



KINGSTON RESOURCES LIMITED

ABN 44 009 148 529

Half Yearly Financial Statements

31 December 2019

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Corporate Directory

DIRECTORS

Anthony Wehby, (FCA, MAICD)

Non-Executive Chairman

Andrew Corbett, (B Eng (Mining, Hons), MBA)

Managing Director

Mick Wilkes (B Eng (Hons), MBA, GAICD)

Non-Executive Director

Stuart Rechner, (BSc, LLB, MAIG, GAICD)

Non-Executive Director

COMPANY SECRETARY

Chris Drew, (B Comm (Hons), CFA)

REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS

201/110 Pacific Highway
North Sydney NSW 2060
AUSTRALIA

Telephone (02) 8021 7492

Email info@kingstonresources.com.au

Website www.kingstonresources.com.au

AUDITORS

Hall Chadwick

Chartered Accountants

SHARE REGISTRY

Link Market Services

BANKERS

Australia & New Zealand Banking Group Limited

SOLICITORS

Cowell Clarke Commercial Lawyers

Ashurst Australia

STOCK EXCHANGE

Australian Securities Exchange

The home Exchange is in Perth, Western Australia

Secondary Listing - Frankfurt Stock Exchange

ASX CODE

KSN

Directors' Report

Your Directors submit their report for the half year ended 31 December 2019.

DIRECTORS

The names of the Company's Directors in office during the half year and until the date of this report are set out below. Directors were in office for this entire period unless otherwise stated.

- Anthony Wehby
- Stuart Rechner
- Andrew Corbett
- Mick Wilkes

PRINCIPAL ACTIVITIES

The Company is an Australian-based company, listed on the ASX, with operations in Australia and Papua New Guinea. The principal activity of the Group during the period was mineral exploration.

REVIEW OF OPERATING RESULTS AND OPERATIONS

Operating Results

The net loss after income tax for the half year was \$990,939 (2018: net loss \$1,518,977).

Review of Operations

Kingston has advanced its exploration and development strategy at its Misima Gold Project in Papua New Guinea over the six months to 31 December 2019. While the 2.8Moz Mineral Resource at Misima forms the backbone of a proposed future mining operation, Kingston's current focus is on defining easily-accessible, near-surface gold mineralisation to provide early mill feed and cash flow while access to the historical Umuna open pit (which hosts 2.6Moz of the total Resource) is re-established.

Exploration drilling over the period has focused on three such target areas where Kingston hopes to delineate new near surface mineralisation, Misima North, Umuna East, and Quartz Mountain. Encouragingly, each area has delivered successful results. Several highlights from previously reported drilling during the period are outlined below:

Quartz Mountain – Ewatinona

- 20.0m @ 1.81g/t Au from 78m (including 3.0m @ 7.48g/t Au) and
- 15.7m @ 1.60g/t Au from 40m (including 7.0m @ 3.19g/t Au).

Quartz Mountain – Abi

- 23.6m @ 2.91g/t Au from 7.4m, including 13.5m @ 4.60g/t Au from 17.5m

Misima North

- 3.5m @ 1.48g/t Au and 78.0g/t Ag from 16.2m
- 1.9m @ 1.50g/t Au and 2.0g/t Ag from 20.9m
- 8.4m @ 4.55g/t Au and 11.4g/t Ag from 23.8m, including 3.5m @ 9.58g/t Au and 26.1g/t Ag
- 4.2m @ 2.48g/t Au and 10.4g/t Ag from 76.0m

Umuna East

- 12m @ 1.31g/t Au from 2m
- 14.6m @ 0.96g/t Au from 11.4m including 3.6m @ 1.59g/t and 3m @ 1.11g/t Au
- 6m @ 2.32g/t Au from 80m

During the period, Kingston's interest in the Misima Gold Project increased from 70% to 77% as a result of exploration expenditure incurred from 1 September 2018 through to 30 June 2019 converting to an increased equity interest. Kingston has also agreed terms to purchase the remaining interest in the project of its Joint Venture partner. A non-

binding heads of agreement was announced in November, with Kingston to pay \$2.8m for the remainder of the project. Documentation for this process is now being finalised.

Over 2020 Kingston hopes to advance Misima through ongoing drilling, a Resource update and commencement of studies and approvals.

