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

FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 30 JUNE 2016

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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 2016.

Directors

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

Director	Position Held	
Denis Wood	Non-Executive Chairman	
Chris Bain	Non-Executive Director	
Brad Ellis	Non-Executive Director	Resigned 21 April 2016
Ferdian Purnamasidi	Non-Executive Director	Appointed 26 April 2016

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

Throughout the half year to 30 June 2016, the Company continued to pursue a strategy of increasing and upgrading the total mineral resource at the 100% owned Jervois Copper-Silver-Gold Project in the Northern Territory.

The aim is to place Jervois among the world's lowest cost copper projects before advancing to development. The Company made good progress with a highly targeted, technology driven exploration program, limiting expenditure in response to the period of low commodity prices.

At the emerging Rockface prospect, high grade copper was intersected in diamond drilling programs and new zones of significant mineralisation discovered.

At the Green Parrot prospect, shallow drilling confirmed high grade, near surface copper, silver, lead and zinc mineralisation

Rockface Prospect

The copper mineralisation at Rockface is rapidly growing in size and significance to the Jervois Project.

As the result of an Orion 3D Induced Polarisation (3DIP) survey completed in July 2015, several anomalies were detected, including a strong coincident 3DIP chargeability/conductivity anomaly beneath Rockface. In late 2015, the drilling of hole KJCD171 targeting the 3DIP anomaly at Rockface intersected a broad interval of massive magnetite-chalcopyrite mineralisation with high copper grades.

A follow-up Down-Hole Electromagnetic (DHEM) survey of KJCD171 identified two strong off-hole conductors that were targeted by drilling in March and April 2016. Two holes, KJCD182 and KJCD183, encountered further massive magnetite-chalcopyrite, a deeper extension of the high grade mineralisation first intersected in KJCD171.

KJCD182 included:

- 9m @ 2.91% Cu, 17.6g/t Ag and 0.2g/t Au from 284m, and
- 6m @ 1.6% Cu, 9.3g/t Ag and 0.16g/t Au from 296m.

KJCD183 included:

- 16m @ 3.34% Cu, 16.7g/t Ag and 0.17g/t Au from 362m.

The DHEM is proving an effective tool for locating high-grade copper mineralisation. As reported above, hole KJCD183 targeted the Conductor 3 anomaly identified by the DHEM survey of hole

KJCD171. Subsequent DHEM surveys conducted in KJCD183 and other recent holes increased the size and extent of Conductor 3.

A drilling program commenced in June 2016 to extend Rockface mineralisation both along strike and down dip. The first hole, KJCD195, intersected mineralisation including:

- 10.5m @ 8.76% Cu, 42.9g/t Ag and 0.51g/t Au from 478.4m.

This was approximately 105m below and 15m to the west of KJCD183.

Hole KJCD195 intersected a second zone of mineralisation including:

- 5.1m @ 2.66% Cu, 0.39% Zn, 13.8g/t Ag and 0.27g/t Au from 513.6m.

The drilling program at Rockface continued in July 2016. Hole KJCD196 targeted the western extent of Conductor 3. The width and grade of mineralisation was weaker than the massive magnetite-chalcopyrite observed in KJCD195. The hole intersected a 4.5m zone of veined and stringer chalcopyrite-pyrite in a moderately altered garnet-magnetite host rock from 476m to 480.5m. Above this zone in the hanging wall the hole intersected 20m (456-476m) of disseminated pyrite-chalcopyrite in a weakly to moderately magnetite altered rock.

These high grade intercepts and the intersection of multiple mineralised lenses continued to extend the size of the sulphide mineralisation at Rockface and demonstrated the potential for further growth.

DHEM surveys of KJCD195-6 confirmed that Conductor 3 extended further down dip than previously modelled, and also identified a new, larger DHEM anomaly, Conductor 5, located in the footwall to Conductor 3.

To test Conductors 3 and 5, KJCD197, the third of the latest program of three holes targeting DHEM anomalies, was drilled in August 2016. It intersected two significant zones of mineralisation within a broader downhole mineralised interval of 47.3m from 530.8m to 578.1m. This is approximately 70m down dip of the two mineralised intercepts in KJCD195. Final assay results are anticipated in mid-September 2016. A further DHEM survey of KJCD197 is being undertaken to help target further drilling into the highest grade mineralisation.

During the half-year, a shallow diamond drilling program at Rockface confirmed that mineralisation continues to the surface. The Company used man-portable equipment in steep terrain inaccessible to conventional rigs. Significant results included:

- 8.2m @ 0.75% copper, 4g/t silver and 0.05g/t gold from Om (Hole KIDO15) incl. 3.3m @ 1.49% copper, 3.8g/t silver and 0.09 gold from 1.7m

- 7.35m @ 1.22% copper, 2.1g/t silver and 0.06g/t gold from 0m (Hole KIDO16) incl. 2.6m @ 2.83% copper, 3.1g/t silver and 0.12g/t from 0m

  - 4.9m @ 1.04% copper, 10.1g/t silver and 0.06g/t gold from 0m (KIDO20) incl. 3.5m @ 1.32% copper, 13.4g/t silver and 0.04g/t gold from 1.4m.

