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

Financial statements for the half-year ended 30 June 2014

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FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 30 JUNE 2014

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FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 30 JUNE 2014

DIRECTORS' REPORT

The directors of KGL Resources Limited submit herewith the financial statements of the consolidated entity consisting of KGL Resources Limited (KGL) and the entities it controlled for the half-year ended 30 June 2014.

Directors

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

Director	Position Held
Andrew Daley	Non-Executive Chairman
John Taylor	Non-Executive Director
Chris Bain	Non-Executive Director
Brad Ellis	Non-Executive Director
Simon Milroy	Managing Director

Principal Activity

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

Review of Operations

KGL concentrated on the exploration and development planning of the wholly-owned Jervois copper-silver-gold project in the Northern Territory.

The results of drilling announced during the half year increased further the confidence of directors that Jervois has the potential to be a mid-sized and financially robust multi-metal mine.

Not only were known copper deposits upgraded, but previously unknown copper lodes were discovered. Part of the exploration drilling was directed at evaluating the early mining potential of high grade near surface copper resources. Drilling also intersected very high grade silver-lead-zinc mineralisation at several of the deposits and prospects at Jervois.

The Company expects to complete a Resources Update and Pre-Feasibility Study during the following second (December) half year.

In February 2014 the Company completed the sale of the Murchison Gold Project for $15 million cash. Under the terms of the agreed Deed of Company Arrangement (DOCA) the Company contributed a further $1 million to the creditors of KGL subsidiary Kentor Minerals (WA) Pty Ltd., thus finalising all of KGL's obligations under the DOCA.

KGL ended the half year with a cash balance of $15 million at 30 June 2014, including $600,000 classified as non-current deposits and $292,509 classified as financial assets held to maturity.

During the March 2014 quarter, the Company completed a 20,000m RC and diamond drilling program that was commenced in September 2013.

The drilling and electromagnetic surveys produced consistently good results as the Company sought to increase and extend the total Resource. Additional mineralisation was reported at the Marshall-Reward deposit, the largest known resource at Jervois, and extended mineralisation well to the north of Marshall-Reward. A new high grade copper zone, East Reward, was discovered alongside the Marshall-Reward deposit.

At Marshall-Reward, drilling intersected a new 57-metre copper zone as well as an 18-metre thick zone averaging 19.6% lead and 732 g/t silver (Hole KJCD048). The US-based SNL Metals and Mining ranked Jervois as delivering the world's highest lead assay and second highest silver assay in the March 2014 quarter.

In addition to the significance of the drill results, the EM surveys located several conductors, indicating possible extensions. They included a 500m conductor north of Reward and East Reward in line with the currently defined Resources and south of the Green Parrot deposit and East Reward. All were in areas where there had been little or no previous drilling.

DIRECTORS' REPORT (Continued)

Review of Operations (continued)

In order to include the drill results then being progressively received, the Company postponed the completion of the Resource Update and the Pre-Feasibility Study for several months into the following December half year.

Following the success of the drilling program KGL decided to undertake a second phase program of diamond and RC drilling. This was completed in June, bringing the total metres drilled since September 2013 to approximately 30,000m.

Multiple high grade drill results continued to be reported progressively, extending into the following December half year, with new mineralisation encountered throughout the 11km strike length at Jervois and at depth.

The results increased the potential for open pit mining at known deposits and outside existing boundaries. The highest copper grades ever encountered at Jervois were recorded at both known and previously unknown areas of potential open pit mining, including 2m @ 20.98% copper and 302.5 g/t silver from 8m at Reward (Hole JOC028), and 2m @ 31.5% copper and 1240 g/t silver from 23m in a newly drilled area at Green Parrot (Hole JOC062).

Very high lead grades continued to be assayed at Reward, Hole JOCO26 recorded 6m @ 0.57% copper, 37.72% lead, 1.92% zinc, 551.5 g/t silver and 0.22 g/t gold from 39m including 1m @ 50.9% lead.

Gold grades increased in deep drilling at the northern end of Reward including 8m @ 3.96% copper 82 g/t silver and 2.38 g/t gold from 531m (Hole RJ237W1).

Good intercepts extended the recently discovered East Reward mineralised zone which remains open to the north and south.

At Bellbird, at the south-western end of the strike length, high grade near surface results indicated the potential for open pit mining, while high grade mineralisation was intersected at depth to the north and is still open.

Near surface drilling at Bellbird North encountered high grade lead and zinc adding to the presence of lead and zinc at the Green Parrot and Marshall and Reward deposits.

A new zone of mineralisation was also discovered at the Morley prospect east of East Reward.

High grade results from small drilling programs at the Cox's Find and Rockface prospects and at Green Parrot built confidence in the continuity of mineralisation throughout the mine sequence from the northern boundary of the tenement around the J-shaped strike length to the north of Bellbird North.

At Green Parrot, very high grades were reported including 3m @ 12.38% copper, 22.15% lead, 16.78% zinc, 963.3 g/t silver and 1.01 g/t gold from 49m (Hole JOC176). The same drill hole also produced the highest ever gold grade recorded at Green Parrot of 25.7 g/t gold over 1m from 48m. The mineralisation was confirmed as not only very high grade and multi-metal, but also close to the surface indicating the potential for open pit mining.

