

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

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014**

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

Contents	Page
Directors' Report	1
Auditor's Independence Declaration	17
Directors' Declaration	18
Statement of Profit or Loss and Other Comprehensive Income	19
Statement of Financial Position	20
Statement of Cash Flows	21
Statement of Changes in Equity	22
Notes to the Financial Statements	24
Independent Auditor's Report	64

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

DIRECTORS' REPORT

The directors present their report on the consolidated entity (or the Group) consisting of KGL Resources Limited and the entities it controlled at the end of, or during, the year ended 31 December 2014.

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

Andrew Daley

BSc (Hons)(MINING)

**Grad Dip (GeoSc), C.Eng (UK),
FAusIMM, MIOM3**

Non-Executive Chairman

Appointed 10 November 2004

Mr Daley commenced his mining career in 1970 with Anglo American on the Zambian copper belt and later worked with Rio Tinto and Conoco Minerals also in Africa. He moved to Australia with the engineering group Fluor Australia in 1981 working on new project evaluation. In 1983 Mr Daley, moved into resource project finance with National Australia Bank, Chase Manhattan and from 1999 was a Director of the Mining Team at Barclays Capital in London.

From his return to Australia in 2003 until retiring from full-time work in mid 2009 he was Director of Investor Resources, a Company based in Melbourne which provided financial advisory services to the resources industry globally.

Mr Daley is a member of the Audit and Risk Committee and the Remuneration Committee.

Other Current Directorships of ASX Listed Companies

Mr. Daley is the Non-Executive Chairman of PLD Corporation Limited.

Former Directorships of ASX Listed Companies in last three years

PanAust Limited (appointed August 2004, retired May 2012).

John Taylor

BEng (CHEM)

MBA

Non-executive Director

Appointed 28 July 2009

Mr Taylor retired in 2010 from a long career as Managing Director of Outotec Australasia Pty Ltd (previously Outokumpu Technology and prior to that, Lurgi Australia). He has held senior positions in management, process engineering and plant construction, primarily in the mining, minerals processing and environmental sectors.

He was previously a non-executive director of listed companies Ticor Ltd and Environmental Group Ltd.

Mr Taylor is Chair of the Remuneration Committee.

Other Current Directorships of ASX Listed Companies

Heemskirk Consolidated Ltd appointed 9th May 2011.

Former Directorships of ASX Listed Companies in last three years

None.

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

DIRECTORS' REPORT (CONTINUED)

DIRECTORS (CONTINUED)

Christopher Bain

B APP SC (APP GEOL)

GRAD DIP (GEO SC)

MAusIMM

MAICD

Non-executive Director

Appointed 5 September 2013

Chris Bain is a geologist and mineral economist. He has over 30 years' experience in resources having worked in underground mine geology in Mt Isa and Tasmania and exploration around Broken Hill. Since joining the finance sector he has been instrumental in mining project divestitures and acquisitions, evaluations and valuations, capital raisings including several initial public offerings and ASX listings. Chris is currently a member of the Australasian Institute of Mining and Metallurgy and the Australian Institute of Company Directors.

Mr Bain is Chair of the Audit and Risk Committee and a member of the Sustainability Committee.

Other Current Directorships of ASX Listed Companies

PLD Corporation Limited.

Former Directorships of ASX Listed Companies in last three years

In the past 3 years he has been a director of Dart Mining NL resigning on the 18 February 2014.

Brad Ellis

**BAPPSc (EXTRACTIVE
METALLURGY)**

GRAD DIP (APPFIN INV)

FAusIMM

FSIA

Non-executive Director

Appointed 5 November 2013

Mr. Ellis has a Bachelor of Applied Science in Extractive Metallurgy and a Graduate Diploma in Applied Finance and Investment. With over 30 years' experience in the mining industry, Brad is currently a partner in West Australian consultancy Scott Dalley Francks. Brad's technical experience has focused on feasibility study preparation and management, plant design, commissioning, management and optimisation for mineral processing and hydrometallurgical plants; and project evaluations.

Mr Ellis is Chair of the Sustainability Committee and a member of the Audit and Risk Committee.

Other Current Directorships of ASX Listed Companies

Atlantic Limited.

Former Directorships of ASX Listed Companies in last three years

None.

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

DIRECTORS' REPORT (CONTINUED)

DIRECTORS (CONTINUED)

Simon Milroy

BEng (MINING)

Managing Director

Appointed 14 May 2007

Mr Milroy is a mining engineer who previously spent nearly 4 years as General Manager – Project Development and Manager Technical Services for Pan Australian Resources Limited in Laos. In those roles he was responsible for scoping and feasibility studies, evaluations of projects and companies, ore reserves and technical support of the company's operations. During that period key achievements were managing the feasibility studies and environmental and social impact assessments for the Phu Bia gold mine and the Phu Kham copper-gold mine.

Other Current Directorships of ASX Listed Companies

None.

Former Directorships of ASX Listed Companies in last three years

None.

COMPANY SECRETARY

Kylie Anderson

**BSc. MBA (INT. BUS.) MPA,
MAICD**

Appointed 2 January 2008

Ms Anderson has held senior financial and company secretarial roles with a number of companies in the resources sector including Felix Resources and Rio Tinto.

INTERESTS IN THE SHARES AND OPTIONS OF THE COMPANY AND RELATED BODIES CORPORATE

At the date of this report, the interest of the directors in the shares and options of KGL Resources Limited are:

Director	Ordinary shares	Options over ordinary shares
A Daley	1,000,000	200,000
J Taylor	782,355	100,000
C Bain	125,000	-
B Ellis	200,000	-
S Milroy	427,044	1,400,000

MEETINGS OF DIRECTORS

The number of directors' meetings held during the financial year and the number of meetings attended by each director while they were a director were as follows:

	Held	Attended
Directors		
A Daley	13	13
J Taylor	13	12
C Bain	13	13
B Ellis	13	13
S Milroy	13	13

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

DIRECTORS REPORT (CONTINUED)

MEETINGS OF DIRECTORS (CONTINUED)

Committee membership and meetings

The members of the Committees are the independent directors, Andrew Daley, John Taylor, Chris Bain and Brad Ellis. Mr Chris Bain is the Chairman of the Audit and Risk Committee along with Andrew Daley and Brad Ellis as members. Mr John Taylor is the Chairman of the Nomination and Remuneration Committee along with Andrew Daley as a member.

A Sustainability Committee was formed during 2014 and held its first meeting in January 2015. Brad Ellis is the Chairman of this committee with Chris Bain as a member.

	Audit and Risk Committee		Nominations and Remuneration Committee	
	Held	Attended	Held	Attended
Directors				
A Daley	2	2	2	2
J Taylor	-	-	2	2
C Bain	2	2	-	-
B Ellis	2	2	-	-

CORPORATE INFORMATION

Principal activity

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

Employees

The Group employed 7 employees as at 31 December 2014 (2013: 12 employees).

DIVIDENDS

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

REVIEW OF OPERATIONS

During 2014, the Company maintained a strong focus on the exploration drilling and other pre-feasibility studies of the Jervois Project (Jervois or the Project) in the Northern Territory, with considerable success.

The completion of the sale of the Murchison Gold Project early in the year for \$15 million contributed to the Company's ability to fund drilling at Jervois and other costs from cash reserves.

The drilling programs greatly enhanced the potential of Jervois as a mid-sized, multi-metal mining project. During the year,

- The Project's estimated Resources were increased by more than 60% increase.
- A Pre-Feasibility Study (PFS) update found Jervois to be a technically and commercially feasible project with strong upside for a larger and more valuable asset through further drilling and metallurgical work.
- The Company committed to a new drilling program and other work to increase and upgrade the Resource and further improve the project's economics ahead of mine development.

KGL RESOURCES LIMITED AND ITS CONTROLLED ENTITIES

ABN 52 082 658 080

DIRECTORS REPORT (CONTINUED)

REVIEW OF OPERATIONS (CONTINUED)

Early in the year, drilling confirmed massive sulphides containing copper, lead and zinc at Marshall-Reward. This was followed by the discovery of the nearby East Reward copper deposit. Electromagnetic Surveys also indicated probable copper extensions 500 metres north of Reward, as well as other extensions at Marshall-Reward, Green Parrot and Bellbird.

To ensure that the new information was fully included in Resource calculations, finalisation of the Resource update was rescheduled from the second to the third quarter of the year.

The intensive drilling indicated extensions at depth, laterally and along the 12km strike, between and beyond the main, currently known deposits.

As an example, at the northern end of Marshall-Reward, Hole RJ237W1 intersected 25m @ 1.74% copper, 35.9 g/t silver and 0.82 g/t gold from 518m, including 8m @ 3.96% copper, 82.2 g/t silver and 2.38 g/t gold (with 1m assays of up to 5.08 g/t gold) from 531m.

At Bellbird, drill results included 4m @ 4.91% copper, 55.3 g/t silver and 0.04 g/t gold from 253m (Hole KJC031), and 3m @ 4.7% copper, 14.5 g/t silver and 0.06 g/t gold from 398m including 1m @ 12.05% copper, 33.7 g/t silver and 0.14 g/t gold (Hole KJC056).

In September 2014, the Company announced an increased Resource, comprising:

- An 85% increase in total Resource tonnes to 25.3 million tonnes @ 1.1% copper and 22.1 grams per tonne silver.

This resulted in:

- 64% increase in contained copper to 280,000 tonnes.
- 61% increase in contained silver to 18 million ounces.
- A 150% increase in contained lead/zinc to 120,000 tonnes and
- A 63% increase in contained gold to 113,000 ounces
- At the same time the additional Exploration potential was increased to 50,000 to 150,000 tonnes copper and 2 to 7 million ozs silver*

**The potential quantity and grade of the Exploration Potential is conceptual in nature and there has been insufficient exploration to define a Mineral Resource. It is uncertain if further exploration will result in the determination of a Mineral Resource.*

The subsequent update of the PFS, based on the new Resource, was released in December 2014.

In summary, Jervois was found to be a viable project with strong upside potential from additional planned drilling and metallurgical work. The development of a copper mine and concentrator was shown to be technically and commercially feasible, with

- Throughput estimated at 2 million tonnes per year over an initial 7 year mine life (4.5 years open cut)
- Production of approximately 21,000 tonnes per year copper and 1 million ounces per year silver in concentrate plus gold, lead and zinc
- Initial capital expenditure estimated at A\$189M including A\$22M in contingency
- Estimated C1 cash costs of US\$1.51/lb (after by-product credits and using an exchange rate of A\$/US\$ 0.845 and silver price of US\$20/oz).

Studies highlighted that the Project's value would be improved markedly by further drilling and metallurgical work aimed at increasing resources/reserves and mine life, increasing metal recoveries, reducing operating costs, and reducing capital costs.

The Board subsequently approved an additional work program targeting \$100M to \$200M of additional free cash flow over the life of the Project. The estimated cost \$3.1M and it is being funded from existing cash reserves.

DIRECTORS REPORT (CONTINUED)

REVIEW OF OPERATIONS (CONTINUED)

The additional work, now well under way, is not only designed to increase Resources, extend the mine life, prolong open pit production, increase recovery rates of copper, silver and gold, maximise the treatment of the transitional ore, produce a readily marketable bulk lead-zinc concentrate, and reduce both capital and operating costs.

The drilling program is designed to optimise the Marshall-Reward, Bellbird and Green Parrot open pits, drill the southern end of the Marshall deposit and the gap between the Marshall and Green Parrot deposits to extend the resource, drill at Bellbird to add high grade copper stopes to the underground and increase lead-zinc resources at Bellbird North, and at Marshall, drill to extend high grade stoping areas and increase silver-lead-zinc resources.

Only exploration results received prior to July 2014 were included in the Resource update on which the PFS update was based. Infill and resource extension drilling reported subsequent to the update, in the second half of the year, produced very high grade, shallow intersections within the pit outlines. These included high grade copper, lead, zinc, silver and gold in the Reward pit and at Green Parrot.

At Reward, drill results included 7m @ 7.27% copper, 1.12% lead, 1.35% zinc, 140.2 g/t silver and 0.38 g/t gold from 8m (Hole JOC028) including 2m @ 20.98% copper, 1.53% lead, 1.11% zinc, 302.5 g/t silver and 0.77 g/t gold.

High grade lead and zinc were intersected at Reward in Hole JOC026: 18m @ 0.26% copper, 16.39% lead, 0.95% zinc, 279.1 g/t silver and 0.13 g/t gold from 33m (Hole JOC026) including 6m @ 0.57% copper, 37.72% lead, 1.92% zinc, 551.5 g/t silver and 0.22 g/t gold from 39m including 50.7% lead within the interval.

Also at Reward, the highest silver grade so far at Jervois was intercepted: 9m @ 0.59% copper, 0.83% lead, 1.17% zinc, 419.7 g/t silver and 0.5 g/t gold from 14m (Hole JOC266) including 1m @ 2.71% copper, 15.7% lead, 0.28% zinc, 2350 g/t silver and 2.01 g/t gold from 19m.

High copper, silver and gold grades were intersected at Reward over a broad interval with an exceptionally high grade gold zone discovered: 28m @ 1.55% copper, 0.14% lead, 0.13% zinc, 37.8 g/t silver and 2.49 g/t gold from 2m (Hole JOC268) including 2m @ 2.24% copper, 0.15% lead, 0.13% zinc, 24.2 g/t silver and 27.85 g/t gold from 28m.

Near surface drilling at Green Parrot combined high grade results for all metals in Hole JOC176: 6m @ 8.55% copper, 15.08% lead, 10.95% zinc, 679.7 g/t silver and 4.87 g/t gold from 48m incl. 25.7 g/t gold within the interval including 3m @ 12.38% copper, 22.15% lead, 16.78% zinc, 963.3 g/t silver and 1.01 g/t gold from 49m.

