVICES PTY LTD	**1,177,721**	**0.38**
20	NETWEALTH INVESTMENTS LIMITED	**1,155,396**	**0.37**
	Total	**236,306,660**	**75.78%**

7. Name of Company Secretary

Kylie Anderson

8. Address of Registered Office

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

9. Name and address of share register

Link Market Services Limited
Tower 4 727 Collins Street
Melbourne VIC 3008

10. Stock Exchange Listing

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

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

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

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 2019.

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 to become a robust, world class copper producer in the Northern Territory.

Other Current Directorships of ASX Listed Companies

None

Former Directorships of ASX Listed Companies in last three years

None

DIRECTORS' REPORT (CONTINUED)

DIRECTORS (CONTINUED)

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 18 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 is 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.

Ferdian graduated with Bachelor of Commerce from the Curtin University of Western Australia.

Other Current Directorships of ASX Listed Companies

None.

Former Directorships of ASX Listed Companies in last three years

None.

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 Chair of the Remuneration Committee.

Other Current Directorships of ASX Listed Companies

None.

Former Directorships of ASX Listed Companies in last three years

None.

DIRECTORS' REPORT (CONTINUED)

DIRECTORS (CONTINUED)

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 30 years of senior operational experience to the Board of KGL, including leadership roles in the mining and resources industry with AMCI Investment, MIM Holdings and Xstrata Queensland.

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. Fiona has experience working with Chinese, Japanese, South Korean, German and South American investment partners across multi-national, listed, private and statutory authority environments. She was a Partner of corporate advisory firm Neuchâtel Partners for 10 years and previously a Non-Executive Director of metallurgical services and technology company Core Resources Pty Ltd.

Currently, Fiona serves as a Non-Executive Director for NRW Holdings Limited (ARX:NRH) and Metro Mining Limited (ASX:MMI). In addition, Fiona serves on the Board of Building Queensland and on the Joint Venture Committee for the West Pilbara Iron Ore Project. Fiona is also Chair of The Pyjama Foundation Limited, a not-for-profit organisation providing learning-based activities for children in foster care.

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 KGL's Audit and Risk Committee and a member of the Remuneration Committee.

Other Current Directorships of ASX Listed Companies

NRW Holdings Limited. Appointed 24 February 2020

Metro Mining Limited. Appointed 11 March 2019

Former Directorships of ASX Listed Companies in last three years

None.

John Gooding

Assoc Dip (Mining Engineering)

Non-Executive Director

Appointed 12 June 2018

Mr Gooding is a mining engineer with over 40 years of experience in the resources industry.

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 NT, NSW and Qld Mine Managers Certificate, is a Fellow of both the Institute of Engineers Australia and the Australasian Institute of Mining and Metallurgy and is a member of the Australian Institute of Company Directors.

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

Other Current Directorships of ASX Listed Companies

Hillgrove Resources Ltd - Chairman

Former Directorships of ASX Listed Companies in last three years

Highlands Pacific Ltd and Kasbah Resources Ltd

DIRECTORS' REPORT (CONTINUED)

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	30,264,422	-
F Purnamasidi	600,000	-
P Hay	2,382,964	-
J Gooding	10,000	-
F Murdoch	71,750	-

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	7
F Purnamasidi	8	8
P Hay	8	8
J Gooding	8	7
F Murdoch	8	8

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

DIRECTORS' REPORT (CONTINUED)

MEETINGS OF DIRECTORS (CONTINUED)

Committee membership and meetings

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

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	-	-	-	-
F Purnamasidi	-	-	-	-
Peter Hay	3	3	1	1
J Gooding	3	3	1	1
F Murdoch	3	3	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 activity of the Group during the year was exploration and development of the Jervois multi-metal project in the Northern Territory.

Employees

The Group employed 7 employees as at 31 December 2019 (2018: 7 employees).

DIVIDENDS

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

DIRECTORS REPORT (CONTINUED)

REVIEW OF OPERATIONS

During 2019, KGL entered the final stages of planning for the development of the Jervois Copper Project in the Northern Territory. The Group worked to a timetable that provides for project construction to commence in mid-2020, although the timetable is now subject to the effects of the COVID-19 virus.

The year represented the mature phase of a consistent strategy to identify a mineral resource on which KGL could confidently build a robust and sustainable mining operation.

Intensive drilling achieved the objective of increasing the confidence levels in the resource. In August 2019, KGL announced a significant upgrade with the Indicated Copper Category increasing from 50% to 65% of total copper resources at Jervois. Total resources at Jervois were estimated 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.

Further drilling at Reward, Rockface and Bellbird indicated the potential for expansion and additional upgrading of resources.

Late in the year, KGL proceeded with detailed mine planning. At the same time, continued drilling highlighted the quality of the Reward deposit where additional high grade, wide interval copper was located just below and south of the proposed pit, and also at depth to the north.

In parallel with mine planning, KGL undertook other project development work to establish metallurgical process design, water supply and on-site infrastructure.

The Environmental Impact Statement process concluded during the year, resulting in the Environmental Protection Authority advising the Northern Territory Government that the project can proceed by implementing several recommendations.

At year's end, KGL was working towards lodging a Mine Management Plan with the NT Government for final project approval.

Pre-development planning

All foundation planning progressed into the final stages.

In mine planning, Macmahon Contractors, the preferred mining contractor, was engaged to prepare the mine plan, optimising KGL's conceptual planning. Several areas of improvement were identified and are being incorporated into the plan, with the focus on optimising the scheduling for the two open pit and three underground mines.

In processing, Core Metallurgy undertook test work to advance the metallurgical processing design to the final stages.

To supply water for the project, a sustainable water source was identified, and preliminary design work proceeded on the bore field and pipeline to access the water. Applications are in progress to obtain the required Mineral Lease and Water Extraction Licence.

Planning was undertaken for the run-of-mine stockpile, tailings storage and a creek diversion. These and other infrastructure requirements including the accommodation camp and power station are being integrated with the final mine plan.

Resources upgrade

Confidence levels in the Mineral Resource at Jervois were strengthened significantly during the year. The upgrade resulted from highly successful infill drilling programs at the Reward and Rockface deposits through which resources were converted from the Inferred to Indicated category. The update announced in August 2019 showed a 32% increase (over the January 2019 estimates) in contained copper in the Indicated Resource category, with increases of 240% and 30% for the Reward and Rockface deposits respectively. Copper in the Indicated Resource category rose from 50% to 65% of the total contained copper resource at Jervois.

DIRECTORS' REPORT (CONTINUED)

REVIEW OF OPERATIONS (CONTINUED)

Resources upgrade (continued)

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

Total copper resources 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.

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**			

(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.)

The Competent Persons Statement in relation to the JORC resource statement can be found on page 25.

DIRECTORS' REPORT (CONTINUED)

REVIEW OF OPERATIONS (CONTINUED)

Resources upgrade (continued)

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

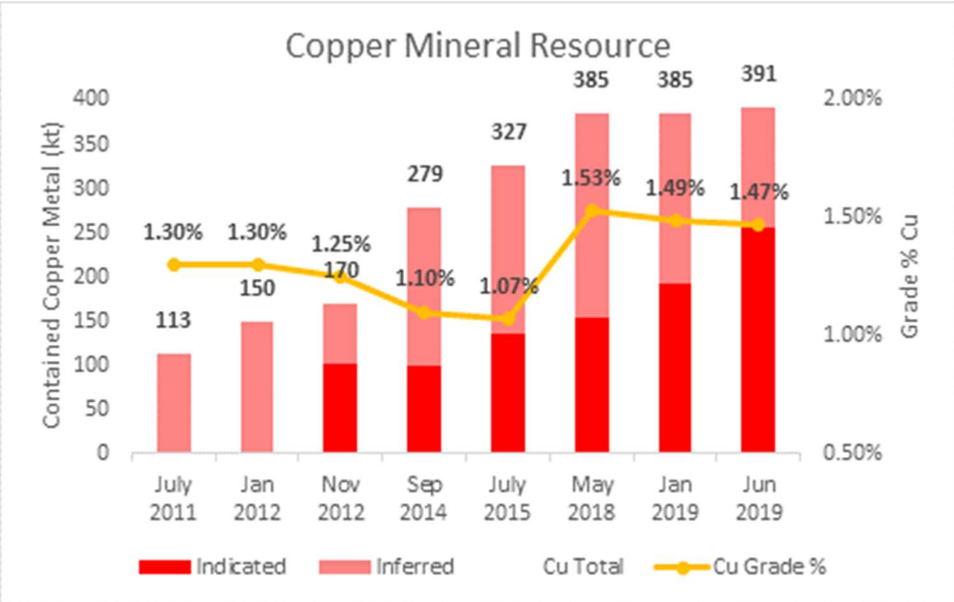

Figure 1 Copper Mineral Resource History at Jervois

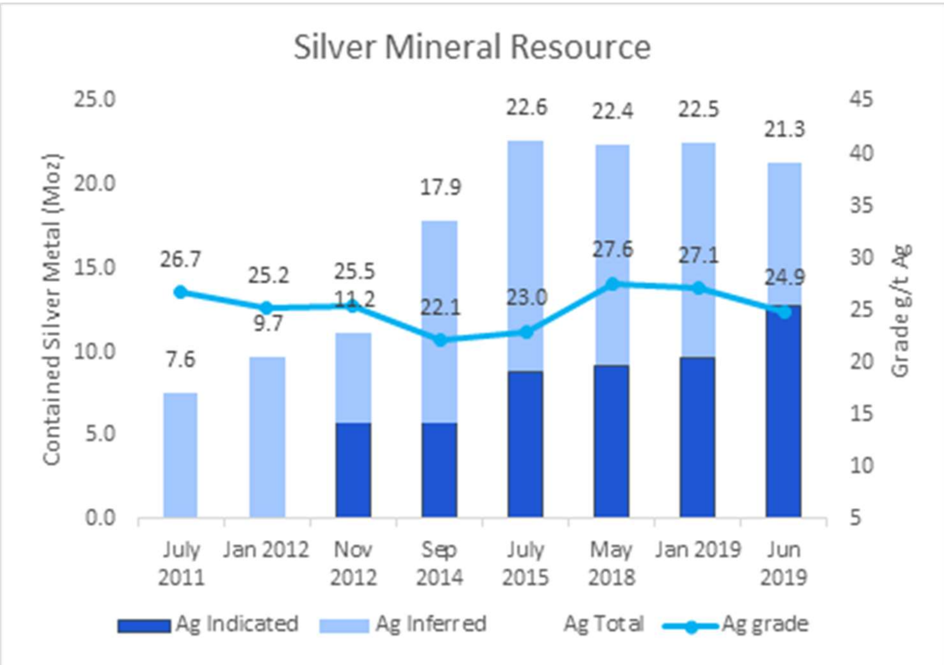

Figure 2 Silver Mineral Resource History at Jervois

DIRECTORS' REPORT (CONTINUED)

REVIEW OF OPERATIONS (CONTINUED)

Drilling

Having successfully upgraded resources through drilling programs, KGL continued drilling later in the year to further upgrade resources and enhance geological understanding ahead of mining, with positive results. Drilling concentrated on increasing and upgrading the resources at the known deposits that are part of the mining plans. State of the art down hole electromagnetic (DHEM) surveying technology continued to deliver benefits in locating mineralised conductors and identifying drill targets efficiently.