In parallel with the exploration, the Pre-Feasibility Study also encompassed process design, capital and operating cost estimates and metallurgical test work to determine the economics of producing a lead and zinc concentrate as well as a copper concentrate at Jervois.

Financial Review

For the half-year ended 30 June 2014, the KGL group recorded profit after taxation and discontinued operations of $5,022,359 (Loss 2013: $12,244,963).

In December 2013, KGL executed a binding sale agreement to sell the Murchison Gold Project to Monument Mining Limited for a total cash consideration of $15M. The transaction was conditional on obtaining approval from the Foreign Investment Review Board and several other conditions which are normal for a transaction of this type.

DIRECTORS' REPORT (Continued)

Financial Review (continued)

The sale was finalised on 21 February 2014 and thus the profit on sale of $7,339,002 has been recognised in the results for this half year. However, because the assets were written down and a loss recorded in the prior year, this has resulted in a profit being realised in the current reporting period.

On the 21 February 2014 KGL lost control of CSJC Kentor and 80% owned subsidiary. The loss of control arose from entering into a Farm In Agreement with Robust Resources Limited over the exploration of tenements held by this entity. As a result of this loss of control an expense of $872,136 has been recognised in the profit or loss.

Employee expenses from both continued and discontinued operations decreased in the half year to 30 June 2014 to $768,354 (2013: $1,472,199) due to a reduction in staff at head office and executive and non-executive directors reducing their remuneration. Employee expenses from continued operations were $751,013 (2013: $1,472,199).

The KGL cash reserve as at 30 June 2014 was $15m, including $600,000 classified as non-current deposits and $292,509 classified as financial assets held to maturity. This is subsequent to the receipts of the funds on sale of the Murchison project.

Auditor's Independence Declaration

A copy of the independence declaration by the lead auditor under section 307C is included on page 5 to this directors' report.

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

A DALEY

Chairman

12 September 2014

JORC Compliance Statement

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

Hole		Date originally Reported	JORC Reported Under
KJC	48	9/12/2013	2012
JOC	26	29/07/2014	2012
JOC	28	29/07/2014	2012
JOC	62	18/07/2014	2012
JOC	176	14/08/2014	2012
RJ	237w	29/05/2014	2012

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DECLARATION OF INDEPENDENCE BY C R JENKINS TO THE DIRECTORS OF KGL RESOURCES LIMITED

As lead auditor for the review of KGL Resources Limited for the half-year ended 30 June 2014, I declare that, to the best of my knowledge and belief, there have been:

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

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

C R Jenkins
Director
BDO Audit Pty Ltd

Brisbane, 12 September 2014

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

FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 30 JUNE 2014

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE HALF-YEAR ENDED 30 JUNE 2014

	Note	Consolidated	
		Half-year ended 30 Jun 2014 $	Half-year ended 30 Jun 2013 $
Revenue and other income		**301,628**	597,828
Employee benefits expense		**(751,013)**	(1,472,199)
Depreciation and amortisation expense		**(61,670)**	(76,608)
Professional and consultancy fees expense		**(253,642)**	(455,437)
Overseas administrative expenses		**(10,778)**	(47,914)
Head office facility overheads expense		**(240,567)**	(241,649)
Business development and investor relations expense		**(135,093)**	(61,583)
Other expenses		**(76,444)**	(453,525)
Foreign exchange losses		**(26,460)**	-
Finance costs		**-**	(295,496)
Impairment of exploration and evaluation assets		**-**	(392,463)
Share of net profits of associates accounted for using the equity method		**(28,786)**	-
Loss of control of subsidiary	**9**	**(872,136)**	-
Loss before income tax		**(2,154,961)**	(2,899,046)
Income tax benefit		**-**	449,595
Loss from continuing operations		**(2,154,961)**	(2,449,451)
Profit/(loss) from discontinued operations	**8(b)**	**7,177,320**	(9,795,512)
Net profit/(loss) for the half-year		**5,022,359**	(12,244,963)
Other comprehensive income			
Items that may be reclassified to profit and loss			
Foreign currency translation differences		**(270,854)**	789,681
Cumulative exchange gain reclassified from foreign exchange reserve to profit and loss		**346,907**	-
Income tax on items that may be reclassified to profit or loss		**-**	-
Other comprehensive income for the half-year, net of tax		**76,053**	789,681
Total comprehensive income for the half-year		**5,098,412**	(11,455,282)
Net profit/(loss) attributable to:-			
Non-controlling interests		**(7,949)**	(289,800)
Owners of KGL Resources Limited		**5,030,308**	(11,955,163)
		5,022,359	(12,244,963)
Total comprehensive income attributable to:-			
Non-controlling interests		**(60,434)**	(590,070)
Owners of KGL Resources Limited		**5,158,846**	(10,865,212)
		5,098,412	(11,455,282)
Earnings per share for loss from continuing operations attributable to the owners of KGL Resources Limited			
Basic and diluted earnings per share (cents per share)		**(1.54)**	(1.75)
Earnings per share for profit/(loss) attributable to the owners of KGL Resources Limited			
Basic and diluted earnings per share (cents per share)		**3.59**	(8.74)

FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 30 JUNE 2014
The financial statements should be read in conjunction with the accompanying notes.