Green Parrot

At the Green Parrot prospect, drilling to upgrade the shallow mineralisation amenable to open pit mining from inferred to the measured and indicated categories confirmed high grade mineralisation, with assays of more than 40% combined copper-lead-zinc plus high silver encountered. Significant results included:

  - 7m @ 3.15% copper, 27.24% lead, 13.01% zinc, 333.1g/t silver and 0.07g/t gold from 39m (KJCD179)
  - 17m @ 1.68% copper, 10.46% lead, 4.24% zinc, 169g/t silver and 0.19g/t gold from 54m (KJCD177) incl. 2m @ 0.57% copper, 26.53% lead, 8.36% zinc, 227.3g/t silver and 0.01g/t gold from 54m.

DIRECTORS' REPORT (Continued)
Review of Operations (continued)

Gravity Survey

A detailed gravity survey at Jervois, completed in March 2016, has helped to better understand the geology and identify new exploration targets. Dense magnetite and garnet-altered rocks within and adjacent to mineralisation make good gravity targets. The presence of high density sulphide minerals can make the gravity response even larger. The gravity response is high, and therefore an encouraging sign of mineral-bearing rocks, in areas such as Marshall, Reward and the Rockface "fold hinge" along the 12-kilometre Jervois strike zone.

Financial Review

For the half-year ended 30 June 2016, the KGL group recorded loss after taxation of $1,448,419 (Loss 2015: $1,531,914).

In the half year to 30 June 2016 $1,044,632 was incurred developing the Jervois Project.

Employee expenses from continued operations were in the half year to 30 June 2016 were $991,290 (2015: $821,493).

The Company raised $2,906,005 after costs through the issue of shares by way of a two for nine pro rata non-renounceable entitlement offer.

DIRECTORS' REPORT (Continued)
Financial Review (continued)

The KGL cash reserve as at 30 June 2016 was $2,318,052, including $600,000 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 7 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

Denis Wood

Chairman

8 September 2016

JORC Compliance Statement

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

Hole		Date originally Reported	JORC Reported Under
KJCD	171	22/10/2015	2012
KJCD	182	09/05/2016	2012
KJCD	183	26/04/2016	2012
KJCD	195	02/08/2016	2012
KJCD	177	29/03/2016	2012
KJCD	179	29/03/2016	2012
KJD	015	30/03/2016	2012
KJD	016	30/03/2016	2012
KJD	010	30/03/2016	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 2016, 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, 8 September 2016

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE HALF-YEAR ENDED 30 JUNE 2016

	Note	**Half-year ended 30 Jun 2016 $**	Half-year ended 30 Jun 2015 $
Revenue and other income		**112,224**	227,555
Employee benefits expense		**(991,290)**	(821,493)
Depreciation and amortisation expense		**(40,336)**	(11,526)
Professional and consultancy fees expense		**(165,661)**	(175,265)
Head office facility overheads expense		**(222,709)**	(218,544)
Business development and investor relations expense		**(51,715)**	(70,492)
Other expenses		**(29,783)**	(99,173)
Impairment of receivables		**(566)**	(1,000)
Impairment of associates accounted for using the equity method		**(58,583)**	
Share of net profits of associates accounted for using the equity method		**-**	(2,693)
Loss on sale of CJSC Kentor	**8**	**-**	(359,283)
Loss before income tax		**(1,448,419)**	(1,531,914)
Income tax expense		**-**	-
Net profit/(loss) for the half-year		**(1,448,419)**	(1,531,914)
Other comprehensive income		**-**	-
Total comprehensive income for the half-year		**(1,448,419)**	(1,531,914)
Net profit/(loss) attributable to:-			
Non-controlling interests		**-**	-
Owners of KGL Resources Limited		**(1,448,419)**	(1,531,914)
		(1,448,419)	(1,531,914)
Total comprehensive income attributable to:-			
Non-controlling interests		**-**	-
Owners of KGL Resources Limited		**(1,448,419)**	(1,531,914)
		(1,448,419)	(1,531,914)
Earnings per share attributable to the owners of KGL Resources Limited			
Basic earnings per share (cents per share)		**(0.8)**	**(1.1)**
Diluted earnings per share (cents per share)		**(0.8)**	**(1.1)**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2016