Reward

Following the resource upgrade at Jervois, further drilling indicated the resource growth potential around the entire Reward resource where half of the current estimated resources at Jervois are located. The drill results are expected to lead to upgrading of resources.

The three trends defined at Reward comprise the Reward Central Trend (where the proposed open pit is located) and the Reward Sub-trend which together are part of the Reward Main Lode, and the Reward Deeps Lode trend.

Wide intersections of high-grade continuous copper mineralisation were encountered just below and south of the current proposed open pit. The intersection of additional high-grade copper beneath the planned open pit limit presents more options for the final mine design. These include potential opportunities to increase the scale of production and reduce mine operating costs.

Among the results for holes drilled later in the year were (drill hole intervals):

KJCD376:

- 27.3m @ 1.78% Cu, 73.6 g/t Ag, 0.56 g/t Au from 181.6 m, including
  - 10.0 m @ 2.96% Cu, 165.4 g/t Ag, 0.57 g/t Au from 198.8 m

KJD382:

- 17.9 m @ 3.90% Cu, 97.1 g/t Ag, 0.38 g/t Au from 117.5 m, including
  - 10.0 m @ 6.10% Cu, 164.3 g/t Ag, 0.62 g/t Au from 117.5 m
- 29.4 m @ 2.56% Cu from 182.7 m, including
  - 16.8 m @ 3.77% Cu, 68.4 g/t Ag, 0.3 g/t Au from 196.3 m

KJD388:

- 7.1 m @ 1.68% Cu, 20 g/t Ag from 138.9 m
- 9.4 m @ 4.32% Cu, 83.2 g/t Ag, 0.57 g/t Au from 176.2 m
- 4.2 m @ 2.56% Cu, 130.9 g/t Ag from 197.3 m

KJD395:

- 65 m @ 3.6% Cu, 98.6 g/t Ag, 0.45 g/t Au from 210.3 m, including
  - 18.6 m @ 6.56% Cu, 246 g/t Ag, 0.89 g/t Au from 225.4 m
- 3.3 m @ 2.05% Cu, 19.2 g/t Ag, 0.65 g/t Au from 289.8 m

The remaining assay results of the 2019 drilling program were announced in March 2020. A further five holes at Reward beneath the proposed pit limit (KJD398, KJD399, KJD400, KJD401, and KJD402) intercepted significant mineralised intervals. The intercepts substantiate the existence of high-grade copper and gold shoots, and also improve confidence in the surrounding resources.

DIRECTORS' REPORT (CONTINUED)

REVIEW OF OPERATIONS (CONTINUED)

Drilling (continued)

Reward South

In December 2019, a new copper-silver-gold mineralised zone open in all directions was discovered at Reward South.

The Company first reported the discovery of a strong conductor zone as a result of down hole electromagnetic (DHEM) surveying in Hole KJD360 which had been drilled to target a gravity anomaly. Hole KJD415 was drilled to test this conductor. Results, announced in March 2020, included:

- 26.5 m (Estimated True Width) @ 0.98% Cu, 285.5 g/t Ag, 0.36 g/t Au from 242.2 m, including:-
  - 7 m (ETW) @ 2.04% Cu, 616.5 g/t Ag, 0.91 g/t Au from 272.4 m

The newly discovered conductor and the intercept in KJD415 are located in one of the strongest gravity anomalies identified at Jervois to date.

Hole KJD415 was subsequently surveyed by DHEM. The results of the new survey shows a higher conductance of the zone and also adjusted the location of the conductor. The centre of the new conductor was drilled recently; results are pending.

Reward Deeps

At Reward Deeps, upper interval intersections up-dip of the Reward Deeps Lode are expected to improve both confidence and grade in the surrounding resource blocks which are currently classed as Inferred and of lower grade. The hole intercepts were (drill hole intervals):

KJCD344
- 9.7 m @ 3.0% Cu, 59.90 g/t Ag from 202.9 m

KJCD364
- 11.4 m @ 2.12% Cu, 45.8 g/t Ag, 0.97 g/t Au from 256.9 m

KJD365
- 6.3 m @ 2.54% Cu, 68.1 g/t Ag, 0.93 g/t Au from 175.3 m.

Drill results at Reward Deeps late in the year confirm the continuity of high-grade mineralisation from 175 metres to over 400 metres in depth.

Hole KJCD373 tested the northern perimeter of the Reward Deeps Lode at a depth of approximately 400 metres below surface and confirmed the continuity of Reward Deeps at this location.

KJCD373 intercepted (drill hole intervals):

- 12.8m @ 3.02% Cu, 36.8 g/t Ag, 0.56 g/t Au from 413.9 m, including
  - 3.9m @ 6.54% Cu, 80.4 g/t Ag, 1.38 g/t Au from 422.8 m
- 4.1m @ 7.23% Cu, 22.1 g/t Ag, 2.59 g/t Au from 445 m, including
  - 1.4m @ 15.78% Cu, 49 g/t Ag, 5.68 g/t Au from 447.6 m

Results of a further three holes (KJD411, KJD413 and KJD414) drilled in late 2019 and announced in March 2020 included further significant upper interval intersections of high-grade mineralisation.

Elevated gold grades were recorded at both the Reward Main Lode and Reward Deeps, the higher gold grades being consistent with high grade copper intersections.

DIRECTORS' REPORT (CONTINUED)

REVIEW OF OPERATIONS (CONTINUED)

Drilling (continued)

<u>Reward Deeps (continued)</u>

A long section of Reward in Figure 3 shows the location of the interpreted new conductor and the gravity model at Reward and Reward South. The section shows the relationship to the proposed pits at Reward and Reward South and Reward Deeps and includes some recent drill results.

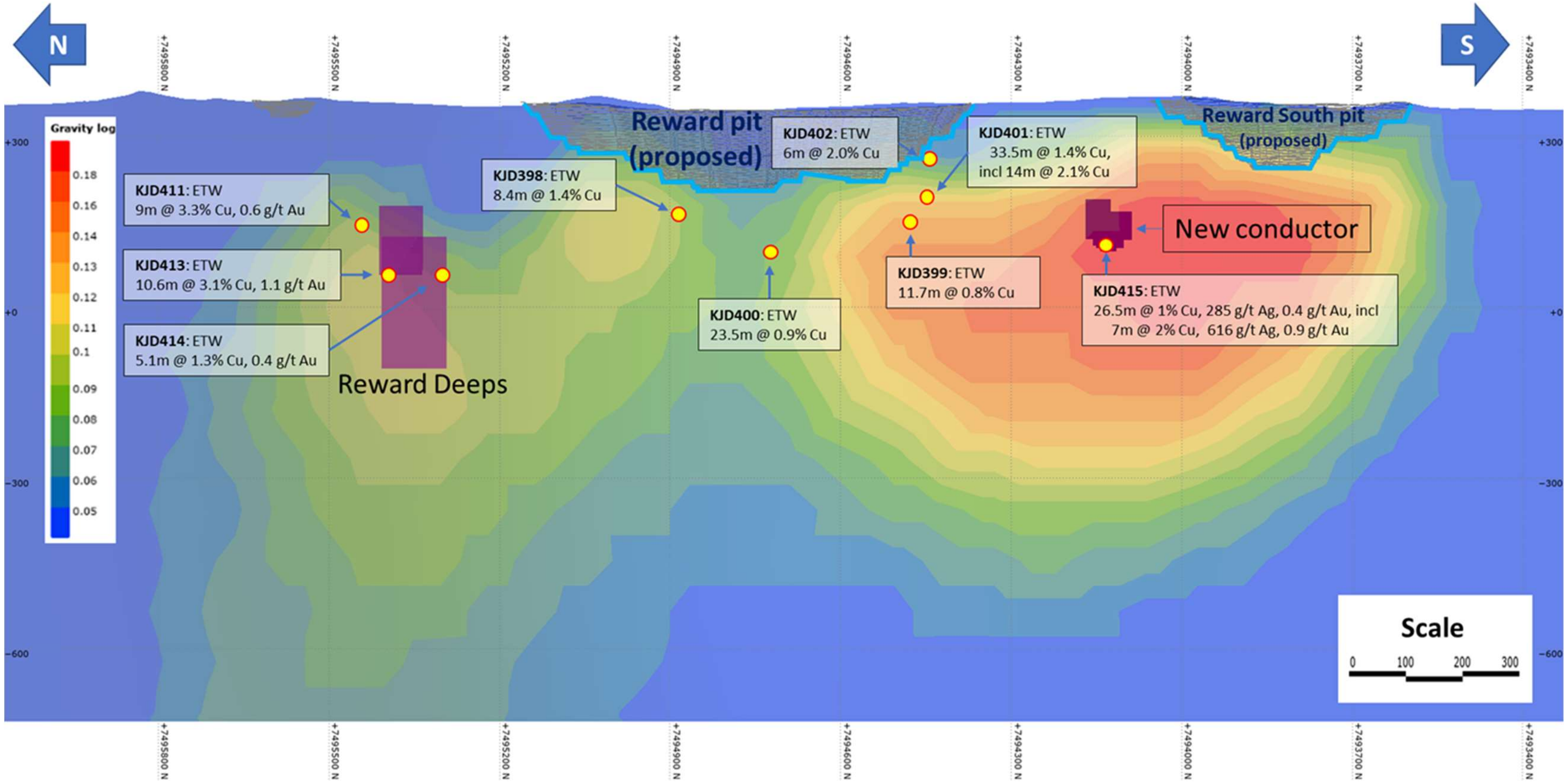

Figure 3: Longitudinal section of recent assay results and recent interpreted conductor plates from Reward (decimals rounded for ease of presentation). Also shown is an image of the gravity model of Reward.