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2014

		Consolidated	
	Note	**30 Jun 2014**	31 Dec 2013
		$	$
Current assets			
Cash and cash equivalents		**14,102,067**	6,975,463
Trade and other receivables		**207,094**	374,827
Financial assets held to maturity		**292,509**	344,439
Held for sale disposal group assets	**8(c)**	**-**	7,924,171
Prepayments		**58,378**	81,459
Total current assets		**14,660,048**	15,700,359
Non-current assets			
Deposits		**600,000**	600,000
Investments in associates accounted for using the equity method	**3**	**701,832**	-
Property, plant and equipment	**4**	**228,882**	218,522
Exploration and evaluation assets	**5**	**18,627,725**	14,019,541
Intangible assets		**25,523**	65,250
Total non-current assets		**20,183,962**	14,903,313
TOTAL ASSETS		**34,844,010**	30,603,672
Current liabilities			
Trade and other payables	**6**	**1,017,837**	1,375,365
Provisions		**129,640**	-
Held for sale disposal group liabilities	**8(c)**	**-**	1,669,275
Total current liabilities		**1,147,477**	3,044,640
TOTAL LIABILITIES		**1,147,477**	3,044,640
NET ASSETS		**33,696,533**	27,559,032
Equity			
Contributed equity	**7**	**141,577,527**	141,577,527
Reserves		**4,004,048**	3,516,759
Accumulated losses		**(111,885,042)**	(116,915,350)
Capital and reserves attributable to owners of KGL Resources Limited		**33,696,533**	28,178,936
Non-controlling interests		**-**	(619,904)
Total equity		**33,696,533**	27,559,032

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

KGL RESOURCES LIMITED AND ITS CONTROLLED ENTITIES
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FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 30 JUNE 2014

STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 30 JUNE 2014

		Consolidated	
	Note	**Half-year ended 30 Jun 2014 $**	Half-year ended 30 Jun 2013 $
Cash flows from operating activities			
Receipts in the course of operations		**-**	5,578,932
GST refunded		**535,305**	1,645,141
Payments to suppliers and employees		**(2,032,916)**	(8,137,222)
Interest received		**175,075**	-
Interest paid		**-**	(252,991)
Refund of research and development claim		**-**	449,595
Net cash used in operating activities		**(1,322,536)**	(716,545)
Cash flows from investing activities			
Net proceeds on sale of Murchison	**8(d)**	**13,853,959**	-
Payments for exploration and evaluation assets		**(5,401,378)**	(980,512)
Payments for property, plant and equipment		**(75,158)**	(6,208,359)
Payments for intangible assets		**(2,500)**	(1,157)
Refund of deposits		**51,930**	258,531
Deposit on sale of Andash		**-**	1,500,000
Cash balance of subsidiary derecognised due to loss of control		**(933)**	(31,750)
Cash balance of operations classified as held for sale		**-**	(2,400)
Net cash used in investing activities		**8,425,920**	(5,465,647)
Cash flows from financing activities			
Repayments of borrowings		**-**	(19,222)
Loans provided to subsidiary no longer controlled		**-**	(88,828)
Proceeds under farm in agreement		**23,220**	-
Net cash used in financing activities		**23,220**	(108,050)
Net (decrease)/increase in cash and cash equivalents		**7,126,604**	(6,290,242)
Cash and cash equivalents at the beginning of the period		**6,975,463**	7,214,841
Effect of exchange rate changes on cash and cash equivalents		**-**	(102)
Cash and cash equivalents at end of period		**14,102,067**	924,497

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

KGL RESOURCES LIMITED AND ITS CONTROLLED ENTITIES
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FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 30 JUNE 2014

Statement of changes in equity
for the half-year ended 30 June 2014

	Contributed Equity $	Accumulated losses $	Foreign currency translation reserves $	Share-based payments reserve $	Farm in reserve $	Total parent entity $	Non-controlling interest $	Total equity $
Balance at 1 January 2013	141,577,527	(102,808,603)	(3,251,989)	3,599,166	-	39,116,101	1,493,958	40,610,059
Loss for the half-year	-	(11,955,163)	-	-	-	(11,955,163)	(289,800)	(12,244,963)
Other comprehensive income								
Foreign currency translation	-	-	1,089,951	-	-	1,089,951	(300,270)	789,681
Total other comprehensive income	-	-	1,089,951	-	-	1,089,951	(300,270)	789,681
Total comprehensive income for the half-year	-	(11,955,163)	1,089,951	-	-	(10,865,212)	(590,070)	(11,455,282)
Transactions with owners in their capacity as owners								
Share-based payments	-	-	-	40,548	-	40,548	-	40,548
Balance at 30 June 2013	141,577,527	(114,763,766)	(2,162,038)	3,639,714	-	28,291,437	903,888	29,195,325

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

KGL RESOURCES LIMITED AND ITS CONTROLLED ENTITIES
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FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 30 JUNE 2014

