

# 2020

## Annual Report



**KGL**  
RESOURCES

# Contents

|           |  |
|-----------|--|
| <b>2</b>  | Chairman's Address                               |
| <b>4</b>  | Operations Review                                |
| <b>8</b>  | Reserves and Resources                           |
| <b>10</b> | Competent Persons Statement                      |
| <b>12</b> | Tenement Holdings                                |
| <b>14</b> | Corporate Governance Statement                   |
| <b>21</b> | Additional Information                           |
| <b>23</b> | Financial Statements Year ended 31 December 2020 |

# Chairman's Address

To our Shareholders,

KGL has had a successful year in progressing the proposed copper mine at Jervois, despite the constraints of COVID-19.

We are now focussed on the completion of the Feasibility Study and project financing before taking the project into development.

We are approaching the development stage as a responsible Company fully prepared for the development and operation of a sustainable mining business.

KGL's corporate values of integrity, accountability, respect and sustainability provide the ethical framework for the company in addressing the areas of environmental, social and corporate governance (ESG). We already have a strong record in environmental and community matters through the exploration and planning stages at Jervois and have reported progressively to our stakeholders. Our goals now are to ensure ongoing compliance with our operating licence conditions and to maintain our social contract with employees, the community and other stakeholders as we progress Jervois to development and operations. We are committed to working towards acceptable ESG reporting guidelines for a company of our size and stage of development, and to that end, KGL will provide an initial annual sustainability report for 2021 later this year.

At KGL we will continue to integrate social, economic and environmental considerations into all decision making. Top priority is ensuring our workforce and our local communities are protected from any potential impacts on their health, safety and wellbeing, particularly in the midst of this COVID-19 pandemic. Community support for us means enhancing employment opportunities and other benefits for local people including indigenous Australians. We are strongly committed to environmental protection, to the biological and physical diversity of the Jervois area, to the protection of and responsible use of water resources, and to playing our part in addressing climate change by reducing greenhouse gas emissions and managing our carbon footprint.

In 2020, we increased the size and quality of the resource at Jervois and confirmed the proposed mine as a robust operation.

When the pandemic halted on-site work in March 2020, we intensified planning activity.

Our sustained focus on identifying a high-quality resource that would support a robust mining operation delivered on both counts.

The resource was upgraded to 20.97 million tonnes of 2.03% copper containing 426,200 tonnes of copper and significant silver and gold.

The completed Pre-Feasibility Study demonstrated that a 30,000 tonnes copper per year operation over an initial 7.5 years could provide attractive financial returns and a capital payback in 38 months. Importantly, the current work on the Feasibility Study, including results from additional drilling early in 2021, is expected to increase the size and quality of the resource, extend the mine life and improve the economics of the operation even further.

By the end of 2020, we were well under way with the Feasibility Study that we expect will improve the mine's economic performance beyond the initial plan, and we were discussing project finance with potential investors.

Another essential milestone was reached since our last annual report, when the Northern Territory Government's extensive regulatory process resulted in approval of the Mining Management Plan, announced on 7 January 2021, thus clearing Jervois for development.

**“Our sustained focus on identifying a high-quality resource that would support a robust mining operation delivered on both counts”**

COVID-19 disrupted copper businesses around the world, limiting both consumption and mine supply. The copper price swung wildly, falling by 46% from January to March 2020, then climbing by 79% to a peak in February 2021. The long-term factors of copper consumption and supply are now re-asserting themselves.

Analysts are forecasting substantial supply deficits from this year, as demand overwhelms supply – supply that is affected by short term disruptions in major mines, continuing long-term declines in ore grades, insufficient discoveries of new deposits and other factors. The impact on the market is clear already, as copper enters what some are labelling a supercycle.

I believe that the rate of growth of green energy around the world is not fully appreciated in Australia. This coupled with massive investment in electricity transmission, construction, consumer goods and COVID-driven government programs, will increase demand for copper at a time of constrained mine supply, drive the market into deficit and inevitably push up the copper price.

The green energy revolution is requiring increasing volumes of copper. The onset of electric vehicles provides a startling insight into what is happening. An electric vehicle incorporates three to four times the copper of a petrol driven vehicle.

This is the decade of transition to electric vehicles. Big incentives to buy an electric vehicle are already available globally. In the United States, President Biden's new carbon reduction measures include large additional subsidies for electric vehicles and conversion of government vehicle fleets.

While last year, in Australia, only one in every 167 new vehicles sold was electric, throughout the world the rate was one in every 24.

The growth of electric vehicles is a highly visible key indicator of the green energy revolution but only part of it. President Biden has committed to carbon-free electricity generation in the United States by 2035.

Whatever the precise rate of change of energy usage and industrial growth,

- inevitably there will be a significant increase in the demand for copper; and
- a likely deficit in supply, and;
- an increase in the copper price, and;
- this will occur when Jervois is expected to come into production.

Subject to the outcome of the Feasibility Study and project finance discussions, we are closing in on a development decision for Jervois. From there, we will be looking to extend the mine life into the high-grade extensions that our state-of-the-art exploration technology has been revealing. We will also include in our priorities the high potential sites at Jervois and the adjoining Unca Creek tenements that point the way to a long-term extended future for Jervois.

Directors and the staff at KGL worked hard during the past year to bring Jervois to such an advanced stage. My fellow directors Ferdian Purnamasidi, Peter Hay, Fiona Murdoch and John Gooding, who retired from the board at year's end, contributed invaluable guidance and expertise in this crucial near-development stage. I greatly appreciated how the staff continued to operate as a committed, coordinated team.

I would like to thank shareholders for their continuing support for the Company and the Jervois project.

Your directors look forward to adding value for KGL shareholders as we advance Jervois to the mining stage as a significant Australian copper producer.



**Denis Wood**  
Chairman

A handwritten signature in white ink that reads "D Wood".

# Operations Review



KGL engaged in sustained planning throughout 2020 towards the development of the Jervois Copper Mine in the Northern Territory. By year's end the Company had brought the project to the Feasibility Study stage, in conjunction with project finance discussions.

A drilling program that extended from 2019 into early 2020 continued to deliver high grade results before COVID-19 caused on-site activity to close in March. Even so, sufficient information had been obtained from the drilling and other site planning to service the financial modelling and to contribute to the upgrading of Jervois Resources and to a Project Ore Reserve.

The Company took advantage of the pandemic-driven on-site down time to intensify project planning.

A Pre-Feasibility Study (PFS) was completed, and results announced to the ASX on 2 December 2020. The PFS found that Jervois would sustain a robust initial mining operation delivering an annual 30,000 tonnes of contained copper in concentrate for 7.5 years. KGL directors decided to proceed with the Feasibility Study, with the aim of extending mine life and further improving the mine's economics.

Progress towards the mine's development was made during a year of great volatility in the global copper market due to the pandemic.

With the onset of COVID-19 the price fell to US\$4,630/t on 23 March 2020. Then, driven by government-funded support schemes, Chinese economic growth, mine closures and cutbacks, and emerging copper supply deficits, the spot price rose strongly a near decade high of 9,342/t on 24 February 2021.

The last major regulatory clearance was achieved with the NT Government's approval of the Mining Management Plan, announced on 7 January 2021.

## Exploration drilling continues high grade success

The latest drilling undertaken prior to the COVID-19 shutdown produced significant results, contributing to an increased and upgraded resource. High grade copper was intersected just above and just below the proposed pit at the Reward Main Lode, improving confidence in the resource. High grade copper intercepted up-dip of the Reward Depths Lode confirmed resource growth potential closer to the surface and continuity of high-grade mineralisation over more than 200 metres.

At Reward South the significance of a strong conductor zone located by down hole electromagnetic (DHEM) surveying was confirmed by two drill intercepts of very high silver grades over wide intervals of polymetallic mineralisation. The area of strong mineralisation is open in all directions. The results of the first hole (KJD415) were able to be included in last year's annual report.

The second hole (KJCD416) encountered mineralisation of increased copper grade and more than double the silver grades of the first hole, intercepting:

- 22.1 m (ETW) @ **1.02% Cu**, 7.57% Pb, 5.26% Zn, **763.2 g/t Ag**, 0.44 g/t Au from 224.8 m,
  - o including 6.2 m (ETW) @ **2.41% Cu**, 16.33% Pb, 8.87% Zn, **1708.1 g/t Ag**, 0.81 g/t Au from 251.2 m

High grade copper intersected at Bellbird showed that significant mineralisation occurs immediately below the proposed pit outline. Drilling at Bellbird North intercepted high grade copper in a narrow zone of chalcopyrite veinlets beneath the proposed pit.

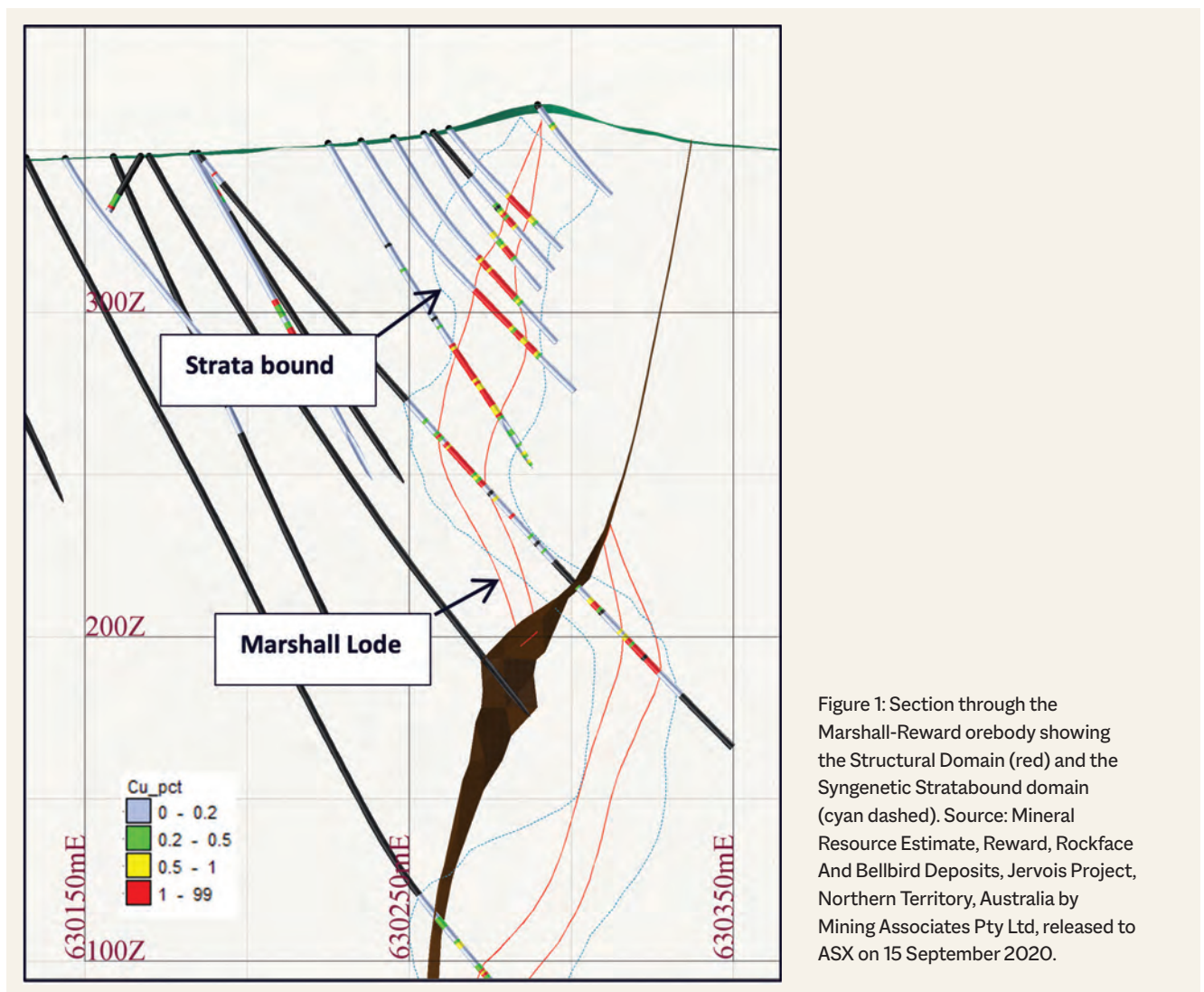
### Jervois geological understanding increased

The enforced hiatus in drilling due to the COVID-19 pandemic allowed KGL's geological team the opportunity to focus on gaining a deeper understanding of the Jervois mineralization. Two main purposes were served by this study.

The first was to develop a robust geological model which formed the framework for the independently conducted, updated mineral resource estimate. The second purpose, no less important, was to assess the exploration potential of KGL's extensive and highly prospective Jervois and Unca Creek mineral tenements.