DIRECTORS' REPORT (CONTINUED)

REVIEW OF OPERATIONS (CONTINUED)

Drilling (continued)

Reward Deeps (continued)

While priority was given to infill drilling to increase confidence levels in the Jervois resources, KGL continued to seek expansion opportunities in the highly prospective Jervois mineral field. Exploration holes drilled at Reward East and Reward North encountered significant mineralisation and point to continuity to the north and east.

Bellbird

Both infill and exploration drilling at Bellbird extended high grade copper mineralisation trends. The intercepts confirmed the continuity of the trends and are expected to contribute to a future resource update. Among the best drill results (drill hole intervals) were:

KJD350

- 22.4 m @ 2.15% Cu and 13.90 g/t Ag from 162.4 m including
- 5.2 m @ 6.98% Cu and 44.10 g/t Ag from 172.2 m

KJD346W1

- 4.4 m @ 6.07% Cu and 50.50 g/t Ag from 236.1 m

Indicating the potential for high grade mineralisation to extend along the Main Lode's southerly projection was this result:

KJCD354X

- 8 m @ 5.01% Cu and 13.6 g/t Ag from 437 m

Drilling also strongly indicated the presence of the East Lode in close parallel proximity to the Main Lode. High grade results in the East Lode include:

KJCD358

- 1 m @ 34.27% Cu and 436 g/t Ag from 358 m, the highest grade ever achieved at Jervois.

The two high quality lodes are expected to intersect in the northern part of Bellbird (see Figure 4 on page 17).

In November 2019, three holes were drilled directly underneath the proposed Bellbird pit, to test potential extensions of the main lode at Bellbird. These holes showed that significant mineralisation occurs immediately below the limit of the proposed pit.

Bellbird North

Three holes were also drilled directly underneath the proposed Bellbird North pit, to test potential extensions of the northern extension of the Bellbird lode. All three extension holes at Bellbird North intercepted mineralisation at the expected location of the extension of the lode. However, the lode appeared to be thinner than the surrounding intercepts.

Another two holes (KJD410 and KJD412) were drilled below the proposed Bellbird North pit. These holes were drilled to test possible extensions of the previously reported bornite vein in Hole KJCD358 (1m @ 34% Cu). Both holes intercepted high grade copper in a narrow zone of chalcopyrite veinlets with minor bornite.

DIRECTORS' REPORT (CONTINUED)

REVIEW OF OPERATIONS (CONTINUED)

Drilling (continued)

Bellbird (continued)

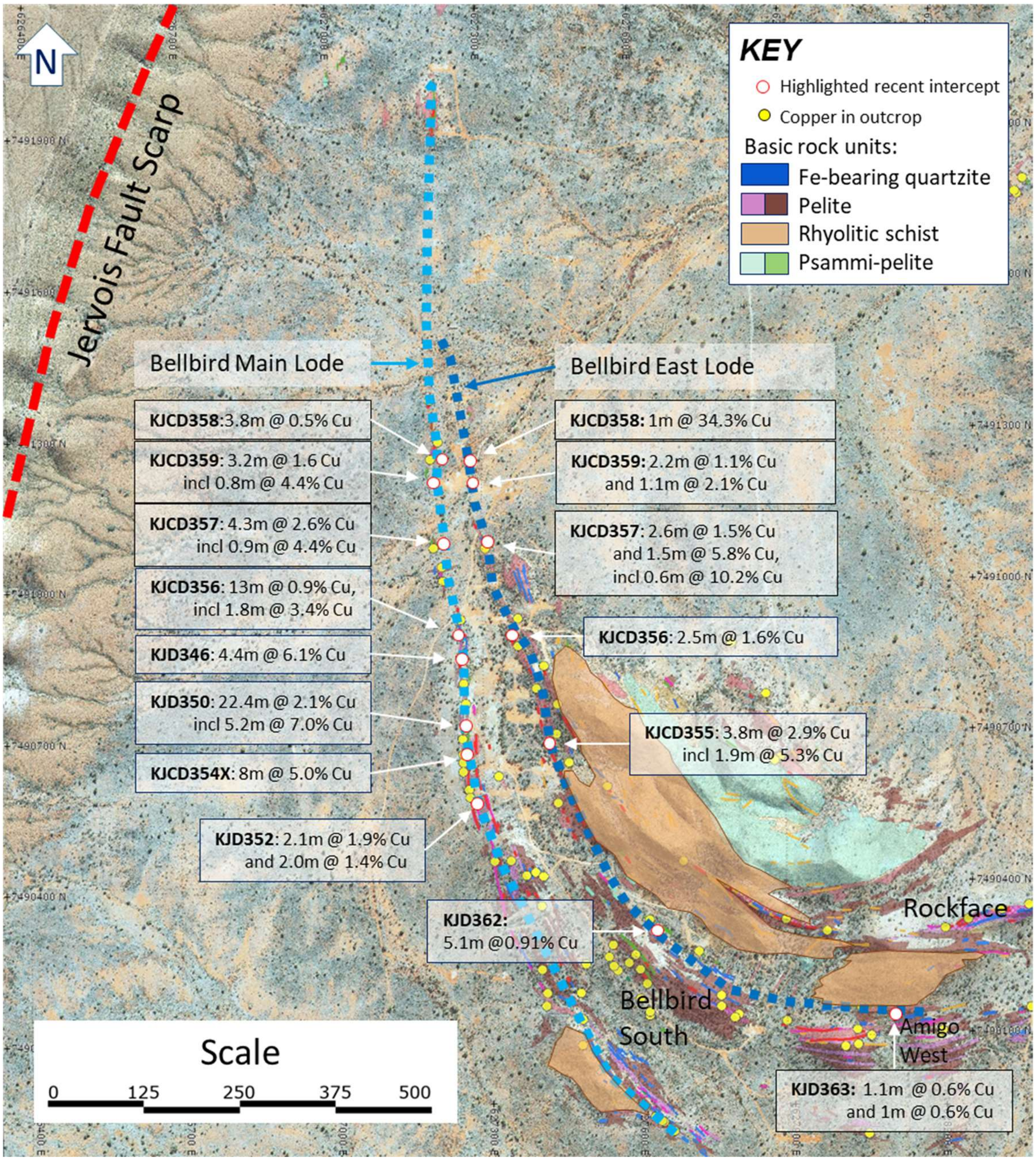

Figure 4: Projected surface trace of the Main and East Lodes at Bellbird with recent drill hole results projected on to topography and geology map (decimals rounded for ease of presentation).

DIRECTORS' REPORT (CONTINUED)

REVIEW OF OPERATIONS (CONTINUED)

Drilling (continued)

Rockface

Results of drilling at Rockface, included in the previous half yearly report, strengthened confidence in the resource at Rockface and added to the deposit's resource potential.

Infill drilling at the Rockface Main and North Lodes is expected to contribute to upgrading resources from the Inferred to Indicated category.

FINANCIAL REVIEW

For the year ended 31 December 2019, the KGL Group recorded loss after income tax of $2,328,377 (2018: loss of $1,229,078).

Employee expenses increased in the year to 31 December 2019 to $1,807,453 (2018 $817,249) resulting from the issue of shares to key management personnel in lieu of remuneration ($1,000,000).

The KGL cash reserve as at 31 December 2019 was $7,202,899, including $6,726,255 in cash and cash equivalents and $476,644 in term deposits held as security.

MATERIAL BUSINESS RISKS

KGL's exploration and mining operations will be subject to the normal risks of mining and any revenues will be subject to numerous factors beyond KGL's control. The material business risks that may affect KGL are summarised below.

Future Capital Raisings

KGLs' ongoing activities may require substantial further financing in the future, in addition to amounts raised pursuant to the Entitlement Offer. KGL will require additional funding to bring the Jervois Copper Project into commercial production. Any additional equity financing may be dilutive to Shareholders, may be undertaken at lower prices than the current market price and debt financing, if available, may involve restrictive covenants which limit KGL's operations and business strategy. Although the Directors believe that additional capital can be obtained, no assurances can be made that appropriate capital or funding, if and when needed, will be available on terms favourable to KGL or at all. If KGL is unable to obtain additional financing as needed, it may be required to reduce, delay or suspend its operations and this could have a material adverse effect on KGL's activities and could affect KGL's ability to continue as a going concern.

Exploration Risk

The success of KGL depends on the delineation of economically mineable reserves and resources, access to required development capital, movement in the price of commodities, securing and maintaining title to KGL' exploration and mining tenements and obtaining all consents and approvals necessary for the conduct of its exploration activities. Exploration on KGL' existing tenements may be unsuccessful, resulting in a reduction of the value of those tenements, diminution in the cash reserves of KGL and possible relinquishment of the tenements. The exploration costs of KGL are based on certain assumptions with respect to the method and timing of exploration. By their nature, these estimates and assumptions are subject to significant uncertainties and, accordingly, the actual costs may materially differ from these estimates and assumptions. Accordingly, no assurance can be given that the cost estimates and the underlying assumptions will be realised in practice, which may materially and adversely affect KGL' viability. If the level of operating expenditure required is higher than expected, the financial position of KGL may be adversely affected. KGL may also experience unexpected shortages or increases in the costs of consumables, spare parts, plant and equipment.

DIRECTORS' REPORT (CONTINUED)

MATERIAL BUSINESS RISKS (CONTINUED)

Feasibility and Development Risks

It may not always be possible for KGL to exploit successful discoveries which may be made in areas in which KGL has an interest. Such exploitation would involve obtaining the necessary licences or clearances from relevant authorities that may require conditions to be satisfied and/or the exercise of discretions by such authorities. It may or may not be possible for such conditions to be satisfied. Further, the decision to proceed to further exploitation may require participation of other companies whose interests and objectives may not be the same as KGL's. Given the early stage of KGL's projects, there will be a complex, multidisciplinary process to be undertaken to complete a feasibility study to support any development proposal. There is a risk that the feasibility study and associated technical works will not achieve the results expected. There is also a risk that even if a positive feasibility study is produced, the project may not be successfully developed for commercial or financial reasons.

