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

FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 30 JUNE 2015

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The directors of KGL Resources Limited submit herewith the financial statements of the consolidated entity consisting of KGL Resources Limited (KGL) and the entities it controlled for the half-year ended 30 June 2015.

Directors

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

Director	Position Held	
Chris Bain	Acting Non-Executive Chairman	
Andrew Daley	Non-Executive Chairman	Resigned 22 May 2015
John Taylor	Non-Executive Director	
Brad Ellis	Non-Executive Director	
Denis Wood	Non-Executive Director	Appointed 28 July 2015
Simon Milroy	Managing Director	

Principal Activity

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

Review of Operations

For the half year to 30th June 2015, the Company continued to focus on the optimisation of the pre-feasibility study and conduct further exploration and infill drilling at Jervois Project (Jervois or the Project) in the Northern Territory with significant success.

The pre-feasibility study (PFS) conducted in late 2014 found Jervois to be a technically viable project with strong upside potential. Due to these results, the Company was motivated to optimise the PFS by continuing the flow of good drill results, suggesting a larger and more valuable underlying asset.

Two drilling programs were undertaken between January and June 2015. The first was a geotechnical drilling of Marshall-Reward and Bellbird South. This program explored 9 diamond drill holes for a total of 1,263m. The second program was for the resource extension, with drilling of Bellbird, Marshall-Reward, Green Parrot, Johannsen and Sykes; 11,858m was drilled using 66 Reverse Circulation (RC) holes. A specific objective of the drilling was to upgrade the resources within the proposed open pit boundaries to increase confidence in the material to be delivered to the mill in the early years of operation. Further, the drilling program assessed several zones of shallow mineralisation at other new prospects with similar potential.

The results of these drilling programs have considerably enhanced the potential of Jervois as a significant copper, silver and multi-metal mine project. On the 29th July the company announced a resource upgrade at Jervois, increasing the global resource by 21% to 30.5mt @ 1.07% copper and 23 g/t silver.

The Company has committed to an additional drilling program in September'15 and other works to further improve the Project's economics ahead of mine development

The diamond drilling that was conducted at Marshall, Reward, Green Parrot and Bellbird confirmed shallow, high-grade mineralisation and provided material for further metallurgical test work. A geotechnical drilling and testing program completed at Marshall-Reward and Bellbird generated the data required to support pit design using steeper walls to reduce the mining of waste. The geotechnical drill holes intersected unexpected copper mineralisation on both the east and west walls of the Marshall pit.

Review of Operations (continued)

Significant results from this program included Hole

- JMET016, at Reward, intersecting 3m @ 3.02% copper, 0.13% lead, 0.87% zinc, 26g/t silver and 0.22g/t gold from 58m and 23m @ 1.68% copper, 21.3g/t silver and 0.4g/t gold from 29m.
- High grades were also found at Green Parrot (JMET019), with an intersection of 6m @ 1.3% copper, 0.71% lead, 0.27% zinc, 104.5g/t silver and 0.82g/t gold from 14m and 7m @ 2.84% copper.
- Marshall Hole JMET017 intersected 8m @ 4.58% copper, 0.37% lead, 0.14% zinc, 89g/t silver and 0.51g/t gold from 20m.

The RC drilling program commenced in February at the Bellbird, Marshall, Reward and Green Parrot deposits. Particular emphasis was placed on targeting poorly drilled areas with potential for high-grade mineralisation and within or immediately adjacent to the proposed open pits or close to planned underground mine development. This program was designed to bring recently discovered near surface copper mineralisation at Sykes, Johannsen and East Bellbird into the resource update.

At Green Parrot, drilling intersected two zones of mineralisation that have resulted in a resource extension and potential deepening of the pit. Particularly encouraging was the increase in gold grade and more than 200 g/t silver in both intervals at depth. The copper mineralisation remains open at depth. Results announced during the quarter included:

- 11m @ 1.93% copper, 2.61% lead, 1.25% zinc, 218.1 g/t silver and 0.25 g/t gold from 153 m (Hole KJC129) including
  - 4m @ 3.58% copper, 4.61% lead, 1.7% zinc, 393.8 g/t silver and 0.56 g/t gold from 160m
  - 4m @ 3.44% copper, 2.95% lead, 0.74% zinc, 252.2 g/t silver and 1.76 g/t gold from 177m.
- 14m @ 1.49% copper, 0.64% lead, 0.3% zinc, 160.5 g/t silver and 0.09 g/t gold from 160m (Hole KJC159) including 3m @ 3.83% copper, 1.08% lead, 0.17% zinc, 404 g/t silver and 0.2 g/t gold from 170m.

