KGL RESOURCES LIMITED

2015 ANNUAL REPORT

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KGL Resources Limited is an Australian mineral exploration company focussed on increasing the high grade Resource at the Jervois Copper-Silver-Gold Project in the Northern Territory and developing it into a multi-metal mine.

LETTER FROM THE CHAIRMAN

In a difficult year for mining and exploration, KGL has continued to be successful in increasing and improving the resource at the Jervois copper and multi-metal project.

Jervois is KGL's major asset. Directors are committed to adding shareholder value by applying modern and cost efficient exploration methods that will continue to reveal the scale and quality of the Jervois orebodies.

Last July, the company announced an increased resource estimate for Jervois – 30.5 million tonnes containing 327,000 tonnes of copper and 22.6 million ounces of silver, together with lead, zinc and gold. This is a good platform on which to grow a larger and, more importantly, a higher grade resource.

A pre-feasibility study based on the latest resource estimate was completed late last year. However, the board decided to give priority to further exploration to improve the quality of the resource rather than proceed to a bankable feasibility study and on to mine development. This is the appropriate course in the current market conditions of weak copper prices and capital constraints. The current capital markets are not ready to finance such a development.

In committing to fund additional exploration, our aim is to ensure that when Jervois is developed, it will be a project that will be placed with confidence in the bottom half of the cost curve for copper mines on both a C1 and C3 basis.

Our strategy of increasing and upgrading the Jervois resource through a highly targeted exploration program can be achieved with a reduced level of spending and stringent cost control across the company.

Costs since late last year have been cut significantly in line with the market downturn. The board has been reduced to three directors and, furthermore, directors' fees have been reduced. The size of the workforce has been reduced and staff put on to a part-time basis in line with the reduced levels of activity. The Perth office has been closed.

To fund the exploration program, the board opted for a course that was in the best interests of all shareholders - an entitlement offer that gave all shareholders the opportunity to participate. The offer, which I was pleased to underwrite, was successful in raising $3 million.

There is now a strong focus on maximising returns from exploration by directing as many dollars as we can afford into the ground to improve the quality of the resource. We aim to increase resources, but importantly we are targetting higher grade mineralisation to boost early cashflows.

The company has been successful in applying a range of new and established geophysical techniques that have identified new drilling targets. We can be encouraged by the resultant drilling so far. In particular, the Rockface deposit is now emerging as a potential new open pit and underground mine of considerable size and good grade.

In summary, we are focused on building Jervois into a lower cost project with an increased, higher grade resource and extended potential mine life, and so securing its place amongst the lowest cost projects in the world. We will proceed to mine development only when we are satisfied that we have reached the required project quality.

I thank my fellow directors for their service to the company over the past year.

Importantly, directors would like to acknowledge Simon Milroy and his team. Some staff have had to take redundancy and the others have had to accept reduced hours. We thank them for their continuing work during this difficult time in the mining industry cycle.

We thank shareholders for their continuing investment in the company, and assure you of our best efforts to add value at Jervois.

Denis Wood

Chairman

RESERVES AND RESOURCES

2015 Jervois Resource Estimate

Jervois Copper Resources	Category	Tonnes Mt	Copper %	Silver g/t	Lead %	Zinc %	Copper kt	Silver Moz	Lead kt	Zinc kt	Cut-off Cu%
Marshall	Indicated	1.4	1.45	35.6			20.1	1.6			0.5
Copper	Inferred	0.3	0.90	20.2			2.5	0.2			0.5
Reward	Indicated	5.0	1.14	25.3			57.1	4.1			0.5
Copper	Inferred	7.6	1.02	22.2			78.0	5.4			0.5
East Reward	Inferred	2.0	0.82	7.1			16.9	0.5			0.5
Bellbird	Indicated	4.1	1.22	7.7			49.9	1.0			0.5
	Inferred	4.3	1.29	8.5			55.9	1.2			0.5
Cox's Find	Inferred	0.7	0.87	2.8			6.0	0.1			0.5
Rock Face	Inferred	0.7	0.82	3.1			6.0	0.1			0.5
TOTAL	**Indicated**	**10.5**	**1.21**	**19.8**			**127.0**	**6.7**			
	Inferred	**16.2**	**1.06**	**14.6**			**172.1**	**7.6**			
	TOTAL	**26.7**	**1.12**	**16.6**			**299.1**	**14.3**			