Kingston has also been active at the Livingstone Gold Project (WA) over the period. A 2,375m RC drilling program at the Kingsley prospect delivered some very encouraging results (see ASX Announcement 24 September 2019), with highlights including:

- 5m @ 3.68g/t Au from 12m
- 10m @ 11.95g/t Au from 20m
- 2m @ 13.88g/t Au from 71m
- 3m @ 11.39 g/t Au from 95m

Subsequent to the RC program, an extensive structural review which incorporated a five-hole diamond program was undertaken to enhance the Company's structural understanding at Livingstone. The information from this program has significantly advanced the Company's understanding of mineralisation controls and will now help underpin a forthcoming RC drilling program.

MINERAL RESOURCES TABLE

Misima Gold Project (PNG)

| Deposit | Material | Resource Category | | Cut-off (g/t Au) | Tonnes (Mt) | Gold (g/t Au) | Silver (g/t Ag) | Au Moz | Ag Moz |
|-------------------------------|-----------|-------------------|--|------------------|-------------|---------------|-----------------|--------|--------|
| Umuna | Oxide | Indicated | | 0.5 | 3.2 | 0.9 | 11.7 | 0.1 | 1.2 |
| | | Inferred | | 0.5 | 5.7 | 1.0 | 13.6 | 0.2 | 2.5 |
| | Primary | Indicated | | 0.5 | 34.0 | 1.1 | 4.2 | 1.2 | 4.6 |
| | | Inferred | | 0.5 | 32.7 | 1.1 | 4.7 | 1.1 | 5.0 |
| | Sub-total | Indicated | | | 37.2 | 1.1 | 4.9 | 1.3 | 5.8 |
| | | Inferred | | | 38.4 | 1.0 | 6.1 | 1.3 | 7.5 |
| | Total | Combined | | | 75.7 | 1.1 | 5.5 | 2.6 | 13.3 |
| Ewatinona | Oxide | Inferred | | 0.5 | 1.0 | 0.9 | 3.4 | 0.03 | 0.1 |
| | Primary | Inferred | | 0.5 | 5.6 | 1.0 | 3.1 | 0.2 | 0.6 |
| | Sub-total | Inferred | | | 6.6 | 1.0 | 3.2 | 0.22 | 0.7 |
| Misima Total | | Indicated | | | 37.2 | 1.1 | 4.9 | 1.3 | 5.8 |
| | | Inferred | | | 45.0 | 1.0 | 5.6 | 1.5 | 8.1 |
| Total Misima Mineral Resource | | | | | 82.3 | 1.1 | 5.3 | 2.8 | 13.9 |

Table 1: Misima Gold Project mineral resource summary, prepared by Mr S. McManus of Skandus Pty Ltd. Rounding errors may occur.

Livingstone Gold Project (WA)

| Deposit | Resource Category | Cut-off (g/t Au) | Tonnes | Gold (g/t Au) | Au (oz) |
|-----------|-------------------|------------------|---------|---------------|---------|
| Homestead | Inferred | 0.5 | 989,000 | 1.57 | 49,900 |

Table 2: Livingstone Gold Project mineral resource summary.

This resource estimate is from a JORC2004 resource report prepared by Mr H. Cornelius for Talisman Mining Ltd in February 2007. Kingston Resources has not completed sufficient validation work for this resource estimate to meet JORC2012 compliance and it is reported on the basis that the information has not materially changed. Rounding errors may occur.

COMPETENT PERSON'S STATEMENT

The information in this report that relates to Exploration Results and Minerals Resources for the Livingston Gold Project is based on information compiled by Mr Stuart Rechner BSc (Geology) MAIG, a Competent Person who is a member of the Australian Institute of Geoscientists. Mr Rechner is a Director of the Company. Mr Rechner has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2012 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr Rechner consents to the inclusion in this report of the matters based upon the information in the form and context in which it appears.

The information in this report that relates to Exploration Results for the Misima Gold Project, PNG, is based on information compiled by Mr Stuart Rechner BSc (Geology) MAIG, a Competent Person who is a member of the Australian Institute of Geoscientists. Mr Rechner is a Director of the Company. Mr Rechner has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2012 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr Rechner consents to the inclusion in this report of the matters based upon the information in the form and context in which it appears.