At Reward, drilling at the Johannsen prospect at the edge of the planned open pit intersected a zone of supergene enriched copper in a mineralised trend parallel to the main resource. The close proximity to Reward is likely to have a positive impact on the pit design. Drilling at the northern end of Reward intersected good mineralisation at depth, adjacent to existing designed underground development. Results at Johannsen included:

- 3m @ 4.1% copper, 0.82% lead, 0.3% zinc, 189.2 g/t silver and 0.29 g/t gold from 64m (Hole GTD004).

The drilling program has also successfully extended the polymetallic mineralisation at Marshall-Reward which contains several lenses of lead-zinc-copper sulphide within the larger copper resource. At the northern end of the planned Reward open pit, hole KJC123 intersected 19m (from 235m) with the consistently high silver grade averaging 104.2 g/t and a one-metre interval of 22.4% lead.
Shallow lead-zinc-silver zones beyond the northern wall of the proposed Marshall-Reward open pit were confirmed by the recent drilling and are likely to be captured in a new open pit. The best drill result was:

- 3m @ 7.76% lead, 10.29% zinc, 86.6 g/t silver from 34m (Hole KJC138).

At Marshall, holes KJC121 and KJC122 intersected broad zones of polymetallic mineralisation including a high grade zone within KJC122 of 5m @ 6.12% copper, 0.2% lead, 2.42% zinc, 31.4 g/t silver and 0.48 g/t gold from 263m.At Bellbird, drilling to test surface occurrences at the Bellbird East trend intersected additional high grade copper-lead-zinc mineralisation, with the grade appearing to improve with depth. Hole KJC161 includes 6m @ 1.36% copper, 2.72% lead, 6.92% zinc and 19.3 g/t silver from 65m. Bellbird East extends for several hundred metres and more drilling is needed to fully evaluate its potential.

Review of Operations (continued)

Following the drilling programs, the Company commenced a 3D-Induced Polarisation (3DIP) and Magneto-telluric (MT) survey in the Bellbird region to search for additional zones of mineralisation in a poorly tested and yet highly prospective zone, which was indicated by an earlier survey using different equipment. There is clearly the prospect of more discoveries at Jervois, and the now completed 3DIP survey has highlighted the potential for near surface mineralisation in new areas that have not previously been explored. These new areas are located within the prospective trend and are either along strike or down dip from existing zones of copper mineralisation. Drill testing of all the new targets commenced on the 10th August.

In addition to the 3DIP and MT, soil sampling continues over prospective areas and will ultimately provide systematic coverage of the entire Jervois tenement. Previous sampling confirmed known mineralisation and identified several new zones such as the Wren prospect that has narrow, continuous mineralisation for more than 1000 metres.

RAB (rotary air blast) drilling, an economical technique used for shallow depths, is being used to test prospective areas with a veneer of cover of up to 5m – at the northern extension of the Bellbird trend, the Little Jay prospect where a copper occurrence has been exposed by trenching, and the southern extension of Green Parrot that is obscured by alluvium. Geological mapping of the Jervois project area is well advanced and information from the RAB drilling will supplement this work. The results of the mapping will be used to further enhance the 3D geological model for Jervois that was recently developed by the CSIRO.

The completion of the various drilling programs has resulted in an increase in the total Jervois resources. The highlights of the update include:

- 21% increase in Total Resource to 30.5Mt
- 36% increase in Indicated Resources to 11.5Mt
- 17% increase in contained copper to 327,000 tonnes
- 26% increase in contained silver to 22.6Moz
- 59% increase in contained lead-zinc to 190,000 tonnes

The global resource was increased by 21% to 30.5 Mt @ 1.07% copper and 23.0 g/t silver for a total of 327,000 tonnes of contained copper at a cut off of 0.5% copper and 22.6 million ounces of contained silver. This includes 10.6 Mt @ 1.37% copper for 146,000 tonnes of contained copper at Marshall-Reward and 5.4Mt @ 1.62% copper for 88,000 tonnes of contained copper at Bellbird at a cut off of 0.75% copper.

Lead-zinc mineralisation was also targeted by the drilling programs; metallurgical test work confirms that good recoveries could be achieved for lead and zinc at Jervois. The lead-zinc resource (which is included in the global resource above) has increased by 70% from 2.2 Mt to 3.8 Mt @ 3.7% lead, 1.2% zinc, 0.72% copper and 67.5 g/t silver with the Green Parrot resource increasing from 1.1 Mt to 1.9 Mt and the Reward lead-zinc resource increasing by 0.5 Mt.