Regulatory Risk

KGL's operations are subject to various Federal, State and local laws and plans, including those relating to mining, prospecting, development permit and licence requirements, industrial relations, environment, land use, royalties, water, native title and cultural heritage, mine safety and occupational health. Approvals, licences and permits required to comply with such rules are subject to the discretion of the applicable government officials. No assurance can be given that KGL will be successful in obtaining any or all of the various approvals, licences and permits or maintaining such authorisations in full force and effect without modification or revocation. To the extent such approvals are required and not retained or obtained in a timely manner or at all, KGL may be curtailed or prohibited from continuing or proceeding with production and exploration. KGL's business and results of operations could be adversely affected if applications lodged for exploration licences are not granted. Mining and exploration tenements are subject to periodic renewal. The renewal of the term of a granted tenement is also subject to the discretion of the relevant Minister. Renewal conditions may include increased expenditure and work commitments or compulsory relinquishment of areas of the tenements comprising KGL's projects. The imposition of new conditions or the inability to meet those conditions may adversely affect the operations, financial position and/or performance of KGL. It is also possible that, in relation to tenements which KGL has an interest in or will in the future acquire such an interest, there may be areas over which legitimate common law native title rights of Aboriginal Australians exist. If native title rights do exist, the ability of KGL to gain access to tenements (through obtaining consent of any relevant landowner), or to progress from the exploration phase to the development and mining phases of operations may be affected. KGL has a registered Indigenous Land Use Agreement with the traditional owners for its Jervois Copper Project.

Occupational Health and Safety

Given KGL' exploration activities (and especially if it achieves exploration success leading to mining activities), it will face the risk of workplace injuries which may result in workers' compensation claims, related common law claims and potential occupational health and safety prosecutions.

Further, the production processes used in conducting any future mining activities of KGL can be dangerous. KGL has, and intends to maintain, a range of workplace practices, procedures and policies which will seek to provide a safe and healthy working environment for its employees, visitors and the community

DIRECTORS' REPORT (CONTINUED)

MATERIAL BUSINESS RISKS (CONTINUED)

Limited operating history of KGL

KGL has limited operating history on which it can base an evaluation of its future prospects. If KGL' business model does not prove to be profitable, investors may lose their investment. KGL's historical financial information is of limited value because of KGL' lack of operating history and the emerging nature of its business. The prospects of KGL must be considered in the light of the risks, expenses and difficulties frequently encountered by companies in their early stage of development, particularly in the mineral exploration sector, which has a high level of inherent uncertainty.

Key Personnel

In formulating its exploration programs, KGL relies to a significant extent upon the experience and expertise of the Directors and management. A number of key personnel are important to attaining the business goals of KGL. One or more of these key employees could leave their employment, and this may adversely affect the ability of KGL to conduct its business and, accordingly, affect the financial performance of KGL and its Share price. Recruiting and retaining qualified personnel are important to KGL' success. The number of persons skilled in the exploration and development of mining properties is limited and competition for such persons is strong.

Resource Estimate Risk

Resource estimates are expressions of judgement based on knowledge, experience and industry practice. These estimates are expressions of judgment based on knowledge, experience and industry practice. These estimates were appropriate when made but may change significantly when new information becomes available. There are risks associated with such estimates. Resource estimates are necessarily imprecise and depend to some extent on interpretations, which may ultimately prove to be inaccurate and require adjustment. Adjustments to resource estimates could affect KGL' future plans and ultimately its financial performance and value. Copper and gold price fluctuations, as well as increased production costs or reduced throughput and/or recovery rates may render resources containing relatively lower grades uneconomic and may materially affect resource estimations.

Environmental Risk

The operations and activities of KGL are subject to the environmental laws and regulations of Australia. As with most exploration projects and mining operations, KGL's operations and activities are expected to have an impact on the environment, particularly if advanced exploration or mine development proceeds. KGL attempts to conduct its operations and activities to the highest standard of environmental obligation, including compliance with all environmental laws and regulations. KGL is unable to predict the effect of additional environmental laws and regulations which may be adopted in the future, including whether any such laws or regulations would materially increase KGL's cost of doing business or affect its operations in any area.

However, there can be no assurances that new environmental laws, regulations or stricter enforcement policies, once implemented, will not oblige KGL to incur significant expenses and undertake significant investments which could have a material adverse effect on KGL's business, financial condition and performance.

DIRECTORS' REPORT (CONTINUED)

MATERIAL BUSINESS RISKS (CONTINUED)

Availability of equipment and contractors

Given the current level of activity across the Australian mining industry, the availability of appropriate equipment, including drill rigs, is in short supply. There is also high demand for contractors providing other services to the mining industry. Consequently, there is a risk that KGL may not be able to source all the equipment and contractors required to fulfil its proposed exploration activities. There is also a risk that hired contractors may underperform or that equipment may malfunction, either of which may affect the progress of KGL's exploration activities.

Fluctuations in Copper Price and Australian Dollar Exchange Rate

The copper mining industry is competitive. There can be no assurance that copper and gold prices will be such that KGL can mine its deposits at a profit. Copper and gold prices fluctuate due to a variety of factors including supply and demand fundamentals, international economic and political trends, expectations of inflation, currency exchange fluctuations, interest rates, global or regional consumption patterns and speculative activities. Similarly, demand and supply of capital and currencies, forward trading activities, relative interest rates and exchange rates and relative economic conditions can impact exchange rates.

Climate Change Risk

The operations and activities of KGL are subject to changes to local or international compliance regulations related to climate change mitigation efforts, specific taxation or penalties for carbon emissions or environmental damage, and other possible restraints on industry that may further impact KGL and its profitability. While KGL will endeavour to manage these risks and limit any consequential impacts, there can be no guarantee that KGL will not be impacted by these occurrences. Climate change may also cause certain physical and environmental risks that cannot be predicted by KGL, including events such as increased severity of weather patterns, incidence of extreme weather events and longer-term physical risks such as shifting climate patterns. All these risks associated with climate change may significantly change the industry in which KGL operates.

Macro-Economic Risks

On 11 March 2020, the World Health Organisation Director-General declared the outbreak of the novel coronavirus (2019-nCoV) a pandemic. This emerging macro-economic risk may adversely affect the ability of KGL to obtain and / or complete the financing of the Jervois project within forecast timeframes.

DIRECTORS' REPORT (CONTINUED)

CAPITAL RAISINGS / CAPITAL STRUCTURE

KGL raised $6.5 million before costs in March 2019 in a placement to three large shareholders to fund drilling to further upgrade mineral resources, and $5.94 million in an entitlement offer in December 2019 to fund drilling, planning and design work required to undertake the project financing stage.

In the placement, KGL issued 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.

In the entitlement offer, KGL made a 1 for 8 non-renounceable entitlement offer of fully paid shares issued at 23 cents per share representing a 6.12% discount to the traded price on the last day prior to the offer being announced.

All of the top 10 shareholders in KGL participated in the capital raising, including KGL's largest shareholder KMP Investments Pte Ltd by way of a placement when the required funds arrived after the closing date.

In addition, at the 2019 Annual General Meeting, shareholders approved the issue of 4,000,000 shares to Mr Denis Wood. For more information, refer to the Remuneration Report on page 20.

SUMMARY OF SHARES AND OPTIONS ON ISSUE

As at the date of this report there were 311,818,103 ordinary shares on issue, no share options and 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.

REMUNERATION REPORT (AUDITED)

The remuneration report, which has been audited, outlines the director and executive remuneration arrangements for the Group in accordance with the requirements of the *Corporations Act 2001* and its regulations.

A. 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.

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

B. Key Management Personnel

The Key Management Personnel (KMP) of the Group comprises the non-executive directors and the executive chairman, who have significant influence over the Group's operating performance.

DIRECTORS' REPORT (CONTINUED)

REMUNERATION REPORT (AUDITED) (CONTINUED)

C. Remuneration structure

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

i) 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 non-executive 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. No remuneration consultants were engaged to review non-executive remuneration in 2019

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.

In order to align with shareholder interests, non-executive directors are encouraged to hold shares in the Company.

There is no element of performance-based ('at risk') pay for non-executive directors.

ii) 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.

Given the stage of development of the Jervois project and the small size of the executive team, there are no short-term incentive (STI) or long-term incentive (LTI) plans in place. Any awards over and above contractual fixed remuneration and associated statutory entitlements are made at the discretion of the board.

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 to review executive remuneration in 2019. 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)

D. Relationship between remuneration and the Company's performance

The earnings of the consolidated entity for the five years to 31 December 2019 are summarised below:

	2019 $	2018 $	2017 $	2016 $	2015 $
Sales revenue	-	-	-	-	-
EBITDA	(2,545,206)	(1,533,597)	(1,273,802)	(2,299,353)	(2,413,004)
EBIT	(2,494,448)	(1,512,183)	(1,264,772)	(2,290,988)	(2,430,262)
Profit/(Loss) after income tax	(2,328,377)	(1,229,078)	(1,264,772)	(2,262,359)	(2,430,262)
Total KMP remuneration	1,258,694(*)	238,685	163,635	558,490	508,755

(*) Includes $1,000,000 shares issued to Mr Wood in June 2019. Mr Wood has performed the role of executive chair since May 2016 and has not received any remuneration over and above his director fee entitlement. This award was in-lieu of the remuneration for his significant contribution in this role over past three years, and was put to and approved by shareholders at the 2019 Annual General Meeting.

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

	2019	2018	2017	2016	2015
Share price at financial year end ($)	$0.23	$0.29	$0.36	$0.265	$0.10
Total dividends declared (cents per share)	-	-	-	-	-
Basic loss per share (cents per share)	(0.83)	(0.50)	(0.65)	(1.33)	(1.72)

E. 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 Remuneration Committee to align with changes in job responsibilities and market salary expectations.

F. Remuneration of directors and executives

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 chief executive officer.

In April 2019, KGL's remuneration committee, resolved, solely at its discretion, to grant 4,000,000 shares to Mr Denis Wood, in lieu of remuneration for his three years of services as Executive Chairman of the Group, which he has performed for no additional fee over and above that to which he was entitled to in his role as Director.

Over this time, Mr Wood has significantly advanced the Jervois Project, improving the quality of the reported resources, managing and overseeing capital raising at no cost the Group, and advancing the studies necessary to develop the Jervois project.

The share award was put to the 2019 Annual General Meeting, and shareholders approved the issue of 4,000,000 shares in June 2019, at no cost to Mr Wood.

DIRECTORS' REPORT (CONTINUED)

REMUNERATION REPORT (AUDITED) (CONTINUED)

F. Remuneration of directors and executives (continued)

Remuneration of non- executive directors

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

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.

Fiona Murdoch

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.

There have been no changes to non-executive remuneration in the current year.

All key management personnel have no entitlements to termination payments in the event of removal for misconduct.

DIRECTORS' REPORT (CONTINUED)

REMUNERATION REPORT (AUDITED) (CONTINUED)

F. Remuneration of directors and executives (continued)

Directors received the following compensation for their services during the year.