The geological model underpinning the updated mineral resource estimate was extensively reworked, with a much greater recognition of structural controls on the distribution of copper, silver and gold mineralization. In particular, the recognition of high-grade domains consisting of remobilised ore minerals into structurally prepared zones, was key to delivering a superior and overall higher-grade mineral resource estimate. Figure 11 below shows how the higher-grade structural domains spatially relate to the lower-grade syn-sedimentary mineralized domain. It was ascertained that gold was particularly concentrated inside the structural domains, especially in the Reward Deeps lode.

In early 2021, KGL completed the first stage of a complete review of all historical and recent geophysical surveys and anomalies, with a view to identifying new targets for its 2021 drilling program.



# Operations Review

## Mineral Resources increased and upgraded

In September 2020, KGL announced significantly increased copper and upgraded Mineral Resources at Jervois. The update comprised resources at Reward, Rockface and Bellbird, the three main deposits initially considered for development (resources at high potential Reward South will be re-assessed).

The Resource upgrade delivered:

- 20.97 million tonnes at 2.03% copper, 31.82 g/t silver and 0.29 g/t gold containing
  - 426,200 tonnes copper
  - 21.4 million ounces silver, and
  - 175,700 ounces gold.

The significant upgrading of total Resource Estimates resulted from the Company's consistent strategy of resource expansion and improvement over more than four years.

- The grade of copper has almost doubled from 1.07% to 2.03%.
- Contained copper has increased by 30% to 426,200 tonnes, associated with a 31% reduction in the resource tonnage.
- Increased confidence in the resource has been achieved, with 68% now in the Indicated Resource category.

With additional drilling early in 2021, it is aimed to improve the quality and size of the resource with the intent of extending the mine life and further improving the project economics.

## Pre-Feasibility Study shows Jervois robust operation

Released in December 2020, the Pre-Feasibility Study (PFS) found that Jervois would support a robust mining operation.

The PFS demonstrated

- the potential to develop an initial 7.5 year operation to produce 222,000 t of copper metal (30,000 t per year) in concentrate, with 6.7 Moz silver and 64,000 oz gold by-products
- attractive financial returns with a
  - pre-tax NPV (8% real) of A\$177M and
  - pre-tax IRR of 23.1% with a
  - total investment of pre-production capital of A\$200M and capital payback in 38 months
- based on a forecast copper price of US\$3.08/lb (US\$6,788/t) and exchange rate of 0.71 AUD: USD, Jervois will generate significant annual EBITDA.

## Ore Reserve

Announced at the time of the PFS results in December 2020 was a JORC Ore Reserve of 9.4 Mt at 2.41% Cu, 32.9 g/t Ag and 0.39 g/t Au.

The initial mine plan is largely based on the Reserve and provides for open pit mining at the Reward and Bellbird deposits as well as underground operations via declines at the Reward, Bellbird and Rockface deposits.

Approximately 55% of the copper metal contained in the estimated Resources has been converted into Reserves.

## Feasibility Study

On 2 December 2020, the Board approved proceeding to the Feasibility Study (FS) based on the positive results of the PFS. Work on the FS was well advanced by year's end, some inputs already having been covered in the PFS stage. Alongside the FS, discussions continued with potential providers of project finance.

The PFS mine plan is based on the mining of little more than half of the currently identified resource at Jervois.

A drilling program to upgrade existing resources and to delineate additional resources has now commenced in February 2021. If proven, this will extend the mine life and also optimise the timing of capital expenditure for the development of each deposit, delivering improved financial returns from those in the PFS.





# Reserves and Resources

## Resources

Table 1: Jervois Project Resource Summary

|   | Deposit      | Category  | Mt    | Cu % | Cu kt | Ag/t  | Ag Moz | Au g/t | Au koz |
|---|--------------|-----------|-------|------|-------|-------|--------|--------|--------|
| Open Cut Potential > 0.5 % Cu <sup>1</sup>  | Reward       | Indicated | 3.34  | 1.86 | 62.2  | 41.8  | 4.49   | 0.44   | 47.5   |
|   |              | Inferred  | 0.76  | 0.93 | 7.0   | 9.5   | 0.23   | 0.06   | 1.4    |
|   | Bellbird     | Indicated | 1.33  | 3.08 | 40.9  | 17.4  | 0.74   | 0.23   | 9.8    |
|   |              | Inferred  | 1.40  | 1.19 | 16.6  | 9.1   | 0.41   | 0.10   | 4.5    |
|   | Sub Total    |           | 6.82  | 1.86 | 126.7 | 26.8  | 5.87   | 0.29   | 63.2   |
| Underground Potential > 1 % Cu <sup>2</sup> | Reward       | Indicated | 3.69  | 2.22 | 81.8  | 42.8  | 5.07   | 0.51   | 60.2   |
|   |              | Inferred  | 3.50  | 1.48 | 51.7  | 26.8  | 3.01   | 0.18   | 20.7   |
|   | Rockface     | Indicated | 2.45  | 3.54 | 86.8  | 19.8  | 1.56   | 0.25   | 20.0   |
|   |              | Inferred  | 0.84  | 2.07 | 17.5  | 15.6  | 0.42   | 0.18   | 5.0    |
|   | Bellbird     | Indicated | 0.34  | 3.52 | 11.9  | 22.4  | 0.24   | 0.18   | 2.0    |
|   |              | Inferred  | 1.43  | 2.36 | 33.7  | 16.6  | 0.76   | 0.10   | 4.6    |
|   | Sub Total    |           | 12.25 | 2.31 | 283.4 | 28.1  | 11.06  | 0.29   | 112.5  |
| Cu-Ag-Au Resources                          | Total        |           | 19.07 | 2.15 | 410.0 | 27.6  | 16.94  | 0.29   | 175.7  |
|   |              |           |       |      |       |       |        |        |        |
| Pb/Zn Resources <sup>2</sup>                | Reward South | Indicated | 0.50  | 0.99 | 5.1   | 64.0  | 1.06   |        |        |
| >0.3% Cu                                    |              | Inferred  | 1.40  | 0.81 | 11.1  | 78.0  | 3.44   |        |        |
|   | Pb/Zn Total  |           | 1.90  | 0.86 | 16.2  | 74.2  | 4.50   |        |        |
| All Jervois Project Resources <sup>1</sup>  |              | Indicated | 11.65 | 2.48 | 288.7 | 35.1  | 13.20  |        | 139.4  |
|   |              | Inferred  | 9.33  | 1.48 | 137.6 | 27.8  | 8.23   |        | 36.1   |
|   | Total        |           | 20.97 | 2.03 | 426.2 | 31.82 | 21.44  |        | 175.7  |

1. Cut-off grades: 0.5% Cu above 200m RL, 1% Cu below 200m RL; 200m RL is ±150m below surface and considered to be the depth.

2. The 2015 resource estimate for Reward South had a deposit wide cut-off grade of 0.3% Cu and did not include gold.

The above resources were first reported to the ASX on 15 September 2020. All material assumptions continue to apply.

Refer to Competent persons statement on page 10.

## Ore Reserve

Table 2: Jervois Project Cu-Ag-Au Ore Reserves

| Jervois Project Reserves |     |      |       |        |        |        |        |
|--------------------------|-----|------|-------|--------|--------|--------|--------|
|                          | Mt  | Cu % | Cu kt | Ag g/t | Ag koz | Au g/t | Au koz |
| Reward OC                | 2.6 | 1.90 | 50.0  | 43.5   | 3,670  | 0.48   | 40.9   |
| Bellbird OC              | 1.6 | 1.7  | 27.8  | 9.6    | 485    | 0.1    | 4.7    |
| Sub-total OC             | 4.3 | 1.83 | 77.7  | 31.4   | 4,156  | 0.34   | 45.5   |
|                          |     |      |       |        |        |        |        |
| Rockface UG              | 1.8 | 3.74 | 68.5  | 21.5   | 1,227  | 0.28   | 15.9   |
| Reward UG                | 2.9 | 2.27 | 64.8  | 44.0   | 3,907  | 0.56   | 49.5   |
| Bellbird UG              | 0.4 | 3.55 | 15.0  | 23.1   | 304    | 0.18   | 2.4    |
| Sub Total UG             | 5.1 | 2.90 | 148.3 | 34.2   | 5,438  | 0.43   | 67.9   |
|                          |     |      |       |        |        |        |        |
| Total                    | 9.4 | 2.41 | 226.0 | 32.9   | 9,593  | 0.39   | 113.4  |

The above reserves were first reported to the ASX on 2 December 2020. All material assumptions continue to apply.

Refer to Competent persons statement on page 10.



# Competent Persons Statement

The Jervois resources and reserves information included at Tables 1 and 2 on pages 8 and 9 of the Annual report, were first released to the ASX on 15 Sep 2020 and 2 Dec 2020 respectfully, 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 |
|------|-----|--------------------------|---------------------|
| KJD  | 415 | 17/03/2020               | 2012                |
| KJCD | 416 | 14/04/2020               | 2012                |

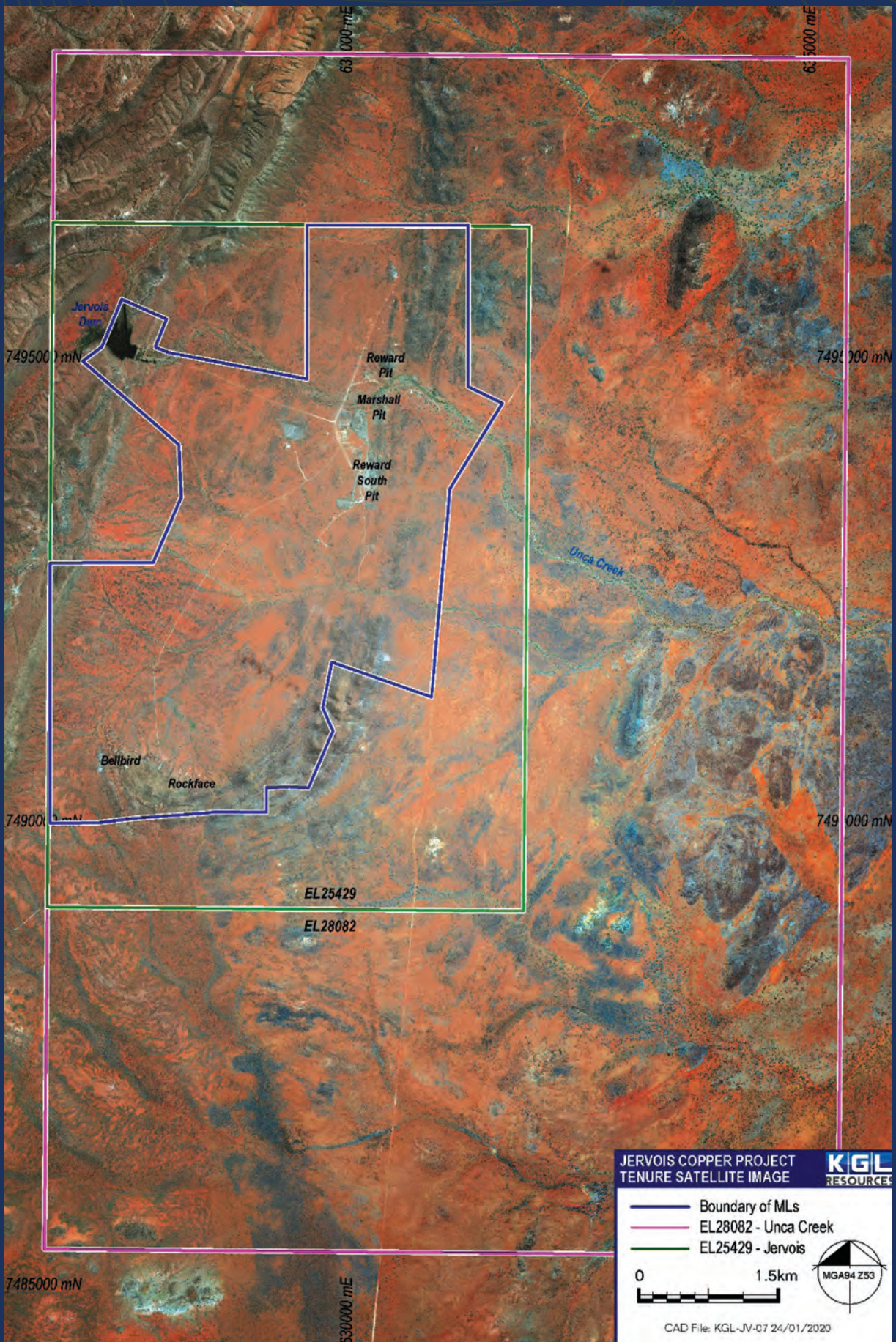




# Tenement Holdings

| 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%               |
| ML 32277        | Jervois Project, Northern Territory | 100%               |
| EL 25429        | Jervois Project, Northern Territory | 100%               |
| EL 30242        | Jervois Project, Northern Territory | 100%               |
| EL 28340        | Yambah, Northern Territory          | 100%               |
| EL 28271        | Yambah, Northern Territory          | 100%               |
| EL 28082        | Unca Creek, Northern Territory      | 100%               |





Map 1: KGL Jervois tenement map, Central NT

# Corporate Governance Statement

## Lay solid foundations for management and oversight.

### The Board Charter

The over-riding responsibility of the Board, as set out in the Board Charter, is to act honestly, fairly, diligently and in accordance with the law in serving the interests of the Company's shareholders, as well as its employees and its customers. The Board should work to promote and maintain an environment within the Company that establishes these principles as basic guidelines for all of its employees and representatives at all times.