Furthermore, metallurgical test work was undertaken to improve our understanding of treating the wide range of ore types at Jervois. The metallurgical test work on the lead-zinc-silver ore has shown that it can be batch processed through the copper plant to produce a high grade mixed lead-zinc concentrate.

The results of tests have highlighted:

- Power savings due to lower work indices for copper ores (softer ore)
- Confirmation of flow sheet conditions established for copper sulphide ores in the earlier work

Review of Operations (continued)

- Improved confidence in metallurgical response with respect to copper sulphide and transitional ores resulting in increased copper and silver recoveries
- Potential increased throughput in the treatment of transitional ore in the initial stages of operation
- Substantial reduction in sustaining capital requirements

The new Exploration Target of the larger deposits identified by H&S Consulting consists of areas peripheral to the current Inferred Resource estimate within the interpreted mineral wireframes, unconstrained by depth. This is estimated to be a combined total for Marshall-Reward, Bellbird and Green Parrot of 4 to 8 Mt @ 0.8 to 1.2% copper and 7 to 15g/t silver at a 0.5% copper cut off (40,000 to 100,000 tonnes). The potential quantity and grade of the exploration target is conceptual in nature there has been insufficient exploration to estimate a mineral resource and it is uncertain if further exploration will result in the estimation of a mineral resource, copper and 1.5 to 5 Moz silver). The resources are open at depth and there is additional potential along strike.

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.

In April 2015, the Company acquired two new prospective exploration tenements, within the Northern Territory, with similar mineralisation style and host rocks to Jervois. The tenements are located within Mithril Resources Limited's Yambah Project and 50km north of Alice Springs. The highly prospective tenements contain a lead-zinc zone and copper occurrences that have not been fully drill tested. Preliminary exploration has begun on these two exploration licences.

In the Solomon Islands, our joint venture partner Geodynamics negotiations with the Solomon Islands Electricity Authority (SIEA), regarding the proposed off-take agreement for the Savo Island Geothermal Project have been put on hold while the SIEA assesses their needs due to lower than expected grid demand growth in Honiara and awaits the outcome of the ongoing World Bank sponsored tender process for the Tina River Hydro Project. Currently Geodynamics is awaiting the renewal of the prospecting licence for Savo Island and will await the outcomes of the Tina Hydro tender process before taking any decisions on the projects next steps.

The Company has sold it's shareholding in CJSC Kentor at the end of June, which was the Company's sole remaining asset in the Kyrgyz Republic.

Financial Review

For the half-year ended 30 June 2015, the KGL group recorded loss after taxation and discontinued operations of $1,531,914 (Profit 2014: $5,022,359).

For the period ended 30 June 2014 there were two one off transactions impacting the results being the profit from the sale of the Murchison Project (profit $7,339,002) and expense recorded in the profit and loss relating to the Farm In Agreement entered into with Robust Resources Limited over the exploration of tenements held by CJSC Kentor (expense $872,136). When these are added back the results for the current six months are comparable to the previous period.

In June 2015, KGL executed a binding sale agreement to sell the CJSC Kentor tenements for a total cash consideration of $USD1. The transaction was unconditional and therefore the sale has been reflected in these financial statements. A loss on sale of $359,283 has been recorded.

Employee expenses from both continued and discontinued operations have remained steady in the half year to 30 June 2015 to $821,493 (2014: $768,354). Employee expenses from continued operations were $821,493 (2014: $751,013).

Financial Review (continued)

The KGL cash reserve as at 30 June 2015 was $4.9m, including $600,000 classified as non-current deposits and $300,163 classified as financial assets held to maturity.

Auditor's Independence Declaration

A copy of the independence declaration by the lead auditor under section 307C is included on page 8 to this directors' report.

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

C BAIN

Acting Chairman

11 September 2015

Competent Person Statement

The Jervois Resources information and Exploration Potential were first released to the market on 29 July 2015 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 Jervois Pre-Feasibility Results were first released to the market on 8 December 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 is in the process of optimising the pre-feasibility study, the results of which will be released to the market in October 2015.