	Short-term benefits	Post-employment benefits			
	Cash salary and fees	Superannuation	Share-based payment - shares	Total	% total performance related
Year ended 31 Dec 2019 Directors	$	$	$	$	%
D Wood	47,250	4,489	1,000,000	1,051,739	95.1
F Purnamasidi	47,250	4,489	-	51,739	-
P Hay	47,250	4,489	-	51,739	-
J Gooding	47,250	4,489	-	51,739	-
F Murdoch	47,250	4,489	-	51,739	-
	236,250	22,445	1,000,000	1,258,695	
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	

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

G. Cash bonuses

There were no cash bonuses granted in relation to the 2019 or 2018 financial year to any KMP.

H. Options granted as part of remuneration

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

I. 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.

J. Option holdings of directors and key management personnel

No share options were held by any director or key management personnel at any time during the current or prior year.

DIRECTORS' REPORT (CONTINUED)

REMUNERATION REPORT (AUDITED) (CONTINUED)

K. Shareholdings of directors and key management personnel

31 December 2019	Balance 1 January 2019	Granted as Remuneration	Entitlement Offer	On Market Purchases	Balance 31 December 2019
Directors					
D Wood	22,601,709	4,000,000	3,362,713	300,000	30,264,422
F Purnamasidi	565,790	-	34,210	-	600,000
P Hay	2,118,191	-	264,773	-	2,382,964
J Gooding	-	-	-	10,000	10,000
F Murdoch	30,000	-	3,750	38,000	71,750
Total	**25,315,690**	**4,000,000**	**3,665,446**	**348,000**	**33,329,136**

No shares were held nominally at the end of the financial year.

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.

L. Other transactions and balances with key management personnel

During the year, KGL engaged Core Metallurgy Pty Ltd to perform metallurgical test work on core samples and provide a report on the optimum ore refining methodology for the Jervois project. Core Metallurgy Pty Ltd is a director-related entity of Ms Fiona Murdoch. A total of $77,930 was accrued during the current financial year (2018: nil). The services were provided on an arm's length basis.

There were no other transactions with key management personnel (2018: nil). At year end, there were no outstanding amounts receivable from or payable to key management personnel (2018: nil).

THIS IS THE END OF THE REMUNERATION REPORT (AUDITED)

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

KGL 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.

KGL has also agreed to pay a premium in respect of a contract insuring the directors and officers of KGL. 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

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial periods.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

The consolidated entity intends to continue its Jervois project development activities and to acquire further suitable projects for exploration as opportunities arise.

DIRECTORS' REPORT (CONTINUED)

NON-AUDIT SERVICES

No amounts have been paid or are payable to the auditor for non-audit services provided during the financial year, refer to Note 25 of the financial statements.

OFFICERS OF THE COMPANY WHO ARE FORMER AUDIT PARTNERS OF BDO

There are no officers of the Company who are former audit partners of BDO.

AUDITOR INDEPENDENCE

The auditor's independence declaration as required under section 307C of the Corporations Act 2001, is set on page 26 of the financial report.

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

On behalf of the Board,

Denis Wood

Chairman

Brisbane

Dated: 23 March 2020

COMPETENT PERSONS STATEMENT

The Jervois Resources information include at Table 1 on page 7 of the Directors' report, were first released to the market on 22/08/19 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
J	15	17/05/2011	2004
KJD	216	25/09/2017	2012
KJD	223	12/12/2017	2012
KJCD	234	13/04/2018	2012
RJ	236	2/10/2012	2012
KJCD	309	23/01/2019	2012
KJCD	312	26/02/2019	2012
KJCD	315	26/02/2019	2012
KJCD	317	26/04/2019	2012
KJCD	344	9/09/2019	2012
KJD	346W1	09/09/19	2012
KJD	350	09/09/19	2012
KJCD	352	09/09/2019	2012
KJCD	354X	17/10/2019	2012
KJCD	355	17/10/2019	2012
KJCD	356	17/10/2019	2012
KJCD	357	17/10/2019	2012
KJCD	358	17/10/2019	2012
KJCD	359	17/10/2019	2012
KJCD	362	17/10/2019	2012
KJD	363	17/10/2019	2012
KJCD	364	17/10/2019	2012
KJD	365	17/10/2019	2012
KJCD	368	12/11/2019	2012
KJCD	369	12/11/2019	2012
KJCD	373	12/11/2019	2012
KJCD	374	12/11/2019	2012

Hole		Date originally Reported	JORC Reported Under
KJCD	375	12/11/2019	2012
KJCD	376	12/11/2019	2012
KJD	377	12/11/2019	2012
KJD	378	12/11/2019	2012
KJD	382	12/11/2019	2012
KJD	383	12/11/2019	2012
KJD	385	12/11/2019	2012
KJD	388	12/11/2019	2012
KJCD	395	04/12/2019	2012
KJD	396	12/11/2019	2012
KJCD	397	04/12/2019	2012
RJ	204W1	16/08/2012	2004
KJD	220W1	12/12/2017	2012
RJ	237W1	28/05/2014	2012
KJCD	241W1	26/02/2018	2012
KJCD	284D2	18/11/2019	2012
KJCD	312D1	26/02/3019	2012
KJD	398	17/03/2020	2012
KJD	399	17/03/2020	2012
KJD	400	17/03/2020	2012
KJD	401	17/03/2020	2012
KJD	402	17/03/2020	2012
KJD	411	17/03/2020	2012
KJD	413	17/03/2020	2012
KJD	414	17/03/2020	2012
KJD	415	17/03/2020	2012

AUDITOR'S INDEPENDENCE DECLARATION

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 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 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 year.

T R Mann
Director

BDO Audit Pty Ltd

Brisbane, 23 March 2020

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 2019

		Consolidated	
		2019	2018
	Note	**$**	$
Revenue and other revenue	3	**166,071**	292,105
Employee benefits expense	4(b)	**(1,807,453)**	(817,249)
Depreciation and amortisation expense		**(50,758)**	(12,414)
Professional and consultancy fees expense		**(275,010)**	(289,230)
Corporate overheads expense	4(a)	**(122,072)**	(168,860)
Investor relations expense		**(54,025)**	(85,990)
Finance expense	4(c)	**(7,634)**	-
Other expenses		**(177,496)**	(147,440)
Loss before income tax		**(2,328,377)**	(1,229,078)
Income tax benefit	5	**-**	-
Net profit / (loss) for the year		**(2,328,377)**	(1,229,078)
Other comprehensive income, net of tax		-	-
Total comprehensive income for the year		**(2,328,377)**	(1,229,078)
Loss per share for profit / (loss) from attributable to the owners of KGL Resources Limited			
Basic loss per share (cents per share)	6	**(0.83)**	(0.50)
Diluted loss per share (cents per share)	6	**(0.83)**	(0.50)

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 2019

	Note	Consolidated 2019 $	2018 $
Current assets			
Cash and cash equivalents	7	**6,726,255**	576,202
Trade and other receivables	9	**171,668**	286,623
Financial assets	10	**476,644**	10,169,966
Prepayments		**104,200**	104,822
Total current assets		**7,478,767**	11,137,613
Non-current assets			
Financial assets	10	**227,996**	204,979
Property, plant and equipment	11	**322,357**	222,798
Exploration and evaluation assets	12	**60,140,470**	46,253,894
Intangible assets	13	**5,350**	13,375
Total non-current assets		**60,696,173**	46,695,046
Total assets		**68,174,940**	57,832,659
Current liabilities			
Trade and other payables	15	**726,465**	1,575,497
Lease liabilities	16	**110,933**	-
Total current liabilities		**837,398**	1,575,497
Non-current liabilities			
Lease liabilities	18	**71,663**	-
Total non-current assets		**71,663**	-
Total liabilities		**909,061**	1,575,497
Net assets		**67,265,879**	56,257,162
Equity			
Contributed equity	17	**186,537,883**	173,200,789
Accumulated losses		**(119,272,004)**	(116,943,627)
Total equity		**67,265,879**	56,257,162

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

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	Consolidated 2019 $	Consolidated 2018 $
Cash flows from operating activities			
Receipts in the course of operations		**1,323,574**	1,181,503
Payments to suppliers and employees		**(2,782,591)**	(2,791,668)
Interest received		**192,193**	296,094
Net cash used in operating activities	8(a)	**(1,266,824)**	(1,314,070)
Cash flows from investing activities			
Payment for exploration and evaluation assets		**(14,464,953)**	(13,308,290)
Payment for property, plant and equipment		**(32,957)**	(167,492)
Movement in financial assets		**9,670,305**	(1,763,906)
Net cash provided by / (used in) investing activities		**(4,827,605)**	(15,239,688)
Cash flows from financing activities			
Proceed from issue of shares		**12,446,195**	13,121,502
Payment of share issue costs		**(74,101)**	-
Lease repayments – net of finance costs	8(d)	**(120,029)**	-
Finance costs – leases	8(d)	**(7,583)**	-
Net cash provided by / (used in) financing activities		**12,244,482**	13,121,502
Net increase/ (decrease) in cash and cash equivalents		**6,150,053**	(3,432,256)
Cash and cash equivalents at the beginning of the year		**576,202**	4,008,458
Cash and cash equivalents at the end of the year	7	**6,726,255**	576,202

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 2019

Consolidated	Contributed equity	Accumulated losses	Total equity
	$	$	$
Balance at 1 January 2019	**173,200,789**	**(116,943,627)**	**56,257,162**
Loss for the year	**-**	**(2,328,377)**	**(2,328,377)**
Other comprehensive income, net of tax	**-**	**-**	**-**
Total comprehensive income for the year	**-**	**(2,328,377)**	**(2,328,377)**
Transactions with owners in their capacity as owners			
Issue of share capital (net of costs)	**13,337,094**	**-**	**13,337,094**
Balance at 31 December 2019	**186,537,883**	**(119,272,004)**	**67,265,879**

Consolidated	Contributed equity	Accumulated losses	Total equity
	$	$	$
Balance at 1 January 2018	160,079,287	(115,714,549)	44,364,738
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	(116,943,627)	56,257,162

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

About this report

The financial statements of KGL Resources Limited for the year ended 31 December 2019 covers the Consolidated Entity consisting of KGL Resources Limited and its controlled entities (together referred to as the "Group") as required by the Corporations Act 2001.

The registered office and principal place of business is Level 7, 167 Eagle Street, Brisbane, Queensland, 4000, Australia.

The financial statements are presented in the Australian currency.

KGL Resources Limited is a Public Company, incorporated and domiciled in Australia.

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

There have been no significant changes in the nature of these activities during the period.