Drilling north of the Green Parrot deposit and just south of Marshall-Reward included 18m @ 4.92% copper, 1.54% lead, 0.75% zinc, 240.5 g/t silver and 0.14 g/t gold from 10m (Hole JOC062) including 2m @ 31.5% copper (the highest copper grade recorded at Jervois), 5.96% lead, 1.77% zinc, 1,240 g/t silver and 0.07 g/t gold.

High grade results of near surface drilling at Bellbird indicated the potential for open pit mining. Among them were 13m @ 5.75% copper, 23.2 g/t silver and 0.32 g/t gold from 20m (Hole JOC090) including 3m @ 11.55% copper, 55.7 g/t silver and 0.52 g/t gold, and 7m @ 8.88% copper, 96.5 g/t silver and 0.29 g/t gold from 23m (JOC304).

Assays from the first deep diamond hole at Jervois drilled in September-October 2014 confirmed the continuation of mineralisation at Reward from surface outcrop to 860m depth where grades of up to 5.94% copper, 17.10% lead, 11.60% zinc and 663 g/t silver (Hole KJD01W1) were recorded. These intersections, more than 330m below what was previously the deepest hole, clearly indicate the potential size of this already large mineralised system, and fit nicely with the current research that is suggesting a SEDEX style deposit.

Adding to the overall potential of Jervois, high grade copper was intersected at the new prospects of Rockface, Morley and Cox's Find.

All of this additional work will lead to further resource update in targeted for late June 2015, to be followed by an updated PFS to be completed later in the third quarter of the year.

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

DIRECTORS REPORT (CONTINUED)

REVIEW OF OPERATIONS (CONTINUED)

In the Solomon Islands, joint venture partner Geodynamics Limited continued to fund and manage the work on the Savo Island Geothermal Power Project, a potential source of geothermal power for the capital city, Honiara, and a nearby mine. Development consent was obtained from the Government, and late in the year the work focussed on obtaining a power purchasing agreement, a pre-requisite to drilling taking place. KGL is diluting to 30% under a farm-in agreement with Geodynamics.

FINANCIAL REVIEW

For the year ended 31 December 2014, the KGL Group recorded profit after income tax and discontinued operations of \$3,436,689 (2013: loss of \$14,471,412).

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.

The sale was finalised on 21 February 2014 and thus the profit on sale of \$7,330,200 has been recognised in the results for this 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 entered into a Farm In Agreement with Robust Resources Limited over the exploration of tenements held by CJSC Kentor. In addition, Kentor Energy entered into a Farm In Agreement with Geodynamics. As a result of the required accounting treatment for these two transactions an expense of \$896,927 has been recognised in the profit or loss.

Employee expenses from both continued and discontinued operations decreased in the year to 31 December 2014 to \$1,659,496 (2013: \$2,584,778) due to a reduction in staff at head office and executive and non-executive directors reducing their remuneration. Employee expenses from continued operations were \$1,642,155 (2013: \$2,584,778).

The KGL cash reserve as at 31 December 2014 was \$9.934m, including \$600,000 and \$292,526 classified as financial assets held to maturity.

CAPITAL RAISINGS / CAPITAL STRUCTURE

No capital raising or changes in capital structure have occurred during the current year or subsequent to year end.

Summary of shares and options on issue

As at the date of this report there were 141,540,563 ordinary shares on issue, 900,000 performance rights and 1,899,842 unissued ordinary shares in respect of which the options listed below were outstanding.

<i>Expiry date</i>	<i>Number</i>	<i>Exercise price</i> <i>\$</i>
<i>Unlisted employee options</i>		
Duration of employment	500,000	1.808 to 2.808
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
01 February 2015	24,842	1.579
28 May 2017	700,000	1.165
01 October 2017	25,000	0.744 to 0.892
	<u>1,899,842</u>	
<i>Unlisted performance rights</i>		
24 February 2017	600,000	Nil
31 May 2016	300,000	Nil
	<u>900,000</u>	
Total Options Granted	<u>2,799,842</u>	

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

DIRECTORS REPORT (CONTINUED)

CAPITAL RAISINGS / CAPITAL STRUCTURE (CONTINUED)

Summary of shares and options on issue (continued)

All options expire the earlier of the expiry date or 30 days after termination of the employee's employment. The option holders have no rights to participate in any share or interest issue of the Company or any other entity under the options.

Performance rights were granted during the year totalling 2,400,000. On the 19 March 2014, 700,000 options were cancelled as a result of the exercise conditions no longer being able to be met. On the 5 November 2014, 200,000 performance rights were exercised and a further 1,300,000 performance rights were exercised subsequent to the end of the reporting period on the 6 February 2015.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

During the year the Murchison Gold Project was sold to Monument Mining Limited for a total cash consideration of \$15M. Also, due to entering into farm in arrangements KGL no longer consolidates CSJC Kentor an 80% owned subsidiary and Kentor Energy a 100% owned subsidiary with a 75% interest in the joint venture. These entities are now equity accounted for. Refer to the operating and financial review section of this report for further detail. Refer also to further information contained in the significant events after the end of the reporting date for additional changes since year end including the cessation of the joint venture agreement with Robust Resources Limited regarding CSJC Kentor tenements.

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.

The Group's Kyrgyzstan based entity is subject to the relevant laws and regulations imposed by the Kyrgyzstan government. Additionally, the Kyrgyz Republic is a contracting party to a number of international environmental conventions. KGL's project is subject to annual reviews by the Kyrgyz government inspectors and no breaches have been reported.

REMUNERATION REPORT (AUDITED)

Remuneration philosophy

The Company's remuneration policy is to ensure that the remuneration package properly reflects the person's duties and responsibilities, with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality Board and executive team.

To assist in achieving these objectives, each year the Board approves a short term incentive (STI) programme which links executive's remuneration to the Group's financial and operational performance through a series of measurable key performance indicators.

The Board also approved a long term incentive (LTI) programme for the Managing Director and selected Senior Executives which aligns executives' long term remuneration with overall group strategy and goals. Currently only the Managing Director participates in the LTI program.

Employment agreements are entered into with executive directors and other personnel on the executive team.

Remuneration committee

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

Remuneration structure

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

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

DIRECTORS REPORT (CONTINUED)

REMUNERATION REPORT (AUDITED) (CONTINUED)

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 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.

Each director receives a fee for being a director of the Company and an additional fee for being a member of the board committees. Directors who are called upon to perform extra services beyond the director's ordinary duties may be paid additional fees for those services.

Non-executive directors are and have been encouraged to hold shares in the Company. KGL considers it good governance for directors to have a stake in the Company on whose Board he or she sits.

Executive remuneration

Objective

The Company aims to reward executives with a level and mix of fixed and variable remuneration commensurate with their position and responsibilities within the Company and so as to align the interests of executives with those of shareholders.

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 in the 2014 financial year. It is the Board's policy that employment contracts are entered into with the all senior executives.

Variable remuneration – short and long term incentives

Objective

The primary objectives of STI's are to:

- provide incentives to key individuals to meet their stretched targets.
- provide incentives to the employees to achieve the short term objectives of the Company and improve the performance of the Company; and
- attract persons of experience and ability to employment with the Company.

The primary objectives of LTI's are to:

- to align the long term goals of senior executives with the strategic objectives of the Company;
- provide an incentive to the employees to achieve the long term objectives of the Company and improve the performance of the Company; and
- attract persons of experience and ability to employment with the Company and foster and promote loyalty between the Company and its employees.

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

DIRECTORS REPORT (CONTINUED)

REMUNERATION REPORT (AUDITED) (CONTINUED)

Variable remuneration – short and long term incentives (continued)

Structure

Short term incentives are measured through the achievement of stretched key performance indicators (KPI's) which are agreed with each senior executive annually. These KPI's are based primarily on safety, sustainability, financial management, business development governance and leadership. Under the approved policy STI payments may be up to 15% of the total fixed income (TFI) component of the executive's remuneration package.

All STI payments for senior executives are approved at the discretion of the Board based on the recommendation of the Nomination and Remuneration Committee.

A revised Employee Share Option Plan was approved by the board on 29 January 2015. Under this plan performance rights have been issued to senior executives. The vesting conditions relate to the achievement of significant project milestones therefore aligning the executives' ability to achieve growth in shareholder value with the executives' remuneration.

A LTI policy has been approved by the Board. This policy will only apply to the Managing Director and members of the senior executive management team whose role contributes to the medium to long term development of the Company. Under the terms of the approved policy any LTI awards will have a three year rolling vesting period relating to specific Key Performance Criteria.

Long Term Incentive (LTI) awards will be granted annually, at Board discretion. The notional value of the annual LTI will be determined by the Board and can be up to 60% of total fixed income component of the executive's remuneration package.

Long Term incentive performance measures for vesting LTI awards will be based on Key Performance Criteria that reflect progress made towards improvements in the overall development of the Company and Total Shareholder Return. These will include but not limited to growth targets for share price, costs of producing final product, resource or reserve growth, production increases, strengthening corporate statement of financial position and other similar measures.

All Long Term Incentive payments for senior executives are approved at the discretion of the Board based on the recommendation of the Nomination and Remuneration Committee. The Board will retain the right to vary terms and conditions of the LTI policy.

Relationship between remuneration and the Company's performance

The earnings of the consolidated entity for the five years to 31 December 2014 are summarised below:

	2014	2013	2012	2011	2010
	\$	\$	\$	\$	\$
Sales revenue	-	5,183,763	5,674,133	-	-
EBITDA	3,097,427	(14,901,040)	(77,234,243)	(4,795,191)	(7,088,043)
EBIT	3,006,078	(15,056,518)	(77,417,356)	(4,887,139)	(7,141,669)
Profit after income tax	3,436,689	(14,471,412)	(77,032,994)	(3,991,860)	(6,487,708)
Total KMP remuneration	731,695	1,025,491	1,024,346	1,112,364	1,485,267

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

	2014	2013	2012*	2011	2010
Share price at financial year end (\$)	\$0.225	\$0.105	\$0.39	\$1.20	\$1.80
Total dividends declared (cents per share)	-	-	-	-	-
Basic earnings per share (cents per share)	2.45	(10.33)	(63.33)	(3.76)	(1.21)

* During this financial year there was a 1:10 share consolidation

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

DIRECTORS REPORT (CONTINUED)

REMUNERATION REPORT (AUDITED) (CONTINUED)

Employment contracts – Executive Directors

Employment contracts have been entered into by the Group with key management personnel, describing components and amounts of remuneration applicable to their appointment, including terms and performance criteria for performance-related cash bonuses and entitlements to options. 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. With exception of the Managing Director, Simon Milroy, all contracts are for an ongoing period.

Simon Milroy – Managing Director

Mr Milroy's employment agreement with the Company was renewed as of 1 June 2013. The agreed terms of his employment includes *inter alia*:

- Mr Milroy is engaged to provide services in the capacity of Managing Director at an annual salary of \$270,000, plus statutory superannuation effective from 1 June 2014. This represents an approximate 25% reduction in Mr Milroy previous remuneration package.
- The contract term is thirty-six months.
- Mr Milroy under his earlier contract received an annual salary package of \$392,700, inclusive of superannuation effective from 1 January 2012 through to 31 May 2013.
- The Board will review in good faith bonuses for significant milestones having regard to the contribution of the employee to achieving such milestones and the then circumstances of the Company.
- A restraint for a period of 6 months after termination on Mr Milroy undertaking employment in the Kyrgyz Republic or within 5 kilometres of any mining tenements or applications in Uzbekistan, Kazakhstan, China or the Northern Territory of Australia in which the Company has any interest.
- Notice period of 3 months with no additional contractual obligations.

Remuneration of non-executive directors

Andrew Daley

By mutual agreement approved by the Board, Mr Andrew Daley is engaged to provide services as a Non-executive Director and Chair of the Board through his company Dalenier Enterprises Pty Ltd, with an annual director's fee of \$90,000 plus \$8,325 superannuation subject to annual review. An increase was applied effective from the 1 July 2014 of 12.5% and the increment in statutory superannuation to 9.5% was also applied from this date.

John Taylor

By mutual agreement approved by the Board, Mr John Taylor is engaged to provide services as a Non-executive Director with an annual director's fee of \$48,750, \$7,500 for Chairmanship of a sub-committee, \$3,750 for participation on a sub-committee plus \$5,550 superannuation subject to annual review. An increase was applied effective from the 1 July 2014 of 12.5% and the increment in statutory superannuation to 9.5% was also applied from this date.

Brad Ellis

By mutual agreement approved by the Board, Mr Brad Ellis is engaged to provide services as a Non-executive Director with an annual director's fee of \$48,750 and \$7,500 for participation on two sub-committees plus \$5,203 superannuation subject to annual review. An increase was applied effective from the 1 July 2014 of 12.5% and the increment in statutory superannuation to 9.5% was also applied from this date.

Christopher Bain

By mutual agreement approved by the Board, Mr Christopher Bain is engaged to provide services as a Non-executive Director with an annual director's fee of \$48,750, \$7,500 for Chairmanship of a sub-committee, \$3,750 for participation on a sub-committee plus \$5,550 superannuation subject to annual review. An increase was applied effective from the 1 July 2014 of 12.5% and the increment in statutory superannuation to 9.5% was also applied from this date.

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

DIRECTORS REPORT (CONTINUED)

REMUNERATION REPORT (AUDITED) (CONTINUED)

Remuneration of directors and executives

The directors received the following compensation for their services during the year.