Jervois Lead/Zinc Resources	Category	Tonnes Mt	Copper %	Silver g/t	Lead %	Zinc %	Copper kt	Silver Moz	Lead kt	Zinc kt	Cut-off Cu%
Reward	Indicated	0.5	0.74	70.7	6.8	0.9	3.6	1.1	33.6	4.4	None
Lead/Zinc	Inferred	0.8	0.51	90.9	8.6	1.2	4.1	2.3	69.4	9.4	None
Green Parrot	Indicated	0.5	0.99	64.0	0.9	0.6	5.1	1.1	4.7	3.2	0.3
Lead/Zinc	Inferred	1.4	0.81	78.0	1.8	0.9	11.1	3.4	24.4	12.8	0.3
Bellbird North	Inferred	0.7	0.57	17.9	1.7	2.5	3.8	0.4	11.3	16.7	0.2
TOTAL	**Indicated**	**1.0**	**0.87**	**67.3**	**3.8**	**0.8**	**8.7**	**2.2**	**38.3**	**7.6**	
	Inferred	**2.8**	**0.67**	**67.6**	**3.7**	**1.4**	**19.0**	**6.2**	**105.1**	**38.9**	
	TOTAL	**3.8**	**0.72**	**67.5**	**3.7**	**1.2**	**27.7**	**8.4**	**143.4**	**46.5**	

2015 Combined	**TOTAL**	**30.5**	**1.07**	**23.0**			**327**	**22.6**	**143**	**47**
2014 Combined	**TOTAL**	**25.3**	**1.10**	**22.1**			**280**	**18.0**	**84**	**36**
2015/2014	**% Variance**	**21**					**17**	**26**	**72**	**30**

Copper Ore Reserves

	Bellbird	Marshall Reward	Total
Ore Tonnes	3,394,000	5,037,700	8,431,700
Cu %	1.20	1.07	1.12
Au g/t	0.12	0.26	0.20
Ag g/t	7.36	25.00	17.90
Pb %	0.02	0.22	0.14
Zn %	0.05	0.21	0.14

Lead / Zinc Ore Reserves

	Bellbird	Marshall Reward	Total
Ore Tonnes	239,300	204,700	444,000
Cu %	0.57	0.91	0.77
Au g/t	0.03	0.20	0.13
Ag g/t	19.99	62.67	45.49
Pb %	2.27	5.38	4.13
Zn %	3.04	0.83	1.72

There were no Reserves reported for Jervois in 2014.

Governance and Internal Controls

Governance of KGL Resources Limited's resources and ore reserves development and reporting is a key function of the Executive of the Company.

The Chief Operating Officer and Exploration Manager, with oversight from the Chief Executive Officer, are responsible for the planning, prioritisation and progress of exploratory and resource definition drilling programs across the Company. Plans for these programs are presented to the Boad with accompanying budgets for final approval.

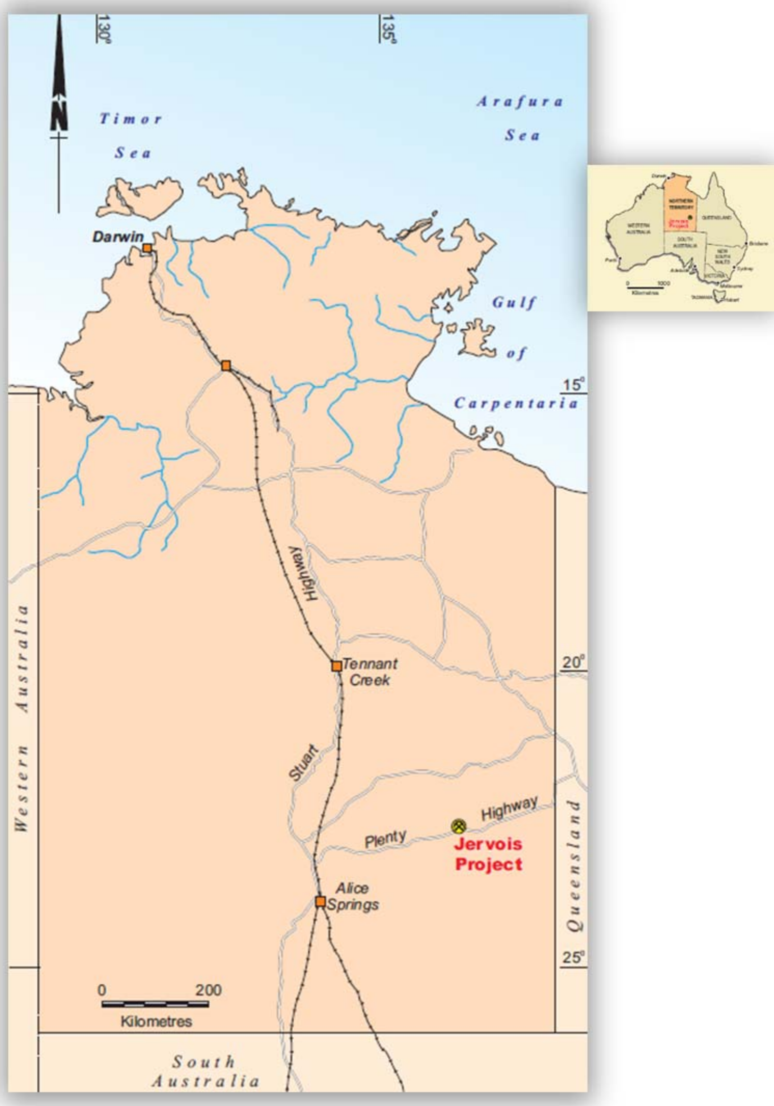
Definition activities are conducted within a framework of quality assurance and quality control protocols covering aspects including drill hole siting, sample collection, sample preparation and analysis as well as sample and data security.