More specifically, the role of the Board is to provide strategic guidance for the Company and to effectively oversee management of the Company.

The Board charter sets out the Board's responsibilities as

- (a) overseeing the Company, including its control and accountability systems;
- (b) appointing and removing the CEO and senior executives, and monitoring performance of the CEO and senior executives;
- (c) 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;
- (d) approval of corporate strategy, financial plans and performance objectives;
- (e) reviewing, ratifying and monitoring systems of risk management and internal control, codes of conduct and legal compliance;
- (f) monitoring occupational health, safety and environmental performance and compliance and ensuring commitment of appropriate resources;
- (g) evaluating, approving and monitoring major capital expenditure, capital management and all major corporate transactions, including the issue of securities of the Company; and
- (h) approving all financial reports and material reporting and external communications by the Company.

Management, led by 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. 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.

A copy of the Board Charter can be found on the company's website [www.kglresources.com.au](http://www.kglresources.com.au).

### Nomination and Appointment of Directors.

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.

### Terms of Appointment for Directors and Executives.

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.

### Company Secretary

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.

### Diversity Policy

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.

The Company is proud of the progress in increasing the diversity of the KGL board and workforce. With only 4 directors and 9 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 field assistant roles.

The company is not a “relevant employer” as defined under the Workplace Gender Equality Act.

A copy of the Diversity and Inclusiveness Policy can be found on the company website [www.kglresources.com.au](http://www.kglresources.com.au).

### Board Evaluation

The Company is yet to develop a procedure for evaluating the performance of the Board. The composition of the board changed at the end of 2020 and directors are now in the process of considering a replacement non-executive director. As the Company advances the development of the Jervois Copper project, consideration will be made of how best to structure a board performance review.

### Senior Executive Evaluation

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.

## Structure the Board to be Effective and Add Value

### Nomination Committee

The Board has established a Remuneration and Nomination committee. The Committee is currently comprised of two independent directors, however it is the intention to add another non-executive director to the board in the coming months.

The current committee members are:

Mr Peter Hay (Chairman and independent, non-executive director)

Ms Fiona Murdoch (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.

The Remuneration and Nomination Committee Charter is currently under review but will be added to the company's website under the Corporate Governance section.

### Board Skills

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. The Board is in the process of recruiting a new director to the Board and consideration will be made in relation to the existing skills represented by the current directors. 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.



# Corporate Governance Statement

- 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

## Independent Directors

The board currently has two independent, non-executive directors.

Mr Peter Hay

Ms Fiona Murdoch

It is the intention of the Board to add another non-executive director and it will be a criterion of the engagement of the new director that they satisfy the conditions to be considered independent.

When the new director is engaged, the Board will return to having a majority of independent, non-executive directors.

## Chairman and CEO Roles

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 had considered the arrangement is appropriate given the significant experience that Mr Wood has in the development of resource projects, the size of the company. However, it has recently been announced to the ASX that the Company is in the process of recruiting a CEO to further advance the development of the Jervois project.

## Director Induction

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.

## Instil a culture of acting lawfully, ethically and responsibly

### Company Values

The Company has developed a set of are the guiding principles and norms that define what type of company that KGL Resources aspires to be and what it requires from its directors, senior executives and employees to achieve that aspiration.

All policies and procedures use these values as the basis for development.

**OUR VALUES** are at the core of everything we do



**INTEGRITY**

We do what we say



**ACCOUNTABILITY**

We own our actions



**RESPECTFUL**

We act with dignity



**SUSTAINABLE**

We achieve robust outcomes

### Code of Conduct

The Company's Code of Conduct outlines what is expected of everyone who works for KGL, regarding our responsibilities to shareholders, employees, customers, suppliers, consumers and the broader community.

The Code of Conduct applies to everyone who works for KGL – directors, officers, employees and contractors – and covers business activities with all stakeholders in Australia and overseas.

The Code of Conduct is to be read in conjunction with KGL's policies and procedures and other relevant documents including employment contracts.

The policies advises the process for informing of non-compliances.

A copy of the Code of Conduct can be found on the company's website [www.kglresources.com.au](http://www.kglresources.com.au).

### Whistleblower Policy

The company has introduced a comprehensive Whistleblower Policy that states the Company's commitment to doing business in an open and accountable way through supporting a culture of honest and ethical behaviour. The Company recognises that an important aspect of this is that individuals feel confident about reporting any concerns they may have about suspicious activity or wrongdoing in relation to our business activities without fear of harm or reprisal.

The policy details the process that should be followed to enable the protection of the whistleblower as well as the reporting requirements of issues raised.

A copy of the Whistleblower Policy can be found on the company's website [www.kglresources.com.au](http://www.kglresources.com.au).

## Anti-bribery and Corruption

The Company is yet to develop an Anti-bribery and Corruption Policy however it has been identified that this will be an important part of the Company's governance framework as the Jervois project is brought into production.

## Safeguarding the Integrity of Corporate Reports

### Audit Committee

The Company has established an Audit and Risk Committee to assist the Board in its oversight of:

- o the integrity of the Company's accounting and financial reporting practices;
- o the company's risk profile and risk policies;
- o the effectiveness of the Company's system of internal control and framework for risk management; and
- o the Company's compliance with applicable legal and regulatory obligations.

The specific responsibilities and functions of the Committee in relation to audit, as set out in the Charter, are:

- o 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;
- o assessing the management processes supporting external reporting;
- o 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;
- o making recommendations to the Board about the appointment and removal of the Company's external auditor;
- o 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);
- o 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;
- o monitoring, reviewing and assessing the propriety of related party transactions;
- o comprehensive risk management system across the Company;

The Committee is currently comprised of two directors, both of whom are independent.

The committee members are:

Ms Fiona Murdoch (Chair, Independent non-executive director).

Mr Peter Hay (Independent non-executive)

It is the intention of the Board to add another non-executive director and it will be a criterion of the engagement of the new director that they satisfy the conditions to be considered independent.

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.

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.

### CEO and CFO Declarations

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

- o 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
- o That an opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

### Verify Corporate Reports Not Audited

Any periodic corporate reports that are released to the market are prepared or reviewed by the Company's CFO. In relation to the Quarterly Cashflow Report, the CEO and CFO make the following declaration that:

1. The financial records of the company/disclosing entity have been properly maintained in accordance with section 286 of the Corporations Act 2001.
2. The financial statements, comprising the statement of profit or loss and other comprehensive income, statement of financial position, statement of cash flows, statement of changes in equity, and accompanying notes, are in accordance with the Corporations Act 2001 and:
  - (a) comply with Accounting Standards and the Corporations Regulations 2001; and
  - (b) give a true and fair view of the financial position as at 31 December 2020 and of the performance for the period ended on that date of the company and the consolidated entity.
3. Any other matters prescribed by the Regulations for the purposes of section 295A have been satisfied in relation to the financial statements and notes for the financial year.
4. The financial statements are founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board. The company's risk management and internal compliance and control systems are operating efficiently and effectively in all material respects.

# Corporate Governance Statement

## Make Timely and Balanced Disclosure

### Continuous Disclosure Obligations

The Board is developing a policy to ensure that all employees understand the requirements of continuous disclosure. This policy, once developed, will formalise the practice for employees who become aware of potentially price sensitive information, to immediately report this to the Executive Chairman or Company Secretary.

The Policy, when approved, will be listed on the Company's website [www.kglresources.com.au](http://www.kglresources.com.au).

### Advice of Market Announcements

All directors receive a copy of the final version of all material market announcements both prior to the announcement being released to the ASX and after confirmation has been received from the ASX that the announcement has been released to the market.

### Company Presentations

The Company regularly updates its Corporate presentations used for investors, annual general meeting and conferences and provides the ASX with copies of this material prior to the presentations. Additionally, for Annual General Meetings, the Company provides a written transcript of the Chairman's address to these meetings.

## Respect the Rights of Security Holders

### Company Details and Governance on 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.

- o Audit & Risk Committee Charter
- o Board Charter
- o Bullying and Harassment Policy
- o Diversity and Inclusiveness Policy
- o Environmental Policy
- o KGL Resources Constitution
- o Mental health and Wellbeing Policy
- o Privacy Policy
- o Securities Trading Policy
- o Whistleblowers Policy
- o Workplace Health and Safety Policy

### Investor Relations Program

The Company has not established a formal investor relations program and the Board considers it appropriate for the Company's stage of development. The Company 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 to ASX to keep members abreast of developments. The Company also maintains a website - [www.kglresources.com.au](http://www.kglresources.com.au) - where all of the Company's ASX announcements and media releases can be viewed at any time.

### 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.

### Security Holder Resolutions

The Company held its Annual General meeting in May 2020 with all resolutions being decided by poll. It is the Company's intention to have all resolutions, not only those considered to be substantive, at future meetings decided by a poll.

### Electronic Communications

The Company's Share Registry provides shareholders to opportunity to register an email address to receive electronic communication of information provided by the Share Registry e.g. advice on Entitlement Offers, Notice of Meetings.

Additionally, the Company provides a subscription service whereby subscribers can receive advise of ASX announcements after their release to the market.

## Recognise and Manage Risk

### Risk Committee

The Company has established an Audit and Risk Committee to assist the Board in its oversight of:

- o the integrity of the Company's accounting and financial reporting practices;

- o the company's risk profile and risk policies;
- o the effectiveness of the Company's system of internal control and framework for risk management; and
- o the Company's compliance with applicable legal and regulatory obligations.

The responsibilities and functions of the Committee specific to risk, as set out in the Charter, are:

- o 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;
- o ensuring that Management has implemented a structured and comprehensive risk management system across the Company;
- o 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
- o monitoring material changes to the Company's risk profile.

The Committee is currently comprised of two directors, both of whom are independent.

The committee members are:

Ms Fiona Murdoch (Chairman, Independent non-executive director).

Mr Peter Hay (Independent non-executive)

It is the intention of the Board to add another non-executive director and it will be a criterion of the engagement of the new director that they satisfy the conditions to be considered independent.

### **Risk Management Framework**

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. As the Jervois project moves into development and ultimately production, a more formal risk management framework will be finalised.

### **Internal Audit Function**

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.

### **Material Exposure to Environmental or Social Risks**

The activities in KGL and its controlled entities, as in any business, are subject to risks which may impact on KGL future performance. There are a number of factors, both specific to KGL and of a general nature, which may affect the future operating and financial performance and position of KGL and the outcome of an investment in KGL. Some of these risks can be adequately mitigated by the use of safeguards and appropriate systems but many are beyond the control of KGL and its Directors and cannot be mitigated. Specifically, in relation to environmental and social risks the company discloses the following.

#### **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.

Given KGL's 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. Of particular concern will be operating and managing health and safety in an environment where COVID-19 remains a major concern.

# Corporate Governance Statement

## 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.

## 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.

## COVID-19 Pandemic

On 11 March 2020, the World Health Organisation Director-General declared the outbreak of the novel coronavirus (2019-nCoV) a pandemic. Although in Australia the pandemic has largely been suppressed, there are still significant restrictions imposed at a federal, state and territory level. KGL has developed a comprehensive COVID-19 safe plan that has allowed the resumption of drilling on site however there also exists the possibility that the virus could re-emerge resulting in restrictions being strengthened which would impact significantly on the company's planned activities.

## Remunerate Fairly and Responsibly

### Remuneration Committee

The Board has established a Remuneration and Nomination committee. The Committee is currently comprised of two independent directors, however it is the intention to add another non-executive director to the board in the coming months.

The current committee members are:

Mr Peter Hay (Chairman and independent, non-executive director)

Ms Fiona Murdoch (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.

The Remuneration and Nomination Committee Charter is currently under review but will be added to the company's website under the Corporate Governance section.

### Remuneration Policies and Practices

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.

Full details of payments to executives can be found in the Remuneration Report as part of the Director Report section of the Annual Report.

### Equity based remuneration risk

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](http://www.kglresources.com.au).