The consolidated general-purpose financial report of the Group for the year ended 31 December 2019 was authorised for issue in accordance with a resolution of the directors on 23 March 2020. The Directors have the power to amend and reissue the financial report. The financial report is a general-purpose financial report which:

- has been prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board (AASB) and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board;
- adopts all new and amended Accounting Standards and Interpretations issued by the AASB and IFRS that are relevant to the operations of the Group and effective for reporting periods beginning on or after 1 January 2019. Refer to Note 30 for further details; and
- does not early adopt any Australian Accounting Standards and Interpretations that have been issued or amended but are not yet effective. Refer to Note 29 for details on standards not early adopted.

The financial statements have been prepared on a historical cost basis. The entity is a for-profit entity for the purposes of Australian Accounting Standards.

Key judgements and estimates

In the process of applying the Group's accounting policies, management has made a number of judgements and applied estimates of future events. Judgements and estimates which are material to the financial report are found in the following notes:

Note 5: Income taxes	Page 34
Note 12: Exploration and evaluation costs	Page 39
Note 23: Leases	Page 49

Basis of consolidation

Subsidiaries are all those entities over which KGL has control. The Group controls an entity when the Group is exposed, or has the rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated 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. The financial statements of subsidiaries are prepared for the same reporting period as the parent, using consistent accounting policies.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

1. 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 $2,328,377 and net operating cash outflows of $1,266,824 for the period ended 31 December 2019. As at 31 December 2019 the consolidated entity has Cash of $6,726,255 and current Term Deposits of $476,644.

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 KGL 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 raising of $12,446,195 through completion of both a share placement and an entitlement offer in 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.

Other accounting policies

Significant and other accounting policies that summarise the measurement basis used and are relevant to an understanding of the financial statements are provided throughout the notes to the financial statements.

The notes to the financial statements

The notes include information which is required to understand the financial statements and is material and relevant to the operations, financial position and performance of the Group. Information is considered relevant and material if for example:

- the amount in question is significant because of its size or nature;
- it is important for understanding the results of the Group;
- it helps to explain the impact of significant changes in the Group's business for example, acquisitions and impairment write-downs; or
- it is related to an aspect of the Group's operations that is important to its future performance.

2. Segment information

The Group 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	Consolidated 2019 $	2018 $
3. Revenue and Other Revenue			
Other revenue			
Interest revenue – third parties		**166,071**	292,105
Total other revenue		**166,071**	292,105
Total revenue and other revenue		**166,071**	292,105

Recognition and measurement

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.

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

		Consolidated 2019 $	2018 $
4. Expenses			
(a)	**Head office facilities overheads expense**		
	Rental expense – minimum lease payments	**-**	66,537
	Expenses relating to leases of low-value assets	**21,749**	-
	Other expenses	**100,323**	102,323
		122,072	168,860
(b)	**Employee benefits expense**		
	Salaries, wages, and related costs	**418,932**	418,586
	Directors' Fees (excluding superannuation)	**236,250**	217,977
	Share based payments expense	**1,000,000**	-
	Redundancy	**94,380**	118,708
	Superannuation contributions (defined contribution)	**57,891**	61,978
		1,807,453	817,249
(c)	**Finance cost expense**		
	Interest on lease liabilities	**7,583**	-
	Other interest paid	**51**	-
		7,634	-

Recognition and measurement

Post-employment benefits plans – defined contribution plans

The Group provides post-employment benefits through defined contribution plans.

The Group pays fixed contributions into independent entities in relation to several state plans and insurance for individual employees. The Group has no legal or constructive obligations to pay contributions in addition to its fixed contributions, which are recognised as an expense in the period that relevant employee services are received.

	Consolidated 2019 $	Consolidated 2018 $
5. Income Taxes		
(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 prima facie income tax on the loss is reconciled to the income tax expense as follows:**		
Profit / (loss) before income tax	**(2,328,377)**	(1,229,078)
Prima facie tax benefit on loss before income tax at 27.5%	**(640,304)**	(337,996)
Effect of expenses that are not deductible in determining taxable profit or loss	**275,000**	21
Deferred tax assets arising from temporary differences not recognised	**365,304**	337,975
Income tax benefit attributable to the Group	**-**	-
(c) **Unrecognised deferred tax assets**		
Prior year tax losses brought forward - gross	**133,513,008**	118,467,643
Total losses recognised - gross	**(60,042,977)**	(46,050,612)
Current year tax losses - gross	**15,320,183**	15,045,365
Unrecognised tax losses - gross	**88,790,214**	87,462,396
Deferred tax assets not taken up – at 27.5%	**24,417,309**	24,052,159

Key Judgements

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.

	2019 $	2018 $
(d) **Recognised net deferred tax assets**		
Deferred tax liabilities		
Exploration and prospecting	**(16,538,629)**	(12,719,821)
	(16,538,629)	(12,719,821)
Deferred tax assets		
Tax losses	**16,511,818**	12,663,918
Provisions/accruals	**26,811**	55,903
	16,538,629	12,719,821
Net deferred tax asset recognised	**-**	-

(e) **Franking credits**

There are no franking credits available.

5. Income Taxes (continued)

Recognition and measurement

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 using tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

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 ascertained based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets also result where amounts have been fully expensed but future tax deductions are available. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, 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, based on tax rates enacted or substantively enacted at reporting date. 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.

Deferred tax assets and liabilities are offset where a legally enforceable right of set-off exists, 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.

	Consolidated	
	2019	2018
6. Loss Per Share	**$**	$
Loss attributable to the owners of KGL Resources Limited:		
Loss from continuing operations	**(2,328,377)**	(1,229,078)
	(2,328,377)	(1,229,078)
	Cents per/share	Cents per/share
Basic loss per share (cents per share)	**(0.83)**	(0.50)
	(0.83)	(0.50)
Diluted loss per share (cents per share)	**(0.83)**	(0.50)
	(0.83)	(0.50)
	# Shares	# Shares
Weighted average number of ordinary shares used in the calculation of basic and diluted loss per share	**279,834,473**	245,836,397

6. Loss Per Share (continued)

At 31 December 2019, KGL had no options (2018: nil options) over unissued shares and has incurred a net loss.

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
- 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.

		Consolidated
	2019	2018
7. Cash and cash equivalents	**$**	$
Cash at bank	**3,626,255**	576,202
Term deposits with short term maturity	**3,100,000**	-
	6,726,255	576,202

Cash at bank bear floating interest rates between 0.01% and 1.00% (2018: 0% and 1.00%).

Term deposits bear fixed interest rates between 1.35% and 1.99%.

Reconciliation of Cash

The above figures are the cash at the end of the financial period as shown in the consolidated statement of cashflows

Recognition and measurement

For the purposes of the Consolidated Statement of Cash Flows, cash and cash equivalents includes cash on hand and at bank, deposits held at call with financial institutions, other short term, highly liquid investments with original maturities of three months or less, that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

		Consolidated
	2019	2018
8. Cash flow information	**$**	$
(a) Reconciliation of loss after tax to net cash flows from operations		
Net loss for the year	**(2,328,377)**	(1,229,078)
Non-cash flows in loss:		
Depreciation and amortisation expense	**50,758**	12,414
Share based payments expense	**1,000,000**	-
Change in operating assets and liabilities:		
(Increase)/Decrease in receivables	**114,955**	(186,928)
(Increase)/Decrease in payables for exploration and evaluation assets (classified as investing activity)	**737,439**	(555,006)
(Increase)/Decrease in prepayments	**622**	(19,928)
Increase/(Decrease) in payables	**(842,221)**	664,156
Net cash used by operating activities	**(1,266,824)**	(1,314,070)

8. Cash flow information (continued)

(b) Facilities with banks

There are no borrowing facilities at reporting date (2018: Nil).

(c) Non-cash financing and investing activities

In June 2019 the Company issued 4,000,000 shares to KMP which were valued of $1,000,000. No cash was received for the issue of these shares. There were no other non-cash financing and investing activities in the current or prior year.

(d) Cash and Non-Cash Movements in Liabilities arising from Financing Activities

The following table reconciles the cash and non-cash movements in liabilities arising from financing activities.

			Non-cash changes			
	2018	**Net cash flows**	**Adoption of AASB 16**	**Acquisition of leased assets**	**Interest expense**	**2019**
Borrowings						
Lease liabilities	-	(127,612)	225,252	77,373	7,583	182,596
	-	**(127,612)**	**225,252**	**77,373**	**7,583**	**182,596**

9. Trade and other receivables

	Consolidated	
	2019	2018
	$	$
GST receivable (net)	**132,881**	260,496
Other receivables	**38,787**	26,127
	171,668	286,623

Other receivables are non-interest bearing and have repayment terms up to thirty days.

10. Financial assets

	Consolidated	
	2019	2018
	$	$
Current		
Term Deposits	**476,644**	10,169,966
	476,644	10,169,966
Non-current		
Security Deposits	**227,996**	204,979
	227,996	204,979

Rolling one-year interest bearing term deposits to support environmental bank guarantees with the department of mines and other guarantees. Security deposits and guarantees of $505,452 (2018: $204,979) have been provided to the Department of Mines and other suppliers.

11. Property, plant and equipment

	Consolidated 2019 $	Consolidated 2018 $
Plant and Equipment		
Cost	**468,802**	803,706
Accumulated depreciation	**(328,482)**	(580,908)
Net carrying amount	**140,320**	222,798
Right of Use Asset		
Cost	**275,370**	-
Accumulated depreciation	**(93,333)**	-
Net carrying amount	**182,037**	-
Total property, plant and equipment	**322,357**	222,798

Right-to-use assets

Refer to Note 30 for details on the recognition of this class of asset and the adoption of AASB 16 Leases. The Group has determined that it has one class of right-to-use assets those relating to equipment and property. Comparatives have not been updated to reflect the new policy as the Group has adopted this new standard using the modified retrospective method.

Recognition and measurement

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. For plant and equipment, the useful life is 3-10 years.

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

Movements in carrying amount

2019	**Plant and Equipment**	**Right of Use Asset**	**Total**
Balance at the beginning of the year	**222,798**	**-**	**222,798**
Adoption of AASB 16 at 1 January 2019	**-**	**225,252**	**225,252**
Additions	**78,729**	**77,373**	**156,102**
Depreciation	**(142,342)**	**(120,588)**	**(262,930)**
Disposals	**(18,865)**	**-**	**(18,865)**
Carrying amount at the end of the year	**140,320**	**182,037**	**322,357**

2018			
Balance at the beginning of the year	66,785	-	66,785
Additions	164,414	-	164,414
Depreciation	(8,401)	-	(8,401)
Carrying amount at the end of the year	222,798	-	222,798

		Consolidated
	2019	2018
12. Exploration and evaluation assets	**$**	$
Deferred exploration and evaluation assets	**60,140,470**	46,253,894
Deferred exploration and evaluation assets		
Balance at beginning of the year	**46,253,894**	32,387,075
Current year expenditure	**13,886,576**	13,866,819
Balance at end of the year	**60,140,470**	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.