Statement of changes in equity (continued)
for the half-year ended 30 June 2014

	Contributed Equity	Accumulated losses	Foreign currency translation reserves	Share-based payments reserve	Farm in reserve	Total parent entity	Non-controlling interest	Total equity
	$	$	$	$	$	$	$	$
Balance at 1 January 2014	141,577,527	(116,915,350)	(147,453)	3,664,212	-	28,178,936	(619,904)	27,559,032
Profit/(loss) for the half-year	-	5,030,308	-	-	-	5,030,308	(7,949)	5,022,359
Other comprehensive income								
Cumulative exchange gain reclassified from foreign exchange reserve to profit and loss	-	-	346,907	-	-	346,907	-	346,907
Foreign currency translation	-	-	(218,369)	-	-	(218,369)	(52,485)	(270,854)
Total other comprehensive income	-	-	128,538	-	-	128,538	(52,485)	76,053
Total comprehensive income for the half-year	-	5,030,308	128,538	-	-	5,158,846	(60,434)	5,098,412
Transactions with owners in their capacity as owners								
Contributions under farm in arrangement	-	-	-	-	213,524	213,524	53,382	266,906
Derecognition of non-controlling interests upon loss of control of CJSC Kentor	-	-	-	-	-	-	626,956	626,956
Share-based payments	-	-	-	145,227	-	145,227	-	145,227
Balance at 30 June 2014	141,577,527	(111,885,042)	(18,915)	3,809,439	213,524	33,696,533	-	33,696,533

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

Note 1. Basis of preparation

These general purpose financial statements for the half-year reporting period ended 30 June 2014 have been prepared in accordance with Australian Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Act 2001.

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

These half-year financial statements do not include all the notes of the type normally included in annual financial statements and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial statements. Accordingly, these half-year financial statements are to be read in conjunction with the annual financial statements for the year ended 31 December 2013 and any public announcements made by KGL Resources Limited during the half-year reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The same accounting policies and methods of computation have generally been followed in these half-year financial statements as compared with the most recent annual financial statements. The following accounting policy has been adopted for the first time in these financial statements:

Basis of consolidation - associates

Associates are entities over which the Group has significant influence but not control or joint control. Associates are accounted for in the parent entity financial statements at cost and the consolidated financial statements using the equity method of accounting. Under the equity method of accounting, the group's share of post-acquisition profits or losses of associates is recognised in consolidated profit or loss and the group's share of post-acquisition other comprehensive income of associates is recognised in consolidated other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Dividends received from associates are recognised in the parent entity's profit or loss, while they reduce the carrying amount of the investment in the consolidated financial statements.

When the Group's share of post-acquisition losses in an associate exceeds its interest in the associate (including any unsecured long-term receivables), the Group does not recognise further losses unless it has obligations to, or has made payments, on behalf of the associate.

The financial statements of the associates are used to apply the equity method. The end of the reporting period of the associates and the parent are identical and both use consistent accounting policies.

New and revised accounting standards

In the current period, the Group has adopted all the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for annual reporting periods beginning on or after 1 January 2014. The adoption of these new and revised Standards and Interpretations has resulted in no changes to the Group’s financial results.

Changes to presentation – classification of expenses

KGL Resources Limited decided in the current financial year to change the classification of its expenses in the income statement from a functional classification to a classification by nature. We believe that this will provide more relevant information to our stakeholders as it is more in line with common practice in the industries KGL Resources Limited is operating in, following the disposal of its operating mines. The comparative information has been reclassified accordingly.

Note 1. Basis of preparation (continued)

Significant accounting judgments, estimates and assumptions

In addition to the significant accounting judgments, estimates and assumptions disclosed in the 31 December 2013 financial statements, the following new judgments have been applied in the preparation of the 30 June 2014 half-year financial report.

Loss of control of CJSC Kentor

On the 3 September 2013, KGL Resources Limited and CJSC Kentor entered into an agreement with Robust Resources Limited enabling Robust Resources Limited to farm-in to the Bashkol gold/copper tenement. The initial expenditure commitment is $2,000,000 by 31 December 2017 which will entitle Robust to earn a 51% share in CJSC Kentor. A further 19% interest will be gained on a further $5,000,000 spend by 31 December 2021.

On 21 February 2014, a Farm In Agreement was entered into between the parties and at this point it was determined that KGL Resources Limited no longer has control of CJSC Kentor. This is due to KGL Resources Limited no longer having control over the relevant activity of CJSC Kentor, being exploration activities.

As a result of the loss of control on 21 February 2014 CJSC Kentor was deconsolidated and a loss has been recognised (refer to note 9) in the profit or loss. The investment recognised as this date has been recognised at cost as the Directors have determined that this represents the fair value of the investment at that point in time.

Subsequent to 21 February KGL Resources Limited investment in CJSC Kentor has been equity accounted for (refer to note 3).

Note 2. Segment information

Description of Segments

Operating segments have been determined based on reports reviewed by the chief operating decision makers being the executive directors. The Group has been structured in such a way as to reflect the operating segments of the business and has resulted in the recognition of the following reportable segments:

<u>Murchison Project - Western Australia</u>

This segment consists of the operations of Kentor Minerals (WA) Pty Ltd and assets of Jinka Minerals Ltd. The Murchison project was the only project in this reportable segment for the half year ended 30 June 2014. Therefore, the Murchison project costs surround operations, exploration and capital works. The results reflect that the Murchison Gold plant remained under care and maintenance awaiting divesture when it was sold on the 21 February 2014. As at the 31 December 2013 the Murchison operations were classified as held for sale and were disclosed as such within those financial statements. Refer to Note 8 for further information.