The information in this report that relates to Minerals Resources for the Misima Gold Project is based on information compiled by Mr Scott McManus, who is a member of the Australian Institute of Geoscientists. Mr McManus is an independent consultant to the Company and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity he is undertaking to qualify as a competent person as defined in the 2012 Edition of the "Australasian Code for reporting of Exploration Results, Mineral Resources and Ore Reserves" (JORC Code). Mr McManus consents to the inclusion in this report of the matters based upon the information in the form and context in which it appears.

FINANCIAL POSITION

At 31 December 2019 the consolidated entity had net assets of \$21,073,994 (30 June 2019: \$18,836,609) and \$4,108,520 in cash (30 June 2019: \$5,197,394).

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Other than reported above in the Review of Results and Operations, there were no significant changes in the state of affairs of the Company during the reporting period.

DIVIDENDS

There were no dividends paid, recommended, or declared during the current or previous financial half-years.

OPTIONS AND PERFORMANCE RIGHTS

During the half-year ended 31 December 2019 Directors and employees of the Company were granted options and performance rights. Please see Note 11 for details.

EVENTS AFTER THE BALANCE DATE

Other than as advised above, there has not been any matter or circumstance that has arisen after balance date that has significantly affected, or may significantly affect, the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial periods.

NEW ACCOUNTING STANDARDS IMPLEMENTED

The group has implemented one new Accounting Standard that is applicable for the current reporting period.

AASB 16: Leases has been applied retrospectively, the cumulative effect of initially applying the Standard recognised as an adjustment to the opening balance of retained earnings at 1 July 2019. Therefore, the comparative information has not been restated and continues to be reported under AASB 117: Leases.

Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

The Auditor's Independence Declaration is set out on page 7 and forms part of the Directors' Report for the half year ended 31 December 2019.

Pursuant to section 306 Corporations Act 2001 this Directors' Report:

- (a) is made in accordance with a resolution of the Directors;
- (b) is dated 10 March 2020; and
- (c) is signed by Anthony Wehby.

On behalf of the directors

A handwritten signature in black ink, appearing to read 'Anthony Wehby', with a stylized flourish at the end.

Anthony Wehby
Chairman

10 March 2020

**KINGSTON RESOURCES LIMITED
ABN 44 009 148 529
AND CONTROLLED ENTITIES**

**AUDITOR'S INDEPENDENCE DECLARATION
UNDER SECTION 307C OF THE CORPORATIONS ACT 2001
TO THE DIRECTORS OF KINGSTON RESOURCES LIMITED**

SYDNEY

Level 40
2 Park Street
Sydney NSW 2000
Australia

Ph: (612) 9263 2600
Fx: (612) 9263 2800

In accordance with Section 307C of the *Corporations Act 2001*, I am pleased to provide the following declaration of independence to the directors of Kingston Resources Limited. As the lead audit partner for the review of the financial report of Kingston Resources Limited for the half-year ended 31 December 2019, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- i. the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review; and
- ii. any applicable code of professional conduct in relation to the review.



Hall Chadwick
Level 40, 2 Park Street
Sydney NSW 2000



DREW TOWNSEND
Partner

Date: 10 March 2020

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Consolidated Statement of Financial Position

| | | Consolidated Group | |
|--------------------------------------|-------|--------------------|-------------------|
| | | 31 December 2019 | 30 June 2019 |
| | | \$ | \$ |
| | Notes | | |
| Current assets | | | |
| Cash and cash equivalents | | 4,108,520 | 5,197,394 |
| Trade and other receivables | | 468,440 | 70,917 |
| Financial assets | | 1,943 | 1,943 |
| Other current assets | | 4,394 | 4,420 |
| Total current assets | | 4,583,297 | 5,274,674 |
| Non-current assets | | | |
| Property, plant and equipment | 6 | 51,201 | 123,385 |
| Capitalised exploration expenditure | 4 | 17,390,327 | 13,963,407 |
| Right of Use Asset | 5 | 144,542 | - |
| Other non-current assets | | 41,850 | 42,094 |
| Total non-current assets | | 17,627,920 | 14,128,886 |
| Total assets | | 22,211,217 | 19,403,560 |
| Current liabilities | | | |
| Trade and other payables | | 924,852 | 396,113 |
| Lease liabilities | | 114,577 | 68,424 |
| Provisions | | 60,407 | 44,989 |
| Total current liabilities | | 1,099,836 | 509,526 |
| Non-current liabilities | | | |
| Lease liabilities | | 37,387 | 57,425 |
| Total non-current liabilities | | 37,387 | 57,425 |
| Total liabilities | | 1,137,223 | 566,951 |
| Net assets | | 21,073,994 | 18,836,609 |
| Equity | | | |
| Issued capital | 10 | 77,706,246 | 74,817,881 |
| Accumulated losses | | (57,374,298) | (56,537,006) |
| Share Based Payment Reserves | | 868,821 | 683,229 |
| Foreign Currency Translation Reserve | | (126,775) | (127,495) |
| Total equity | | 21,073,994 | 18,836,609 |