	Short-term benefits				Post-employment benefits #	Share-based payment options	Total	% total performance related	%total issued as options
	Cash salary and fees	Cash bonus	Non-monetary benefits	Termination Payments	Superannuation				
Year ended	\$	\$	\$	\$	\$	\$	\$	%	%
31 Dec 2014									
Directors									
A Daley*	104,708	-	-	-	-	-	104,708	-	-
J Taylor	63,750	-	-	-	5,981	-	69,731	-	-
C Bain***	61,250	-	-	-	5,750	-	67,000	-	-
B Ellis****	63,750	-	-	-	5,056	-	68,806	-	-
S Milroy	270,000	108,000	-	-	25,313	18,137	421,450	29.9	4.3
	563,458	108,000	-	-	42,100	18,137	731,695		
Year ended	\$	\$	\$	\$	\$	\$	\$	%	%
31 Dec 2013									
Directors									
W.H.J. Barr**	69,546	-	-	-	6,283	-	75,829	-	-
A Daley*	86,500	-	-	-	-	10,137	96,637	-	10.5
J Taylor	70,000	-	-	-	6,375	10,137	86,512	-	11.7
C Bain***	19,154	-	-	-	1,772	-	20,926	-	-
B Ellis****	8,346	-	-	-	772	-	9,118	-	-
S Milroy	313,535	-	-	-	24,929	50,684	389,148	-	13.0
H McKinnon**	187,465	-	-	159,856	-	-	347,321	-	-
	754,546	-	-	159,856	40,131	70,958	1,025,491		

* Directors fees were paid to Dalenier Enterprises Pty Ltd, a Company which is controlled by Mr Daley.

** Resigned 8 August 2013

*** Appointed 5 September 2013

**** Appointed 5 November 2013

There are no long service leave nor annual leave entitlements to be included in post-employment benefits for any of the directors and executives as none are entitled.

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

DIRECTORS REPORT (CONTINUED)

REMUNERATION REPORT (AUDITED) (CONTINUED)

Cash bonuses

Cash bonuses were granted in relation to the 2014 year to Simon Milroy as Managing Director and other executives of the group. These bonuses were resolved in January 2015 by the board and paid in February 2015. This bonus was consistent with the STI incentives agreed with the Managing Director. That is that the share price and market capital were above 20 cents and \$35 million respectively for 20 continuous business days and the pre-feasibility study was completed in 2014. Cash bonuses are paid, provided for or forfeited in the year to which they relate. In 2014 Simon Milroy earned 100% of the potential bonus following achievement of the KPI's noted above. No other KMP was entitled to, or earned, a bonus in the 2014 year.

The board had resolved not to pay cash bonuses during the 2013 year.

Options granted as part of remuneration

Details of the terms and conditions of options granted to key management personnel as compensation during the reporting period are as follows:

Year ended 31 Dec 2014	Tranche	No. options granted	No. options vested	Fair value per option at grant date \$	Exercise price \$	Amount paid or payable \$	Expiry date	Date exercisable
Directors								
S.J. Milroy	D	300,000	300,000	0.0285	-	-	30 Nov 2015	N/A
S.J. Milroy	E	300,000	-	0.0900	-	-	31 May 2016	N/A
Total		600,000	300,000		-	-		

In the event of the cessation of employment, 30 days after the date of cessation of employment the employees will forfeit unexercised options. These options have vesting conditions as follows:

Tranche D – Upon the Company's market capital exceeding \$35m for a period of 20 continuous trading days (as that term is defined in the ASX Listing Rules).

Tranche E - Upon the Company issuing an announcement to the ASX that it has commenced a fully funded Feasibility Study for the Jervois Project that complies with paragraph 40 of the JORC Code (as set out in Appendix 5A of the ASX Listing Rules).

Options can vest during the period from 12 months after the date of issue, with the date of issue being the 11 June 2014, up to the expiry date, as designated above. Vesting is based on the conditions identified above.

Tranche D was exercised on the 6 February 2015 given the conditions attached to these options were achieved on 18 August 2014.

No options were granted to key management personnel as compensation during the 2013 reporting period. The fair value of options reflected as part of remuneration above relates to options granted in 2012 which had a vesting condition of Jervois obtaining all permits approvals and financing necessary for the development of the project and construction having commenced. Management are working towards the achievement of these conditions and therefore the fair value has been calculated in accordance with these vesting conditions.

The fair value of the options was determined using a Monte Carlo (MC) simulation approach to valuation.

Equity instruments issued on exercise of remuneration options

There were no equity instruments issued during the period to key management personnel as a result of options exercised that had previously been granted as compensation. However, there were some exercised subsequent to year end on the 6 February 2015.

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

DIRECTORS REPORT (CONTINUED)

REMUNERATION REPORT (AUDITED) (CONTINUED)

Value of options to key management personnel

Details of the value of options granted, exercised and lapsed during the year to key management personnel as part of their remuneration are summarised below:

Year ended 31 Dec 2014	Value of options at grant date * \$	Value of options exercised at exercise date** \$	Value of options lapsed at date of lapse *** \$
Directors			
A Daley	-	-	-
J Taylor	-	-	-
C Bain	-	-	-
B Ellis	-	-	-
S Milroy	35,550	-	-
Total	35,550	-	-

* The value of options granted during the period may differ to the expense recognised as part of each directors' or other executives' remuneration in the remuneration section above because this value is the grant date fair value calculated in accordance with AASB 2 Share-based Payment.

** The value of options exercised at exercise date has been determined as the intrinsic value of the options at exercise date, i.e. the excess of the market value at exercise date over the strike price of the option.

*** Options lapsed due to vesting conditions not being satisfied. The value of options at date of lapse is determined assuming that the vesting condition has been satisfied.

Option holdings of directors

31 December 2014	Opening balance 1 January	Granted as remuneration	Options exercised	Cancelled /Forfeited	Closing balance 31 December	Exercisable at 31 December
Directors						
A.E. Daley	300,000	-	-	(100,000)	200,000	200,000
J Taylor	200,000	-	-	(100,000)	100,000	100,000
C Bain	-	-	-	-	-	-
B Ellis	-	-	-	-	-	-
S.J. Milroy	1,600,000	600,000	-	(500,000)	1,700,000	1,400,000
Total	2,100,000	600,000	-	(700,000)	2,000,000	1,700,000

Shareholdings of directors

31 December 2014	Balance 1 January 2014	Granted as remuneration	On Market Purchases	On exercise of options	Balance 31 December 2014	Held nominally at 31 December 2014
Ordinary Shares						
Directors						
A E Daley	320,038	-	505,065	-	825,103	-
J C Taylor	582,355	-	200,000	-	782,355	-
C Bain	51,765	-	73,235	-	125,000	-
B Ellis	-	-	200,000	-	200,000	-
S J Milroy	127,044	-	-	-	127,044	-
Total	1,081,202	-	978,300	-	2,059,502	-

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.

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

DIRECTORS REPORT (CONTINUED)

REMUNERATION REPORT (AUDITED) (CONTINUED)

Other transactions and balances with key management personnel

There were no other transactions with key management personnel (2013: nil). At year end, there were no outstanding amounts receivable from or payable to key management personnel (2013: nil).

This is the end of the audited remuneration report.

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

The Company 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.

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

SUBSEQUENT EVENTS

In January 2015 a variation was signed to the Savo Island Earn-in and Joint Operating Agreement. The variation was to extend the date that Geodynamics Limited are required to provide Kentor Resources Limited a Feasibility Study Report complying with the agreement to the 27 February 2017. This is an extension of two years from the original agreement.

In January 2015 KGL Resources Limited received notification that Robust Resources Limited will be terminating the Earn-in Agreement regarding the funding and operations of CJSC Kentor effective from the 1 April 2015. The directors of KGL Resources Limited are still considering their options with regards to the tenements.

On the 6 February 2015 300,000 options were exercised by Simon Milroy a key management personnel.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

The consolidated entity intends to continue its exploration, development and production activities on its existing projects and to acquire further suitable projects for exploration as opportunities arise.

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

DIRECTORS REPORT (CONTINUED)

AUDITOR INDEPENDENCE AND NON-AUDIT SERVICES

The auditor's independence declaration is attached to this report.

Non-audit services

No non-audit services were provided by the entity's auditor, BDO Audit Pty Ltd.

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

On behalf of the Board,



A Daley

Chairman

Melbourne

Dated: 31 March 2015

Competent Person Statement

The Jervois Resources information was first released to the market on 15 September 2014 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
RJ	2371W	29/05/14	2012
KJC	031	16/06/14	2012
KJC	056	16/06/14	2012
JOC	028	29/07/14	2012
JOC	026	29/07/14	2012
JOC	266	24/11/14	2012
JOC	268	24/11/14	2012
JOC	176	14/08/14	2012
JOC	062	18/07/14	2012
KJD	01W1	15/01/15	2012

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

As lead auditor of KGL Resources Limited for the year ended 31 December 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 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.



C R Jenkins
Director

BDO Audit Pty Ltd

Brisbane, 31 March 2015


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

DIRECTORS' DECLARATION

1. In the opinion of the directors of KGL Resources Limited:
 - (a) The consolidated financial statements, comprising the statement of profit or loss and other comprehensive income, statement of financial position, statement of changes in equity, statement of cash flows and accompanying notes, are in accordance with the *Corporations Act 2001* and:
 - (i) comply with Accounting 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 2014 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 2014.
3. The directors draw attention to Note 1 to the consolidated financial statements, which include a statement of compliance with International Financial Reporting Standards.

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

On behalf of the Board

A handwritten signature in black ink, appearing to read 'A Daley', with a large, loopy flourish underneath.

A Daley
Chairman
Melbourne

Dated: 31 March 2015

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 2014

		2014	Consolidated 2013
	Note	\$	\$
Revenue and other income	2(a)	627,305	717,772
Employee benefits expense	3(b)	(1,642,155)	(2,584,778)
Depreciation and amortisation expense		(91,349)	(155,478)
Professional and consultancy fees expense		(408,930)	(951,053)
Overseas administrative expenses		(10,778)	(94,695)
Head office facility overheads expense	3(a)	(473,508)	(486,079)
Business development and investor relations expense		(304,140)	(157,621)
Other expenses		(193,924)	(497,296)
Finance costs		-	(167,506)
Impairment write back / (expense)	3(c)	23,634	(408,339)
Share of net profits of associates accounted for using the equity method		(314,689)	-
Loss of control of subsidiary	5	(896,927)	-
Loss before income tax		(3,685,461)	(4,785,073)
Income tax benefit	4	-	449,595
Loss from continuing operations		(3,685,461)	(4,335,478)
Profit /(loss) from discontinued operations	6	7,122,150	(10,135,934)
Net profit / (loss) for the year		3,436,689	(14,471,412)

Other comprehensive income

Items that will be reclassified to profit and loss

Foreign currency translation differences	(418,061)	1,212,550
Cumulative exchange gain reclassified from foreign exchange reserve to profit and loss	311,849	-
Income tax on items that may be reclassified to profit or loss	-	-
Other comprehensive income for the year, net of tax	(106,212)	1,212,550
Total comprehensive income for the year	3,330,477	(13,258,862)

Net profit / (loss) attributable to:

Non-controlling interests	(8,084)	(364,665)
Owners of KGL Resources Limited	3,444,773	(14,106,747)
	3,436,689	(14,471,412)

Total comprehensive income attributable to:

Non-controlling interests	(60,569)	(775,556)
Owners of KGL Resources Limited	3,391,046	(12,483,306)
	3,330,477	(13,258,862)

Earnings per share for loss from continuing operations attributable to the owners of KGL Resources Limited

Basic earnings per share (cents per share)	7	(2.63)	(3.10)
Diluted earnings per share (cents per share)	7	(2.60)	(3.10)

Earnings per share for profit / (loss) from attributable to the owners of KGL Resources Limited

Basic earnings per share (cents per share)	7	2.45	(10.33)
Diluted earnings per share (cents per share)	7	2.42	(10.33)

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 2014

		2014	Consolidated 2013
		\$	\$
Current assets	Note		
Cash and cash equivalents	19(b)	9,037,322	6,975,463
Trade and other receivables	8	249,486	374,827
Held for sale disposal group assets	6(c)	-	7,924,171
Financial assets held to maturity	9	296,526	344,439
Prepayments		107,909	81,459
Total current assets		9,691,243	15,700,359
Non-current assets			
Financial assets held to maturity	9	600,000	600,000
Property, plant and equipment	10	128,194	218,522
Exploration and evaluation assets	11	22,426,604	14,019,541
Intangible assets	12	6,740	65,250
Investments in associates accounted for using the equity method	13	307,824	-
Total non-current assets		23,469,362	14,903,313
Total assets		33,160,605	30,603,672
Current liabilities			
Trade and other payables	15	1,191,200	1,375,365
Held for sale disposal group liabilities	6(c)	-	1,669,275
Total current liabilities		1,191,200	3,044,640
Non-current liabilities			
Total non-current liabilities		-	-
Total liabilities		1,191,200	3,044,640
Net assets		31,969,405	27,559,032
Equity			
Contributed equity	16	141,577,527	141,577,527
Reserves	17	3,862,455	3,516,759
Accumulated losses		(113,470,577)	(116,915,350)
Capital and reserves attributable to owners of KGL Resources Limited		31,969,405	28,178,936
Non-controlling interests	18	-	(619,904)
Total equity		31,969,405	27,559,032