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

Hole		Date originally Reported	JORC Reported Under
KJC	129	8 May 2015	2012
KJC	159	28 May 2015	2012
GTD	004	8 May 2015	2012
KJC	123	18 May 2015	2012
KJC	138	28 May 2015	2012
KJC	121	18 May 2015	2012
KJC	122	18 May 2015	2012
KJC	161	28 May 2015	2012
JMET	016	20 Feb 2015	2012
JMET	019	20 Feb 2015	2012
JMET	017	20 Feb 2015	2012

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

As lead auditor for the review of KGL Resources Limited for the half-year ended 30 June 2015, I declare that, to the best of my knowledge and belief, there have been:

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

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

C R Jenkins
Director

BDO Audit Pty Ltd

Brisbane, 11 September 2015

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE HALF-YEAR ENDED 30 JUNE 2015

	Note	Consolidated	
		Half-year ended 30 Jun 2015 $	Half-year ended 30 Jun 2014 $
Revenue and other income		**227,555**	301,628
Employee benefits expense		**(821,493)**	(751,013)
Depreciation and amortisation expense		**(11,526)**	(61,670)
Professional and consultancy fees expense		**(175,265)**	(253,642)
Overseas administrative expenses		**-**	(10,778)
Head office facility overheads expense		**(218,544)**	(240,567)
Business development and investor relations expense		**(70,492)**	(135,093)
Other expenses		**(99,173)**	(76,444)
Foreign exchange losses		**-**	(26,460)
Impairment of receivables		**(1,000)**	-
Share of net profits of associates accounted for using the equity method		**(2,693)**	(28,786)
Loss of control of subsidiary	**9**	**-**	(872,136)
Loss on sale of CJSC Kentor	**10**	**(359,283)**	-
Loss before income tax		**(1,531,914)**	(2,154,961)
Income tax expense		**-**	-
Loss from continuing operations		**(1,531,914)**	(2,154,961)
Profit/(loss) from discontinued operations	**8(b)**	**-**	7,177,320
Net profit/(loss) for the half-year		**(1,531,914)**	5,022,359
Other comprehensive income			
Items that will be reclassified to profit and loss			
Foreign currency translation differences		**-**	(270,854)
Cumulative exchange gain reclassified from foreign exchange reserve to profit and loss		**-**	346,907
Income tax on items that may be reclassified to profit or loss		**-**	-
Other comprehensive income for the half-year, net of tax		**-**	76,053
Total comprehensive income for the half-year		**(1,531,914)**	5,098,412
Net profit/(loss) attributable to:-			
Non-controlling interests		**-**	(7,949)
Owners of KGL Resources Limited		**(1,531,914)**	5,030,308
		(1,531,914)	5,022,359
Total comprehensive income attributable to:-			
Non-controlling interests		**-**	(60,434)
Owners of KGL Resources Limited		**(1,531,914)**	5,158,846
		(1,531,914)	5,098,412

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONTINUED) FOR THE HALF-YEAR ENDED 30 JUNE 2015

	Note	Consolidated **Half-year ended 30 Jun 2015**	 Half-year ended 30 Jun 2014
Earnings per share for loss from continuing operations attributable to the owners of KGL Resources Limited			
Basic earnings per share (cents per share)		**(1.08)**	(1.54)
Diluted earnings per share (cents per share)		**(1.08)**	(1.54)
Earnings per share for profit/(loss) attributable to the owners of KGL Resources Limited			
Basic earnings per share (cents per share)		**-**	3.59
Diluted earnings per share (cents per share)		**-**	3.59

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

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2015

	Note	30 Jun 2015	31 Dec 2014
		Consolidated	
		$	$
Current assets			
Cash and cash equivalents		**4,039,896**	9,037,322
Trade and other receivables		**201,594**	249,486
Financial assets held to maturity		**300,163**	296,526
Prepayments		**74,616**	107,909
Total current assets		**4,616,269**	9,691,243
Non-current assets			
Financial assets held to maturity		**600,000**	600,000
Property, plant and equipment	**4**	**107,583**	128,194
Exploration and evaluation assets	**5**	**25,999,775**	22,426,604
Intangible assets		**1,938**	6,740
Investments in associates accounted for using the equity method	**3**	**58,861**	307,824
Total non-current assets		**26,768,157**	23,469,362
TOTAL ASSETS		**31,384,426**	33,160,605
Current liabilities			
Trade and other payables	**6**	**904,382**	1,191,200
Total current liabilities		**904,382**	1,191,200
TOTAL LIABILITIES		**904,382**	1,191,200
NET ASSETS		**30,480,044**	31,969,405
Equity			
Contributed equity	**7**	**141,577,527**	141,577,527
Reserves		**3,691,483**	3,862,455
Accumulated losses		**(114,788,966)**	(113,470,577)
Capital and reserves attributable to owners of KGL Resources Limited		**30,480,044**	31,969,405
Non-controlling interests		**-**	-
Total equity		**30,480,044**	31,969,405