<u>Jervois Project - Northern Territory</u>

This segment consists of the operations of Kentor Minerals (NT) Pty Ltd. The Jervois project was the only project in this reportable segment for the half year ended 30 June 2014. This project is still in the exploration and evaluation phase.

Notes to the financial statements for the half-year ended 30 June 2014

Note 2. Segment information (continued)

Description of Segments (continued)

Bashkol Project - Kyrgyz Republic

This segment consists of projects that are in the process of being developed or explored. The Bashkol project was the only operating segment for the half year end 30 June 2014 contained in this reportable segment. Control of CJSC Kentor being the entity holding this project was lost on 21 February 2014 on signing the Farm In Agreement. At the date of signing this agreement control of this subsidiary passed to the investee and the entity is no longer consolidated from this date. The results represented here are the losses incurred up to the date that control was lost and the KGL share of net losses of CJSC Kentor accounted for using the equity method from this date to the 30 June 2014.

The Andash project was sold on the 27 August 2013 and from this date the segment only contains the results of the Bashkol Project. Therefore, the entire half year ended 30 June 2014 results only include the results of Bashkol however the comparative results include the Andash project up to the date of sale.

Geothermal Energy Project - Solomon Islands

This segment consists of the Geothermal Energy project being conducted in the Solomon Islands. The Geothermal Energy project was the only project in this reportable segment for the half year ended 30 June 2014 and is still in the exploration and evaluation phase.

Information Provided to the Executive Director

Segment information provided to the executive director for the half-year to 30 June 2014 is as follows:

Half-year ended 30 Jun 2014	**Murchison**	**Jervois**	**Bashkol**	**Geothermal Energy**	**Total**
	$	**$**	**$**	**$**	**$**
Segment Revenue					
Total segment revenue (*)	**-**	**386**	**47**	**-**	**433**
Result					
Segment result	**7,177,320**	**386**	**(68,529)**	**(1,364)**	**7,107,813**
Segment result contains:					
Interest revenue	**-**	**386**	**47**	**-**	**433**
Depreciation and amortisation	**-**	**-**	**(468)**	**(646)**	**(1,114)**
Gain/(loss) on sale of non-current assets	**7,339,002**	**-**	**-**	**-**	**7,339,002**
Segment Assets and Segment Liabilities					
Segment assets	**-**	**19,275,087**	**701,832**	**6,802**	**19,983,721**
Segment liabilities	**(129,640)**	**(732,476)**	**-**	**-**	**(862,116)**
Acquisition of non-current assets	**-**	**5,392,274**	**-**	**-**	**5,392,274**

(*) There is no inter-segment revenue. Total segment revenue as disclosed pertains to revenue from external customers.

Notes to the financial statements for the half-year ended 30 June 2014

Note 2. Segment information (continued)

Information Provided to the Executive Director (continued)

Half-year ended 30 Jun 2013	**Murchison**	**Jervois**	**Andash / Bashkol**	**Geothermal Energy**	**Total**
	$	**$**	**$**	**$**	**$**
Segment Revenue					
Total segment revenue (*)	5,650,099	-	77,343	-	5,727,442
Result					
Segment result	(2,652,616)	-	(7,831,092)	(920)	(10,484,628)
Segment result contains:					
Interest revenue	-	-	879	-	879
Impairment expense	-	-	(1,946,162)	-	(1,946,162)
Depreciation and amortisation	(1,253,305)	-	(4,129)	(646)	(1,258,080)
Gain/(loss) on sale of non-current assets	-	-	-	-	-
Segment Assets and Segment Liabilities **(31 December 2013)**					
Segment assets	8,524,171	13,806,312	716,386	99,380	23,146,249
Segment liabilities	(1,669,275)	(833,228)	(16,695)	(564)	(2,519,762)
Acquisition of non-current assets	9,643,975	3,351,158	628,754	-	13,623,887

(*) There is no inter-segment revenue. Total segment revenue as disclosed pertains to revenue from external customers.

Other Segment Information

Segments assets and segment liabilities provided to the executive director are measured in the same way that they are measured in the financial statements. Assets and liabilities are allocated based on the operations of the segment and the physical location of the assets. Segment revenue and result reconciles to total revenue and loss for the half year as follows.

	Half-year ended 30 Jun 2014	Half-year ended 30 Jun 2013
	$	$
Segment revenue	**433**	5,727,442
Interest revenue	**301,195**	39,033
Other income	**-**	558,119
Discontinued operations	**-**	(5,726,766)
Total revenue and other income per statement of profit or loss and other comprehensive income	**301,628**	597,828
Segment result	**7,107,813**	(10,484,628)
Interest revenue	**301,195**	39,033
Other income	**-**	558,119
Corporate expenses	**(1,514,513)**	(2,807,082)
Loss of control of CJSC Kentor	**(872,136)**	-
Discontinued operations	**(7,177,320)**	9,795,512
Net loss for the half-year per statement of profit or loss and other comprehensive income before income tax and discontinued operations	**(2,154,961)**	(2,899,046)

Note 2. Segment information (continued)

Other Segment Information (continued)

Segment assets and liabilities reconcile to total assets and liabilities as follows.