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 2014

		Consolidated	
	Note	2014 \$	2013 \$
Cash flows from operating activities			
Receipts in the course of operations		900,757	7,381,353
Payments to suppliers and employees		(4,261,026)	(10,936,324)
Interest received		489,482	-
Interest paid		-	(17,797)
Refund of research and development claim		-	449,595
Net cash used in operating activities	19(a)	(2,870,787)	(3,123,173)
Cash flows from investing activities			
Payment for exploration and evaluation assets		(8,734,154)	(3,464,196)
Payment for property, plant and equipment		(22,781)	(9,332,974)
Payment for intangible assets		(2,500)	(2,156)
Refund of / (Payment for) deposits		47,913	1,642,770
Proceeds from sale of Andash		-	15,000,000
Due diligence exclusivity fee - Murchison		-	250,000
Net proceeds on sale of Murchison	6(c)	13,715,517	-
Costs of sale of subsidiaries		-	(210,171)
Cash balance of subsidiary derecognised due to loss of control		(94,984)	(31,750)
Cash balance of subsidiary disposed		-	(4,394)
Net cash provided by / (used in) investing activities		4,909,011	3,847,129
Cash flows from financing activities			
Proceeds from borrowings		23,635	-
Repayments of borrowings		-	(19,222)
Net cash provided by / (used in) financing activities		23,635	(19,222)
Net increase/ (decrease) in cash and cash equivalents		2,061,859	704,734
Cash and cash equivalents at the beginning of the year		6,975,463	6,270,814
Effects of exchange rate changes on the balance of cash held in foreign currencies		-	(85)
Cash and cash equivalents at the end of the year	19(b)	9,037,322	6,975,463

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

KGL RESOURCES LIMITED AND ITS CONTROLLED ENTITIES
ABN 52 052 658 080

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2014

Consolidated	Contributed equity	Accumulated losses	Foreign currency translation reserve	Share-based payments reserve	Farm in reserve	Total parent equity	Non-controlling interests	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 for the year	-	3,444,773	-	-	-	3,444,773	(8,084)	3,436,689
Other comprehensive income								
Cumulative exchange gain reclassified from foreign exchange reserve to profit and loss	-	-	311,849	-	-	311,849	-	311,849
Foreign currency translation	-	-	(365,576)	-	-	(365,576)	(52,485)	(418,061)
Total other comprehensive income	-	-	(53,727)	-	-	(53,727)	(52,485)	(106,212)
Total comprehensive income for the year	-	3,444,773	(53,727)	-	-	3,391,046	(60,569)	3,330,477
Transactions with owners in their capacity as owners								
Share-based payments	-	-	-	185,898	-	185,898	-	185,898
Contributions under farm in arrangement	-	-	-	-	213,525	213,525	53,381	266,906
Derecognition of non-controlling interests upon loss of control of CJSC Kentor	-	-	-	-	-	-	627,092	627,092
Balance at 31 December 2014	141,577,527	(113,470,577)	(201,180)	3,850,110	213,525	31,969,405	-	31,969,405

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

KGL RESOURCES LIMITED AND ITS CONTROLLED ENTITIES
ABN 52 052 658 080

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2014

Consolidated	Contributed equity	Accumulated losses	Foreign currency translation reserve	Share-based payments reserve	Farm in reserve	Total parent equity	Non-controlling interests	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 year	-	(14,106,747)	-	-	-	(14,106,747)	(364,665)	(14,471,412)
Cumulative exchange gain reclassified from foreign exchange reserve to profit and loss	-	-	1,481,095	-	-	1,481,095	-	1,481,095
Other comprehensive income								
Foreign currency translation	-	-	1,623,441	-	-	1,623,441	(410,891)	1,212,550
Total other comprehensive income	-	-	1,623,441	-	-	1,623,441	(410,891)	1,212,550
Total comprehensive income for the year	-	(14,106,747)	3,104,536	-	-	(11,002,211)	(775,556)	(11,777,767)
Transactions with owners in their capacity as owners								
Derecognition of non-controlling interests upon disposal of Andash Mining Company	-	-	-	-	-	-	(1,338,306)	(1,338,306)
Share-based payments	-	-	-	65,046	-	65,046	-	65,046
Balance at 31 December 2013	141,577,527	(116,915,350)	(147,453)	3,664,212	-	28,178,936	(619,904)	27,559,032

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 2014

Note Contents

1. Summary of significant accounting policies
2. Revenue and other income
3. Expenses
4. Income tax
5. Loss of control of subsidiaries
6. Discontinued operations
7. Earnings per share
8. Trade and other receivables
9. Financial assets held to maturity
10. Property, plant and equipment
11. Exploration and evaluation assets
12. Intangible assets
13. Investments in associates accounted for using the equity method
14. Subsidiaries and transactions with non-controlling interests (NCI)
15. Trade and other payables
16. Contributed equity
17. Reserves
18. Non-controlling interests
19. Notes to the statement of cash flows
20. Share based payments
21. Key management personnel
22. Auditor's remuneration
23. Related party disclosures
24. Segment information
25. Financial instruments
26. Fair value measurement
27. Commitments
28. Contingent liabilities and contingent assets
29. Subsequent events
30. Parent entity information

KGL RESOURCES LIMITED AND ITS CONTROLLED ENTITIES

ABN 52 082 658 080

Notes to the financial statements for the year ended 31 December 2014

KGL Resources Limited is a listed public company, limited by shares, incorporated and domiciled in Australia. The financial statements cover the consolidated entity, KGL Resources Limited, and its subsidiaries. Separate financial statements for KGL Resources Limited as an individual entity have not been presented. The registered office and principal place of business is Level 7, 167 Eagle Street, Brisbane, Queensland, 4000, Australia. However, limited financial information for KGL Resources Limited as an individual entity is included in Note 30. The financial statements were authorised for issue in accordance with a resolution of the directors on 31 March 2015.

1. Summary of significant accounting policies

Statement of compliance

The financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. KGL Resources Limited is a for-profit entity for the purpose of preparing the financial statements.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in financial statements containing relevant and reliable information about transactions, events and conditions. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards as issued by the IASB. Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless otherwise stated.

Basis of preparation

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. The financial statements are presented in Australian dollars. The following significant accounting policies have been adopted in the preparation and presentation of the financial statements:

(a) Adoption of 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.

(b) New and amended Accounting Standards and Interpretations not yet 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 2014. The Group's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the Group, are set out below.

AASB 9 Financial Instruments and its consequential amendments

This standard and its consequential amendments are applicable to annual reporting periods beginning on or after 1 January 2018 and completes phases I and III of the IASB's project to replace IAS 39 (AASB 139) 'Financial Instruments: Recognition and Measurement'. This standard introduces new classification and measurement models for financial assets, using a single approach to determine whether a financial asset is measured at amortised cost or fair value. The accounting for financial liabilities continues to be classified and measured in accordance with AASB 139, with one exception, being that the portion of a change of fair value relating to the entity's own credit risk is to be presented in other comprehensive income unless it would create an accounting mismatch. Chapter 6 'Hedge Accounting' supersedes the general hedge accounting requirements in AASB 139 and provides a new simpler approach to hedge accounting that is

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

Notes to the financial statements for the year ended 31 December 2014

1. Summary of significant accounting policies (continued)

(b) New and amended Accounting Standards and Interpretations not yet adopted (continued)

intended to more closely align with risk management activities undertaken by entities when hedging financial and non-financial risks. The consolidated entity will adopt this standard and the amendments from 1 January 2018 but the impact of its adoption is yet to be assessed by the consolidated entity.

IFRS 15 Revenue from Contracts with Customers

This standard is expected to be applicable to annual reporting periods beginning on or after 1 January 2017. The standard provides a single standard for revenue recognition. The core principle of the standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard will require: contracts (either written, verbal or implied) to be identified, together with the separate performance obligations within the contract; determine the transaction price, adjusted for the time value of money excluding credit risk; allocation of the transaction price to the separate performance obligations on a basis of relative stand-alone selling price of each distinct good or service, or estimation approach if no distinct observable prices exist; and recognition of revenue when each performance obligation is satisfied. Credit risk will be presented separately as an expense rather than adjusted to revenue. For goods, the performance obligation would be satisfied when the customer obtains control of the goods. For services, the performance obligation is satisfied when the service has been provided, typically for promises to transfer services to customers. For performance obligations satisfied over time, an entity would select an appropriate measure of progress to determine how much revenue should be recognised as the performance obligation is satisfied. Contracts with customers will be presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment. Sufficient quantitative and qualitative disclosure is required to enable users to understand the contracts with customers; the significant judgments made in applying the guidance to those contracts; and any assets recognised from the costs to obtain or fulfil a contract with a customer. The consolidated entity will adopt this standard from 1 January 2017 will not have a material impact on the consolidated entity.

(c) Basis of consolidation

Subsidiaries

The consolidated financial statements comprise the financial statements of KGL Resources Limited and its subsidiaries at 31 December 2014 each year ("the group"). Subsidiaries are entities (including structured entities) over which the group has control. The group has control over an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity, and has the ability to use its power to affect those returns. Subsidiaries are consolidated from the date on which control is transferred to the group and are deconsolidated 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.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of profit or loss and other comprehensive income and statement of financial position respectively. Total comprehensive income is attributable to owners of KGL Resources Limited and non-controlling interests even if this results in the non-controlling interests having a debit balance.

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.

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

Notes to the financial statements for the year ended 31 December 2014

1. Summary of significant accounting policies (continued)

(c) Basis of consolidation (continued)

Associates (continued)

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.

Joint Arrangements

Joint arrangements are arrangements in which one or more parties have joint control (the contractual sharing of control of an arrangement where decisions about relevant activities require unanimous consent of the parties sharing control).

Joint Operations

KGL Resources Limited has entered into joint arrangements which are classified as joint operations because the parties to the joint arrangements have rights to the assets and obligations for the liabilities, rather than to the net assets, of the joint arrangements. KGL Resources Limited will recognise its direct right to, as well as its share of jointly held, assets, liabilities, revenues and expenses of joint operations and will be included in the financial statements under the appropriate headings.

Joint Ventures

Interests in joint ventures are accounted for in the consolidated financial statements using the equity method and in the parent entity financial statements at cost. Under the equity method of accounting, the group's share of profits or losses of joint ventures are recognised in consolidated profit or loss and the group's share of the movements in other comprehensive income of joint ventures are recognised in consolidated other comprehensive income. The cumulative movements are adjusted against the carrying amount of the investment.

(d) Business combinations

Business combinations occur where an acquirer obtains control over one or more businesses.

A business combination is accounted for by applying the acquisition method, unless it is a combination involving entities or businesses under common control. These business combinations will be accounted for from the date that control is attained, whereby the fair value of the identifiable assets acquired and liabilities (including contingent liabilities) assumed are recognised (subject to certain limited exemptions).

When measuring the consideration transferred in the business combination, any asset or liability resulting from a contingent consideration arrangement is also included. Subsequent to initial recognition, contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability is remeasured each reporting period to fair value, recognising any change to fair value in profit or loss, unless the change in value can be identified as existing at acquisition date.

All transaction costs incurred in relation to the business combination are expensed to the profit or loss.

The acquisition of a business may result in the recognition of goodwill or a gain from a bargain purchase price.

(e) Revenue and other income

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Sales revenue

Fine gold metal and fine silver metal revenue is measured at the fair value of the consideration received and receivable at the prevailing spot price. Revenue is recognised when the significant risks and rewards of ownership have passed to the buyer and can be reliably measured.

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

Notes to the financial statements for the year ended 31 December 2014

1. Summary of significant accounting policies (continued)

(e) Revenue and other income (continued)

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.

Other income

Other revenue is recognised at the completion of the transaction when the Company's right to receive payment has been established.

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

(f) Income tax

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.

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 calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled and 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.

Where temporary differences exist in relation to investments in subsidiaries, branches, associates and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

Current tax assets and liabilities are offset where a legally enforceable right to set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where: (a) a legally enforceable right of set-off exists; and (b) 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.

(g) Share-based payments

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. 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.

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

Notes to the financial statements for the year ended 31 December 2014

1. Summary of significant accounting policies (continued)

(g) Share-based payments (continued)

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.

(h) Goods and services tax (GST) and value added tax (VAT)

Revenues, expenses and assets are recognised net of the amount of GST and VAT except:

- where the GST and VAT incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST and VAT 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 and VAT included.

The net amount of GST and VAT 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 and VAT 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 and VAT recoverable from, or payable to, the taxation authority.

(i) Foreign currency

Functional and presentation currency

The functional currency of each of the Group's entities is the currency of the primary economic environment in which that entity operates. The subsidiaries domiciled in the Kyrgyz Republic have Soms as their functional currency. The majority of transactions in the subsidiaries are transacted in the Kyrgyz Som. The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency.

Transactions and balances

All foreign currency transactions during the financial year are brought to account using the exchange rate in effect at the date of the transaction. Foreign currency monetary items at reporting date are translated at the exchange rate existing at reporting date. Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined.

Exchange differences arising on the translation of monetary items are recognised in profit or loss, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognised directly in other comprehensive income to the extent that the underlying gain or loss is recognised in other comprehensive income; otherwise the exchange difference is recognised in profit or loss.

Foreign operations

On consolidation, the assets and liabilities of the Group's overseas operations are translated at exchange rates prevailing at the reporting date. Income and expense items are translated at the average exchange rates for the period unless exchange rates fluctuate significantly. Exchange differences arising, if any, are recognised in the foreign currency translation reserve, and recognised in profit or loss on disposal of the foreign operation.

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

Notes to the financial statements for the year ended 31 December 2014

1. Summary of significant accounting policies (continued)

(j) Cash and cash equivalents

For the purposes of the statement of cash flows, cash includes cash on hand and in banks, and money market investments readily converted to cash, net of outstanding bank overdrafts.

The Group uses cash held in foreign currencies to hedge against foreign exchange risk arising on highly probably capital expenditure that will be settled in a foreign currency.

The Group documents at the time of acquiring the foreign currency the hedging relationship between hedging instrument and hedged item, including the risk management objectives and strategies for undertaking various hedge transactions. The Group also documents its assessment, both at inception and periodically, of whether the hedging instruments have been and will continue to be highly effective in offsetting changes in cash flows of hedged items.