# Additional Information

Additional Information - as at 23 March 2021

## 1. Names of Substantial Holders

| Name of Holder                         | No of Securities        | % Issued Capital   |
|--|-------------------------|--------------------|
| KMP Investments Pte Ltd                | 96,252,777              | 24.86%             |
| Mr Denis Wood                          | 35,588,088              | 9.19%              |
| Marshall Plenty Investments            | 28,331,249              | 7.32%              |
| Pegasus CP One                         | 22,001,420              | 5.68%              |
| Paradice Investment Management Pty Ltd | 18,232,211 <sup>1</sup> | 4.71% <sup>2</sup> |

<sup>1</sup> per substantial shareholder notice dated 2 March 2021

<sup>2</sup> recalculated on current issued share capital, in absence of updated substantial shareholder notices.

## 2. Number of holders in each class of equities

|                 | No of Holders | No of Units |
|-----------------|---------------|-------------|
| Ordinary Shares | 2,636         | 387,115,012 |

## 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  | 357,442,701        | 196           |
| 10,001 to 100,000 | 23,826,055         | 750           |
| 5,001 to 10,000   | 3,084,290          | 409           |
| 1,001 to 5,000    | 2,669,768          | 981           |
| 1 to 1,000        | 92,198             | 300           |
| <b>Total</b>      | <b>387,115,012</b> | <b>2,636</b>  |

## 5. Unmarketable Parcels

Number of holders with a holding of less than a marketable parcel is 231 (705 securities, at a price of \$0.71 on 22 March 2021).

# Additional Information

## 6. 20 Largest holders in each class of quoted security

| Rank | Name  | 23 Mar 2021 (*)    | %IC          |
|------|---|--------------------|--------------|
| 1    | KMP INVESTMENTS PTE LTD   | 96,252,777         | 24.86        |
| 2    | J P MORGAN NOMINEES AUSTRALIA PTY LIMITED                                   | 45,417,279         | 11.73        |
| 3    | MR DENIS LESLIE WOOD & MRS ANNE WOOD  | 30,832,829         | 7.96         |
| 4    | MARSHALL PLENTY INVESTMENTS   | 28,331,249         | 7.32         |
| 5    | HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED                                   | 17,508,774         | 4.52         |
| 6    | BELL POTTER NOMINEES LTD  | 14,211,619         | 3.67         |
| 7    | NATIONAL NOMINEES LTD   | 14,092,977         | 3.64         |
| 8    | CITICORP NOMINEES PTY LIMITED   | 11,601,331         | 3.00         |
| 9    | RAVELLO GROUP PTY LIMITED   | 6,011,614          | 1.55         |
| 10   | ROBRIAN PTY LTD   | 5,384,616          | 1.39         |
| 11   | HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED                                   | 4,920,335          | 1.27         |
| 12   | COAL INDUSTRY SERVICES PTY LTD  | 4,755,259          | 1.23         |
| 13   | SCML INVESTMENTS PTY LTD  | 3,159,007          | 0.82         |
| 14   | BNP PARIBAS NOMINEES PTY LTD  | 2,921,135          | 0.75         |
| 15   | HAY SUPERANNUATION PTY LTD  | 2,771,571          | 0.72         |
| 16   | MR CHRISTOPHER IAN WALLIN & MS FIONA KAY MCLOUGHLIN & MRS SYLVIA FAY BHATIA | 2,448,996          | 0.63         |
| 17   | TRI-STAR ENERGY COMPANY   | 2,188,685          | 0.57         |
| 18   | UBS NOMINEES PTY LTD  | 2,076,566          | 0.54         |
| 19   | INVIA CUSTODIAN PTY LIMITED   | 1,900,000          | 0.49         |
| 20   | ANGEL FIRE INVESTMENTS PTY LTD  | 1,726,924          | 0.45         |
|      | <b>Total</b>  | <b>298,513,543</b> | <b>77.11</b> |

(\*) After entitlement offer allotment, pre-market open on 23 March 2021.

## 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.

# Financial statements

For The Year Ended 31 December 2020

|           |  |
|-----------|--|
| <b>24</b> | Directors' Report  |
| <b>37</b> | Auditor's Independence Declaration                         |
| <b>38</b> | Statement of Profit or Loss and Other Comprehensive Income |
| <b>39</b> | Statement of Financial Position                            |
| <b>40</b> | Statement of Cash Flows                                    |
| <b>41</b> | Statement of Changes in Equity                             |
| <b>42</b> | Notes to the Financial Statements                          |
| <b>65</b> | Directors' Declaration                                     |
| <b>66</b> | Independent Auditor's Report                               |



# Directors' Report

## KGL RESOURCES LIMITED AND ITS CONTROLLED ENTITIES

ABN 52 082 658 080

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 2020.

### 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 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

### 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 a representative for KMP Investments Pte Ltd, subsidiary of Salim Group

He is responsible for managing the Salim Group's investments in Australia. The Salim Group is a diversified multinational business group which owns various interests in mining, food products, agribusiness, retail, automobile, banking and financial and property sectors.

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, 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

Peter 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.

## 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 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

Resigned 31 December 2020

John 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*

None.

*Former Directorships of ASX Listed Companies in last three years*

Hillgrove Resources Ltd - Chairman (retired 24 April 2020),

Highlands Pacific Ltd and Kasbah Resources Ltd

# Directors' Report

## KGL RESOURCES LIMITED AND ITS CONTROLLED ENTITIES

ABN 52 082 658 080

### COMPANY SECRETARY

#### Kylie Anderson

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.

BSc, MBA (Int. Bus.) MPA, MAICD

Appointed 2 January 2008

### 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        | 35,588,088      | -                            |
| F Purnamasidi | 646,154         | -                            |
| P Hay         | 2,771,571       | -                            |
| F Murdoch     | 83,451          | -                            |

### 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        | 11    | 11       |
| F Purnamasidi | 11    | 11       |
| P Hay         | 11    | 11       |
| J Gooding     | 11    | 11       |
| F Murdoch     | 11    | 11       |

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

### Committee membership and meetings

Ms Fiona Murdoch is Chair of the Audit and Risk Committee along with Peter Hay as a member.

Peter Hay is Chair of the Remuneration Committee along with Fiona Murdoch as a member.

|               | Audit and Risk Committee |          | Remuneration Committee |          |
|---------------|--------------------------|----------|------------------------|----------|
|               | Held*                    | Attended | Held*                  | Attended |
| Directors     |                          |          |                        |          |
| D Wood        | -                        | -        | -                      | -        |
| F Purnamasidi | -                        | -        | -                      | -        |
| Peter Hay     | 3                        | 3        | 3                      | 3        |
| J Gooding     | 3                        | 3        | 3                      | 3        |
| F Murdoch     | 3                        | 3        | 3                      | 3        |

\*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 Copper project in the Northern Territory.

### Employees

The Group employed 9 employees as of 31 December 2020 (2019: 7 employees).

### DIVIDENDS

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

## REVIEW OF OPERATIONS

KGL has continued to progress the Jervois project to development through the 2020 financial year, despite the challenges imposed by the global COVID-19 pandemic, with several key milestones delivered during and immediately after the year.

The key milestones achieved were: -

- ✓ Using the COVID-19 enforced cessation of onsite activities to improve geological understanding of the Jervois prospect as a high-grade strata-bound domain, leading to an upgrade of Jervois' Copper Project Resources:
  - **20.97 million tonnes at 2.03% copper, 31.9 g/t silver and 0.29 g/t gold containing: - 426,200 tonnes copper, 21.4 million ounces silver, and 175,700 ounces gold.**
- ✓ Delivery of a Pre-Feasibility Study, indicating the Jervois Copper Project is financially robust, with an initial mine life of 7.5 years, and attractive project economics.
- ✓ Ore Reserves reported of 9.4 Mt at 2.41% Cu, 32.9 g/t Ag and 0.39 g/t Au.
- ✓ Board decision to proceed to full Feasibility Study for Jervois, with activities commencing before year's end for report delivery in 2021.
- ✓ NT Government approval of Jervois' Mining Management Plan by the NT government, representing the last major regulatory approval required before construction can commence.

### Project Development

#### Pre-Feasibility Study

Released in December 2020, the Pre-Feasibility Study (PFS) found that Jervois would support a robust mining operation.

The PFS demonstrated the potential to develop an initial 7.5-year operation to produce 222,000 t of copper metal (~30,000 t per year) in concentrate, with 6.7 Moz silver and 64,000 oz gold by-products.

### PFS Key Metrics<sup>1</sup>

| Financial Metrics                   | Units  | PFS Dec 2020 |
|-------------------------------------|--------|--------------|
| Pre-Production Capex <sup>(2)</sup> | A\$m   | 200          |
| Total Revenue <sup>(3)</sup>        | A\$m   | 2,462        |
| Project Cashflow (pre-tax)          | A\$m   | 385          |
| NPV (8%, real, pre-tax)             | A\$m   | 177          |
| IRR (pre-tax)                       | %      | 23.1         |
| Payback period                      | Months | 38           |
| Physicals                           | Units  | PFS Dec 2020 |
| Mineralised material mined          | M dmt  | 11.3         |
| Cu Head Grade                       | %      | 2.20         |
| Cu in Concentrate                   | kt Cu  | 222          |
| Ag in Concentrate                   | Moz    | 6.7          |

### PFS Assumptions

| Assumptions     | Measure          | PFS Dec 2020 |
|-----------------|------------------|--------------|
| Cu Price        | US\$ t / US\$ lb | 6,788 / 3.08 |
| AUD/USD         | Exchange Rate    | 0.71         |
| Initial LOM     | Years            | 7.5          |
| Processing rate | Mtpa             | 1.6          |

(1) For full details, refer to ASX Announcement dated 2 December 2020. All material assumptions continue to apply.

(2) Excludes working capital requirements.

(3) Gross Revenue, including by-product credits

# Directors' Report

## KGL RESOURCES LIMITED AND ITS CONTROLLED ENTITIES

ABN 52 082 658 080

### REVIEW OF OPERATIONS (CONTINUED)

#### Ore reserve<sup>1</sup>

Announced at the time of the PFS results in December 2020 was a JORC Ore Reserve of 9.4 Mt at 2.41% Cu, 32.9 g/t Ag and 0.39 g/t Au.

The initial mine plan is largely based on the Reserve and provides for open pit mining at the Reward and Bellbird deposits as well as underground operations via declines at the Reward, Bellbird and Rockface deposits.

Approximately 55% of the copper metal contained in the estimated Resources has been converted into Reserves.

#### Feasibility study and future workplan

The Board announced their decision to progress to feasibility study for the Jervois project in December 2020. Planning and study work is well underway, on-site resource infill drilling commenced in February 2021 with study completion planned for the second half of calendar year 2021.

Initial project financing discussions are taking place, with this process running concurrently with the feasibility study work program.

### Exploration

Drilling in early 2020 yielded further positive results, with hole KJCD416 at Reward South intercepting:

- 22.1 m (ETW) @ 1.02% Cu, 7.57% Pb, 5.26% Zn, 763.2 g/t Ag, 0.44 g/t Au from 224.8 m,
  - o including 6.2 m (ETW) @ 2.41% Cu, 16.33% Pb, 8.87% Zn, 1708.1 g/t Ag, 0.81 g/t Au from 251.2 m

With the onset of COVID-19, in March 2020 the Board decided to place the Jervois Project site on care and maintenance, to protect the local communities, employees and contractors from risks posed by the pandemic. NT-based employees effectively managed the site for the remainder of the 2020 year.

This additional time allowed the KGL geological team to improve geological understanding of the Jervois prospect as a high-grade strata-bound domain, leading to an upgrade of Jervois' Copper Project Resources announced in September 2020. A summary of the reserves and resources for Jervois can be found on page 8 and 9 of the Annual report.

At the time of this report, on site activities have recommenced under newly established COVID-19 management practices designed to protect the health and wellbeing of our staff, contractors, and local communities. These have had minimal overall effect to the workforce and site-based activities have largely continued as normal. There were no KGL or contractor partner employees affected by COVID-19 throughout the period.

Refer to the operations review in the front section of the Annual Report for more detail on the operational activities for the year ended 31 December 2020.

(1) For full details, refer to ASX Announcement dated 2 December 2020. All material assumptions continue to apply.

### FINANCIAL REVIEW

For the year ended 31 December 2020, the KGL Group recorded loss after income tax of \$1,248,140 (2019: loss of \$2,328,377).

Employee expenses decreased in the year to 31 December 2020 to \$569,938 (2019: \$1,807,453) resulting from the issue of shares to key management personnel in lieu of remuneration (\$1,000,000) in the prior year.

The KGL cash reserve as at 31 December 2020 was \$5,157,935, including \$4,753,529 in term deposits.

### CAPITAL RAISINGS / CAPITAL STRUCTURE

In July 2020, KGL raised \$3.8 million before costs in an entitlement offer to existing shareholders, with the purpose of providing funds for pre-development modelling for the Jervois project. The pre-feasibility study report was delivered in December 2020.

In the entitlement offer, KGL made a 2 for 25 non-renounceable entitlement offer of fully paid shares issued at 16 cents per share representing a 8.6% discount to the traded price on the last day prior to the offer being announced.

Several Top 10 shareholders in KGL participated in the capital raising, including KGL's largest shareholder KMP Investments Pte Ltd.