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

STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 30 JUNE 2015

		Consolidated	
	Note	**Half-year ended 30 Jun 2015 $**	Half-year ended 30 Jun 2014 $
Cash flows from operating activities			
GST refunded		**373,060**	535,305
Payments to suppliers and employees		**(1,995,157)**	(2,032,916)
Interest received		**282,450**	175,075
Net cash used in operating activities		**(1,339,647)**	(1,322,536)
Cash flows from investing activities			
Net proceeds on sale of Murchison	**8(d)**	**-**	13,853,959
Payments for exploration and evaluation assets		**(3,515,402)**	(5,401,378)
Payments for property, plant and equipment		**(24,727)**	(75,158)
Payments for intangible assets		**-**	(2,500)
Refund of deposits		**-**	51,930
Movement in held to maturity financial assets		**(3,637)**	-
Cash balance of subsidiary derecognised due to loss of control		**-**	(933)
Payments of costs to sell CJSC Kentor		**(113,013)**	-
Net cash used in investing activities		**(3,656,779)**	8,425,920
Cash flows from financing activities			
Loans provided to subsidiary		**(1,000)**	-
Proceeds under farm in agreement		**-**	23,220
Net cash used in financing activities		**(1,000)**	23,220
Net (decrease)/increase in cash and cash equivalents		**(4,997,426)**	7,126,604
Cash and cash equivalents at the beginning of the period		**9,037,322**	6,975,463
Cash and cash equivalents at end of period		**4,039,896**	14,102,067

STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 30 JUNE 2015

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

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

STATEMENT OF CHANGES IN EQUITY (CONTINUED)
FOR THE HALF-YEAR ENDED 30 JUNE 2015

	Contributed Equity	Accumulated losses	Foreign currency translation reserves	Share-based payments reserve	Farm in reserve	Total parent entity	Non-controlling interest	Total equity
	$	$	$	$	$	$	$	$
Balance at 1 January 2015	**141,577,527**	**(113,470,577)**	**(201,180)**	**3,850,110**	**213,525**	**31,969,405**	**-**	**31,969,405**
Profit/(loss) for the half-year	**-**	**(1,531,914)**	**-**	**-**	**-**	**(1,531,914)**	**-**	**(1,531,914)**
Other comprehensive income								
Foreign currency translation	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total other comprehensive income	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total comprehensive income for the half-year	**-**	**(1,531,914)**	**-**	**-**	**-**	**(1,531,914)**	**-**	**(1,531,914)**
Transactions with owners in their capacity as owners								
Transfer farm in reserve to accumulated losses on sale of interest	**-**	**213,525**	**-**	**-**	**(213,525)**	**-**	**-**	**-**
Share-based payments	**-**	**-**	**-**	**42,553**	**-**	**42,553**	**-**	**42,553**
Balance at 30 June 2015	**141,577,527**	**(114,788,966)**	**(201,180)**	**3,892,663**	**-**	**30,480,044**	**-**	**30,480,044**

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

Notes to the financial statements for the half-year ended 30 June 2015

Note 1. Basis of preparation

These general purpose financial statements for the half-year reporting period ended 30 June 2015 have been prepared in accordance with Australian Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Act 2001.

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

These half-year financial statements do not include all the notes of the type normally included in annual financial statements and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial statements. Accordingly, these half-year financial statements are to be read in conjunction with the annual financial statements for the year ended 31 December 2014 and any public announcements made by KGL Resources Limited during the half-year reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The same accounting policies and methods of computation have generally been followed in these half-year financial statements as compared with the most recent annual financial statements. There are no accounting policies which have been adopted for the first time in these financial statements.

Going Concern

The consolidated financial statements have been prepared on a going concern basis which contemplates that the Group will continue to meet its commitments and can therefore continue normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business.

Because of the nature of the operations, exploration companies, such as KGL Resources Limited, find it necessary to raise additional funds to fund future exploration, project development and meet other corporate expenditure. At the date of this financial report, the ability of the Group to execute its currently planned exploration and evaluation activities requires the Group to raise additional capital within the next 12 months. Accordingly, the Group and its directors are reviewing all options available.

The directors have concluded there exists a material uncertainty that may cast significant doubt regarding the Group's ability to continue as a going concern. Should such an event arise, the Group might be unable to realise their assets and discharge their liabilities in the normal course of business.