The gains or losses in respect of hedge transactions which relate to future purchases are recognised in other comprehensive income and included in the measurement of the purchase to which they relate when the anticipated transaction occurs. Any gains or losses on the hedge transaction after that date are included in the profit and loss.

Hedge accounting is discontinued when the hedging instrument is sold or no longer qualifies for hedge accounting. At that point in time, any cumulative gain or loss on the hedging instrument recognised in equity is kept in equity and is recognised as noted above when the forecast transaction is ultimately recognised. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is reclassified to the profit and loss.

(k) Financial assets and liabilities

Initial recognition and measurement

Financial assets and liabilities are recognised when the entity becomes party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the Group commits itself to either the purchase or sale of the asset (i.e. trade date accounting is adopted).

Financial assets and liabilities are measured at fair value plus transaction costs, except where the instrument is classified 'at fair value through profit or loss', in which case transaction costs are expensed to profit or loss immediately.

Classification and subsequent measurement

Financial assets and liabilities are subsequently measured at fair value, amortised cost using the effective interest method, or cost.

Amortised cost is the amount at which the financial asset or financial liability is measured at initial recognition less principal repayments and any reduction for impairment and adjusted for any cumulative amortisation of the difference between the initial amount and the maturity amount calculated using the effective interest method.

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

The effective interest method is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying value with a consequential recognition of an income or expense item in profit or loss.

The Group does not designate any interests in subsidiaries, associates or joint venture entities as being subject to the requirements of Accounting Standards specifically applicable to financial instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost. Loans and receivables are included in current assets, where they are expected to mature within 12 months.

Notes to the financial statements for the year ended 31 December 2014

1. Summary of significant accounting policies (continued)

(k) Financial assets and liabilities (continued)

Financial liabilities

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost.

Impairment

At the end of each reporting period, the Group assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale equity instruments, a significant or prolonged decline in the value of the instrument below its cost is considered to determine whether an impairment has arisen. Impairment losses are recognised in profit or loss. Also, any cumulative decline in fair value previously recognised in other comprehensive income is reclassified to profit or loss at this point.

Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expire or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where their related obligations are discharged, cancelled or expired. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

(l) Exploration and evaluation assets

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.

(m) Impairment of non-financial assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Goodwill, intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually and whenever there is an indication that the asset may be impaired. An impairment of goodwill is not subsequently reversed.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease.

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

Notes to the financial statements for the year ended 31 December 2014

1. Summary of significant accounting policies (continued)

(m) Impairment of non-financial assets (continued)

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the reversal of the impairment loss is treated as a revaluation increase.

(n) Property, plant and equipment

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, as follows:

Plant and equipment	3-10 years
Mine development	Life of mine

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

(o) Intangible assets

Software

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.

(p) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of stores is determined on a cost basis. Inventories of gold in circuit and ore stock pile are physically measured or estimated and costs comprise direct costs and an appropriate proportion of fixed and variable production overheads. Net realisable value is assessed monthly based on the amount estimated to be obtained from sale of items of inventory in the normal course of business, less any anticipated costs to be incurred prior to its sale.

(q) Leases

Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement so as to reflect the risks and benefits incidental to ownership.

Operating Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

The minimum lease payments of operating leases, where the lessor effectively retains substantially all of the risks and benefits of ownership of the leased item, are recognised as an expense on a straight line basis. Contingent rentals are recognised as an expense in the financial year in which they are incurred.

Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the lease term.

(r) Payables

Trade payables and other accounts payable are recognised when the Group becomes obliged to make future payments resulting from the purchase of goods and services.

(s) Issued capital

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 2014

1. Summary of significant accounting policies (continued)

(t) Employee benefits

Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave when it is probable that settlement will be required and they are capable of being measured reliably.

Provisions made in respect of employee benefits expected to be settled within 12 months, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Provisions made in respect of employee benefits which are not expected to be settled within 12 months are measured as the present value of the estimated future cash outflows to be made by the Group in respect of services provided by employees up to reporting date.

(u) Fair Values

Fair values may be used for financial asset and liability measurement and 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.

(v) Earnings per share ("EPS")

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; and
- 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.

(w) Significant accounting judgements, estimates and assumptions

The carrying amount of certain assets and liabilities are often determined based on estimates and assumptions of future events. The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of certain assets and liabilities made within the next annual reporting period are:

Exploration and Evaluation

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 assessments.

KGL RESOURCES LIMITED AND ITS CONTROLLED ENTITIES

ABN 52 082 658 080

Notes to the financial statements for the year ended 31 December 2014

1. Summary of significant accounting policies (continued)

(w) Significant accounting judgements, estimates and assumptions (continued)

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 5) in the profit or loss. The investment recognised at 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 2014 KGL Resources Limited investment in CJSC Kentor has been equity accounted for (refer to note 13).

Loss of control of Kentor Energy

On the 1 January 2014 KGL lost control of Kentor Energy a 100% owned subsidiary. The loss of control arose from entering into a Farm In Agreement with Geodynamics over the exploration of tenements held by this entity. Subsequent to entering into the agreement 25% interest in the operations was issued to Kentor Energy leaving KGL with a 75% interest.

As a result of the loss of control on 1 January 2014 Kentor Energy was deconsolidated and a loss has been recognised (refer to note 5) 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 1 January 2014 KGL Resources Limited's investment in Kentor Energy has been equity accounted for (refer to note 13).

(x) Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the non-current asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

(y) Discontinued operations

A discontinued operation is a component of the consolidated entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately on the face of the statement of profit or loss and other comprehensive income.

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

Notes to the financial statements for the year ended 31 December 2014

	Notes	2014 \$	Consolidated 2013 \$
2. Revenue and Other Income			
(a) Revenue and other income from continuing operations			
Other revenue			
Leasing income		154,209	86,113
Interest		430,611	49,130
Total other revenue		584,820	135,243
Other income			
Foreign exchange gains		40,162	582,529
Profit on sale of assets		2,323	-
Total other income		42,485	582,529
Total revenue and other income from continuing operations		627,305	717,772
(b) Revenue and other income from discontinued operations			
Sales revenue			
Gold sales		-	5,134,518
Silver sales		-	49,245
Total sales revenue		-	5,183,763
Other revenue			
Diesel fuel rebate		-	466,336
Interest		-	86,381
Total other revenue		-	552,717
Other income			
Due diligence exclusivity fee - Murchison		-	207,493
Gain on sale of Murchison	6(c)	7,330,200	-
Total other income		7,330,200	207,493
Total revenue and other income from discontinued operations		7,330,200	5,943,973
Total revenue and other income		7,957,505	6,661,744

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

Notes to the financial statements for the year ended 31 December 2014

	Consolidated	
	2014	2013
	\$	\$
3. Expenses		
Loss before income tax from continuing operations includes the following specific expenses:		
(a) Head office facilities overheads expense		
Rental expense – minimum lease payments	274,965	300,357
Other expenses	198,543	185,722
	<u>473,508</u>	<u>486,079</u>
(b) Employee benefits		
Salaries, wages, and related costs (including executive directors)	1,366,094	2,388,064
Non cash share-based payments	185,898	65,046
Superannuation contributions (defined contribution)	90,163	131,668
	<u>1,642,155</u>	<u>2,584,778</u>
(c) Impairment (write back) / expense		
Exploration and evaluation assets	-	408,339
Receivables	(23,634)	-
	<u>(23,634)</u>	<u>408,339</u>
4. Income tax		
(a) The components of tax expense comprise		
Current tax benefit	-	449,595
Deferred tax arising from origination and reversal of temporary differences	-	-
Total income tax expense in profit and loss	<u>-</u>	<u>449,595</u>
(b) Reconciliation		
Profit / (loss) from continuing operations before income tax	3,685,461	(4,785,073)
Income tax expense/ (benefit) calculated at 30% (2012: 30%)	1,105,638	(1,435,522)
Effect of expenses that are not deductible in determining taxable profit or loss	55,770	19,513
Deferred tax assets arising from temporary differences not recognised	(2,951,482)	466,110
Sale of Murchison assets	(12,589,765)	-
Effect of unused tax losses and tax offsets not recognised as deferred tax assets	14,379,839	1,399,494
Total income tax benefit in profit and loss	<u>-</u>	<u>449,595</u>
(c) Unrecognised deferred tax assets		
Prior year tax losses brought forward	59,495,062	54,830,080
Prior year losses utilised – loan forgiveness	(10,000,000)	-
Losses recognised	(21,576,925)	-
Current year tax losses	47,932,796	4,664,982
Unrecognised tax losses	<u>75,850,933</u>	<u>59,495,062</u>
Current year temporary differences not recognised	-	1,553,699
Prior year tax losses recognised	31,576,925	-
Deferred tax assets not taken up	<u>22,755,279</u>	<u>18,314,628</u>
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.		

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

Notes to the financial statements for the year ended 31 December 2014

4. Income tax (continued)

	2014	Consolidated 2013
	\$	\$
(d) Recognised net deferred tax assets		
<i>Deferred tax liabilities</i>		
Exploration and prospecting	(6,727,981)	(4,205,862)
Foreign exchange	(11,953)	-
	<u>(6,739,934)</u>	<u>(4,205,862)</u>
<i>Deferred tax assets</i>		
Tax losses	6,473,077	4,205,862
Business related costs	101,807	-
Provisions/accruals	165,050	-
	<u>6,739,934</u>	<u>4,205,862</u>
Net deferred tax asset recognised	<u>-</u>	<u>-</u>

(e) There are no franking credits available.

5. Loss of Control of Subsidiaries

CJSC Kentor

On the 21 February 2014 KGL lost control of CSJC Kentor an 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.

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
	<u>730,618</u>
Add: carrying value of net liabilities (*)	9,191,398
Less: carrying value of non-controlling interests	(627,092)
Less: carrying value of intergroup payable	(9,855,298)
Less: foreign exchange losses	(311,849)
Loss on interest no longer controlled	<u>(872,223)</u>

(*) 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	932
Trade and other receivables	340
Prepayments	5,972
Property, plant and equipment	4,162
Exploration and evaluation assets	667,919
	<u>679,326</u>
Liabilities	
Trade and other payables	15,425
Loan to KGL Resources Limited	9,855,298
	<u>9,870,723</u>
Net assets over which control was lost	<u>(9,191,398)</u>

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

Notes to the financial statements for the year ended 31 December 2014

5. Loss of Control of Subsidiaries (continued)

Kentor Energy

On the 1 January 2014 KGL lost control of Kentor Energy a 100% owned subsidiary. The loss of control arose from entering into a Farm In Agreement with Geodynamics over the exploration of tenements held by this entity. Subsequent to entering into the agreement 25% interest in the operations was issued to Kentor Energy leaving KGL with a 75% interest.

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

	1 Jan 2014
	\$
Fair value of consideration	-
Fair value of retained investment	<u>74,112</u>
	<u>74,112</u>
Add: carrying value of net liabilities (*)	<u>70,777</u>
Less: carrying value of intergroup payable	<u>(169,593)</u>
Loss on interest no longer controlled	<u>(24,704)</u>

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

	1 Jan 2014
	\$
Carrying amounts of assets and liabilities	
Assets	
Cash and cash equivalents	94,051
Trade and other receivables	3,030
Property, plant and equipment	<u>2,299</u>
	<u>99,380</u>
Liabilities	
Trade and other payables	564
Loan to KGL Resources Limited	<u>169,593</u>
	<u>170,157</u>
Net assets over which control was lost	<u>(70,777)</u>
	2014
	\$
Total Loss on interest no longer controlled	
CJSC Kentor	(872,223)
Kentor Energy	<u>(24,704)</u>
	<u>(896,927)</u>

6. Discontinued operations

(a) Description of discontinued operations

Andash Project

On 29 April 2013, the Directors signed a binding term sheet 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 at the 30 June 2013 that it is highly probable 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 been 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.

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

Notes to the financial statements for the year ended 31 December 2014

6. Discontinued operations (continued)

(a) Description of discontinued operations (continued)

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 6(c).

The assets relating to this project are 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 6(c).

The assets relating to the Murchison Project are included in the Murchison segment reported in the segment information at Note 24.

(b) Financial information relating to discontinued operations	Note	2014	2013
Financial performance		\$	\$
Revenue	2 (b)	-	5,183,763
Cost of sales		-	(8,302,716)
Gross loss		-	(3,118,953)
Other revenue	2(b)	-	552,717
Other income	2(b)	-	207,493
Profit on sale of Murchison operations	6(c)	7,330,200	
Impairment expense (*)		-	(1,553,699)
Loss on sale of Andash operations	6(d)	-	(409,594)
Employee benefits expense		(17,341)	-
Professional and consulting fees expense		(142,441)	-
Head office facilities overheads expenses		(9,801)	-
Other expenses		(38,467)	(146,208)
Loss of control of subsidiary (**)		-	(5,667,690)
Total expenses		(208,050)	(7,777,191)
Profit / (loss) before tax		7,122,150	(10,135,934)
Income tax expense		-	-
Net profit / (loss) attributable to discontinued operations		7,122,150	(10,135,934)

(*) An impairment expense of \$1,553,699 was recorded to ensure that the Andash project was 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.