Subsequent to the reporting date, on 22 February 2021, the Company announced completion of an Institutional Placement and Entitlement offer. See Events After the Reporting Period for further details.

## **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*

KGL's 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, especially given the impact of the COVID-19 pandemic, 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's exploration and mining tenements and obtaining all consents and approvals necessary for the conduct of its exploration activities. Exploration on KGL's 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's 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. There is a complex, multidisciplinary process underway 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.

# Directors' Report

## KGL RESOURCES LIMITED AND ITS CONTROLLED ENTITIES

ABN 52 082 658 080

### **MATERIAL BUSINESS RISKS (continued)**

#### *Occupational Health and Safety*

Given KGL's 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. Of particular concern will be operating and managing health and safety in an environment where COVID-19 remains a major concern.

#### *Limited Operating History of KGL*

KGL has limited operating history on which it can base an evaluation of its future prospects. If KGL's 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's 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's 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's 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.

#### *Availability of Equipment and Contractors*

Prior to the COVID-19 pandemic, the availability of appropriate equipment, including drill rigs, was in short supply. There was also high demand for contractors providing other services to the mining industry. The extent to which COVID-19 will impact on the availability of equipment and contractors in the future is uncertain at this stage but there will be an effect. 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. These fluctuations were exacerbated by the worldwide spread of the COVID-19 virus and at this stage, forecast recoveries from the impact of the virus are speculative. 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. Although in Australia the pandemic has largely been suppressed, there are still significant restrictions imposed at a federal, state and territory level. KGL has developed a comprehensive COVID-19 safe plan that has allowed the resumption of drilling on site however there also exists the possibility that the virus could re-emerge resulting in restrictions being strengthened which would impact significantly on the company's planned activities.

## **SUMMARY OF SHARES AND OPTIONS ON ISSUE**

As at the date of this report there were 387,115,012 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 philosophy 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 considers that to maximise stakeholder benefits, the evaluation of the performance of the executive team appropriate for KGL's present circumstance (a mining explorer, looking to get into development and production) should contain Key Performance Indicators (KPIs) related to the achievement of project milestones (delivery of the Jervois Feasibility Study, obtaining Project Financing and First Production).

KGL presently does not have a formal Short-Term Incentive (STI) or Long-Term Incentive (LTI) Scheme. As the Company moves through its life cycle from an exploration company towards development and production, it is envisaged a more formal STI and LTI scheme would be established, as is usual once listed mining entities reach the production stage.

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, the executive chairman and chief financial officer, who have significant influence over the Group's operating performance.



# Directors' Report

## KGL RESOURCES LIMITED AND ITS CONTROLLED ENTITIES

ABN 52 082 658 080

### 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 2020.

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 2020, there were no such additional fees paid to Directors (2019: nil).

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 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 2020. 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.

## Relationship between remuneration and the Company's performance

The earnings of the consolidated entity for the five years to 31 December 2020 are summarised below:

|                                | 2020        | 2019                     | 2018        | 2017        | 2016        |
|--------------------------------|-------------|--------------------------|-------------|-------------|-------------|
|                                | \$          | \$                       | \$          | \$          | \$          |
| Sales revenue                  | -           | -                        | -           | -           | -           |
| EBITDA                         | (1,238,314) | (2,443,690)              | (1,508,769) | (1,331,131) | (2,282,623) |
| EBIT                           | (1,289,535) | (2,494,448)              | (1,521,183) | (1,340,161) | (2,290,988) |
| Profit/(Loss) after income tax | (1,248,140) | (2,328,377)              | (1,229,078) | (1,264,772) | (2,262,359) |
| Total KMP remuneration         | 538,695     | 1,287,331 <sup>(*)</sup> | 238,685     | 163,635     | 558,490     |

(\*) In 2019, the remuneration paid included \$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 previous 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:

|  | 2020   | 2019   | 2018   | 2017   | 2016    |
|--|--------|--------|--------|--------|---------|
| Share price at financial year end (\$)     | \$0.27 | \$0.23 | \$0.29 | \$0.36 | \$0.265 |
| Total dividends declared (cents per share) | -      | -      | -      | -      | -       |
| Basic loss per share (cents per share)     | (0.39) | (0.83) | (0.50) | (0.65) | (1.33)  |

### D. 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.

### E. 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.

#### Remuneration of chief financial officer

##### Amy Treble

Under contractual arrangements, Mrs Treble is entitled to fixed annual remuneration of \$280,000 including statutory superannuation, subject to annual review.

#### 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.

# Directors' Report

## KGL RESOURCES LIMITED AND ITS CONTROLLED ENTITIES

ABN 52 082 658 080

### E. Remuneration of directors and executives (continued)

Remuneration of non-executive directors (continued)

#### 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. Mr Gooding resigned from his position on the Board effective 31 December 2020.

#### Fiona Murdoch

By mutual agreement approved by the Board, Ms 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 received the following compensation for their services during the year.

|                               | Short-term benefits# | Post-employment benefits | Share-based payment - shares | Total     | % total performance related |
|-------------------------------|----------------------|--------------------------|------------------------------|-----------|-----------------------------|
|                               | Cash salary and fees | Superannuation           |                              |           |                             |
| Year ended 31 Dec 2020        | \$                   | \$                       | \$                           | \$        | %                           |
| <b>Directors</b>              |                      |                          |                              |           |                             |
| D Wood                        | 47,250               | 4,489                    | -                            | 51,739    | -                           |
| 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    | -                           |
| Sub-total                     | 236,250              | 22,445                   |                              | 258,695   | -                           |
| <b>Other KMP</b>              |                      |                          |                              |           |                             |
| A Treble                      | 255,708              | 24,292                   | -                            | 280,000   | -                           |
| Total                         | 491,958              | 46,737                   | -                            | 538,695   | -                           |
| <b>Year ended 31 Dec 2019</b> | <b>\$</b>            | <b>\$</b>                | <b>\$</b>                    | <b>\$</b> | <b>%</b>                    |
| <b>Directors</b>              |                      |                          |                              |           |                             |
| 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    | -                           |
| Sub-total                     | 236,250              | 22,445                   | 1,000,000                    | 1,258,695 | 79.4                        |
| <b>Other KMP</b>              |                      |                          |                              |           |                             |
| A Treble**                    | 26,152               | 2,484                    | -                            | 28,636    | -                           |
| Total                         | 262,402              | 24,929                   | 1,000,000                    | 1,287,331 | 78.2                        |

\* Resigned effective 31 December 2020.\*\* Appointed 25 November 2019.

# There are no long service leave or annual leave entitlements to be included in post-employment benefits for any of the directors and the executive chair, as none are entitled.

## G. Service Contracts

Remuneration and other terms of employment for key management personal (KMP), other than non-executive directors and the executive chair, are formalised in service agreements. Details of these agreements are as follows:

| Name                | Mrs Amy Treble   |
|---------------------|--|
| Title               | Chief Financial Officer (CFO)  |
| Agreement Commenced | 25 November 2019   |
| Term of Agreement   | Until terminated in accordance with the provisions of the agreement.   |
| Key terms           | The key terms of this agreement are as follows: <ul style="list-style-type: none"><li>• The term is ongoing whilst Mrs Treble is CFO.</li><li>• Remuneration of \$280,000, inclusive of superannuation, and is subject to annual review by the Board.</li><li>• No contractual STI, LTI; and no termination payments, other than statutory entitlements.</li></ul> |

## H. Cash bonuses

There were no cash bonuses granted in relation to the 2020 or 2019 financial year to any KMP.

## I. Options granted as part of remuneration

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

## J. Equity instruments issued on exercise of remuneration options

There were no equity instruments issued during the current or prior period to key management personnel as a result of options exercised that had previously been granted as compensation.

## K. 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.

## L. Shareholdings of directors and key management personnel

| 31 December 2020 | Balance 1 January 2020 | Granted as Remuneration | Entitlement Offer | On Market Purchases | Balance 31 December 2020 |
|------------------|------------------------|-------------------------|-------------------|---------------------|--------------------------|
| Directors        |                        |                         |                   |                     |                          |
| D Wood           | 30,264,422             | -                       | 2,447,857         | 333,802             | 33,046,081               |
| F Purnamasidi    | 600,000                | -                       | -                 | -                   | 600,000                  |
| P Hay            | 2,382,964              | -                       | 190,637           | -                   | 2,573,601                |
| J Gooding        | 10,000                 | -                       | 1,800             | -                   | 11,800                   |
| F Murdoch        | 71,750                 | -                       | 5,740             | -                   | 77,490                   |
| <b>Other KMP</b> |                        |                         |                   |                     |                          |
| A Treble         | -                      | -                       | -                 | -                   | -                        |
| Total            | 33,329,136             | -                       | 2,646,034         | 333,802             | 36,308,972               |

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.

## M. 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 \$29,440 was paid during the current financial year (2019: \$77,930). The services were provided on an arm's length basis.

There were no other transactions with key management personnel (2019: nil). At year end, there were no outstanding amounts receivable from or payable to key management personnel (2019: nil).

THIS IS THE END OF THE REMUNERATION REPORT (AUDITED)

# Directors' Report

## KGL RESOURCES LIMITED AND ITS CONTROLLED ENTITIES

ABN 52 082 658 080

### 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

On 7 January 2021, KGL announced that the Mining Management Plan for the Jervois Copper project had received approval from the NT government. This is the last major regulatory approval required before the development of Jervois can commence.

On 22 February 2021, the Company announced a successful Institutional Placement issuing 28,571,427 shares at \$0.42 and raising \$12.0 million, before costs. Simultaneously, a 1 for 13 Entitlement offer at the same subscription price of \$0.42 was announced. The offer closed on the 16 March 2021, raising \$9.57 million, before costs.

No other 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.

### 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 37 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 2021

# Declaration of Independence

## KGL RESOURCES LIMITED AND ITS CONTROLLED ENTITIES

ABN 52 082 658 080



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 2020, I declare that, to the best of my knowledge and belief, there have been:

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

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

A handwritten signature in black ink, appearing to read 'T R Mann', is written over a light grey rectangular background.

**T R Mann**  
Director

**BDO Audit Pty Ltd**

Brisbane, 23 March 2021

BDO Audit Pty Ltd ABN 33 134 022 870 is a member of a national association of independent entities which are all members of BDO Australia Ltd ABN 77 050 110 275, an Australian company limited by guarantee. BDO Audit Pty Ltd and BDO Australia Ltd are members of BDO International Ltd, a UK company limited by guarantee, and form part of the international BDO network of independent member firms. Liability limited by a scheme approved under Professional Standards Legislation.

## 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 2020

|  | Note  | Consolidated       |             |
|--|-------|--------------------|-------------|
|  |       | 2020               | 2019        |
|  |       | \$                 | \$          |
| Other income   | 3     | <b>142,939</b>     | 166,071     |
| Employee benefits expense  | 4(b)  | <b>(569,938)</b>   | (1,807,453) |
| Administrative expenses  | 4(a)  | <b>(645,008)</b>   | (507,206)   |
| Other expenses   |       | <b>(123,368)</b>   | (121,397)   |
| Depreciation and amortisation expense  |       | <b>(51,221)</b>    | (50,758)    |
| Finance expense  | 4(c)  | <b>(1,544)</b>     | (7,634)     |
| <b>Loss before income tax</b>  |       | <b>(1,248,140)</b> | (2,328,377) |
| Income tax benefit   | 5 (a) | -                  | -           |
| <b>Net profit / (loss) for the year</b>  |       | <b>(1,248,140)</b> | (2,328,377) |
| <b>Other comprehensive income, net of tax</b>  |       | -                  | -           |
| <b>Total comprehensive income for the year</b>   |       | <b>(1,248,140)</b> | (2,328,377) |
| <b>Loss per share for profit / (loss) from attributable to the owners of KGL Resources Limited</b> |       |                    |             |
| Basic loss per share (cents per share)   | 6     | <b>(0.39)</b>      | (0.83)      |
| Diluted loss per share (cents per share)   | 6     | <b>(0.39)</b>      | (0.83)      |