	30 Jun 2014	31 Dec 2013
	$	$
Segment assets*	**19,983,721**	23,146,249
Cash and cash equivalents	**14,352,220**	6,768,094
Trade and other receivables	**212,975**	284,249
Financial assets held to maturity	**243,543**	295,473
Property, plant and equipment	**51,551**	109,607
Total assets per statement of financial position	**34,844,010**	30,603,672

* Held for sale assets included in segment assets

Segment liabilities *	**(862,116)**	(2,519,762)
Trade and other payables	**(285,361)**	(524,878)
Total liabilities per statement of financial position	**(1,147,477)**	(3,044,640)

* Held for sale liabilities included in segment liabilities

Revenue of $nil (30 June 2013: 5,183,763) is derived from a single domestic customer, the Perth Mint.

Note 3. Investments in associates accounted for using the equity method

		Consolidated
	30 Jun 2014	31 Dec 2013
	$	$
Investment in CJSC Kentor	**701,832**	-

This investment represents KGL Resources Limited's 80% share in CJSC Kentor. During the half year control was lost of this entity and it has been equity accounted for since this date being the 21 February 2014. There has been no change in the ownership percentage just change in control. For further details on the loss of control refer to Note 1 and 9.

Note 4. Property, plant and equipment

						Consolidated
	Plant & Equipment	**Mine Development**	**Total property plant and equipment**	Plant & Equipment	Mine Development	Total property plant and equipment
	30 Jun 2014	**30 Jun 2014**	**30 Jun 2014**	31 Dec 2013	31 Dec 2013	31 Dec 2013
	$	**$**	**$**	$	$	$
At the start of the period, net of accumulated depreciation	**218,522**	**-**	**218,522**	13,088,031	9,867,072	22,955,103
Additions	**75,157**	**-**	**75,157**	2,711,933	3,621,042	6,332,975
Assets re-acquired under DOCA (***)	**-**	**-**	**-**	3,000,000	-	3,000,000
Disposals (*)	**-**	**-**	**-**	(4,859,444)	(9,628,126)	(14,487,570)
Effect of movement in exchange rates	**(262)**	**-**	**(262)**	521,997	833,708	1,355,705
Depreciation and amortisation	**(60,374)**	**-**	**(60,374)**	(174,531)	(1,178,633)	(1,353,164)
Impairment expense (**)	**-**	**-**	**-**	-	(1,553,698)	(1,553,698)
Derecognition of subsidiary due to loss of control (****)	**(4,161)**	**-**	**(4,161)**	(11,069,464)	(1,961,365)	(13,030,829)
Transfer to held for sale group assets	**-**	**-**	**-**	(3,000,000)	-	(3,000,000)
At the end of the period, net of accumulated depreciation	**228,882**	**-**	**228,882**	218,522	-	218,522
Cost	**676,690**	**-**	**676,690**	773,598	-	773,598
Accumulated depreciation	**(447,808)**	**-**	**(447,808)**	(555,076)	-	(555,076)
Net carrying amount	**228,882**	**-**	**228,882**	218,522	-	218,522

(*) Sale of Andash Project on the 27 August 2013.

(**) Recognised on the classification of Andash as held for sale at the 30 June 2013 to recognise at the lower of cost or fair value less costs to sell.

(***) On 10 July 2013, the creditors of Kentor Minerals (WA) Pty Ltd accepted the terms of a Deed of Company Arrangement (DOCA) thereby returning control of the company and assets of the company from the administrators to the directors once the conditions of the DOCA were met. Conditions within the DOCA were satisfied by the 27 August 2013 and control was passed back to directors on this date. The company was re-acquired with no liabilities as part of the successful completion of the DOCA. Under the terms and conditions of the DOCA $3m was paid to creditors of Kentor Minerals (WA) Pty Ltd in full and final payment of all outstanding liabilities. During the half year a further $1m was paid to finalise KGL's obligations under the DOCA.

(****) On the 21 February 2014 a Farm In Agreement was signed passing control of CJSC Kentor to the investee. Due to the loss of control CJSC Kentor is no longer consolidated.

Notes to the financial statements for the half-year ended 30 June 2014

Note 5. Exploration and evaluation assets

	Consolidated	
	30 Jun 2014	31 Dec 2013
	$	$
Deferred exploration and evaluation assets	**18,627,725**	14,019,541
Deferred exploration and evaluation assets		
Balance at beginning of the period	**14,019,541**	14,961,340
Current period expenditure	**5,317,116**	4,292,989
Transfer to held for sale	**-**	(4,917,834)
Effect of movement in exchange rate	**(41,013)**	91,385
Derecognition of subsidiary due to loss of control	**(667,919)**	-
Impairment of area of interest	**-**	(408,339)
Balance at end of the period	**18,627,725**	14,019,541

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.

Note 6. Trade and other payables

	Consolidated	
	30 Jun 2014	31 Dec 2013
	$	$
Unsecured trade payables	**764,709**	1,042,951
Employee benefits	**253,128**	332,414
	1,017,837	1,375,365

(i) Trade payables are non-interest bearing and are usually settled on 30 day terms.
(ii) Contractual cashflows from trade and other payables approximate their carrying value.