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

Notes to the financial statements for the year ended 31 December 2014

6. Discontinued operations (continued)

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

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

	28 Mar 2013
	\$
Carrying amounts of assets and liabilities	
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
	<u>17,506,052</u>
Liabilities	
Trade and other payables	11,695,128
Borrowings	143,234
	<u>11,838,362</u>
Net assets over which control was lost	<u>5,667,690</u>

	2014	2013
	\$	\$
Loss attributable to owners of KGL Resources Limited relates to:		
Loss from continuing operations	(3,685,461)	(4,335,478)
Profit / (loss) from discontinuing operations	<u>7,122,150</u>	<u>(10,135,934)</u>
	<u>3,436,689</u>	<u>(14,471,412)</u>
Total comprehensive income attributable to owners of KGL Resources Limited relates to:		
Loss from continuing operations	(3,791,673)	(3,122,928)
Profit/(loss) from discontinuing operations	<u>7,122,150</u>	<u>(10,135,934)</u>
	<u>3,330,477</u>	<u>(13,258,862)</u>

The net cash flows of the discontinued operation, which have been incorporated into the statement of cash flows, are as follows:

Net cash inflow/(outflow) from operating activities	(263,852)	747,067
Net cash inflow/(outflow) from investing activities	-	(10,737,846)
Net cash inflow/(outflow) from financing activities	<u>268,524</u>	<u>9,206,086</u>
Net cash decrease in cash generated by the discontinued operation	<u>4,672</u>	<u>(784,693)</u>

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

Notes to the financial statements for the year ended 31 December 2014

6. Discontinued operations (continued)

(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:

	2014	2013
	\$	\$
Carrying amounts of assets and liabilities		
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.

	2014	2013
	\$	\$
KGL Resources Limited disposed of the assets and liabilities of the Murchison Project on 21 February 2014.		
Cash consideration	15,000,000	-
Additional funds paid under DOCA	(1,000,000)	-
Disposal costs paid	(284,483)	-
Net cash consideration	13,715,517	-
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	7,330,200	-

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

Notes to the financial statements for the year ended 31 December 2014

6. Discontinued operations (continued)

	2014	2013
	\$	\$
(d) Disposal of assets and liabilities of Andash Project		
KGL Resources Limited disposed of Kaldora Ltd, Tatianna Ltd and Andash Mining Company LLC (Andash Project) on 27 August 2013.		
Cash consideration	-	15,000,000
Disposal costs	-	(167,663)
Net cash consideration	-	14,832,337
Represented by:		
Cash and cash equivalents	-	4,394
Trade and other receivables	-	12,592
Prepayments	-	39,194
Inventory	-	411,420
Plant and equipment	-	4,859,444
Intangible assets	-	8,642
Mine development assets	-	9,628,126
Other non-current assets - VAT Receivable	-	160,273
Trade and other payables	-	(24,943)
Foreign exchange reserve reclassified to profit and loss on sale of foreign operations	-	1,481,095
Non-controlling interests	-	(1,338,306)
Net assets	-	15,241,931
Loss on sale of the Andash Project	-	(409,594)

	2014	Consolidated 2013
	\$	\$
7. Earnings per share		
Profit /(loss) attributable to the owners of KGL Resources Limited:		
Profit /(loss) from continuing operations	(3,685,461)	(4,335,478)
Profit /(loss) from discontinuing operations	7,122,150	(10,135,934)
	3,436,689	(14,471,412)
Basic profit / (loss) per share (cents per share) for continuing operations	(2.63)	(3.10)
Basic profit / (loss) per share (cents per share) for discontinuing operations	5.08	(7.24)
	2.45	(10.33)
Diluted profit / (loss) per share (cents per share) for continuing operations	(2.60)	(3.10)
Diluted profit / (loss) per share (cents per share) for discontinuing operations	5.02	(7.24)
	2.42	(10.33)
Weighted average number of ordinary shares used in the calculation of basic profit/(loss) per share	140,071,248	140,040,563
Adjustments for calculation of diluted earnings per share:		
Options over ordinary shares	1,831,780	-
Weighted average number of ordinary shares used in the calculation of diluted profit/(loss) per share	141,903,028	140,040,563

At 31 December 2014, the Company had on issue 4,099,842 options (2013: 2,599,842 options) over unissued shares and has incurred a net loss. As at 31 December 2013 these options were anti-dilutive and therefore, the diluted loss per share is the same as the basic loss per share.

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

Notes to the financial statements for the year ended 31 December 2014

8. Trade and other receivables – current

	2014	Consolidated 2013
	\$	\$
GST receivable (net)	63,928	197,834
Other receivables	185,558	176,993
	249,486	374,827

- (i) Other receivables are non-interest bearing and have repayment terms between eight and ninety days.
(ii) No receivables are past due or impaired at year end.

9. Financial assets held to maturity

Current

Term Deposits	296,526	344,439
	296,526	344,439

Non-current

Term Deposits	600,000	600,000
	600,000	600,000

Rolling one year interest bearing term deposits to support environmental bank guarantees with the department of mines and other guarantees. Guarantees of \$222,557 (2013: \$455,971) have been provided to the Department of Mines and other suppliers.

10. Property, plant and equipment

	Plant & equipment	Mine development	Consolidated Total property plant and equipment
	2014	2014	2014
	\$	\$	\$
Cost	620,401	-	620,401
Accumulated depreciation, amortisation and impairment	(492,207)	-	(492,207)
Net carrying amount	128,194	-	128,194
At 1 January, net of accumulated depreciation	218,522	-	218,522
Additions	22,781	-	22,781
Effect of movement in exchange rate	(265)	-	(265)
Depreciation and amortisation	(106,384)	-	(106,384)
Derecognition of subsidiaries due to loss of control (*)	(6,460)	-	(6,460)
At 31 December, net of accumulated depreciation	128,194	-	128,194

(*) 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. On the 1 January 2014 KGL lost control of Kentor Energy. Due to the loss of control Kentor Energy is no longer consolidated.

	Plant & equipment	Mine development	Consolidated Total property plant and equipment
	2013	2013	2013
	\$	\$	\$
Cost	773,598	-	773,598
Accumulated depreciation, amortisation and impairment	(555,076)	-	(555,076)
Net carrying amount	218,522	-	218,522

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

Notes to the financial statements for the year ended 31 December 2014

10. Property, plant and equipment (continued)

	Plant & equipment	Mine development	Consolidated Total property plant and equipment
	2013	2013	2013
	\$	\$	\$
At 1 January, net of accumulated depreciation	13,088,031	9,867,072	22,955,103
Additions	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 rate	521,997	833,708	1,355,705
Depreciation and amortisation	(174,531)	(1,178,633)	(1,353,164)
Impairment expense (**)	-	(1,553,698)	(1,553,698)
Derecognition of subsidiary due to loss of control	(11,069,464)	(1,961,365)	(13,030,829)
Transfer to held for sale	(3,000,000)	-	(3,000,000)
At 31 December, net of accumulated depreciation	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. Since 31 December 2013 it has been agreed that a further \$1m will be paid to finalise KGL's obligations under the DOCA.

11. Exploration and evaluation assets

	2014	Consolidated 2013
	\$	\$
Deferred exploration and evaluation assets	22,426,604	14,019,541
<i>Deferred exploration and evaluation assets</i>		
Balance at beginning of the year	14,019,541	14,961,340
Current year expenditure	9,115,995	4,292,989
Derecognition of subsidiaries due to loss of control	(667,919)	-
Transfer to held for sale	-	(4,917,834)
Effect of movement in exchange rate	(41,013)	91,385
Impairment of area of interest	-	(408,339)
Balance at end of the year	22,426,604	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.

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

Notes to the financial statements for the year ended 31 December 2014

12. Intangible assets

	2014	Consolidated 2013
	\$	\$
Software at cost	300,827	315,112
Accumulated amortisation and impairment	(294,087)	(249,862)
Net carrying amount	<u>6,740</u>	<u>65,250</u>
At 1 January, net of accumulated depreciation	65,250	168,751
Additions	2,500	2,156
Disposals	-	(8,642)
Effect of movement in exchange rate	-	990
Amortisation	(61,010)	(98,005)
At 31 December, net of accumulated depreciation	<u>6,740</u>	<u>65,250</u>

13. Investments in associates accounted for using the equity method

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 5) in the profit or loss. The investment recognised at 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 2014 KGL Resources Limited investment in CJSC Kentor has been equity accounted for. There has been no change in the ownership percentage just change in control.

Kentor Energy Pty Ltd

On the 1 January 2014 KGL lost control of Kentor Energy a 100% owned subsidiary. The loss of control arose from entering into a Farm In Agreement with Geodynamics over the exploration of tenements held by this entity. Subsequent to entering into the agreement 25% interest in the operations was issued to Kentor Energy leaving KGL with a 75% interest.

As a result of the loss of control on 1 January 2014 Kentor Energy was deconsolidated and a loss has been recognised (refer to note 5) 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 1 January 2014 KGL Resources Limited's investment in Kentor Energy has been equity accounted for.

Set out below are the associates of the group as at 31 December 2014. The entities listed below have share capital consisting solely of ordinary shares, which are held directly by the group. The country of incorporation or registration is also their principal place of business, and the proportion of ownership interest is the same as the proportion of voting rights held.

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

Notes to the financial statements for the year ended 31 December 2014

13. Investments in associates accounted for using the equity method (continued)

Name of entity	Place of business / country of Incorporation	% of Ownership Interest		Nature of relationship	Measurement method	Carrying Amount	
		2014 %	2013 %			2014 \$	2013 \$
CJSC Kentor	Kyrgyz Republic	80	80	Associate	Equity method	246,269	-
Kentor Energy	Savo Island	75	100	Associate	Equity method	61,555	-
Total equity accounted investments						307,824	-

Both of these entities are private entities and therefore no quoted price is available to determine a quoted fair value.

Summarised financial information for associates and joint ventures

The tables below provide summarised financial information for those joint ventures and associates that are material to the group. The information disclosed reflects the amounts presented in the financial statements of the relevant associates and joint ventures and not KGL Resources Limited's share of those amounts. They have been amended to reflect adjustments made by the entity when using the equity method, including fair value adjustments and modifications for differences in accounting policy.

Summarised balance sheet of CJSC Kentor

	2014 \$	2013 \$
Current assets		
Cash and cash equivalents	30,274	-
Other current assets	2,117	-
Total Current Assets	32,391	-
Non-Current Assets	1,427,277	-
Current liabilities		
Other current liabilities	12,091	-
Total Current Liabilities	12,091	-
Non-current liabilities		
Other non-current liabilities	9,895,382	-
Total Non-Current Liabilities	9,895,382	-
Net Assets / (Liabilities)	(8,447,805)	-
Adjustments:		
KGL Resources Ltd loan	9,895,382	-
Farm in reserve	(1,139,740)	-
Adjusted net assets	307,837	-

Reconciliation to carrying amounts

Opening net assets 28 February 2014	913,273	-
Profit/(loss) for the period	(377,666)	-
Other comprehensive income	(227,770)	-
Closing net assets	307,837	-
Group's share in %	80%	-
Group's share in \$	246,269	-

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

Notes to the financial statements for the year ended 31 December 2014

13. Investments in associates accounted for using the equity method (continued)

Summarised statement of comprehensive income

	2014 \$	2013 \$
Depreciation and amortisation	(1,932)	-
Employee benefits expense	(59,642)	-
Overseas administrative expenses	(316,092)	-
Profit/(loss) for the period	(377,666)	-
Other comprehensive income	(227,770)	-
Total comprehensive income	(605,436)	-

Individually immaterial joint operations

In addition to the interests in joint operations disclosed above, the group also has interests in an individually immaterial associate that is accounted for using the equity method.

Aggregate carrying amount of individually immaterial joint operations	61,555	-
Aggregate amounts of the group's share of:		
Profit/(loss) for the period	(12,556)	-
Other comprehensive income	-	-
Total comprehensive income	(12,556)	-

14. Subsidiaries, transactions with non-controlling interests (NCI) and interests in other entities

Interests in subsidiaries

Information relating to the group's interests in principal subsidiaries at 31 December 2014 is set out below.

(i) Details of investment in foreign controlled entities are:

Name	Country of Incorporation	2014 % Held by Group	2013 % Held by Group	2014 % Held by NCI	2013 % Held by NCI
CJSC Kentor	Kyrgyz Republic	- *	80	- *	20
Kentor Gold Kazakhstan LLP	Kazakhstan	- **	100	-	-

* Refer to notes 5 and 13 with regards to no longer controlling this entity.

** This entity was wound up during the 2014 financial year.

(ii) Details of investment in domestic controlled entities are:

Name	Country of Incorporation	2014 % Held	2013 % Held
Dunmarra Uranium Ltd	Australia	100	100
Jinka Minerals Ltd	Australia	100	100
Kentor Energy Pty Ltd	Australia	- *	100
Kentor Minerals (Aust) Pty Ltd	Australia	100	100
Kentor Minerals (NT) Pty Ltd	Australia	100	100
Kentor Minerals (WA) Pty Ltd	Australia	100	100

* Refer to notes 5 and 13 with regards to no longer controlling this entity.

Different reporting dates

Jinka Minerals Ltd has a reporting date of 30 June 2014. 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 2014

14. Subsidiaries and transactions with non-controlling interests (NCI) (continued)

Non-controlling interests

The table below sets out the summarised financial information for each subsidiary that has non-controlling interests that are material to the group. Amounts disclosed are before intercompany eliminations.