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 2020

|                                      | Note | Consolidated      |               |
|--------------------------------------|------|-------------------|---------------|
|                                      |      | 2020              | 2019          |
|                                      |      | \$                | \$            |
| <b>Current assets</b>                |      |                   |               |
| Cash and cash equivalents            | 7    | 5,157,935         | 6,726,255     |
| Trade and other receivables          | 9    | 23,326            | 171,668       |
| Financial assets                     | 10   | 110,155           | 476,644       |
| Prepayments                          |      | 114,939           | 104,200       |
| <b>Total current assets</b>          |      | <b>5,406,355</b>  | 7,478,767     |
| <b>Non-current assets</b>            |      |                   |               |
| Financial assets                     | 10   | 224,202           | 227,996       |
| Property, plant and equipment        | 11   | 135,869           | 322,357       |
| Exploration and evaluation assets    | 12   | 64,485,044        | 60,140,470    |
| Intangible assets                    | 13   | -                 | 5,350         |
| <b>Total non-current assets</b>      |      | <b>64,845,115</b> | 60,696,173    |
| <b>Total assets</b>                  |      | <b>70,251,470</b> | 68,174,940    |
| <b>Current liabilities</b>           |      |                   |               |
| Trade and other payables             | 15   | 454,307           | 726,465       |
| Lease liabilities                    | 16   | 63,348            | 110,933       |
| <b>Total current liabilities</b>     |      | <b>517,655</b>    | 837,398       |
| <b>Non-current liabilities</b>       |      |                   |               |
| Lease liabilities                    | 16   | 13,427            | 71,663        |
| <b>Total non-current liabilities</b> |      | <b>13,427</b>     | 71,663        |
| <b>Total liabilities</b>             |      | <b>531,082</b>    | 909,061       |
| <b>Net assets</b>                    |      | <b>69,720,388</b> | 67,265,879    |
| <b>Equity</b>                        |      |                   |               |
| Contributed equity                   | 17   | 190,240,532       | 186,537,883   |
| Accumulated losses                   |      | (120,520,144)     | (119,272,004) |
| <b>Total equity</b>                  |      | <b>69,720,388</b> | 67,265,879    |

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



# KGL RESOURCES LIMITED AND ITS CONTROLLED ENTITIES

ABN 52 082 658 080

## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2020

|  | Note | Consolidated       |              |
|--|------|--------------------|--------------|
|  |      | 2020               | 2019         |
|  |      | \$                 | \$           |
| <b>Cash flows from operating activities</b>                  |      |                    |              |
| Receipts in the course of operations                         |      | 578,066            | 1,323,574    |
| Payments to suppliers and employees                          |      | (1,599,396)        | (2,782,591)  |
| Interest received  |      | 40,361             | 192,193      |
| Finance costs - leases                                       | 8(d) | (3,332)            | (7,583)      |
| <b>Net cash used in operating activities</b>                 | 8(a) | <b>(984,301)</b>   | (1,274,407)  |
| <b>Cash flows from investing activities</b>                  |      |                    |              |
| Payment for exploration and evaluation assets                |      | (4,526,675)        | (14,464,953) |
| Payment for property, plant and equipment                    |      | (20,661)           | (32,957)     |
| Movement in financial assets                                 |      | 366,489            | 9,670,305    |
| <b>Net cash provided by / (used in) investing activities</b> |      | <b>(4,180,847)</b> | (4,827,605)  |
| <b>Cash flows from financing activities</b>                  |      |                    |              |
| Proceed from issue of shares                                 |      | 3,828,787          | 12,446,195   |
| Payment of share issue costs                                 |      | (126,138)          | (74,101)     |
| Lease repayments - net of finance costs                      | 8(d) | (105,821)          | (120,029)    |
| <b>Net cash provided by / (used in) financing activities</b> |      | <b>3,596,828</b>   | 12,252,065   |
| <b>Net increase/ (decrease) in cash and cash equivalents</b> |      | <b>(1,568,320)</b> | 6,150,053    |
| Cash and cash equivalents at the beginning of the year       |      | 6,726,255          | 576,202      |
| <b>Cash and cash equivalents at the end of the year</b>      | 7    | <b>5,157,935</b>   | 6,726,255    |

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 CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2020

| Consolidated  | Contributed equity | Accumulated losses   | Total equity       |
|---|--------------------|----------------------|--------------------|
|   | \$                 | \$                   | \$                 |
| <b>Balance at 1 January 2020</b>                            | <b>186,537,883</b> | <b>(119,272,004)</b> | <b>67,265,879</b>  |
|   |                    |                      |                    |
| <b>Loss for the year</b>                                    | -                  | <b>(1,248,140)</b>   | <b>(1,248,140)</b> |
| <b>Other comprehensive income, net of tax</b>               | -                  | -                    | -                  |
| <b>Total comprehensive income for the year</b>              | -                  | <b>(1,248,140)</b>   | <b>(1,248,140)</b> |
|   |                    |                      |                    |
| <b>Transactions with owners in their capacity as owners</b> |                    |                      |                    |
| <b>Issue of share capital (net of costs)</b>                | <b>3,702,649</b>   | -                    | <b>3,702,649</b>   |
| <b>Balance at 31 December 2020</b>                          | <b>190,240,532</b> | <b>(120,520,144)</b> | <b>69,720,388</b>  |

| 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   |

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

# KGL RESOURCES LIMITED AND ITS CONTROLLED ENTITIES

ABN 52 082 658 080

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

### About this report

The financial statements of KGL Resources Limited for the year ended 31 December 2020 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 2020 was authorised for issue in accordance with a resolution of the directors on 23 March 2021. 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 2020. The impact of adopting these standards did not have any impact on the group's accounting policies and did not require retrospective adjustments.
- does not early adopt any Australian Accounting Standards and Interpretations that have been issued or amended but are not yet effective.

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 45 |
| Note 12: Exploration and evaluation costs | Page 50 |
| Note 23: Leases                           | Page 60 |

### 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.

# KGL RESOURCES LIMITED AND ITS CONTROLLED ENTITIES

ABN 52 082 658 080

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

### 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.

### 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 \$1,248,140 and net operating cash outflows of \$984,301 for the period ended 31 December 2020. As at 31 December 2020 the consolidated entity has Cash and Cash equivalents of \$5,157,935.

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 \$3,828,787 through completion of an entitlement offer in 2020; and,
- subsequent to reporting date, KGL announced completion of a \$12 million institutional placement and raised a total of \$9.57 million through a 1 for 13 entitlement offer.
- the Directors believe there is sufficient cash available for the consolidated entity to continue operating until it can raise further capital to fund its ongoing activities.

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

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

### 2. 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.

# KGL RESOURCES LIMITED AND ITS CONTROLLED ENTITIES

ABN 52 082 658 080

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

|                                  | Consolidated   |         |
|----------------------------------|----------------|---------|
|                                  | 2020           | 2019    |
| <b>3. Other income</b>           | \$             | \$      |
| Interest revenue - third parties | <b>42,939</b>  | 166,071 |
| ATO Cashflow Boost Grant         | <b>100,000</b> | -       |
| <b>Total other income</b>        | <b>142,939</b> | 166,071 |

### 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.

#### ATO Cashflow Boost Grant

As part of the Federal government stimulus response to the COVID-19 pandemic, eligible business were able to claim a one off cash refund of PAYG contributions up to \$100,000 per entity between March 2020 and September 2020. KGL and its subsidiaries received \$200,000 under scheme, and \$100,000 has been offset against exploration and evaluation assets where the associated exploration payroll expenditures were capitalised.

|   | Consolidated   |           |
|---|----------------|-----------|
|   | 2020           | 2019      |
| <b>4. Expenses</b>                                  | \$             | \$        |
| <b>(a) Administrative expenses</b>                  |                |           |
| Professional and consulting fees                    | <b>315,429</b> | 205,528   |
| Business development and investor relations         | <b>47,165</b>  | 54,025    |
| Corporate office overheads                          | <b>138,509</b> | 116,131   |
| Corporate fees                                      | <b>78,441</b>  | 69,482    |
| Insurance   | <b>61,620</b>  | 40,291    |
| Expenses relating to leases of low-value assets     | <b>3,844</b>   | 21,749    |
|   | <b>645,008</b> | 507,206   |
| <b>(b) Employee benefits expense</b>                |                |           |
| Salaries, wages, and related costs                  | <b>285,498</b> | 418,932   |
| Directors' Fees (excluding superannuation)          | <b>236,250</b> | 236,250   |
| Share based payments expense                        | -              | 1,000,000 |
| Redundancy  | -              | 94,380    |
| Superannuation contributions (defined contribution) | <b>48,190</b>  | 57,891    |
|   | <b>569,938</b> | 1,807,453 |
| <b>(c) Finance cost expense</b>                     |                |           |
| Interest on lease liabilities                       | <b>1,544</b>   | 7,583     |
| Other interest paid                                 | -              | 51        |
|   | <b>1,544</b>   | 7,634     |

# KGL RESOURCES LIMITED AND ITS CONTROLLED ENTITIES

ABN 52 082 658 080

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

### 4. Expenses (continued)

#### 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        |              |
|------------|--|---------------------|--------------|
|            |  | 2020                | 2019         |
| <b>5.</b>  | <b>Income Taxes</b>  | \$                  | \$           |
| <b>(a)</b> | <b>The components of tax expenses comprise</b>   |                     |              |
|            | Deferred tax arising from origination and reversal of temporary differences                                  | -                   | -            |
|            | Total income tax expense in profit and loss  | -                   | -            |
| <b>(b)</b> | <b>Reconciliation prima facie income tax on the loss is reconciled to the income tax expense as follows:</b> |                     |              |
|            | Profit / (loss) before income tax  | <b>(1,248,140)</b>  | (2,328,377)  |
|            | Prima facie tax benefit on loss before income tax at 27.5%   | <b>(343,239)</b>    | (640,304)    |
|            | Effect of expenses that are not deductible in determining taxable profit or loss                             | -                   | 275,000      |
|            | Deferred tax assets arising from temporary differences not recognised  | <b>343,239</b>      | 365,304      |
|            | Income tax benefit attributable to the Group   | -                   | -            |
| <b>(c)</b> | <b>Unrecognised deferred tax assets</b>  |                     |              |
|            | Prior year tax losses brought forward - gross  | <b>135,023,871</b>  | 119,703,688  |
|            | Total losses recognised - gross  | <b>(64,362,895)</b> | (60,042,977) |
|            | Current year tax losses - gross  | <b>5,561,534</b>    | 15,320,183   |
|            | Unrecognised tax losses - gross  | <b>76,222,510</b>   | 74,980,894   |
|            | Deferred tax assets not taken up - at 26% (2019: 27.5%)  | <b>19,817,853</b>   | 20,619,746   |

# KGL RESOURCES LIMITED AND ITS CONTROLLED ENTITIES

ABN 52 082 658 080

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

### 5. Income Taxes (continued)

#### 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.

|            |   | Consolidated        |              |
|------------|---|---------------------|--------------|
|            |   | 2020                | 2019         |
|            |   | \$                  | \$           |
| <b>(d)</b> | <b>Recognised net deferred tax assets</b> |                     |              |
|            | <i>Deferred tax liabilities</i>           |                     |              |
|            | Exploration and prospecting               | <b>(16,766,111)</b> | (16,538,629) |
|            |   | <b>(16,766,111)</b> | (16,538,629) |
|            | <i>Deferred tax assets</i>                |                     |              |
|            | Tax losses                                | <b>16,734,353</b>   | 16,511,818   |
|            | Provisions/accruals                       | <b>31,758</b>       | 26,811       |
|            |   | <b>16,766,111</b>   | 16,538,629   |
|            |   |                     |              |
|            | Net deferred tax asset recognised         | -                   | -            |

#### (e) Franking credits

There are no franking credits available.

#### 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.

## KGL RESOURCES LIMITED AND ITS CONTROLLED ENTITIES

ABN 52 082 658 080

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

|  | Consolidated           |                 |
|--|------------------------|-----------------|
|  | 2020                   | 2019            |
| <b>6. Loss per share</b>   | \$                     | \$              |
| Loss attributable to the owners of KGL Resources Limited:  |                        |                 |
| Loss from continuing operations  | <b>(1,248,140)</b>     | (2,328,377)     |
|  | <b>Cents per/share</b> | Cents per/share |
| Basic loss per share (cents per share)   | <b>(0.39)</b>          | (0.83)          |
| Diluted loss per share (cents per share)   | <b>(0.39)</b>          | (0.83)          |
|  | <b># Shares</b>        | # Shares        |
| Weighted average number of ordinary shares used in the calculation of basic and diluted loss per share | <b>321,494,682</b>     | 279,834,473     |

At 31 December 2020, KGL had no options (2019: 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     |           |
|--|------------------|-----------|
|  | 2020             | 2019      |
| <b>7. Cash and cash equivalents</b>    | \$               | \$        |
| Cash at bank                           | <b>404,406</b>   | 3,626,255 |
| Term deposits with short term maturity | <b>4,753,529</b> | 3,100,000 |
| Total                                  | <b>5,157,935</b> | 6,726,255 |

Cash at bank bear floating interest rates between 0.0% and 0.20% (2019: 0% and 1.00%).

Term deposits bear fixed interest rates between 0.25% and 0.60% (2019: 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.