Note 7. Contributed equity

	30 Jun 2014	31 Dec 2013
	$	$
(a) Issued and paid up capital		
Ordinary shares fully paid	**141,577,527**	141,577,527

(b) Movements in shares on issue

	30 Jun 2014		31 Dec 2013	
Details	**Number of Shares issued**	**Issued capital $**	Number of Shares issued	Issued capital $
Beginning of the half-year	**140,040,563**	**141,577,527**	140,040,563	141,577,527
Movements during the half-year	**-**	**-**	-	-
Closing balance	**140,040,563**	**141,577,527**	140,040,563	141,577,527

(c) Terms and conditions of issued capital

Ordinary shares

Ordinary shares have the right to receive dividends as declared and, in the event of winding up of the Company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held. Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the Company.

Ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

(d) Share options

Options over ordinary shares

At the end of the half-year, there were 4,299,842 (31 December 2013: 2,599,842) unissued ordinary shares in respect of options were outstanding. Performance rights were granted during the half year totalling 2,400,000 options. In addition to the granting of these options 700,000 options were cancelled, on the 19 March 2014, as a result of the conditions no longer being able to be met.

Note 7. Contributed equity (continued)

(d) Share options (continued)

The following summarises the options on issue at the end of the half-year.

Unlisted employee options

Expiry date	***Number***	***Exercise price $***
Duration of employment	200,000	1.808 to 2.308
14 Sept 2014	300,000	1.176 to 1.449
01 February 2015	24,842	1.579
04 June 2015	100,000	1.378 to 1.688
30 May 2016	100,000	1.455 to 1.746
31 May 2016	300,000	1.218 to 2.493
01 July 2016	100,000	1.256 to 1.507
25 July 2016	50,000	1.137 to 1.365
28 May 2017	700,000	1.040 to 1.165
01 October 2017	25,000	0.744 to 0.892
Performance rights		
30 November 2015	300,000	Nil
31 May 2016	300,000	Nil
24 February 2017	1,800,000	Nil
TOTAL OPTIONS GRANTED	**4,299,842**	

Note 8. Discontinued operations

(a) Description of discontinued operations

Andash Project

On 29 April 2013, a binding term sheet was signed for the sale of Andash mining project subject to the approval of the KGL shareholders. The sale price was set at $15 million. Given there was a contract for sale of the Andash mining project the directors determined that as at 30 June 2013 it was highly probably that the sale of this project will occur and it was therefore been classified as held for sale and as a discontinued operation within the half year financial statements for 30 June 2013. In accordance with the accounting standards the carrying values of the assets for the Andash project were written down to the $15 million sale price less the estimated costs of the sale at that time and as a result an impairment expense of $1,553,699 was recognised for the half-year ended 30 June 2013. On the 27 August 2013 the sale settled and the project was sold. The subsequent loss on sale was recorded in the financial statements for the year ended 31 December 2013.

Murchison Project

On 27 December 2013, KGL announced that a binding sale agreement for $15 million was executed to sell the assets relating to the Murchison Gold Project. As at the 31 December 2013 the conditions set out in the sale agreement were yet to be obtained and the transaction hadn't been completed.

Given the transaction settled on 24 February 2014 it was reported as a discontinued operation as at 31 December 2013 and the assets and liabilities were classified as held for sale as detailed in Note 8(c).

The assets relating to this project were contained within two of KGL's subsidiaries being Kentor Minerals (WA) Pty Ltd and Jinka Minerals Limited. The profit on sale of assets relating to the Murchison Project have been disclosed in Note 8(d).

The assets relating to the Murchison Project are included in the Murchison segment reported in the segment information at Note 2.

Notes to the financial statements for the half-year ended 30 June 2014

Note 8. Discontinued operations (continued)

(b) Financial information relating to discontinued operations

Financial performance	Note	Half-year ended 30 Jun 2014 $	Half-year ended 30 Jun 2013 $
Revenue		-	5,183,763
Cost of sales		-	(8,302,716)
Gross loss		-	(3,118,953)
Other revenue		-	544,830
Profit on sale of Murchison operations	8(d)	7,339,002	-
Employee benefits expense		(17,341)	-
Professional and consultancy fees expense		(111,080)	-
Head office facility overheads expense		(9,558)	-
Other expenses		(23,703)	-
Impairment expense(*)		-	(1,553,699)
Loss of control of subsidiary (**)		-	(5,667,690)
Total expenses		(161,682)	(7,221,389)
Profit/(loss) before tax		7,177,320	(9,795,512)
Income tax expense		-	-
Net profit/(loss) attributable to discontinued operations		7,177,320	(9,795,512)

(*) An impairment expense of $1,553,699 has been recorded to ensure that the Andash project is reflected as the lower of fair value less costs to sell or carrying value. The carrying value was in excess of the fair value less costs to sell and therefore the impairment expense was recorded in the profit or loss.

(**) On 28 March 2013, the Directors of Kentor Minerals (WA) Pty Ltd placed the company into administration. From this date the decision making and operations of the subsidiary have been the responsibility of the appointed administrators. Therefore, from this date the Directors have determined that control has been lost of this subsidiary and it has no longer been consolidated within the group from this date.