A three-level compliance process guides the control and assurance activities:

1. Provision of internal policies, standards, procedures and guidelines
2. Resources and reserves reporting based upon well founded assumptions and compliance with external standards such as the Australian Joint Ore Reserves Committee (JORC) Codes
3. Internal assessment of compliance and data veracity

TENEMENTS

Tenement Number	Location	Beneficial Holding
ML 30180	Jervois Project, Northern Territory	100%
ML 30182	Jervois Project, Northern Territory	100%
EL 25429	Jervois Project, Northern Territory	100%
EL 30242	Jervois Project, Northern Territory	100%
E28340	Yambah, Northern Territory	100%
E28271	Yambah, Northern Territory	100%
PL 01/12	Savo Island, Solomon Islands	75%



ADDITIONAL INFORMATION

As at 12 April 2016

1. Names of Substantial Holders

Name of Holder	No of Securities	% Issued Capital
KMP Investments Pte	46,763,192	27.03%
Mr Denis Wood	16,725,288	9.67%
Pegasus CP One	11,655,732	6.74%

2. Number of holders in each class of equities

	No of Holders	No of Units
Ordinary Shares	3,658	172,990,858
Unlisted Options	7	1,575,000
Unlisted Performance Rights	8	900,000

3. Voting rights attached to each class of security

Each fully paid ordinary share is entitled to one vote.
Unlisted options and performance rights have no voting rights

4. Distribution Schedule

Range	Securities	No of Holders
100,001 and Over	140,521,343	142
10,001 to 100,000	24,764,234	791
5,001 to 10,000	3,958,787	507
1,001 to 5,000	3,234,462	1,210
1 to 1,000	512,032	1,008
Total	**172,990,858**	**3,658**

5. Unmarketable Parcels

Number of holders with a holding of less than a marketable parcel 1,096

At a price of $0.13

6. 20 Largest holders in each class of quoted security

Rank	Name	12 Apr 2016	%IC
1	KMP INVESTMENTS PTE LTD	46,763,192	27.03
2	J P MORGAN NOMINEES AUSTRALIA LIMITED	17,236,857	9.96
3	MR DENIS LESLIE WOOD & MRS ANNE WOOD	13,353,516	7.72
4	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	11,030,757	6.38
5	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	3,769,249	2.18
6	COAL INDUSTRY SERVICES PTY LTD	3,371,772	1.95
7	CITICORP NOMINEES PTY LIMITED	2,390,861	1.38
8	BNP PARIBAS NOMINEES PTY LTD	1,954,352	1.13
9	MR GRAHAME EDWARD HOLMES	1,422,222	0.82
10	MR ANDREW DALEY & MRS INEKE DALEY	1,222,222	0.71
11	NOREL NOMINEES PTY LTD	1,146,000	0.66
12	AMMF INVESTMENTS PTY LTD	1,000,000	0.58
13	JCT CRT SERVICES PTY LTD	982,355	0.57
14	COWAY MANAGEMENT LIMITED	965,162	0.56
15	AMMF INVESTMENTS PTY LTD	867,777	0.50
16	JAMES ST EQUITIES PTY LTD	855,555	0.49
17	ROBRIAN PTY LTD	812,333	0.47
18	EDNA SECURITIES PTY LTD	750,000	0.43
18	AUSTRALIAN EXPORTS & INDUSTRIALISATION SUPER PTY LTD	750,000	0.43
19	MR KENT RICHARD MCFADDEN & MRS LISA JANE MCFADDEN	700,000	0.40
20	MRS SALLY DIANA YEATES	680,000	0.39
	Total	**112,024,182**	**64.76**
	Balance of register	**60,966,676**	**35.24**
	Grand total	**172,990,858**	**100.00**

7. Name of Company Secretary

Kylie Anderson

8. Address of Registered Office

KGL Resources Limited
Level 7 167 Eagle Street
Brisbane 4000
07 3071 9003

9. Name and address of share register

Link Market Services Limited
Level 9 333 Collins Street
Melbourne VIC 3000

10. Stock Exchange Listing

Quotation has been granted for the unrestricted ordinary shares of the Company on all Member Exchanges of the Australian Stock Exchange.