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

| | Notes | Consolidated Group | |
|---|-------|------------------------|------------------------|
| | | 31 December 2019 \$ | 31 December 2018 \$ |
| Other revenue | 3 | 95,899 | 93,640 |
| Administrative expenses | | (176,691) | (206,499) |
| Consultant and legal fees | | (49,065) | (129,648) |
| Depreciation and amortisation expenses | 3 | (18,536) | - |
| Director fees | | (110,481) | (92,560) |
| Employee expenses | | (217,807) | (229,938) |
| Share based payments expense | | (352,401) | (744,456) |
| Exploration expenditure | | 2,519 | (52,039) |
| Interest expense | | (9,996) | (11,295) |
| Impairment of capitalised exploration expenditure | 4 | (77,805) | - |
| Foreign exchange gain/loss | | (76,575) | (146,184) |
| Loss before income tax benefit | | (990,939) | (1,518,977) |
| Income tax expense | | - | - |
| Loss for the period | | (990,939) | (1,518,977) |
| Other comprehensive income | | | |
| Other comprehensive income | | - | - |
| Total comprehensive loss for the period | | (990,939) | (1,518,977) |
| Basic loss per share (cents) | | (0.58) | (0.12) |
| Diluted loss per share (cents) | | (0.58) | (0.12) |

The above Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

Consolidated Statement of Cash Flows

| | Consolidated Group | |
|--|--------------------|------------------|
| | 31 December 2019 | 31 December 2018 |
| | \$ | \$ |
| Note | | |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Continued Operations | | |
| Interest received | 35,899 | 43,429 |
| Interest paid | (10,007) | (11,295) |
| Receipts from other income | 60,000 | 31,779 |
| Payments for exploration and evaluation | 2,519 | (52,039) |
| Payments to suppliers and employees | (710,192) | (838,380) |
| NET CASH FLOWS USED IN OPERATING ACTIVITIES | (621,781) | (826,505) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Payment for exploration and evaluation | (3,236,087) | (2,359,233) |
| Payment for other non-current assets | (57,534) | - |
| Proceeds from the disposal of property, plant and equipment | - | 1,800,000 |
| Proceeds from the sale of available for sale financial assets | - | 303,597 |
| NET CASH FLOWS USED IN INVESTING ACTIVITIES | (3,293,621) | (255,636) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Proceeds from issue of shares and options | 3,084,702 | - |
| Transaction costs related to issue of shares, convertibles, or options | (209,499) | (2,365) |
| Repayment of borrowings and lease liabilities | (47,445) | (29,240) |
| NET CASH FLOWS PROVIDED BY FINANCING ACTIVITIES | 2,827,758 | (31,606) |
| Net change in cash held | (1,087,645) | (1,113,747) |
| Cash and cash equivalents at beginning of period | 5,197,394 | 4,379,973 |
| Effect of movement in exchange rates on cash held | (1,229) | 409 |
| CASH AND CASH EQUIVALENTS AT END OF PERIOD | 4,108,520 | 3,266,635 |