Nevertheless, after taking into account the current status of the various funding options currently being investigated and making other enquiries regarding other sources of funding, the directors have a reasonable expectation that the Group and the company will have adequate resources to fund its future operational requirements and for these reasons they continue to adopt the going concern basis in preparing the financial report.

The financial report does not include adjustments relating to the recoverability or classification of recorded assets amounts or to the amounts or classification of liabilities that might be necessary should the Group not be able to continue as a going concern.

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 2015. The adoption of these new and revised Standards and Interpretations has resulted in no changes to the Group’s financial results.

Notes to the financial statements for the half-year ended 30 June 2015

Note 2. Segment information

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

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 sold on 24 February 2014 and was the only project in this reportable segment up to the date of sale. The Murchison project costs surrounded operations, exploration and capital works. The results reflect that the Murchison Gold plant remained under care and maintenance awaiting divesture when it was sold. As at the 31 December 2013 the Murchison operations were classified as held for sale and were disclosed as such within those financial statements. Refer to Note 8 for further information.

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 half year ended 30 June 2015. 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 half year end 30 June 2015 contained in this reportable segment. Control of CJSC Kentor being the entity holding this project was lost on 21 February 2014 on signing the Farm In Agreement. At the date of signing this agreement control of this subsidiary passed to the investee and the entity is no longer consolidated from this date. The results represented here are the losses incurred up to the date that control was lost and the KGL share of net losses of CJSC Kentor accounted for using the equity method from this date to the 30 June 2015. CJSC Kentor was sold on the 30 June 2015. The loss on sale has been included in the results of operations. Refer to Note 10 for further information.

Note 2. Segment information (continued)

Description of Segments (continued)

Geothermal Energy Project - Solomon Islands
This segment consists of the Geothermal Energy project being conducted in the Solomon Islands. The Geothermal Energy project was the only project in this reportable segment for the half year ended 30 June 2015 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 3.

Information Provided to the Executive Director
Segment information provided to the executive director for the half-year to 30 June 2015 is as follows:

Half-year ended 30 Jun 2015	**Murchison**	**Jervois**	**Bashkol**	**Geothermal Energy**	**Total**
	$	**$**	**$**	**$**	**$**
Segment Revenue					
Total segment revenue (*)	**-**	**29,736**	**-**	**-**	**29,736**
Result					
Segment result	**-**	**29,736**	**(359,283)**	**(3,693)**	**(333,240)**
Segment result contains:					
Interest revenue	**-**	**1,784**	**-**	**-**	**1,784**
Impairment expense	**-**	**-**	**-**	**(1,000)**	**(1,000)**
Gain/(loss) on sale of non-current assets	**-**	**-**	**(359,283)**	**-**	**(359,283)**

Notes to the financial statements for the half-year ended 30 June 2015

Segment Assets and Segment Liabilities					
Segment assets	**-**	**26,471,970**	**-**	**58,861**	**26,530,831**
Segment liabilities	**-**	**(482,527)**	**-**	**-**	**(482,527)**
Acquisition of non-current assets	**-**	**3,573,171**	**-**	**-**	**3,573,171**

Half-year ended 30 Jun 2014	**Murchison**	**Jervois**	**Andash / Bashkol**	**Geothermal Energy**	**Total**
	$	**$**	**$**	**$**	**$**
Segment Revenue					
Total segment revenue (*)	-	386	47	-	433
Result					
Segment result	7,177,320	386	(68,529)	(1,364)	7,107,813
Segment result contains:					
Interest revenue	-	386	47	-	433
Depreciation and amortisation	-	-	(468)	(646)	(1,114)
Gain/(loss) on sale of non-current assets	7,339,002	-	-	-	7,339,002
Segment Assets and Segment Liabilities **(31 December 2014)**					
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.

Note 2. Segment information (continued)

Other Segment Information

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

	Half-year ended 30 Jun 2015	Half-year ended 30 Jun 2014
	$	$
Segment revenue	**29,736**	433
Interest revenue	**111,845**	301,195
Other income	**85,974**	-
Discontinued operations	**-**	-
Total revenue and other income per statement of profit or loss and other comprehensive income	**227,555**	301,628
Segment result	**(333,240)**	7,107,813
Interest revenue	**111,845**	301,195
Leasing income	**85,974**	-
Corporate expenses	**(1,396,493)**	(1,514,513)
Loss of control of CJSC Kentor	**-**	(872,136)
Discontinued operations	**-**	(7,177,320)
Net loss for the half-year per statement of profit or loss and other comprehensive income before income tax and discont'd operations	**(1,531,914)**	(2,154,961)

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

	30 Jun 2015	31 Dec 2014
	$	$
Segment assets	**26,530,831**	23,221,915
Cash and cash equivalents	**4,348,724**	9,358,283
Trade and other receivables	**210,434**	298,539
Financial assets held to maturity	**251,197**	247,560
Property, plant and equipment	**43,241**	34,308
Total assets per statement of financial position	**31,384,427**	33,160,605
Segment liabilities	**(482,527)**	(420,092)
Trade and other payables	**(421,855)**	(771,108)
Total liabilities per statement of financial position	**(904,382)**	(1,191,200)

No revenue is derived from a single domestic customer.