	Andash Mining		CJSC Kentor	
Summarised statement of financial position	2014	2013	2014	2013
	\$	\$	\$	\$
Current assets	-	-	-	2,561
Non-current assets	-	-	-	713,825
Total assets	-	-	-	716,386
Current liabilities	-	-	-	16,695
Non-current liabilities	-	-	-	9,855,298
Total liabilities	-	-	-	9,871,993
Net assets	-	-	-	(9,155,607)
Accumulated NCI	-	-	-	(619,904)

	Andash Mining		CJSC Kentor	
Summarised statement of profit or loss and other comprehensive income	2014	2013	2014	2013
	\$	\$	\$	\$
Revenue	-	86,381	47	1,116
Loss for the period	-	(847,542)	(39,743)	(975,781)
Other comprehensive income	-	1,477,916	76,004	576,540
Total comprehensive income	-	630,374	36,261	(399,241)
Loss allocated to NCI	-	(169,509)	(8,084)	(195,156)
Dividends paid to NCI	-	-	-	-
Summarised cash flows				
Cash flows from operating activities	-	(190,955)	(75,640)	(345,574)
Cash flows from investing activities	-	-	(185,973)	(147,721)
Cash flows from financing activities	-	118,348	363,306	492,852
Net increase/(decrease) in cash and cash equivalents	-	(72,607)	101,693	(443)

Transactions with non-controlling interests

There were no transactions with non-controlling interests during the 2014 or 2013 years.

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

Notes to the financial statements for the year ended 31 December 2014

	2014	Consolidated 2013
	\$	\$
15. Trade and other payables – current		
Unsecured trade payables	710,540	1,042,951
Employee benefits	480,660	332,414
	<u>1,191,200</u>	<u>1,375,365</u>

- (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.

16. Contributed equity

(a) Issued and paid up capital

Ordinary shares fully paid	<u>141,577,527</u>	141,577,527
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(b) Movements in shares on issue

	2014	Issued capital	2013	Issued capital
	Number of shares issued	\$	Number of shares issued	\$
Details				
Beginning of the financial year	140,040,563	141,577,527	140,040,563	141,577,527
Exercise of options	200,000	-	-	-
Closing balance	<u>140,240,563</u>	<u>141,577,527</u>	<u>140,040,563</u>	<u>141,577,527</u>

(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 financial year, there were 4,099,842 (31 December 2013: 2,599,842) unissued ordinary shares in respect of which the following options were outstanding:

Expiry date	Number	Exercise price \$
<i>Unlisted employee options</i>		
Duration of employment	500,000	1.808 to 2.808
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
01 February 2015	24,842	1.579
30 November 2015	300,000	Nil
31 May 2016	300,000	Nil
24 February 2017	1,600,000	Nil
28 May 2017	700,000	1.165
01 October 2017	25,000	0.744 to 0.892
TOTAL OPTIONS GRANTED	<u>4,099,842</u>	

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

Notes to the financial statements for the year ended 31 December 2014

17. Reserves

Foreign currency translation reserve

The foreign currency translation reserve is used to record exchange differences arising on translation of the foreign controlled entities.

Share based payments reserve

The share-based payments reserve is used to recognise the fair value of options issued to employees or service providers.

Farm in reserve

The farm in reserve records the contributions made to CJSC Kentor by Robust Resources Limited up to the date control was lost.

18. Non-controlling interests

	2014	Consolidated 2013
	\$	\$
Non-controlling interest in:		
Share capital	-	-
Foreign currency translation reserve	-	(84,622)
Retained earnings	-	(535,282)
	-	(619,904)

19. Notes to the statement of cash flows

(a) Reconciliation of loss after tax to net cash flows from operations

Net profit/(loss) for the year	3,436,689	(14,471,412)
<i>Non cash flows in operating result</i>		
Loss of control of subsidiary	896,927	5,667,690
Depreciation and amortisation expense	91,349	1,390,919
Impairment expense	(23,634)	1,962,038
Share based payments	185,898	65,046
Loss on sale of Andash	-	409,594
Profit on sale of Murchison	(7,330,200)	-
Unrealised foreign exchange loss	72,338	(453,319)
Share of equity accounted profit	314,689	-
<i>Change in operating assets and liabilities</i>		
(Increase)/Decrease in receivables	54,417	(478,888)
(Increase)/Decrease in inventory	-	(1,595,870)
(Increase)/Decrease in prepayments	(26,450)	(115,414)
Increase/(Decrease) in payables	(542,810)	4,496,443
	(2,870,787)	(3,123,173)
(b) Cash on hand and at call	3,022,182	6,694,345
Term deposits	6,015,140	281,118
	9,037,322	6,975,463

(c) Facilities with banks

There are no facilities at balance date (2013: Nil).

(d) Non-cash financing and investing activities

There are no non-cash financing and investing activities for the 2014 and 2013 years.

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

Notes to the financial statements for the year ended 31 December 2014

20. Share based payments

	2014	Consolidated 2013
	\$	\$
Share based payment expense recognised during the year	185,898	65,046

Value of shares on the date options exercised

2014	Number of options	Share price \$
Options exercised 5 November 2014	200,000	0.265

2013

There were no options exercised during the 2013 financial year.

Employee options

Employee options are either granted at date of commencement or at the discretion of the Board based on a formal employee review process. Information with respect to the number of options granted is as follows:

	2014		2013	
	Number of options	Weighted average exercise price \$	Number of options	Weighted average exercise price \$
Balance at beginning of year	2,599,842	2.21	4,704,842	1.37
- granted	2,400,000	-	-	-
- forfeited	(700,000)	(1.165)	(2,105,000)	(1.22)
- exercised	(200,000)	-	-	-
Balance at end of year	4,099,842	0.67	2,599,842	2.21

Options held at the beginning and end of the reporting year:-

No. of options	Grant date	Vesting date	Expiry date	Weighted average exercise price \$	Fair value at grant date \$	Tranche
<i>At 31 December 2014</i>						
500,000	30 May 2009	30 May 2009	n/a*	1.808 to 2.808	0.110 to 0.280	n/a
100,000	04 Jun 2010	04 Jun 2010	04 Jun 2015	1.378 to 1.688	0.398	n/a
300,000	31 May 2011	31 May 2011	31 May 2016	1.218 to 2.493	0.623 to 0.791	n/a
100,000	08 Aug 2011	08 Aug 2011	01 Jul 2016	1.256 to 1.507	0.500 to 0.533	n/a
100,000	08 Aug 2011	08 Aug 2011	30 May 2016	1.455 to 1.746	0.474 to 0.507	n/a
50,000	08 Aug 2011	08 Aug 2011	25 Jul 2016	1.137 to 1.365	0.522 to 0.554	n/a
24,842	1 Feb 2012	1 Feb 2012	1 Feb 2015	1.579	0.515	n/a
700,000	28 May 2012	28 May 2012 to 31 Mar 2017	28 May 2017	1.165	0.430	n/a
25,000	1 Oct 2012	1 Oct 2012	1 Oct 2017	0.744 to 0.892	0.108 to 0.125	n/a
1,600,000	10 Feb 2014	10 Feb 2014 to 31 Dec 2016	24 Feb 2017	Nil	0.1150	A,B,C
300,000	29 May 2014	29 May 2014 to 30 Sep 2014	30 Nov 2015	Nil	0.0285	D
300,000	29 May 2014	29 May 2014 to 31 Jan 2016	31 May 2016	Nil	0.0900	E
4,099,842						

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

Notes to the financial statements for the year ended 31 December 2014

20. Share based payments (continued)

No. of options	Grant date	Vesting date	Expiry date	Weighted average exercise price	Fair value at grant date	Tranche
				\$	\$	
<i>At 31 December 2013</i>						
200,000	30 May 2009	30 May 2009	n/a*	1.808 to 2.308	0.110 to 0.280	n/a
300,000	11 Sep 2009	11 Sep 2009	11 Sep 2014	1.176 to 1.449	0.499 to 0.539	n/a
100,000	04 Jun 2010	04 Jun 2010	04 Jun 2015	1.378 to 1.688	0.398	n/a
300,000	31 May 2011	31 May 2011	31 May 2016	1.218 to 2.493	0.623 to 0.791	n/a
100,000	08 Aug 2011	08 Aug 2011	01 Jul 2016	1.256 to 1.507	0.500 to 0.533	n/a
100,000	08 Aug 2011	08 Aug 2011	30 May 2016	1.455 to 1.746	0.474 to 0.507	n/a
50,000	08 Aug 2011	08 Aug 2011	25 Jul 2016	1.137 to 1.365	0.522 to 0.554	n/a
24,842	1 Feb 2012	1 Feb 2012	1 Feb 2015	1.579	0.515	n/a
1,400,000	28 May 2012	28 May 2012 to 30 Jun 15	28 May 2017	1.040 to 1.165	0.410 to 0.430	n/a
25,000	1 Oct 2012	1 Oct 2012	1 Oct 2017	0.744 to 0.892	0.108 to 0.125	n/a
2,599,842						

* The options have no expiry date except, in the event of the cessation of employment, 30 days after the date of cessation of employment.

At year end all options were exercisable with the exception of Tranche C and Tranche E. The conditions attached to these options are yet to be satisfied.

The fair value of the options were determined using a Monte Carlo (MC) simulation approach or the binomial model. Where relevant, 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.

Key inputs used in the calculation of the value of options issued during the year ended 31 December 2014 are:

Tranche	Grant date	Expiry date	Spot price	Volatility	Risk free rate
			\$	%	%
A, B, C	10 Feb 2014	24 Feb 2017	0.115	75	2.62
D	29 May 2014	30 Nov 2015	0.090	75	2.62
E	29 May 2014	31 May 2016	0.090	75	2.62

Expected volatility was determined based on historic volatility adjusted for any expected changes to future volatility based on publicly available information. All options granted during the year had vesting conditions attached.

The following sets out the conditions attached to each tranche.

Tranche	Conditions	Estimated Vesting Date
A	The completion of the Jervois project pre-feasibility study	Condition satisfied and exercisable at 31 Dec 2014
B	Jervois JORC Resource increasing to greater than 250,000 tonnes contained copper	Condition satisfied and exercisable at 31 Dec 2014
C	The completion of the Jervois Definitive Feasibility Study	31 Dec 2016
D	The Company's market capital exceeding \$35m for a period of 20 continuous trading days (as that term is defined in the ASX Listing Rules)	Condition satisfied and exercisable at 31 Dec 2014
E	Upon the Company issuing an announcement to the ASX that it has commenced a fully funded Feasibility Study for the Jervois Project that complies with paragraph 40 of the JORC Code (as set out in Appendix 5A of the ASX Listing Rules)	31 Jan 2016

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

Notes to the financial statements for the year ended 31 December 2014

21. Key management personnel

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

<i>Key management personnel compensation</i>	2014	2013
	\$	\$
Short-term employee benefits	563,458	754,546
Cash bonuses	108,000	-
Termination payments	-	159,856
Post-employment benefits	42,100	40,131
Share-based payments	18,137	70,958
	731,695	1,025,491

	Consolidated 2014	2013
	\$	\$

22. Auditors' remuneration

Amounts paid or payable to BDO Audit Pty Ltd for:

• audit or review of the financial statements of the entity and any other entity in the Group	66,113	70,000
Remuneration of other auditors of subsidiaries		
• audit or review of the financial statements of subsidiaries	-	11,840

No non-audit services were provided by the auditors.

23. Related party disclosures

(a) The Group's main related parties are as follows:

i) *Entities exercising control over the Group:*

The ultimate parent entity that exercises control over the Group is KGL Resources Limited which is the Australian parent Company.

ii) *Key management personnel:*

Any person having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity, are considered key management personnel.

Information on transactions with key management personnel is disclosed in Note 21.

KGL RESOURCES LIMITED AND ITS CONTROLLED ENTITIES

ABN 52 082 658 080

Notes to the financial statements for the year ended 31 December 2014

24. 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:

Murchison Project - Western Australia

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 year ended 31 December 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 divestiture 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 6 for further information.

Jervois Project - Northern Territory

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 year ended 31 December 2014. This project is still in the exploration and evaluation phase.

Bashkol Projects - 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 year end 31 December 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 31 December 2014. Refer to Note 29 for further information subsequent to the reporting period regarding this segment.

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 year ended 31 December 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 year ended 31 December 2014 and is still in the exploration and evaluation phase. Control was lost of this project effective from the 1 January 2014. For more information refer to Note 5. Refer to Note 29 for further information subsequent to the reporting period regarding this segment.

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

Notes to the financial statements for the year ended 31 December 2014

24. Segment information (continued)

Information Provided to the Executive Directors

Segment information provided to the executive directors is as follows:

	Murchison	Jervois	Andash / Bashkol	Geothermal Energy	Total
Year ended 31 December 2014	\$	\$	\$	\$	\$
<i>Segment Revenue</i>					
Total segment revenue (*)	-	1,637	47	-	1,684
<i>Result</i>					
Segment result	7,122,150	(62,691)	(1,214,098)	52,890	5,898,251
<i>Segment result contains:</i>					
Interest revenue	-	1,637	47	-	1,684
Impairment (expense)/write back	-	-	(66,516)	90,150	23,634
Depreciation and amortisation	-	-	(468)	-	(468)
Gain/(loss) on sale of non-current assets	7,330,200	-	-	-	7,330,200
<i>Segment Assets and Segment Liabilities</i>					
Segment assets	-	22,914,090	246,270	61,555	23,221,915
Segment liabilities	-	(420,092)	-	-	(420,092)
Acquisition of non-current assets	-	9,125,694	-	-	9,125,694

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

	Murchison	Jervois	Andash / Bashkol	Geothermal Energy	Total
Year ended 31 December 2013	\$	\$	\$	\$	\$
<i>Segment Revenue</i>					
Total segment revenue (*)	5,650,099	-	87,498	-	5,737,597
<i>Result</i>					
Segment result	(2,652,616)	-	(8,520,383)	(1,696)	(11,174,695)
<i>Segment result contains:</i>					
Interest revenue	-	-	1,385	-	1,385
Impairment expense	-	-	(1,962,038)	-	(1,962,038)
Depreciation and amortisation	(1,253,305)	-	(6,553)	(1,291)	(1,261,150)
Gain/(loss) on sale of non-current assets	-	-	-	-	-
<i>Segment Assets and Segment Liabilities</i>					
Segment assets	8,524,171	13,806,312	716,386	99,380	23,146,248
Segment liabilities	(1,669,275)	(833,228)	(16,695)	(564)	(2,519,763)
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.