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

Consolidated Statement of Changes in Equity

Consolidated

Attributable to the shareholders of Kingston Resources Limited

| | Ordinary Shares \$ | Accumulated Losses \$ | Foreign Exchange Reserves | Share based payment Reserve \$ | Total Equity \$ |
|---|--------------------------|-----------------------------|---------------------------------|---|--------------------|
| Balance at 1 July 2018 | 69,244,553 | (54,427,748) | (44,121) | 267,218 | 15,039,902 |
| Loss for the half year | - | (1,518,977) | - | - | (1,518,977) |
| Other comprehensive income | - | - | - | - | - |
| | 69,244,553 | (55,946,725) | (44,121) | 267,218 | 13,520,925 |
| Issue of Shares | 197,696 | - | - | - | 197,696 |
| Cost of share issue | (2,363) | - | - | - | (2,363) |
| Share based payments | - | - | - | 546,759 | 546,759 |
| Transfer from share based payment reserve on expiry/lapse | - | 32,949 | - | (32,949) | - |
| Additions to reserves | - | - | (85,138) | - | (85,138) |
| Balance at 31 December 2018 | 69,439,886 | (55,913,776) | (129,259) | 781,028 | 14,177,879 |
| Balance at 1 July 2019 | 74,817,881 | (56,537,006) | (127,495) | 683,229 | 18,836,609 |
| Loss for the half year | - | (990,939) | - | - | (990,939) |
| Other comprehensive income | - | - | - | - | - |
| | 74,817,881 | (57,527,945) | (127,495) | 683,229 | 17,845,670 |
| Issue of Shares | 3,084,702 | - | - | - | 3,084,702 |
| Cost of share issue | (209,499) | - | - | - | (209,499) |
| Share based payments | - | - | - | 352,401 | 352,401 |
| Transfer from share-based payment reserve on expiry/lapse/Issuance | 13,162 | 153,647 | - | (166,809) | - |
| Additions to reserves | - | - | 720 | - | 720 |
| Balance at 31 December 2019 | 77,706,246 | (57,347,298) | (126,775) | 868,821 | 21,073,994 |

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Notes to the Financial Statements

1. CORPORATE INFORMATION

The financial statements of Kingston Resources Limited for the half year ended 31 December 2019 are authorised for issue in accordance with a resolution of the Directors on 10 March 2020. Kingston Resources Limited is a company incorporated in Australia and limited by shares listed on the ASX.

The nature of the operations and principal activities of the Group are described in the Review of Operating Results and Operations included in the Directors' Report and in Note 8 Segment Information.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The half year financial statements do not include all of the notes of the type normally included within the annual financial report 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 report.

The half year financial statements should be read in conjunction with the annual Financial Statements of the Group as at 30 June 2019.

It is also recommended that the half year financial statements be considered together with public announcements made by Kingston Resources and its controlled entities during the half year ended 31 December 2019 and up to the date of this report in accordance with the continuous disclosure obligations arising under the *Corporations Act 2001*.

a) Basis of Preparation

These general purpose financial statements for the interim half year reporting period ended 31 December 2019 have been prepared in accordance with requirements of the *Corporations Act 2001* and Australian Accounting Standards including AASB 134: Interim Financial Reporting. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards.

The interim financial statements are intended to provide users with an update on the latest annual financial statements of Kingston Resources Limited and its controlled entities (the Group). As such, it does not contain information that represents relatively insignificant changes during the half year within the Group. It is therefore recommended that these financial statements be read in conjunction with the annual financial statements of the Group for the year ended 30 June 2019, together with any public announcements made during the half year and up to the date of this report.

The accounting policies and methods of computation are the same as those adopted in the most recent annual financial report.

From 1 July 2019, the consolidated entity has adopted all Australian Accounting Standards and Interpretations effective for annual periods beginning on or before 1 July 2019. The adoption of new and amended standards and interpretations had no impact on the financial position or performance of the consolidated entity.

The consolidated entity has not elected to early adopt any new standards or amendments that are issued but not yet effective.

b) Going Concern

The consolidated entity has incurred operating losses of \$990,939 (2018: \$1,518,977) and negative operating cash flows of \$621,781, (2018: \$826,505) for the half year ended 31 December 2019. As at 31 December 2019 the consolidated entity held cash of \$4,108,520.

The Company's 31 December 2019 cash balance of \$4,108,520 leaves it with sufficient funding to continue to meet its budgeted operational expenditure requirements, including minimum exploration commitments across its tenement portfolio. Nevertheless, the nature of an exploration company is to have negative cashflow from operations, which requires the Company to raise equity as required. The company successfully raised capital in May and August 2019.