Recognition and measurement

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 Research and Development grants are received that relate to capitalised exploration and evaluation expenditure, these amounts are offset against the amounts capitalised.

Key estimates and judgements

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 assessment. No tenements were abandoned in the current year.

Given KGL is in the process of determining the economic viability of a potential mine through its definitive feasibility study, the directors' believe that the Jervois project is still in the exploration phase of development.

		Consolidated
	2019	2018
13. Intangible assets	**$**	$
Software at cost	**83,555**	322,227
Accumulated amortisation and impairment	**(78,205)**	(308,852)
Net carrying amount	**5,350**	13,375

Recognition and measurement

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.

Movements in carrying amount	**$**	$
At 1 January, net of accumulated depreciation	**13,375**	17,833
Amortisation	**(8,025)**	(4,458)
At 31 December, net of accumulated depreciation	**5,350**	13,375

14. Interests in other entities

Subsidiaries

The subsidiaries listed below have share capital consisting solely of ordinary shares, which are held directly by the Group. The proportion of ownership interests held equals the voting rights held by Group.

Information relating to the group's interests in principal subsidiaries at 31 December 2019 is set out below.

Name	Country of Incorporation	**2019 % Held**	2018 % 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
Kentor Energy Pty Ltd	Australia	**100**	100

Different reporting dates

Jinka Minerals Ltd has a reporting date of 30 June 2019. 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	
	2019	2018
15. Trade and other payables	**$**	$
Trade payables	**543,623**	1,374,903
Employee benefits	**182,842**	200,594
	726,465	1,575,497

Recognition and measurement

Trade and other payables

Trade and other payables represent liabilities for goods and services provided to the Group prior to the year end and which are unpaid. These amounts are unsecured and have 7 to 30-day payment terms. They are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. No assets of the Group have been pledged as security for the trade and other payables.

Short-term employee benefits

Provision is made for the Group's obligation for short-term employee benefits. Short-term employee benefits are benefits (other than termination benefits) that are expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related service, including wages, salaries and sick leave. Short-term employee benefits are measured at the (undiscounted) amounts expected to be paid when the obligation is settled.

	Consolidated 2019 $	2018 $
16. Lease liabilities		
Current		
Lease liabilities	**110,933**	-
	110,933	-
Non-current		
Lease liabilities	**71,663**	-
	71,663	-

Lease liabilities

Lease liabilities have been recognised for the first time with regards to right-to-use assets relating to property. Under AASB 117 lease liabilities were historically recognised on the finance-leased assets only. Given the Group has used the modified retrospective method of adopting the new AASB 16 leases standard the comparatives have not been amended to reflect the accounting policy under AASB 117. Refer to Note 30 for further details.

	Consolidated 2019 $	2018 $
17. Contributed equity		
(a) Issued and paid up capital		
Ordinary shares fully paid	**186,537,883**	173,200,789

Recognition and Measurement

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.

(b) Movements in shares on issue

	2019		2018	
Details	**Number of shares issued**	**Issued capital $**	Number of shares issued	Issued capital $
Beginning of the financial year	**260,298,421**	**173,200,789**	226,205,484	160,079,287
Shares issued in 2018	**-**	**-**	34,092,937	13,179,400
Share placement – Mar 2019	**21,666,666**	**6,500,000**	-	-
Shares granted as remuneration – Jun 2019	**4,000,000**	**1,000,000**	-	-
Entitlement offer – Nov 2019	**25,853,016**	**5,946,195**	-	-
Share issue costs	**-**	**(109,101)**	-	(57,898)
Closing balance	**311,818,103**	**186,537,883**	260,298,421	173,200,789

(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 KGL, 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.

17. Contributed equity (continued)

(d) Share options

Options over ordinary shares

No options were granted, exercised or lapsed during the year (2018: nil). At the end of the financial year, there were no options on issue unissued ordinary shares outstanding (2018: nil).

(e) 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.

18. Share based payments

The following share-based payment arrangements existed at 31 December 2019.

Share-based payments to Directors, executives and employees

Shares

During the year ended 31 December 2019, 4,000,000 shares were issued to Key Management Personnel (KMP) in lieu of remuneration. These were issued for nil consideration. The share price at the date of issued was $0.25. Therefore, the share-based payments expense for the year is $1,000,000.

There was no share-based payments expense for the year ended 31 December 2018.

Employee options

In the past, employee options were granted at the discretion of the Board based on a formal employee review process. As at 31 December 2019 and 2018 there were no outstanding options.

Recognition and Measurement

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.

19. Financial assets and liabilities

Recognition, initial measurement and derecognition

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument and are measured initially at fair value adjusted by transactions costs, except for those carried at fair value through profit or loss, which are measured initially at fair value. Subsequent measurement of financial assets and financial liabilities are described below.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Classification and subsequent measurement of financial assets

i) Investments and other financial assets

Classification
The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income (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.

ii) 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.

19. Financial assets and liabilities (continued)

Classification and subsequent measurement of financial assets (continued)

ii) Debt instruments (continued)

- *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. A gain 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

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.

Classification and subsequent measurement of financial liabilities

The Group's financial liabilities include lease liabilities and trade and other payables.

Financial liabilities are measured subsequently at amortised cost using the effective interest method.

Categories of financial instruments

	Consolidated	
	2019	2018
	$	$
Financial assets at amortised cost		
Cash and cash equivalents	**6,726,255**	576,202
Term deposits	**704,640**	10,374,945
Trade and other receivables	**171,668**	286,623
Total financial assets	**7,602,563**	11,237,770
Financial liabilities measured at amortised cost		
Trade and other payables	**(543,623)**	(1,374,903)
Lease liabilities	**(182,596)**	-
Total financial liabilities	**(726,219)**	(1,374,903)

19. Financial assets and liabilities (continued)

Other financial instruments

The carrying amount of the following financial assets and liabilities is considered a reasonable approximation of fair value:

- trade and other receivables
- cash and cash equivalents
- trade and other payables
- lease liabilities

20. Financial risk management

(a) 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.

(b) 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 reporting 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 2019 and 2018 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 $317,173 (2018: $447,712) to National Australia Bank Limited and $6,885,726 (2018: $10,294,814) 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.

20. Financial risk management (continued)

(c) Liquidity risk

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

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

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

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

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

CONSOLIDATED	**<12 Months $**	**1-5 Years $**	**>5 years $**	**Total cashflows $**	**Carrying amount $**
2019					
Financial liabilities					
Trade and other payables	**(543,623)**	**-**	**-**	**(543,623)**	**(543,623)**
Lease liabilities	**(115,967)**	**(78,885)**	**-**	**(194,852)**	**(182,596)**
	(659,590)	**(78,885)**	**-**	**(738,475)**	**(726,219)**
2018					
Financial liabilities					
Trade and other payables	(1,374,903)	-	-	(1,374,903)	(1,374,903)
	(1,374,903)	-	-	(1,374,903)	(1,374,903)

(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 2019 and 2018 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

20. Financial risk management (continued)

(d) Market risk (continued)

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
		$	$	$	$	$	$
2019							
Financial assets							
Cash and cash equivalents	0.71%	**3,626,255**	**3,100,000**	**-**	**-**	**-**	**6,726,255**
Term deposits	2.03%	**-**	**476,644**	**-**	**-**	**227,996**	**704,640**
Trade and other receivables	N/A	**-**	**-**	**-**	**-**	**171,668**	**171,668**
Total financial assets		**3,626,255**	**3,576,644**	**-**	**-**	**399,664**	**7,602,563**
Financial liabilities							
Trade and other payables	N/A	**-**	**-**	**-**	**-**	**(543,623)**	**(543,623)**
Lease liabilities	5.31%	**-**	**-**	**(182,596)**	**-**	**-**	**(182,596)**
Total financial liabilities		**-**	**-**	**(182,596)**	**-**	**(543,623)**	**(726,219)**

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
		$	$	$	$	$	$
2018							
Financial assets							
Cash and cash equivalents	0.49%	572,559	-	-	-	3,643	576,202
Deposits	2.19%	-	10,169,966	-	-	204,979	10,374,945
Trade and other receivables	N/A	-	-	-	-	286,623	286,623
Total financial assets		572,559	10,169,966	-	-	495,245	11,237,770
Financial liabilities							
Trade and other payables	N/A	-	-	-	-	(1,374,903)	(1,374,903)
Total financial liabilities		-	-	-	-	(1,374,903)	(1,374,903)

20. Financial risk management (continued)

(d) Market risk (continued)

Interest rate risk (continued)

The following sensitivity analysis is based on the interest rate risk exposures in existence at the reporting date. At 31 December 2019, 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)	
	2019	**2018**	**2019**	**2018**
CONSOLIDATED	**$**	**$**	**$**	**$**
+0.5% (50 basis points)	**40,904**	66,691	**-**	-
-0.5% (50 basis points)	**(40,904)**	(66,691)	**-**	-

21. 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.

Recognition and measurement

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.

	Consolidated	
	2019	2018
22. Commitments	**$**	$
Capital expenditure commitments – exploration and evaluation assets		
No longer than 1 year	**67,792**	112,050
Between 1 and 5 years	**6,583**	21,667
Greater than 5 years	**-**	-
	74,375	133,717

There are capital and rental commitments on tenements ranging from $4,000 to $40,000 per annum with expiry terms of between 1 to 2 years.

Non-cancellable rental commitments - tenements		
Commitments for rental payments in relation to tenements are payable as follows:		
No longer than 1 year	**72,719**	83,367
Between 1 and 5 years	**166,080**	148,665
Greater than 5 years	**233,373**	60,329
	472,172	292,361

Rental commitments comprise the tenement rentals at Jervois, Unca Creek and Yambah. The annual rental commitments on these leases range from $956 to $30,440 per annum with expiry terms of between 1 to 12 years. AASB 16 does not apply to mining tenements.

23. Leases

(a) Real estate leases

The Group leases land and buildings for its office space. The lease of office space typically runs for a period of 3 years. The lease does not include an option to renew the lease for an additional period after the end of the contract term. There have been no significant extensions excluded from the lease liabilities.

(b) Equipment leases

The Group leases vehicles and equipment, with lease terms of two to five years. In some cases, the Group has options to purchase the assets at the end of the contract term; in other cases, it guarantees the residual value of the leased assets at the end of the contract term.