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

Notes to the financial statements for the year ended 31 December 2014

24. Segment information (continued)

Other Segment Information

Segments assets and segment liabilities provided to the executive directors 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 year as follows.

	2014	2013
	\$	\$
Segment Revenue	1,684	5,737,597
Interest revenue	428,927	48,014
Leasing revenue	154,209	86,113
Other income	42,485	582,529
Discontinued operations	-	(5,736,481)
Total revenue and other income per statement of profit or loss and other comprehensive income	627,305	717,772
Segment result	5,898,251	(11,174,695)
Interest revenue	428,927	48,013
Leasing revenue	154,209	86,113
Other income	42,485	582,529
Gain on sale of Murchison	-	207,492
Corporate expenses	(3,087,183)	(4,670,459)
Discontinued operations	(7,122,150)	10,135,934
Net loss for the year per statement of profit or loss and other comprehensive income before income tax and discontinued operations	(3,685,461)	(4,785,073)

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

	2014	2013
	\$	\$
Segment assets*	23,221,915	23,146,248
Cash	9,358,283	6,768,094
Trade and other receivables	298,539	284,249
Financial assets held to maturity	247,560	295,473
Property, plant and equipment	34,308	109,607
Total assets per statement of financial position	33,160,605	30,603,672
* Held for sale assets included in segment assets	-	7,924,171
Segment liabilities*	(420,092)	(2,519,763)
Trade and other payables	(771,108)	(524,877)
Total liabilities per statement of financial position	(1,191,200)	(3,044,640)

* Held for sale liabilities included in segment liabilities

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

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

Notes to the financial statements for the year ended 31 December 2014

25. Financial instruments

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 gold mining, exploration and development activities and those risks which may arise through other mining activities in the future.

The policy ensures all financial and commodity risks are fully recognised and treated in a manner consistent with:

- The Board's management philosophy;
- Commonly accepted industry practice and corporate governance; and
- Shareholders expectations of becoming a gold and copper producer.

The policies are reviewed by the Board annually, at a minimum, as the Group's financial and commodity risks are likely to change over time.

There have been no substantive changes in the Group's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from the previous period.

The Group's principal financial instruments comprise cash at bank, trade and other receivables, trade and other payables and borrowings.

Exposure limits are reviewed by management on a continuous basis. The Group does not enter into or trade financial instruments for speculative purposes.

(a) 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. There is no longer any borrowings as a result of finance leases being paid out on the sale of Murchison. Sales proceeds have been used to fund current operations. Refer to note 1(x) for further information.

(b) Categories of financial instruments

	2014	Consolidated 2013
	\$	\$
Financial assets		
Loans and receivables (including cash)	10,183,334	8,294,729
Financial liabilities		
Measured at amortised cost	(710,540)	(1,042,951)

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

Notes to the financial statements for the year ended 31 December 2014

25. Financial instruments (continued)

(c) 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 balance 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 2014 and 2013 years there are no concentration of credit risk in trade and other receivables as the Group did not have customers at year end.

At year end the Group has two material exposures of \$430,132 (2013: \$7,041,878) to National Australia Bank Limited and \$9,359,510 (2013: \$785,217) 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.

(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.

i) Foreign currency risk

Historically foreign currency risks arise from three areas:-

- Gold sales are contracted in Australian Dollars, priced at US gold spot price combined with the inter-bank exchange rate on the day of settlement.
- The Group's investment in foreign controlled subsidiaries. The currencies in which these transactions are primarily denominated are Kyrgyz Soms and US Dollars. The Group's investments in subsidiaries are not hedged as those currency positions are considered to be long term in nature.

This risk was significantly reduced at the 31 December 2014 given that mining had ceased at Murchison and therefore gold sales ceased, the Andash project was sold during the prior financial year and control had been lost of the 2 foreign operations. This is demonstrated in the following information regarding foreign currency risk.

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. To hedge its exposure to foreign currency risk on highly probable forecast capital expenditure, the Group purchases Euro and USD to match the currencies in which the Group expects to settle the highly probable forecast capital expenditure.

At the end of the reporting periods for 2014 and 2013 there was no foreign currency that was being held as a hedging instrument.

The Group's exposure to foreign currency risk at reporting date is as follows:

	AUD	USD	2014 Kyrgyz SOM	KZT	SOL
Consolidated					
Cash at bank (including deposits)	9,933,848	-	-	-	-
Trade and other receivables	249,486	-	-	-	-
Trade and other payables	(710,540)	-	-	-	-

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

Notes to the financial statements for the year ended 31 December 2014

25. Financial instruments (continued)

(d) Market risk (continued)

	AUD	USD	2013 Kyrgyz SOM	KZT	SOL
Consolidated					
Cash at bank (including deposits)	7,913,399	3,274	8,938	-	13,045
Trade and other receivables	374,808	-	844	-	-
Trade and other payables	(1,403,069)	-	(729,145)	-	-

The following significant exchange rates were applied during the year:-

Currency	Average Rate		Reporting Date Spot Rate	
	2014	2013	2014	2013
USD	0.902	0.968	0.816	0.887
Kyrgyz SOM	47.905	46.815	48.008	43.673

A +/-10% change in the USD exchange rate at reporting date would have increased/decreased the loss and other comprehensive income as follows:-

	Increase / (decrease) in net loss		Increase / (decrease) in other comprehensive income	
	2014	2013	2014	2013
	\$	\$	\$	\$
USD – 10%	-	410	-	-
USD + 10%	-	(335)	-	-

The effect of a 10% change in the other significant exchange rates were not material in the either the current or prior year.

ii) 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	1 year or less	Fixed interest maturing in:		Non-interest bearing	Total
		\$	\$	over 1 to 5 years	5 years or more	\$	\$
31 December 2014							
Financial assets							
Cash	1.81%	2,880,237	6,017,552	-	-	139,533	9,037,322
Deposits	3.86%	-	896,526	-	-	-	896,526
Trade and other receivables	N/A	-	-	-	-	249,486	249,486
		2,880,237	6,914,078	-	-	389,019	10,183,334
Financial liabilities							
Trade and other payables	N/A	-	-	-	-	(710,540)	(710,540)
Borrowings	N/A	-	-	-	-	-	-
		-	-	-	-	(710,540)	(710,540)
		2,880,237	6,914,078	-	-	(321,521)	9,472,794

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

Notes to the financial statements for the year ended 31 December 2014

25. Financial instruments (continued)

(d) Market risk (continued)

31 December 2013

Financial assets

Cash	0.52%	492,989	6,482,474	-	-	-	6,975,463
Deposits	3.16%	-	944,439	-	-	-	944,439
Trade and other receivables	N/A	-	-	-	-	374,827	374,827
		492,989	7,426,913	-	-	374,827	8,294,729

Financial liabilities

Trade and other payables	N/A	-	-	-	-	(1,375,365)	(1,375,365)
Borrowings	N/A	-	-	-	-	-	-
		-	-	-	-	(1,375,365)	(1,375,365)
		492,989	7,426,913	-	-	(1,000,538)	6,919,364

N/A – not applicable for non-interest bearing financial instruments.

The following sensitivity analysis is based on the interest rate risk exposures in existence at the reporting date. At 31 December 2014, if interest rates had moved, as illustrated in the table below, with all other variables held constant, net loss and other comprehensive income would have been affected as follows:

	Net loss Higher/(Lower)		Other comprehensive income Higher/(Lower)	
	2014 \$	2013 \$	2014 \$	2013 \$
Consolidated				
+0.5% (50 basis points)	55,562	112,636	-	-
-0.5% (50 basis points)	(55,562)	(112,636)	-	-

iii) Commodity price risk

In the prior year, the Group was predominantly exposed to gold price risk from its normal trading activity. That exposure was closely monitored and to date the use of financial derivatives has not been required. In the prior year, management has been able to manage this risk by maintaining short periods of time between the delivery of the gold to the Perth Mint and the sale of the gold.

Should the need arise in the future the Group would implement Board approved policies regarding the use of derivatives and follow these. The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes. There were no derivative financial instruments in use at 31 December 2014 or 31 December 2013.

(e) 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.

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

Notes to the financial statements for the year ended 31 December 2014

25. Financial instruments (continued)

(e) Liquidity risk (continued)

Maturity Analysis

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

CONSOLIDATED

	<12 Months	1-5 Years	>5 years	Total	Carrying
	\$	\$	\$	cashflows	amount
	\$	\$	\$	\$	\$
31 December 2014					
Financial assets					
Cash	9,037,322	-	-	9,037,322	9,037,322
Deposits	896,526	-	-	896,526	896,526
Trade and other receivables	249,486	-	-	249,486	249,486
	10,183,334	-	-	10,183,334	10,183,334
Financial liabilities					
Trade and other payables	(710,540)	-	-	(710,540)	(710,540)
	(710,540)	-	-	(710,540)	(710,540)
Net maturity	9,472,794	-	-	9,472,794	9,472,794
31 December 2013					
Financial assets					
Cash	6,975,463	-	-	6,975,463	6,975,463
Deposits	944,439	-	-	944,439	944,439
Trade and other receivables	374,827	-	-	374,827	374,827
	8,294,729	-	-	8,294,729	8,294,729
Financial liabilities					
Trade and other payables	(1,042,951)	-	-	(1,042,951)	(1,042,951)
Lease liabilities	-	-	-	-	-
	(1,042,951)	-	-	(1,042,951)	(1,042,951)
Net maturity	7,251,778	-	-	7,251,778	7,251,778

(f) Fair values

Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value.

26. 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.

Assets classified as held for sale are measured at fair value on a non-recurring basis.

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

Notes to the financial statements for the year ended 31 December 2014

27. Commitments

	2014	Consolidated 2013
	\$	\$
<u>Capital expenditure commitments</u>		
No longer than 1 year	84,000	804,460
Between 1 and 5 years	-	2,556,520
Greater than 5 years	-	4,775,900
	84,000	8,136,880
<u>Non-cancellable operating lease commitments</u>		
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
No longer than 1 year	279,920	397,460
Between 1 and 5 years	250,762	743,747
Greater than 5 years	4,674	757,397
	535,356	1,898,605
<u>Non-cancellable operating lease receivables</u>		
Commitments for minimum lease receivables in relation to non-cancellable operating leases are payable as follows:		
No longer than 1 year	169,673	163,415
Between 1 and 5 years	116,092	287,979
Greater than 5 years	-	-
	285,765	451,394
<u>Capital commitments</u>		

There are capital and rental commitments on tenements ranging from \$2,000 to \$44,000 per annum with expiry terms of between 1 to 15 years.

Non-cancellable operating lease commitments

Operating lease commitments comprise the corporate office operating lease rental in Brisbane Australia, and the office space in Perth Australia. The annual rental commitments on these leases range from \$31,381 to \$178,363 per annum with expiry terms of between 1 month to 5 years.

Non-cancellable operating lease receivables

Operating lease receivables comprise the corporate office operating lease rental in Brisbane Australia and the related sublease. The annual rental receivable on this sub-lease is \$163,415 per annum with expiry terms of 3 years.

28. Contingent liabilities and contingent assets

There are no contingent assets or contingent liabilities as at 31 December 2014.

29. Subsequent events

In January 2015 a variation was signed to the Savo Island Earn-in and Joint Operating Agreement. The variation was to extend the date that Geodynamics Limited are required to provide Kentor Resources Limited a Feasibility Study Report complying with the agreement to the 27 February 2017. This is an extension of two years from the original agreement.

In January 2015 KGL Resources Limited received notification that Robust Resources Limited will be terminating the Earn-in Agreement regarding the funding and operations of CJSC Kentor effective from the 1 April 2015. The directors of KGL Resources Limited are still considering their options with regards to the tenements.

On the 6 February 2015 300,000 options were exercised by Simon Milroy a 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 2014

30. 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 regards 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 accounting policy described in Note 1.

Parent entity	2014	2013
	\$	\$
Current assets	9,183,445	7,167,017
Non-current assets	24,604,829	18,513,152
Total assets	33,788,274	25,680,169
Current liabilities	(604,268)	(389,814)
Total liabilities	(604,268)	(389,814)
Net assets	33,184,006	25,290,355
Contributed equity	141,577,527	141,577,527
Share-based payments reserve	3,850,110	3,664,212
Retained earnings/(accumulated losses)	(112,243,631)	(119,951,384)
Total shareholders' equity	33,184,006	25,290,355
Profit/(loss) for the year	7,707,752	(10,230,849)
Other comprehensive income	-	-
Total comprehensive income for the year	7,707,752	(10,230,849)

Guarantees

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

Contractual commitments

There were no contractual commitments for the acquisition of property, plant and equipment entered into by the parent entity at 31 December 2014 (2013 - \$nil).

Contingent liabilities

The parent entity has no known contingent liabilities.

INDEPENDENT AUDITOR'S REPORT

To the members of KGL Resources Limited

Report on the Financial Report

We have audited the accompanying financial report of KGL Resources Limited, which comprises the statement of financial position as at 31 December 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 year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility 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 Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Independence

In conducting our audit, 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 report.

Opinion

In our opinion:

- (a) the financial report of KGL Resources Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

Report on the Remuneration Report

We have audited the Remuneration Report included on pages 8 to 15 of the directors' report for the year ended 31 December 2014. 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.

Opinion

In our opinion, the Remuneration Report of KGL Resources Limited for the year ended 31 December 2014 complies with section 300A of the *Corporations Act 2001*.

BDO Audit Pty Ltd

C R Jenkins
Director

Brisbane, 31 March 2015