Taking into account the current cash reserves of the Company, the Directors are confident the Company has adequate resources to continue in its main business activity for the foreseeable future. As a result, the financial statements have been prepared on the basis of going concern which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business and at the amounts stated in the financial report.

c) New Accounting Standards Implemented

The Group has implemented one new Accounting Standard that is applicable for the current reporting period.

AASB 16: Leases has been applied retrospectively, with the cumulative effect of initially applying the Standard recognised as an adjustment to the opening balance of retained earnings at 1 July 2019. In accordance with AASB 16, the comparative information for the 30 June 2019 reporting period has not been restated and continues to be reported under AASB 117: *Leases*.

The Group has recognised a lease liability and right of use asset for all leases (with the exception of short-term and low value leases) recognised as operating leases under AASB 117: *Leases* where the Group is the lessee.

The lease liabilities are measured at the present value of the remaining lease payments. The Groups incremental borrowing rate as at 1 July 2019 was used to discount the lease payments.

In the previous year, the group only recognised lease assets and liabilities in relation to leases that were classified as "finance leases" under AASB 117: *Leases*. The assets were presented in property, plant and equipment and the liabilities as part of the group's borrowings.

The following summary indicates the adjustments and reclassifications of financial statement line items in the balance sheet due to the implementation of AASB 16 as at 1 July 2019.

| | Carrying amount under AASB 117 | Adjustments | Carrying amount under AASB 16 |
|--|-----------------------------------|-------------|----------------------------------|
| | \$ | \$ | \$ |
| Property, plant and equipment | 123,385 | (123,385) | - |
| Right of use assets | - | 123,385 | 123,385 |
| Interest Bearing Liabilities - Current | 68,424 | (68,424) | - |
| Lease liabilities - Current | - | 68,424 | 68,424 |
| Interest Bearing Liabilities Non-Current | 57,425 | (57,425) | - |
| Lease liabilities – Non-Current | - | 57,425 | 57,425 |
| Retained earnings | | - | |

Measurement of lease liabilities

| | \$ |
|--|----------|
| Operating lease commitments disclosed as at 30 June 2019 | 97,597 |
| Elimination of leases expiring within 12 months | (13,600) |
| Discounted using the lessee's incremental borrowing rate of at the date of initial application | (9,852) |
| Add: finance lease liabilities recognised as at 30 June 2019 | 125,849 |
| Lease liabilities recognised as at 1 July 2019 | 199,994 |
| Represented by: | |
| – Current lease liabilities | 104,529 |
| – Non-current lease liabilities | 95,465 |
| | 199,994 |

Measurement of right of use assets

The associated right of use assets for property leases were measured on a retrospective basis as if the new rules had always been applied. Other right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 30 June 2019.

3. LOSS FOR THE PERIOD

| | 31 December 2019 \$ | 31 December 2018 \$ |
|--|------------------------|------------------------|
| The following revenue and expense items are relevant in explaining the financial performance for the interim period: | | |
| Other revenue | | |
| Interest from bank | 35,899 | 43,429 |
| DMIRS EIS funding | 60,000 | 14,921 |
| Consulting fees charged to acquirer of disposed assets | - | 13,992 |
| Profit on sale of available for sale financial assets | - | 21,298 |
| Total other revenue | 95,899 | 93,640 |
| Expenses | | |
| Depreciation and amortisation on non-current assets | | |
| Depreciation of: | | |
| - Right of use asset | (18,536) | - |
| - plant and equipment | - | (265) |
| Total depreciation and amortisation | (18,536) | (265) |

4. EXPLORATION AND EVALUATION ACTIVITIES

| | Consolidated Group | |
|---|--------------------|-------------------|
| | 31 December 2019 | 30 June 2019 |
| | \$ | \$ |
| Opening Balance | 13,963,407 | 8,839,290 |
| Impairment of assets | (77,805) | - |
| Capitalised exploration expenditure | 3,504,725 | 5,124,117 |
| Total exploration expenditure capitalised | <u>17,390,327</u> | <u>13,963,407</u> |

The carrying value of the capitalised exploration and evaluation expenditure is assessed for impairment whenever facts and circumstances suggest that the carrying amount of the asset may exceed its recoverable amount, where substantive expenditure on further exploration is neither budgeted nor planned, or the period for which the Company has the right to explore will expire in the near future and is not expected to be renewed.