	Note	30 Jun 2016	31 Dec 2015
		$	$
Current assets			
Cash and cash equivalents		**1,718,052**	482,548
Trade and other receivables		**104,810**	82,357
Financial assets held to maturity		**600,000**	902,344
Prepayments		**24,515**	90,549
Total current assets		**2,447,377**	1,557,798
Non-current assets			
Financial assets held to maturity		**129,139**	157,381
Property, plant and equipment	**4**	**33,952**	80,198
Exploration and evaluation assets	**5**	**29,061,550**	28,016,918
Intangible assets		**666**	1,266
Other Financial Assets		**8,381**	-
Investments in associates accounted for using the equity method	**3**	**1**	58,584
Total non-current assets		**29,233,689**	28,314,347
TOTAL ASSETS		**31,681,066**	29,872,147
Current liabilities			
Trade and other payables	**6**	**837,991**	486,656
Total current liabilities		**837,991**	486,656
TOTAL LIABILITIES		**837,991**	486,656
NET ASSETS		**30,843,075**	29,385,489
Equity			
Contributed equity	**7**	**144,478,912**	141,572,907
Reserves		**3,701,075**	3,701,075
Accumulated losses		**(117,336,912)**	(115,888,493)
Total equity		**30,843,075**	29,385,489

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE HALF-YEAR ENDED 30 JUNE 2016

	Note	**Half-year ended 30 Jun 2016 $**	Half-year ended 30 Jun 2015 $
Cash flows from operating activities			
GST refunded		**127,642**	373,060
Payments to suppliers and employees		**(1,465,483)**	(1,995,157)
Interest received		**161,693**	282,450
Net cash used in operating activities		**(1,176,148)**	(1,339,647)
Cash flows from investing activities			
Payments for exploration and evaluation assets		**(822,502)**	(3,515,402)
Receipts for property, plant and equipment		**5,911**	(24,727)
Receipts for intangible assets		**600**	-
Movement in held to maturity financial assets		**322,204**	(3,637)
Payments of costs to sell CJSC Kentor		**-**	(113,013)
Net cash used in investing activities		**(493,787)**	(3,656,779)
Cash flows from financing activities			
Advances to non-controlled subsidiary		**(566)**	-
Loans provided to subsidiary		**-**	(1,000)
Proceeds from issue of shares		**2,906,005**	-
Net cash used in financing activities		**2,905,439**	(1,000)
Net (decrease)/increase in cash and cash equivalents		**1,235,504**	(4,997,426)
Cash and cash equivalents at the beginning of the period		**482,548**	9,037,322
Cash and cash equivalents at end of period		**1,718,052**	4,039,896

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE HALF-YEAR ENDED 30 JUNE 2016

	Contributed Equity $	Accumulated losses $	Foreign currency translation reserves $	Share-based payments reserve $	Farm in reserve $	Total equity $
Balance at 1 January 2016	141,572,907	(115,888,493)	-	3,701,075	-	29,385,489
Profit/(loss) for the half-year	-	(1,448,419)	-	-	-	(1,448,419)
Other comprehensive income						
Total comprehensive income for the half-year	-	(1,448,419)	-	-	-	(1,448,419)
Transactions with owners in their capacity as owners						
Issue of Share Capital	2,906,005	-	-	-	-	2,906,005
Balance at 30 June 2016	144,478,912	(117,336,912)	-	3,701,075	-	30,843,075

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)
FOR THE HALF-YEAR ENDED 30 JUNE 2016

	Contributed Equity	Accumulated losses	Foreign currency translation reserves	Share-based payments reserve	Farm in reserve	Total equity
	$	$	$	$	$	$
Balance at 1 January 2015	**141,577,527**	**(113,470,577)**	**(201,180)**	**3,850,110**	**213,525**	**31,969,405**
Profit/(loss) for the half-year	**-**	**(1,531,914)**	**-**	**-**	**-**	**(1,531,914)**
Other comprehensive income	**-**	**-**	**-**	**-**	**-**	**-**
Total comprehensive income for the half-year	**-**	**(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**
Balance at 30 June 2015	**141,577,527**	**(114,788,966)**	**(201,180)**	**3,892,663**	**-**	**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 2016

Note 1. Basis of preparation

These general purpose financial statements for the half-year reporting period ended 30 June 2016 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 2015 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 financial report has been prepared on the going concern basis, which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the normal course of business.

As disclosed in the financial report, the consolidated entity achieved a net loss of $1,448,419 and net operating cash outflows of $1,176,148 for the period ended 30 June 2016. As at 30 June 2016 the consolidated entity has cash of $1,718,052.

The ability of the consolidated entity to continue as a going concern is principally dependent upon one or more of the following:

- the ability of the Company to raise capital as and when necessary.
- the successful exploration and subsequent exploitation of the consolidated entity's tenements, and/or
- receipt of proceeds from research and development claims.

These conditions give rise to material uncertainty which may cast significant doubt over the consolidated entity's ability to continue as a going concern.