# KGL RESOURCES LIMITED AND ITS CONTROLLED ENTITIES

ABN 52 082 658 080

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

|            |  | Consolidated       |             |
|------------|--|--------------------|-------------|
|            |  | 2020               | 2019        |
| <b>8.</b>  | <b>Cash flow information</b>   | \$                 | \$          |
| <b>(a)</b> | <b>Reconciliation of loss after tax to net cash flows from operations</b>                                |                    |             |
|            | Net loss for the year  | <b>(1,248,140)</b> | (2,328,377) |
|            | <i>Non-cash flows in loss:</i>   |                    |             |
|            | Depreciation and amortisation expense  | <b>51,221</b>      | 50,758      |
|            | Share based payments expense   | -                  | 1,000,000   |
|            | <i>Change in operating assets and liabilities:</i>   |                    |             |
|            | (Increase)/Decrease in receivables   | <b>153,680</b>     | 114,955     |
|            | (Increase)/Decrease in payables for exploration and evaluation assets (classified as investing activity) | <b>343,379</b>     | 737,439     |
|            | (Increase)/Decrease in prepayments   | <b>(10,739)</b>    | 622         |
|            | Increase/(Decrease) in payables  | <b>(273,702)</b>   | (849,804)   |
|            | <b>Net cash used by operating activities</b>   | <b>(984,301)</b>   | (1,274,407) |

### (b) Facilities with banks

There are no borrowing facilities at reporting date (2019: Nil).

### (c) Non-cash financing and investing activities

In the prior reporting period 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.

|                   | 2019           | Cashflows            |                  | Non-cash         | 2020          |
|-------------------|----------------|----------------------|------------------|------------------|---------------|
|                   |                | Principal repayments | Interest expense | Interest accrued |               |
| <b>Borrowings</b> | \$             | \$                   | \$               | \$               | \$            |
| Lease liabilities | 182,596        | (105,821)            | (3,332)          | 3,332            | 76,775        |
|                   | <b>182,596</b> | <b>(105,821)</b>     | <b>(3,332)</b>   | <b>3,332</b>     | <b>76,775</b> |

|           |                                    | Consolidated  |         |
|-----------|------------------------------------|---------------|---------|
|           |                                    | 2020          | 2019    |
| <b>9.</b> | <b>Trade and other receivables</b> | \$            | \$      |
|           | GST receivable (net)               | <b>16,176</b> | 132,881 |
|           | Other receivables                  | <b>7,150</b>  | 38,787  |
|           | Total                              | <b>23,326</b> | 171,668 |

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

## KGL RESOURCES LIMITED AND ITS CONTROLLED ENTITIES

ABN 52 082 658 080

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

|                             | Consolidated   |           |
|-----------------------------|----------------|-----------|
|                             | 2020           | 2019      |
| <b>10. Financial assets</b> | <b>\$</b>      | <b>\$</b> |
| <i>Current</i>              |                |           |
| Term Deposits               | <b>110,155</b> | 476,644   |
|                             |                |           |
| <i>Non-current</i>          |                |           |
| Security Deposits           | <b>224,202</b> | 227,996   |

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 \$224,202 (2019: \$505,452) have been provided to the Department of Mines and other suppliers.

|  | Consolidated     |           |
|--|------------------|-----------|
|  | 2020             | 2019      |
| <b>11. Property, plant and equipment</b> | <b>\$</b>        | <b>\$</b> |
|  |                  |           |
| <b><i>Plant and Equipment</i></b>        |                  |           |
| Cost                                     | <b>479,559</b>   | 468,802   |
| Accumulated depreciation                 | <b>(413,383)</b> | (328,482) |
| Net carrying amount                      | <b>66,176</b>    | 140,320   |
|  |                  |           |
| <b><i>Right of Use Asset</i></b>         |                  |           |
| Cost                                     | <b>275,370</b>   | 275,370   |
| Accumulated depreciation                 | <b>(205,677)</b> | (93,333)  |
| Net carrying amount                      | <b>69,693</b>    | 182,037   |
|  |                  |           |
| Total property, plant and equipment      | <b>135,869</b>   | 322,357   |

#### ***Right-of-use assets***

The Group's right-of-use assets relate to vehicles, equipment and property. Refer to Note 23 Leases for further information on recognition and measurement under the AASB16 Leases standard.

#### ***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.

# KGL RESOURCES LIMITED AND ITS CONTROLLED ENTITIES

ABN 52 082 658 080

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

### 11. Property, plant and equipment (continued)

#### Movements in carrying amount

| 2020   | Plant and Equipment | Right of Use Asset | Total     |
|--|---------------------|--------------------|-----------|
| Balance at the beginning of the year   | 140,320             | 182,037            | 322,357   |
| Additions  | 20,661              | -                  | 20,661    |
| Depreciation (a)   | (91,671)            | (112,344)          | (204,015) |
| Disposals  | (3,134)             | -                  | (3,134)   |
| Carrying amount at the end of the year   | 66,176              | 69,693             | 135,869   |
|  |                     |                    |           |
| 2019   |                     |                    |           |
| 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 (a)   | (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   |
|  |                     |                    |           |
| (a) Depreciation on property, plant and equipment associated with the Jervois project has been capitalised into the Exploration and Evaluation Asset for the relevant period. In 2020, the amount capitalised to Exploration and Evaluation Asset was \$152,794 (2019: \$212,172). |                     |                    |           |

|   | Consolidated |            |
|---|--------------|------------|
|   | 2020         | 2019       |
| <b>12. Exploration and evaluation assets</b>      | \$           | \$         |
| Deferred exploration and evaluation assets        | 64,485,044   | 60,140,470 |
|   |              |            |
| <i>Deferred exploration and evaluation assets</i> |              |            |
| Balance at beginning of the year                  | 60,140,470   | 46,253,894 |
| Current year expenditure                          | 4,344,574    | 13,886,576 |
| Balance at end of the year                        | 64,485,044   | 60,140,470 |

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.

# KGL RESOURCES LIMITED AND ITS CONTROLLED ENTITIES

ABN 52 082 658 080

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

### 12. Exploration and evaluation assets (continued)

#### 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    |          |
|---|-----------------|----------|
|   | 2020            | 2019     |
| <b>13. Intangible assets</b>            | \$              | \$       |
| Software at cost                        | <b>83,555</b>   | 83,555   |
| Accumulated amortisation and impairment | <b>(83,555)</b> | (78,205) |
| Net carrying amount                     | -               | 5,350    |

#### 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.

| <b>Movements in carrying amount</b>             | \$             | \$      |
|---|----------------|---------|
| At 1 January, net of accumulated depreciation   | <b>5,350</b>   | 13,375  |
| Amortisation                                    | <b>(5,350)</b> | (8,025) |
| At 31 December, net of accumulated depreciation | -              | 5,350   |

### 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 2020 is set out below.

| Name                           | Country of Incorporation | 2020 % Held | 2019 % Held |
|--------------------------------|--------------------------|-------------|-------------|
| Jinka Minerals Ltd             | Australia                | <b>100</b>  | 100         |
| Kentor Minerals (Aust) Pty Ltd | Australia                | <b>100</b>  | 100         |
| Kentor Minerals (NT) Pty Ltd   | Australia                | <b>100</b>  | 100         |
| Kentor Minerals (WA) Pty Ltd   | Australia                | <b>100</b>  | 100         |
| Kentor Energy Pty Ltd          | Australia                | <b>100</b>  | 100         |

#### Different reporting dates

Jinka Minerals Ltd has a reporting date of 30 June 2020. 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.

# KGL RESOURCES LIMITED AND ITS CONTROLLED ENTITIES

ABN 52 082 658 080

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

|                                     | Consolidated   |         |
|-------------------------------------|----------------|---------|
|                                     | 2020           | 2019    |
| <b>15. Trade and other payables</b> | \$             | \$      |
| Trade payables                      | <b>283,527</b> | 543,623 |
| Employee benefits                   | <b>170,780</b> | 182,842 |
| Total                               | <b>454,307</b> | 726,465 |

### 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  |         |
|------------------------------|---------------|---------|
|                              | 2020          | 2019    |
| <b>16. Lease liabilities</b> | \$            | \$      |
| <i>Current</i>               |               |         |
| Lease liabilities            | <b>63,348</b> | 110,933 |
| <i>Non-current</i>           |               |         |
| Lease liabilities            | <b>13,427</b> | 71,663  |

#### Lease liabilities

Lease liabilities relate to head office lease and vehicle and equipment leases, which are accounted for under AASB 16 Leases. At the commencement of the lease, a Right of Use asset is recognised, being the present value of the minimum lease payments, and the corresponding lease liability is taken up. Lease payments reduce the lease liability and the Right of Use asset is amortised over the period of the lease.

|                                | Consolidated       |             |
|--------------------------------|--------------------|-------------|
|                                | 2020               | 2019        |
| <b>17. Contributed equity</b>  | \$                 | \$          |
| (a) Issued and paid up capital |                    |             |
| Ordinary shares fully paid     | <b>190,240,532</b> | 186,537,883 |

### 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.

# KGL RESOURCES LIMITED AND ITS CONTROLLED ENTITIES

ABN 52 082 658 080

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

| <b>17. Contributed equity (continued)</b> |                         |                    |                         |                   |
|---|-------------------------|--------------------|-------------------------|-------------------|
| (b) Movements in shares on issue          |                         |                    |                         |                   |
| Details                                   | 2020                    |                    | 2019                    |                   |
|   | Number of shares issued | Issued capital \$  | Number of shares issued | Issued capital \$ |
| Beginning of the financial year           | <b>311,818,103</b>      | <b>186,537,883</b> | 260,298,421             | 173,200,789       |
| Entitlement offer – July 2020             | <b>23,929,918</b>       | <b>3,828,787</b>   | -                       | -                 |
| 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                         | -                       | <b>(126,138)</b>   | -                       | (109,101)         |
| <b>Closing balance</b>                    | <b>335,748,021</b>      | <b>190,240,532</b> | 311,818,103             | 186,537,883       |

(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.

(d) Share options

Options over ordinary shares

No options were granted, exercised or lapsed during the year (2019: nil). At the end of the financial year, there were no options on issue unissued ordinary shares outstanding (2019: 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.

# KGL RESOURCES LIMITED AND ITS CONTROLLED ENTITIES

ABN 52 082 658 080

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

### 18. Share based payments

The following share-based payment arrangements existed at 31 December 2020.

#### *Share-based payments to Directors, executives and employees*

##### Shares

There was no share-based payments expense for the year ended 31 December 2020.

In the prior reporting period, 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.

##### 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 2020 and 2019 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.

# KGL RESOURCES LIMITED AND ITS CONTROLLED ENTITIES

ABN 52 082 658 080

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

### 19. Financial assets and liabilities (continued)

#### *Classification and subsequent measurement of financial assets (continued)*

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

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.
- **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.



# KGL RESOURCES LIMITED AND ITS CONTROLLED ENTITIES

ABN 52 082 658 080

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

### 19. Financial assets and liabilities (continued)

#### Classification and subsequent measurement of financial assets (continued)

#### ii) Debt instruments (continued)

##### Categories of financial instruments

|   | Consolidated     |                  |
|---|------------------|------------------|
|   | 2020             | 2019             |
|   | \$               | \$               |
| <b>Financial assets at amortised cost</b>               |                  |                  |
| Cash and cash equivalents                               | 5,157,935        | 6,726,255        |
| Term deposits   | 334,357          | 704,640          |
| Trade and other receivables                             | 23,326           | 171,668          |
| <b>Total financial assets</b>                           | <b>5,515,618</b> | <b>7,602,563</b> |
|   |                  |                  |
| <b>Financial liabilities measured at amortised cost</b> |                  |                  |
| Trade and other payables                                | (283,527)        | (543,623)        |
| Lease liabilities                                       | (76,775)         | (182,596)        |
| <b>Total financial liabilities</b>                      | <b>(360,302)</b> | <b>(726,219)</b> |

##### 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 copper producer.

# KGL RESOURCES LIMITED AND ITS CONTROLLED ENTITIES

ABN 52 082 658 080

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

### 20. Financial risk management (continued)

#### (a) Financial risk management objectives and policies (continued)

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 2020 and 2019 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 one material exposure of \$5,157,935 to ANZ relating to funds on deposit and cash at bank

In the prior year, the Group had two material exposures: \$317,173 to National Australia Bank Limited and \$6,885,726 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.

#### (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.

|                              | <12 Months | 1-5 Years | >5 years | Total cashflows | Carrying amount |
|------------------------------|------------|-----------|----------|-----------------|-----------------|
| CONSOLIDATED                 | \$         | \$        | \$       | \$              | \$              |
| <b>2020</b>                  |            |           |          |                 |                 |
| <b>Financial liabilities</b> |            |           |          |                 |                 |
| Trade and other payables     | (283,527)  | -         | -        | (283,527)       | (283,527)       |
| Lease liabilities            | (66,173)   | (14,318)  | -        | (80,491)        | (76,775)        |
| Total                        | (349,700)  | (14,318)  | -        | (364,018)       | (360,302)       |
|                              |            |           |          |                 |                 |
| <b>2019</b>                  |            |           |          |                 |                 |
| <b>Financial liabilities</b> |            |           |          |                 |                 |
| Trade and other payables     | (543,623)  | -         | -        | (543,623)       | (543,623)       |
| Lease liabilities            | (115,967)  | (78,885)  | -        | (194,852)       | (182,596)       |
| Total                        | (659,590)  | (78,885)  | -        | (738,475)       | (726,219)       |

# KGL RESOURCES LIMITED AND ITS CONTROLLED ENTITIES

ABN 52 082 658 080

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

### 20. Financial risk management (continued)

#### (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 2020 and 2019 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.