At the date control was lost the financial position of this entity was as follows:

Carrying amounts of assets and liabilities	28 Mar 2013 $
Assets	
Cash and cash equivalents	31,750
Trade and other receivables	1,179,877
Prepayments	166,240
Inventory	3,097,356
Property, plant and equipment	11,069,464
Mine development assets	1,961,365
	17,506,052
Liabilities	
Trade and other payables	11,695,128
Borrowings	143,234
	11,838,362
Net assets over which control was lost	5,667,690

Note 8. Discontinued operations (continued)

(b) Financial information relating to discontinued operations (continued)

	Half-year ended 30 Jun 2014 $	Half-year ended 30 Jun 2013 $
Profit/(loss) attributable to owners of KGL Resources Limited relates to:		
Loss from continuing operations	**(2,154,961)**	(2,449,451)
Profit/(loss) from discontinuing operations	**7,177,320**	(9,795,512)
	5,022,359	(12,244,963)
Total comprehensive income attributable to owners of KGL Resources Limited relates to:		
Loss from continuing operations	**(2,078,908)**	(1,659,770)
Profit/(loss) from discontinuing operations	**7,177,320**	(9,795,512)
	5,098,412	(11,455,282)
The net cash flows of the discontinued operations, which have been incorporated into the statement of cash flows, are as follows:		
Net cash inflow/(outflow) from operating activities	**(208,122)**	(529,990)
Net cash inflow/(outflow) from investing activities	**-**	(6,309,807)
Net cash inflow/(outflow) from financing activities	**209,984**	6,277,807
Net cash decrease in cash generated by the discontinued operations	**1,862**	(561,990)

(c) Murchison Project – Held for Sale

Information relating to the financial position of the Murchison project that has been classified as held for sale as at 31 December 2013 is as follows:

Carrying amounts of assets and liabilities	**30 Jun 2014 $**	31 Dec 2013 $
Assets		
Trade and other receivables	**-**	6,337
Property, plant and equipment	**-**	3,000,000
Exploration expenditure	**-**	4,917,834
Total disposal group assets classified as held for sale	**-**	7,924,171
Liabilities		
Trade and other payables	**-**	44,399
Provision for rehabilitation	**-**	1,624,876
	-	1,669,275
Net Assets	**-**	6,254,896

On 28 March 2013, Kentor Minerals (WA) Pty Ltd, being the subsidiary of Kentor that holds the Murchison project, was placed into administration. All mining and processing operations at Murchison ceased following this.

On the 27 December 2013 a binding sale agreement was executed to sell the Murchison Gold Project for a total cash consideration of $15m. This agreement was conditional on obtaining approval from the Foreign Investment Review Board and several other conditions which are normal for a transaction of this type. The conditions were met and the sale of the project settled on the 21 February 2014.

Given the sale value exceeds the net assets of the Murchison Gold Project the directors have concluded that an impairment did not exist at the 31 December 2013.

Note 8. Discontinued operations (continued)

(d) Disposal of the assets and liabilities of the Murchison Project

KGL Resources Limited disposed of the assets and liabilities of the Murchison Project on 21 February 2014.

	30 Jun 2014	31 Dec 2013
	$	$
Cash consideration	15,000,000	-
Additional funds paid under DOCA	(1,000,000)	
Disposal costs paid at 30 June 2014	(146,041)	-
Net cash consideration at 30 June 2014	13,853,959	-
Disposal costs payable at 30 June 2014	(129,640)	-
Net cash consideration	13,724,319	-
Represented by:		
Trade receivables	67,920	-
Exploration assets	4,942,273	-
Plant and equipment	3,000,000	-
Provision for rehabilitation	(1,624,876)	-
Net assets	6,385,317	-
Profit on sale of the Murchison Project	7,339,002	-

Note 9. Loss of Control of Subsidiary

The loss of control of CJSC Kentor has been calculated as follows:

	21 Feb 2014
	$
Fair value of consideration	-
Fair value of retained investment	730,618
	730,618
Add: carrying value of net liabilities (*)	9,191,397
Less: carrying value of non-controlling interests	(626,956)
Less: carrying value of intergroup payable	(9,855,298)
Less: foreign exchange losses	(311,897)
Loss on interest no longer controlled	(872,136)

(*) At the date control was lost the financial position of this entity was as follows:

	21 Feb 2014
Carrying amounts of assets and liabilities	$
Assets	
Cash and cash equivalents	933
Trade and other receivables	340
Prepayments	5,972
Property, plant and equipment	4,162
Exploration and evaluation assets	667,919
	679,326
Liabilities	
Trade and other payables	15,425
Loan to KGL Resources Limited	9,855,298
	9,870,723
Net assets over which control was lost	(9,191,397)

Notes to the financial statements for the half-year ended 30 June 2014

Note 10. Fair value measurement

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

Note 11. Contingent liabilities and assets

There have been no material changes to contingent liabilities and assets since the 31 December 2013 financial report.

Note 12. Events subsequent to reporting date

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

Directors' Declaration

The directors of the company declare that in their opinion:

1. 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 Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001; and

    b) Give a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance for the half-year ended on that date.

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

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

A DALEY
Chairman

Brisbane

12 September 2014

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INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of KGL Resources Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of KGL Resources Limited, which comprises the statement of financial position as at 30 June 2014, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the half-year ended on that date, notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of KGL Resources Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

Conclusion

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

A. giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance for the half-year ended on that date; and

B. complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001.*

BDO Audit Pty Ltd

BDO

C R Jenkins
Director

Brisbane, 12 September 2014