Notes to the financial statements for the half-year ended 30 June 2015

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

		Consolidated
	30 Jun 2015	31 Dec 2014
	$	$
Investment in CJSC Kentor	**-**	246,270
Investment in Kentor Energy	**58,861**	61,554
	58,861	307,824

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 was no change in the ownership percentage just change in control.

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 entered into a Share Sale and Purchase Agreement on the 30 June 2015 to dispose of KGL Resources Limited's 80% interest in CJSC Kentor for $USD1. This agreement was unconditional and the disposal has been recorded as at 30 June 2015. Refer to Note 10 for further details.

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 was recognised 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.

Notes to the financial statements for the half-year ended 30 June 2015

Note 4. Property, plant and equipment

		Consolidated
	Plant & Equipment	Plant & Equipment
	30 Jun 2015	31 Dec 2014
	$	$
At the start of the period, net of accumulated depreciation	**128,194**	218,522
Additions	**24,727**	22,781
Effect of movement in exchange rates	**-**	(265)
Depreciation and amortisation	**(45,338)**	(106,384)
Derecognition of subsidiary due to loss of control (*)	**-**	(6,460)
At the end of the period, net of accumulated depreciation	**107,583**	128,194
Cost	**645,128**	620,401
Accumulated depreciation	**(537,545)**	(492,207)
Net carrying amount	**107,583**	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.

Note 5. Exploration and evaluation assets

		Consolidated
	30 Jun 2015	31 Dec 2014
	$	$
Deferred exploration and evaluation assets	**25,999,775**	22,426,604
Deferred exploration and evaluation assets		
Balance at beginning of the period	**22,426,604**	14,019,541
Current period expenditure	**3,573,171**	9,115,995
Effect of movement in exchange rate	**-**	(41,013)
Derecognition of subsidiary due to loss of control	**-**	(667,919)
Balance at end of the period	**25,999,775**	22,426,604

Ultimate recovery of the exploration and evaluation assets is dependent upon successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

Note 6. Trade and other payables

		Consolidated
	30 Jun 2015	31 Dec 2014
	$	$
Unsecured trade payables	**597,364**	710,540
Employee benefits	**307,018**	480,660
	904,382	1,191,200

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

Note 7. Contributed equity	**30 Jun 2015**	31 Dec 2014
	$	$
(a) Issued and paid up capital		
Ordinary shares fully paid	**141,577,527**	141,577,527

(b) Movements in shares on issue

	30 Jun 2015		31 Dec 2014	
Details	**Number of Shares issued**	**Issued capital $**	Number of Shares issued	Issued capital $
Beginning of the half-year	**140,240,563**	**141,577,527**	140,040,563	141,577,527
Exercise of options	**1,300,000**	**-**	200,000	-
Closing balance	**141,540,563**	**141,577,527**	140,240,563	141,577,527

(c) Terms and conditions of issued capital

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

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

(d) Share options

Options over ordinary shares
At the end of the half-year, there were 2,799,842 (31 December 2014: 4,099,842) unissued ordinary shares in respect of options were outstanding. During the period 1,300,000 options were exercised and converted to ordinary shares.

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

Unlisted employee options

Expiry date	***Number***	***Exercise price $***
Duration of employment	200,000	1.808 to 2.308
14 Sept 2014	300,000	1.176 to 1.449
01 February 2015	24,842	1.579
04 June 2015	100,000	1.378 to 1.688
30 May 2016	100,000	1.455 to 1.746
31 May 2016	300,000	1.218 to 2.493
01 July 2016	100,000	1.256 to 1.507
25 July 2016	50,000	1.137 to 1.365
28 May 2017	700,000	1.040 to 1.165
01 October 2017	25,000	0.744 to 0.892
Performance rights		
31 May 2016	300,000	Nil
24 February 2017	600,000	Nil
TOTAL OPTIONS GRANTED	**2,799,842**	