#### 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<br>\$ | Fixed interest maturing in: |                         |                       | Non-interest bearing<br>\$ | Total<br>\$      |
|------------------------------------|--------------------------------|------------------------------|-----------------------------|-------------------------|-----------------------|----------------------------|------------------|
|                                    |                                |                              | 1 year or less<br>\$        | over 1 to 5 years<br>\$ | 5 years or more<br>\$ |                            |                  |
| <b>2020</b>                        |                                |                              |                             |                         |                       |                            |                  |
| <b>Financial assets</b>            |                                |                              |                             |                         |                       |                            |                  |
| Cash and cash equivalents          | 0.22%                          | 404,406                      | 4,753,529                   | -                       | -                     | -                          | 5,157,935        |
| Term and security deposits         | 1.30%                          | -                            | 110,155                     | -                       | -                     | 224,202                    | 334,357          |
| Trade and other receivables        | N/A                            | -                            | -                           | -                       | -                     | 23,326                     | 23,326           |
| <b>Total financial assets</b>      |                                | <b>404,406</b>               | <b>4,863,684</b>            | <b>-</b>                | <b>-</b>              | <b>247,528</b>             | <b>5,515,618</b> |
| <b>Financial liabilities</b>       |                                |                              |                             |                         |                       |                            |                  |
| Trade and other payables           | N/A                            | -                            | -                           | -                       | -                     | (283,527)                  | (283,527)        |
| Lease liabilities                  | 4.84%                          | -                            | (63,348)                    | (13,427)                | -                     | -                          | (76,775)         |
| <b>Total financial liabilities</b> |                                | <b>-</b>                     | <b>(63,348)</b>             | <b>(13,427)</b>         | <b>-</b>              | <b>(283,527)</b>           | <b>(360,302)</b> |

| CONSOLIDATED                       | Weighted average interest rate | Floating interest rate<br>\$ | Fixed interest maturing in: |                         |                       | Non-interest bearing<br>\$ | Total<br>\$      |
|------------------------------------|--------------------------------|------------------------------|-----------------------------|-------------------------|-----------------------|----------------------------|------------------|
|                                    |                                |                              | 1 year or less<br>\$        | over 1 to 5 years<br>\$ | 5 years or more<br>\$ |                            |                  |
| <b>2019</b>                        |                                |                              |                             |                         |                       |                            |                  |
| <b>Financial assets</b>            |                                |                              |                             |                         |                       |                            |                  |
| Cash and cash equivalents          | 0.71%                          | 3,626,255                    | 3,100,000                   | -                       | -                     | -                          | 6,726,255        |
| Term and security deposits         | 2.03%                          | -                            | 476,644                     | -                       | -                     | 227,996                    | 704,640          |
| Trade and other receivables        | N/A                            | -                            | -                           | -                       | -                     | 171,668                    | 171,668          |
| <b>Total financial assets</b>      |                                | <b>3,626,255</b>             | <b>3,576,644</b>            | <b>-</b>                | <b>-</b>              | <b>399,664</b>             | <b>7,602,563</b> |
| <b>Financial liabilities</b>       |                                |                              |                             |                         |                       |                            |                  |
| Trade and other payables           | N/A                            | -                            | -                           | -                       | -                     | (543,623)                  | (543,623)        |
| Lease liabilities                  | 5.31%                          | -                            | -                           | (182,596)               | -                     | -                          | (182,596)        |
| <b>Total financial liabilities</b> |                                | <b>-</b>                     | <b>-</b>                    | <b>(182,596)</b>        | <b>-</b>              | <b>(543,623)</b>           | <b>(726,219)</b> |

# KGL RESOURCES LIMITED AND ITS CONTROLLED ENTITIES

ABN 52 082 658 080

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

### 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 2020, 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<br>Higher/(Lower) |          | Other comprehensive income Higher/<br>(Lower) |      |
|-------------------------|----------------------------|----------|---|------|
|                         | 2020                       | 2019     | 2020  | 2019 |
| <b>CONSOLIDATED</b>     | \$                         | \$       | \$  | \$   |
| +0.5% (50 basis points) | 54,760                     | 40,904   | -   | -    |
| -0.5% (50 basis points) | (54,760)                   | (40,904) | -   | -    |

### 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 |        |
|---|--------------|--------|
|   | 2020         | 2019   |
| <b>22. Commitments</b>  | \$           | \$     |
| Capital expenditure commitments - exploration and evaluation assets |              |        |
| No longer than 1 year   | 115,038      | 67,792 |
| Between 1 and 5 years   | 13,427       | 6,583  |
| Greater than 5 years  |              | -      |
| Total   | 128,465      | 74,375 |

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  | 61,766  | 72,719  |
| Between 1 and 5 years  | 151,201 | 166,080 |
| Greater than 5 years   | 202,933 | 233,373 |
| Total  | 415,900 | 472,172 |

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 11 years. AASB 16 does not apply to mining tenements.

# KGL RESOURCES LIMITED AND ITS CONTROLLED ENTITIES

ABN 52 082 658 080

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

### 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) Vehicle and 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 2020, 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 in the statement of financial position.:

|                                 | 2020   | 2019  |
|---------------------------------|--------|-------|
|                                 | \$     | \$    |
| Low value assets payable:       |        |       |
| - not later than 12 months      | 3,540  | 3,544 |
| - between 12 months and 5 years | 12,980 | 6,203 |
| Total                           | 16,520 | 9,747 |

#### Recognition and measurement

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.

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.

# KGL RESOURCES LIMITED AND ITS CONTROLLED ENTITIES

ABN 52 082 658 080

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

### **23. Leases (continued)**

#### ***Recognition and measurement - (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 certain 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 recognise 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.

#### ***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 and the chief financial officer are the only key management personnel.

# KGL RESOURCES LIMITED AND ITS CONTROLLED ENTITIES

ABN 52 082 658 080

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

### 24. Related party transactions (continued)

|  | Consolidated   |           |
|--|----------------|-----------|
|  | 2020           | 2019      |
| <i>Key management personnel compensation</i> | \$             | \$        |
| Short-term employee benefits                 | <b>491,958</b> | 262,402   |
| Post-employment benefits                     | <b>46,737</b>  | 24,929    |
| Share-based payments                         | -              | 1,000,000 |
| Total key management personnel compensation  | <b>538,695</b> | 1,287,331 |

Detailed remuneration disclosures are provided in the remuneration report on pages 31 to 35. 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 \$29,440 was accrued during the current financial year (2019: \$77,930). The services were provided at arm's length pricing.

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

|  | Consolidated  |        |
|--|---------------|--------|
|  | 2020          | 2019   |
| <b>25. Auditor's remuneration</b>  | \$            | \$     |
| 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 | <b>66,800</b> | 61,435 |

### 26. Contingent liabilities and contingent assets

There are no contingent assets as at 31 December 2020 and 2019.

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

On 7 January 2021, KGL announced that the Mining Management Plan for the Jervois Copper project had received approval from the NT government. This is the last major regulatory approval required before the development of Jervois can commence.

On 22 February 2021, the Company announced a successful Institutional Placement issuing 28,571,427 shares at \$0.42 and raising \$12.0 million, before costs. Simultaneously, a 1 for 13 Entitlement offer at the same subscription price of \$0.42 was announced. The offer closed on the 16 March 2021, raising \$9.57 million, before costs.

No other 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.

# KGL RESOURCES LIMITED AND ITS CONTROLLED ENTITIES

ABN 52 082 658 080

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

### 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.

| <b>Parent entity</b>                    | <b>2020</b>          | 2019          |
|---|----------------------|---------------|
|   | <b>\$</b>            | <b>\$</b>     |
| Current assets                          | <b>5,298,983</b>     | 7,138,135     |
| Non-current assets                      | <b>65,129,762</b>    | 60,795,621    |
| Total assets                            | <b>70,428,745</b>    | 67,933,756    |
| Current liabilities                     | <b>(327,795)</b>     | (361,693)     |
| Non-current liabilities                 | -                    | (24,364)      |
| Total liabilities                       | <b>(327,795)</b>     | (386,057)     |
| Net assets                              | <b>70,100,950</b>    | 67,547,699    |
| Contributed equity                      | <b>190,240,532</b>   | 186,537,883   |
| Accumulated losses                      | <b>(120,139,582)</b> | (118,990,184) |
| Total shareholders' equity              | <b>70,100,950</b>    | 67,547,699    |
| Loss for the year                       | <b>(1,149,399)</b>   | (2,263,203)   |
| Other comprehensive income              | -                    | -             |
| Total comprehensive income for the year | <b>(1,149,399)</b>   | (2,263,203)   |

#### *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.



# KGL RESOURCES LIMITED AND ITS CONTROLLED ENTITIES

ABN 52 082 658 080

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

### **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 2020.

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.

There were no material effects requiring disclosure, of applying the new, revised or amended standards and interpretations in the current reporting period.

# Directors' Declaration

## KGL RESOURCES LIMITED AND ITS CONTROLLED ENTITIES

ABN 52 082 658 080

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 2020 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 2020.

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

On behalf of the Board



**Denis Wood**  
Chairman

Brisbane  
Dated: 23 March 2021

# Independent Auditor's Report

## KGL RESOURCES LIMITED AND ITS CONTROLLED ENTITIES

ABN 52 082 658 080



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 2020, 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 2020 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 (including Independence Standards)* (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.

BDO Audit Pty Ltd ABN 33 134 022 870 is a member of a national association of independent entities which are all members of BDO Australia Ltd ABN 77 050 110 275, an Australian company limited by guarantee. BDO Audit Pty Ltd and BDO Australia Ltd are members of BDO International Ltd, a UK company limited by guarantee, and form part of the international BDO network of independent member firms. Liability limited by a scheme approved under Professional Standards Legislation.



### 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

| <i>Key audit matter</i>  | <i>How the matter was addressed in our audit</i>  |
|--|---|
| <p>Refer to note 12 in the financial report.</p> <p>There is significant balance of exploration and evaluation assets as at 31 December 2020.</p> <p>The recoverability of exploration and evaluation assets is a key audit matter due to:</p> <ul style="list-style-type: none"><li>• The significance of the total balance; and</li><li>• 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.</li></ul> | <p>Our procedures included, but are not limited to the following:</p> <ul style="list-style-type: none"><li>• 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;</li><li>• 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; and</li><li>• 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.</li></ul> |

BDO Audit Pty Ltd ABN 33 134 022 870 is a member of a national association of independent entities which are all members of BDO Australia Ltd ABN 77 050 110 275, an Australian company limited by guarantee. BDO Audit Pty Ltd and BDO Australia Ltd are members of BDO International Ltd, a UK company limited by guarantee, and form part of the international BDO network of independent member firms. Liability limited by a scheme approved under Professional Standards Legislation.

# Independent Auditor's Report

## KGL RESOURCES LIMITED AND ITS CONTROLLED ENTITIES

ABN 52 082 658 080



### 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 2020, but does not include the financial report and the auditor's report thereon.

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

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### Responsibilities of the directors for the Financial Report

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

In preparing the financial report, the directors are responsible for assessing the ability of the group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

### Auditor's responsibilities for the audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website (<http://www.auasb.gov.au/Home.aspx>) at:

[https://www.auasb.gov.au/admin/file/content102/c3/ar1\\_2020.pdf](https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf)

This description forms part of our auditor's report.

BDO Audit Pty Ltd ABN 33 134 022 870 is a member of a national association of independent entities which are all members of BDO Australia Ltd ABN 77 050 110 275, an Australian company limited by guarantee. BDO Audit Pty Ltd and BDO Australia Ltd are members of BDO International Ltd, a UK company limited by guarantee, and form part of the international BDO network of independent member firms. Liability limited by a scheme approved under Professional Standards Legislation.



## Report on the Remuneration Report

### Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 31 to 36 of the directors' report for the year ended 31 December 2020.

In our opinion, the Remuneration Report of KGL Resources Limited, for the year ended 31 December 2020, 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

T R Mann  
Director

Brisbane, 23 March 2021

BDO Audit Pty Ltd ABN 33 134 022 870 is a member of a national association of independent entities which are all members of BDO Australia Ltd ABN 77 050 110 275, an Australian company limited by guarantee. BDO Audit Pty Ltd and BDO Australia Ltd are members of BDO International Ltd, a UK company limited by guarantee, and form part of the international BDO network of independent member firms. Liability limited by a scheme approved under Professional Standards Legislation.

[www.kglresources.com.au](http://www.kglresources.com.au)