During the period two Northern Territory exploration licenses EL31534 and EL31535 were relinquished. As a result \$77,805 of capitalised exploration expenditure, being the full carrying amount of these exploration assets, was impaired

5. RIGHT OF USE ASSETS

The Groups Right of use Assets include buildings (in the form of an office lease) and plant and equipment. Both leases have a remaining term of under 2 years.

| | Consolidated Group | |
|---------------------------------|-----------------------|-----------------------|
| | 31 December 2019 | 1 July 2019 * |
| | \$ | \$ |
| a. Right of use assets | | |
| Leased Buildings | 74,145 | 74,145 |
| Accumulated Amortisation | (18,536) | - |
| Net Carrying Value | <u>55,609</u> | <u>74,145</u> |
| Leased Equipment | | |
| Excavator | 200,786 | 200,786 |
| Accumulated Amortisation | (111,853) | (77,401) |
| Net Carrying Value | <u>88,933</u> | <u>123,385</u> |
| Total Net Carrying Value | <u>144,542</u> | <u>197,530</u> |
| b. Lease liabilities | | |
| Current | (114,577) | (104,529) |
| Non-current | (37,387) | (95,465) |
| | <u>(151,964)</u> | <u>(199,994)</u> |

* In the previous year, the Group only recognised lease assets and lease liabilities in relation to leases that were classified as "finance leases" under AASB 117: *Leases*. The assets were presented in property, plant and equipment and the liabilities as part of the group's borrowings. This included the Excavator which was previously included in Property, Plant and Equipment. For adjustments on adoption of AASB 16 on 1 July 2019, please refer to Note 2c.

6. PROPERTY, PLANT AND EQUIPMENT

| | Consolidated Group | |
|-------------------------------------|---------------------------|---------------------|
| | As at | As at |
| | 31 December 2019 | 30 June 2019 |
| | \$ | \$ |
| Plant and equipment: | | |
| At cost | - * | 201,952 |
| Accumulated depreciation | - * | (78,597) |
| | - | 123,385 |
| Motor vehicles: | | |
| At cost | 125,613 | - |
| Accumulated depreciation | (74,412) | - |
| | 51,201 | - |
| Total property, plant and equipment | 51,201 | 123,385 |

* see Note 2(c) for adjustments recognised on adoption of AASB 16 on 1 July 2019

7. BORROWINGS

| | Consolidated Group | |
|------------------------------------|---------------------------|---------------------|
| | As at | As at |
| | 31 December 2019 | 30 June 2019 |
| | \$ | \$ |
| CURRENT | | |
| Interest bearing liabilities | - * | 68,424 |
| NON-CURRENT | | |
| Interest bearing liabilities | - * | 57,425 |
| Total interest bearing liabilities | - | 125,849 |

* see Note 2(c) for adjustments recognised on adoption of AASB 16 on 1 July 2019

8. SEGMENT INFORMATION

The Group has identified its operating segments 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 operates in one segment being Exploration and Evaluation of Minerals.

9. COMMITMENTS AND CONTINGENCIES

The Group has certain obligations to perform minimum exploration work and to expend minimum amounts of money on such work on mining tenements. These obligations may be varied from time to time subject to approval and are expected to be fulfilled in the normal course of the operations of the Group. These commitments have not been provided for in the financial report. Due to the nature of the Group's operations in exploring and evaluating areas of interest, it is difficult to accurately forecast the nature and amount of future expenditure beyond the next year. Expenditure may be reduced by seeking exemption from individual commitments, by relinquishing of tenure or by new joint venture arrangements. Expenditure may be increased when new tenements are granted or joint venture agreements amended. The minimum expenditure commitment on the tenements is:

| | Consolidated Group | |
|--|---------------------------|-------------------------|
| | 31 December 2019 | 31 December 2018 |
| | \$ | \$ |
| Not Later than one year | 68,000 | 102,000 |
| Later than one year and less than five years | 61,852 | 261,101 |

The Company has issued performance rights and options to management and employees as part of their total remuneration. Those issued in the current period are listed below in Note 11, the value of these share based payments upon issue was \$341,428.