The Group monitors the use of these vehicles and equipment and reassesses the estimated amount payable under the residual value guarantees at the reporting date to remeasure lease liabilities and right-of-use assets. As at 31 December 2019, the Group has nil amount payable under the residual guarantees.

(c) Short-term and low value asset leases

The amount of lease commitments for short-term and low value assets not recognised on balance sheet:

	2019
	$
Low value assets payable:	
- not later than 12 months	3,544
- between 12 months and 5 years	6,203
	9,747

Recognition and measurement - Policy applicable from 1 January 2019

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of the identified asset, the Group assesses whether:

- the contract involves the use of an identified asset – this may be specified explicitly or implicitly and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the Group has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the Group has the right to direct the use of the asset. The Group has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Group has the right to direct the use of the asset if either:
  - the Group has the right to operate the asset; or
  - the Group designed the asset in a way that predetermines how and for what purpose it will be used.

This policy is applied to contracts entered into, or changed, on or after 1 January 2019.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. However, for the leases of land and buildings in which it is a lessee, the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life to the right-of-use or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

23. Leases (continued)

Recognition and measurement - Policy applicable from 1 January 2019 (continued)

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably curtained to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in the future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets that do not meet the definition of investment property in 'property, plant and equipment' and lease liabilities in the statement of financial position.

Short-term leases and leases of low-value assets

The Group has elected not to recognised right-of-use assets and lease liabilities for short-term leases of equipment and leases of low-value assets, including IT equipment. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Recognition and measurement - Policy applicable before 1 January 2019

For contracts entered into before 1 January 2019, the Group determined whether the arrangement was or contained a lease based on the assessment of whether:

- fulfilment of the arrangement was dependent on the use of a specific asset or assets; and
- the arrangement had conveyed a right to use the asset. An arrangement conveyed the right to use the asset if one of the following was met:
  - the purchaser had the ability or right to operate the asset while obtaining or controlling more than an insignificant amount of the output;
  - the purchaser had the ability or right to control physical access to the asset while obtaining or controlling more than an insignificant amount of the output; or
  - facts and circumstances indicated that it was remote that other parties would take more than an insignificant amount of the output, the price per until was neither fixed per unit of output nor equal to the current market price per unit of output.

In the comparative period, as a lessee the Group classified leases that transfer substantially all of the risks and rewards of ownership as finance leases. When this was the case, the leased assets were measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Minimum lease payments were the payments over the lease term that the lessee was required to make, excluding any contingent rent.

Subsequently, the assets were accounted for in accordance with the accounting policy applicable to that asset.

Assets held under other leases were classified as operating leases and were not recognised in the Group's statement of financial position. Payments made under operating leases were recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received were recognised as an integral part of the total lease expense, on a straight-line basis over the term of the lease.

23. Leases (continued)

Key judgements and estimations

In determining both the right to use asset and the lease liability certain estimates and judgements were made. These included the following:

- No impairments were identified as each of the right to use assets were allocated to a CGU and these are impairment assessed based on value in use. No impairments to these CGU's have been identified.
- The Group determined that the appropriate discount rate to calculate the right of use assets and liabilities was the Group's current incremental borrowing rate.

24. Related party transactions

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

Parent entity

The parent entity is KGL Resources Limited, which is incorporated in Australia.

Subsidiaries

Interests in subsidiaries are disclosed in Note 14: Interests in other entities.

Key management personnel

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

Key management personnel compensation	Consolidated	
	2019	2018
	$	$
Short-term employee benefits	**236,250**	217,977
Post-employment benefits	**22,445**	20,708
Share-based payments	**1,000,000**	-
Total key management personnel compensation	**1,258,695**	238,685

Detailed remuneration disclosures are provided in the remuneration report on pages 18 to 23. Note 18: Share Based Payments expense sets out details around shares issued to KMP.

Other related party transactions

During the year, KGL engaged Core Metallurgy Pty Ltd to perform metallurgical test work on core samples and provide a report optimum ore refining methodology. Core Metallurgy Pty Ltd is a director-related entity of a Ms Fiona Murdoch. A total of $77,930 was accrued during the current financial year (2018: nil). The services were provided at arm's length pricing.

There were no other transactions with other related parties during the period.

	Consolidated	
	2019	2018
25. 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	**61,435**	62,770

26. Contingent liabilities and contingent assets

There are no contingent assets as at 31 December 2019 and 2018.

During the year, KGL selected Macmahon Contractors to prepare a mine plan for Jervois, and this contract designates Macmahon as the preferred mining contractor for the Jervois Project.

The contract contains several termination provisions, allowing KGL to select an alternative mining contractor in exchange for a compensation payable to Macmahon $237,500.

27. Events after reporting date

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial periods.

28. Parent entity information

The *Corporations Act 2001* requirement to prepare parent entity financial statements where consolidated financial statements are prepared has been removed and replaced by regulation 2M.3.01 which requires the following limited disclosure in regard 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 Group accounting policy. The financial information for the parent entity, KGL Resources Limited, has been prepared on the same basis as the consolidated financial statements.

Parent entity	**2019** **$**	2018 $
Current assets	**7,138,135**	10,701,783
Non-current assets	**60,795,621**	45,982,049
Total assets	**67,933,756**	56,683,832
Current liabilities	**(361,693)**	(210,024)
Non-current liabilities	**(24,364)**	-
Total liabilities	**(386,057)**	(210,024)
Net assets	**67,547,699**	56,473,808
Contributed equity	**186,537,883**	173,200,789
Accumulated losses	**(118,990,184)**	(116,726,981)
Total shareholders' equity	**67,547,699**	56,473,808
Loss for the year	**(2,263,203)**	(1,195,697)
Other comprehensive income	**-**	-
Total comprehensive income for the year	**(2,263,203)**	(1,195,697)

Guarantees

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

Contractual commitments

The parent entity has no capital commitments.

Contingent liabilities

The parent entity has no known contingent liabilities.

29. Other accounting policies

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.

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.

New and amended standards and interpretations not yet adopted

New Accounting Standards and Interpretations not yet mandatory or early adopted Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Group for the annual reporting period ended 31 December 2019.

From managements review of the new Australian Accounting Standards and Interpretations issued not yet adopted there is no significant impacts on the financial performance or position of the Group envisaged.

New, revised or amending accounting standards and interpretations adopted

The Group has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (‘AASB’) that are mandatory for the current reporting period. The Group applies, for the first time, AASB 16 Leases.

The adoption of these new and revised Standards and Interpretations did not have any material impact on the amounts recognised in the financial statements of the Group for the current or prior periods except for the application of AASB 16 Leases. The disclosures around the adoption of this standard are disclosed in Note 30. However, the accounting policies have changed from that disclosed in the 31 December 2019 financial statements.

AASB 16 Leases
This standard is applicable to annual reporting periods beginning on or after 1 January 2019, with early adoption permitted. The Standard replaces current accounting requirements applicable to leases in AASB 117. AASB 16 introduces a single lessee accounting model that eliminates the requirement for leases to be classified as operating or finance leases. The main changed introduced by the new standard include: recognition of a right-to-use asset and liability for all leases; depreciation of right-to-use assets in line with AASB 116 in profit or loss and unwinding of the liability in principal and interest components; and additional disclosure requirements. The Group has adopted this standard from 1 January 2019, and it impacts are disclosed in Note 30.

30. Change in accounting policies

Except for the changes below, the Group has consistently applied the accounting policies to all periods presented in these consolidated financial statements.

The Group applied AASB 16 with a date of initial application of 1 January 2019. As a result, the Group has changed its accounting policy for leases contracts as detailed below.

The Group applied AASB 16 using the modified retrospective approach, under which the right to use asset equals the lease liability as at 1 January 2019. The details of the changes in accounting policies are disclosed below.

Definition of a lease

Previously, the Group determined at contract inception whether an arrangement is or contains a lease under AASB 117. Under AASB 16, the Group assess whether a contract is or contains a lease based on the definition of a lease, as explained in Note 23.

On transition to AASB 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. It applied AASB 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under AASB 117 were not reassessed for whether there is a lease. Therefore, the definition of a lease under AASB 16 was applied only to contracts entered into or changed on or after 1 January 2019.

Operating and finance leases

The Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Group. Under AASB 16, the Group recognised right-of-use assets and lease liabilities for most leases – i.e. these leases are on-balance sheet.

The Group decided to apply recognition exemptions to leases of low-value equipment. For leases of other assets, which were classified as operating under AASB 117, the Group recognised right-of-use assets and lease liabilities.

Leases classified as operating leases under AASB 117

At transition, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate as at 1 January 2019. Right -of-use assets are measured at either:

- Their carrying amount as if AASB 16 had been applied since the commencement date, discounted using the lessee's incremental borrowing rate at the date of initial application – the Group did not apply this approach; or
- The amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments – the Group applied this approach to all leases.

The Group used the following practical expedients when applying AASB 16 to leases previously classified as operating lease sunder AASB 117.

- Excluded initial direct costs from measuring the right-of-use asset at the date of initial application.
- Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

There are no variable lease payments.

30. Change in accounting policies (continued)

Impacts on financial statements

On transition to AASB 16, the Group recognised the following:

	1 January 2019 $
Right to use – property assets at cost	225,252
Right to use – property assets accumulated depreciation	-
	225,252
Lease liability – current	(110,533)
Lease liability – non-current	(114,719)
	(225,252)

When measuring lease liabilities, the Group discounted lease payments using its incremental borrowing rate at 1 January 2019. The weighted-average rate applied is 5.31%.

Operating lease commitment at 31 December 2018	277,423
Discounted at 5.31%	263,434

This amount differs to the amount recognised as a result of short-term leases and low-value leases not being recognised.

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 (including the Australian Accounting Interpretations), which as stated in the notes to the financial statements constitutes compliance with the International Financial Reporting 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 2019 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 2019.

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

On behalf of the Board

Denis Wood
Chairman

Brisbane

Dated: 23 March 2020

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 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 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 2019 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 12 in the financial report. There is significant balance of exploration and evaluation assets as at 31 December 2019. 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 in the Group's annual report for the year ended 31 December 2019, but does not include the financial report and our auditor's report thereon.

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

In connection with our audit of the financial report, our responsibility is to read the other information 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.

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 18 to 23 of the directors' report for the year ended 31 December 2019.

In our opinion, the Remuneration Report of KGL Resources Limited, for the year ended 31 December 2019, 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 R Mann
Director

Brisbane, 23 March 2020