The Directors believe that the going concern basis of preparation is appropriate due to the following reasons:

- the consolidated entity has a proven history of successfully raising funds which included during the period raising $2,906,005 through a two for nine entitlement offer.
- The Directors believe there is sufficient cash available for the consolidated entity to continue operating until it can raise sufficient further capital to fund its ongoing activities, and
- Management have submitted research and development claims and are awaiting confirmation that these claims will be paid.

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

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

Notes to the financial statements for the half-year ended 30 June 2016

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 2016. The adoption of these new and revised Standards and Interpretations has resulted in no changes to the Group's financial results.

Note 2. Segment information

Following the sale of the Bashkol Project in June 2015 and the loss of control of the Geothermal Project disclosed in Note 3, the Group now identifies only one operating segment, based on the internal reports that are reviewed and used by the Board of Directors (chief operating decision makers) in assessing performance and determining the allocation of resources. The Group does not yet have any products or services from which it derives an income.

Accordingly, management currently identifies the Group as having only one reportable segment, being exploration at the Jervois site in the Northern Territory. The financial results from this segment are equivalent to the financial statements of the Group.

All assets are located in Australia.

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

	30 Jun 2016	31 Dec 2015
	$	$
Investment in Kentor Energy	**1**	58,584
	1	58,584

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.

On 24 August 2016 the Company entered into an agreement to sell its 75% Participating Interest in the Savo Island Prospecting Licence (PL-01/12) for a sale price of $1. Upon completion of the sale KGL Resources Limited will have no further interest in or liability for the tenement.

Note 4. Property, plant and equipment

	Plant & Equipment 30 Jun 2016 $	Plant & Equipment 31 Dec 2015 $
At the start of the period, net of accumulated depreciation	**80,198**	128,194
Additions	**-**	38,908
Disposals	**(5,910)**	-
Depreciation and amortisation	**(40,336)**	(86,904)
At the end of the period, net of accumulated depreciation	**33,952**	80,198
Cost	**526,366**	659,309
Accumulated depreciation	**(492,414)**	(579,111)
Net carrying amount	**33,952**	80,198

Note 5. Exploration and evaluation assets

	30 Jun 2016 $	31 Dec 2015 $
Deferred exploration and evaluation assets	**29,023,015**	28,016,918
Deferred exploration and evaluation assets		
Balance at beginning of the period	**28,016,918**	22,426,604
Current period expenditure	**1,044,632**	5,590,314
Balance at end of the period	**29,061,550**	28,016,918

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

	30 Jun 2016 $	31 Dec 2015 $
Unsecured trade payables	**428,487**	268,114
Employee benefits	**409,504**	218,542
	837,991	486,656

(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 2016	31 Dec 2015
		$	$
(a)	Issued and paid up capital		
	Ordinary shares fully paid	**144,478,912**	141,572,907

(b) Movements in shares on issue

	30 Jun 2016		31 Dec 2015	
Details	**Number of Shares issued**	**Issued capital $**	Number of Shares issued	Issued capital $
Beginning of the half-year	141,540,563	**141,572,907**	140,240,563	141,577,527
Exercise of options	**-**	**-**	1,300,000	-
Issue Shares	**31,450,295**	**2,987,779**	-	-
Share Issue Costs	**-**	**(81,774)**	-	(4,620)
Closing balance	**172,990,858**	**144,478,912**	141,540,563	141,572,907

(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 625,000 (31 December 2015: 2,475,000) unissued ordinary shares in respect of options were outstanding. During the period 1,850,000 options were cancelled.

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

Unlisted employee options

Expiry date	***Number***	***Exercise price $***
01 July 2016	100,000	1.256 to 1.507
25 July 2016	50,000	1.137 to 1.365
Performance rights		
24 February 2017	475,000	Nil
TOTAL OPTIONS GRANTED	**625,000**	

Note 8. Disposal of the assets and liabilities of CJSC Kentor	**30 Jun 2016**	30 Jun 2015
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 9. 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 10. Contingent liabilities and assets

There have been no material changes to contingent liabilities and assets since the 31 December 2015 financial report.

Note 11. Events subsequent to reporting date

On the 6th September 2016 KGL Resources announced it received a Research & Development Tax incentive refund of $922,305. The R&D Tax Incentive is an Australian Government program under which companies receive cash refund for 45% of eligible expenditure on research and development

There are no other 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 Consolidated Statement of Profit or Loss and Other Comprehensive Income, Consolidated Statement of Financial Position, Consolidated Statement of Cash Flows, Consolidated 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 2016 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:

Denis Wood
Chairman

Brisbane

8 September 2016

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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 consolidated statement of financial position as at 30 June 2016, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the 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 2016 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 2016 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, successful exploration and subsequent exploitation of the consolidated entity's tenements and/or receipt of proceeds from research and development claims. These conditions, along with other matters 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, 8 September 2016