10. ISSUED CAPITAL

| | 31 December 2019 | 30 June 2019 |
|---|-------------------------|---------------------|
| | \$ | \$ |
| a) Ordinary shares | | |
| 176,592,317 fully paid ordinary shares (30 June 2019: 1,567,427,741) | 77,795,665 | 74,817,881 |
| Movements in contributed equity for the period | | |
| Balance at the beginning of the period | 74,817,881 | 69,244,553 |
| Shares issued during the current financial year: | | |
| - 25 July 2019 | 13,162 | |
| - 16 August 2019 | 80,000 | |
| - 19 August 2019 | 330,000 | |
| - 20 August 2019 | 50,000 | |
| - 22 August 2019 | 2,624,702 | |
| Shares issued during the previous period: | | |
| - 18 July 2018 | | 197,696 |
| - 29 April 2019 | | 2,625,000 |
| - 6 May 2019 | | 36,000 |
| - 7 May 2019 | | 1,445,600 |
| - 9 May 2019 | | 460,218 |
| - 5 June 2019 | | 938,670 |
| Less share issuance costs | (209,499) | (129,856) |
| Total contributed equity | 77,706,246 | 74,817,881 |

11. SHARE BASED PAYMENTS

- (i) Share options and performance rights granted to employees and directors of the Company, or any Associated Body Corporate of the Company:
 - On 6 November 2019 Kingston granted senior management 24,273,187* STI performance rights and 72,819,561* LTI options.
- (ii) Shares granted on the vesting of performance rights held by employees and directors of the Company, or any Associated Body Corporate of the Company:
 - On 25 July 2019 Kingston issued senior management 5,698,978* shares on the vesting of FY19 STI Performance rights.

*quoted number of shares was prior to the 1:10 share consolidation approved by shareholders at the AGM on the 6 November 2019.

12. EVENTS SUBSEQUENT TO REPORTING DATE

Other than as advised above, there has not been any matter or circumstance that has arisen after balance date that has significantly affected, or may significantly affect, the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial periods.

Directors' Declaration

In the opinion of the Directors:

- (a) the financial statements and the notes of the consolidated entity are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the financial position as at 31 December 2019 and the performance for the half year ended on that date of the consolidated entity; and
 - (ii) complying with Accounting Standard AASB 134: *Interim Financial Reporting* and the Corporations Regulations 2001; and
- (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.

Signed in accordance with a resolution of the directors of Kingston Resources Limited made pursuant to section 303(5)(a) of the Corporations Act 2001.

On behalf of the Board



Anthony Wehby
Chairman

10 March 2020

**KINGSTON RESOURCES LIMITED
ABN 44 009 148 529
AND CONTROLLED ENTITIES**

**INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF
KINGSTON RESOURCES LIMITED**

SYDNEY

Level 40
2 Park Street
Sydney NSW 2000
Australia

Ph: (612) 9263 2600
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Report on the Interim Financial Report

We have reviewed the accompanying half-year financial report of Kingston Resources Limited, which comprises the consolidated statement of financial position as at 31 December 2019, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity, and consolidated statement of cash flows for the period ended on that date, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration.

Directors' Responsibility for the Interim Financial Report

The directors of Kingston Resources Limited 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 gives a true and fair view and 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 Kingston Resources Limited's financial position as at 31 December 2019 and its performance for the period ended on that date, and complying with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of Kingston 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 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.

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KINGSTON RESOURCES LIMITED
ABN 44 009 148 529
AND CONTROLLED ENTITIES
INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF
KINGSTON RESOURCES LIMITED

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 Kingston Resources Limited is not in accordance with the Corporations Act 2001 including:

- (i) giving a true and fair view of Kingston Resources Limited's financial position as at 31 December 2019 and of its performance for the period ended on that date; and
- (ii) complying with AASB 134: Interim Financial Reporting and the Corporations Regulations 2001.

Material Uncertainty Related to Going Concern

We draw attention to Note 2(b) in the financial report, which indicates that the Group incurred a net loss after tax of \$990,939 and had net operating cash outflows of \$621,781 during the half-year ended 31 December 2019. As stated in Note 2(b), these events or conditions, along with other matters as set forth in Note 2 (b), indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.



HALL CHADWICK
Level 40, 2 Park Street
Sydney NSW 2000



DREW TOWNSEND
Partner

Dated: 10 March 2020