Notes to the financial statements for the half-year ended 30 June 2015

Note 8. Discontinued operations

(a) Description of discontinued operations

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

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

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

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

(b) Financial information relating to discontinued operations

	Note	Half-year ended 30 Jun 2015	Half-year ended 30 Jun 2014
Financial performance		$	$
Profit on sale of Murchison operations	8(d)	-	7,339,002
Employee benefits expense		-	(17,341)
Professional and consultancy fees expense		-	(111,080)
Head office facility overheads expense		-	(9,558)
Other expenses		-	(23,703)
Total expenses		-	(161,682)
Profit/(loss) before tax		-	7,177,320
Income tax expense		-	-
Net profit/(loss) attributable to discontinued operations		-	7,177,320
Profit/(loss) attributable to owners of KGL Resources Limited relates to:			
Loss from continuing operations		-	(2,154,961)
Profit/(loss) from discontinuing operations		-	7,177,320
		-	5,022,359
Total comprehensive income attributable to owners of KGL Resources Limited relates to:			
Loss from continuing operations		-	(2,078,908)
Profit/(loss) from discontinuing operations		-	7,177,320
		-	5,098,412
The net cash flows of the discontinued operations, which have been incorporated into the statement of cash flows, are as follows:			
Net cash inflow/(outflow) from operating activities		-	(208,122)
Net cash inflow/(outflow) from investing activities		-	-
Net cash inflow/(outflow) from financing activities		-	209,984
Net cash decrease in cash generated by the discontinued operations		-	1,862

Note 8. Discontinued operations (continued)

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

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

	30 Jun 2015	30 Jun 2014
	$	$
Cash consideration	**-**	15,000,000
Additional funds paid under DOCA	**-**	(1,000,000)
Disposal costs paid at 30 June 2014	**-**	(146,041)
Net cash consideration at 30 June 2014	**-**	13,853,959
Disposal costs payable at 30 June 2014	**-**	(129,640)
Net cash consideration	**-**	13,724,319
Represented by:		
Trade receivables	**-**	67,920
Exploration assets	**-**	4,942,273
Plant and equipment	**-**	3,000,000
Provision for rehabilitation	**-**	(1,624,876)
Net assets	**-**	6,385,317
Profit on sale of the Murchison Project	**-**	7,339,002

Note 9. Loss of Control of Subsidiary

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

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

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

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

Notes to the financial statements for the half-year ended 30 June 2015

Note 10. Disposal of the assets and liabilities of CJSC Kentor

	30 Jun 2015	30 Jun 2014
KGL Resources Limited disposed of the assets and liabilities of CJSC Kentor on 30 June 2015.	**$**	$
Cash consideration	**1**	-
Disposal costs paid at 30 June 2015	**(113,014)**	-
Net cash consideration at 30 June 2015	**(113,013)**	-
Disposal costs payable at 30 June 2015	**-**	-
Net cash consideration	**(113,013)**	-
Represented by:		
Investment in CJSC Kentor	**246,270**	-
Net assets	**246,270**	-
Loss on sale of CJSC Kentor	**(359,283)**	-

Note 11. Fair value measurement

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

Note 12. Contingent liabilities and assets

There have been no material changes to contingent liabilities and assets since the 31 December 2014 financial report.

Note 13. Events subsequent to reporting date

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

Directors' Declaration

The directors of the company declare that in their opinion:

1. The financial statements, comprising the Statement of Profit or Loss and Other Comprehensive Income, Statement of Financial Position, Statement of Cash Flows, Statement of Changes in Equity and accompanying notes, are in accordance with the Corporations Act 2001 and:

   a) Comply with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001; and

   b) Give a true and fair view of the consolidated entity's financial position as at 30 June 2015 and of its performance for the half-year ended on that date.

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

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

C BAIN
Acting Chairman

Brisbane

11 September 2015

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INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of KGL Resources Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of KGL Resources Limited, which comprises the statement of financial position as at 30 June 2015, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the half-year ended on that date, notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 30 June 2015 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of KGL Resources Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

Conclusion

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

(a) giving a true and fair view of the consolidated entity's financial position as at 30 June 2015 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

Emphasis of matter

Without modifying our conclusion, we draw attention to Note 1 in the half-year financial report, which indicates that the ability of the consolidated entity to continue as a going concern is dependent upon the future successful raising of necessary funding through equity and/or the successful exploration and subsequent exploitation of the consolidated entity's tenements. These conditions, as set out in Note 1, indicate the existence of a material uncertainty that may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore, the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business.

BDO Audit Pty Ltd

BDO

C R Jenkins

Director

Brisbane, 11 September 2015