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

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

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

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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 2015.

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

Denis Wood

Non-Executive Chairman

BSc (Geology).

Appointed 28 July 2015

Mr Wood is a qualified metallurgist and geologist with over 45 years' experience in the mining industry. Mr Wood's career has included – 13 years with BHP as a metallurgist, 8 years with CCI Holding reaching the position of Managing Director, multiple previous directorships and shareholdings of Australian based resource companies including QCC, Cumnock Coal, Sedgman, Jupiter Mines and Marathon Resources.

Managing Director/CEO of APC. Talbot Group, Director of Resources for 8 years.

Other Current Directorships of ASX Listed Companies

None

Former Directorships of ASX Listed Companies in last three years

None

Andrew Daley

BSc (Hons)(Mining)

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

Non-Executive Chairman

Appointed 10 November 2004

Resigned 22 May 2015

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).

DIRECTORS REPORT (CONTINUED)

John Taylor

BEng (Chem)

MBA

Non-executive Director

Appointed 28 July 2009

Resigned 22 December 2015

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.

Christoper Bain

B App Sc (App Geo)

Grad Dip (GeoSc)

MAusIMM

GAICD

Non-executive Director

Appointed 5 September 2013

Chris has 40 years' experience in the resource sector having worked in mining, exploration, investment research, corporate advisory and funds management roles. He graduated as a geologist from RMIT and initially worked as an underground mine geologist before moving to an exploration role. After completing a Graduate Diploma in Mineral Economics at Macquarie University he joined the finance sector in late 1986 at National Mutual Funds Management and has held senior positions in mining research for funds management and stockbroking. As an Executive Director of Investor Resources Limited he was instrumental in mining project divestitures and acquisitions, evaluations and valuations, capital raisings including managing several initial public offerings and ASX listings. Currently Chris works with companies on both corporate and exploration related assignments and provides investment advice through a Melbourne based stockbroker.

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

Other Current Directorships of ASX Listed Companies

Metalicity Limited. (Formerly PLD Corporation Ltd)

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.

DIRECTORS REPORT (CONTINUED)

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.

Simon Milroy

BEng (Mining)

Chief Executive Officer

Appointed 14 May 2007

Stepped down from the board of directors on 22 December 2015 but remains Chief Executive Officer.

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
D Wood	16,725,288	-
C Bain	152,777	-
B Ellis	244,444	-

DIRECTORS REPORT (CONTINUED)

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		
D Wood	11	11
A Daley	4	4
J Taylor	15	15
C Bain	18	18
B Ellis	18	18
S Milroy	15	15

Committee membership and meetings

The members of the Committees are the independent directors, Denis Wood, Chris Bain and Brad Ellis. Mr Chris Bain is the Chairman of the Audit and Risk Committee along with Denis Wood and Brad Ellis as members. Mr Denis Wood is the Chairman of the Nomination and Remuneration Committee along with Brad Ellis and Chris Bain as a members'.

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 and Denis Wood as members'.

	Audit and Risk Committee		Nominations and Remuneration Committee		Sustainability Committee	
	Held	**Attended**	**Held**	**Attended**	**Held**	**Attended**
Directors						
D Wood	1	0	-	-	1	1
A Daley	1	1	1	1	0	0
J Taylor	-	-	1	1	2	2
C Bain	2	2	-	-	2	2
B Ellis	2	2	-	-	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 2015 (2014: 7 employees).

DIVIDENDS

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

DIRECTORS REPORT (CONTINUED)

REVIEW OF OPERATIONS

During the year, KGL continued to focus on increasing the size and improving the economics of the Jervois Copper-Silver-Gold Project in the Northern Territory.

- Exploration drilling and other studies significantly increased the mineral resource.
- A Pre-Feasibility Study was completed which examined a mid-level scale mining project, with an initial annual production of 21,000 tonnes of copper, one million ounces of silver, plus lead and zinc, with a mine life of more than 8 years and the likelihood of several years' extension due to continuing exploration success. .
- With further drilling later in the year, the Company continued to discover new areas of mineralisation.

Cost reduction measures

At year's end, the Company responded to the period of continuing low commodity prices by reducing the level of spending. Drilling and other exploration activities in 2016 were planned to be highly targeted and cost less than in previous years. The size of the board was reduced, directors' fees were reduced and the size of the workforce was also reduced to reflect the lower level of activity.

The cost cutting activities are aimed at reducing the need for further capital raising (following the entitlement offer that raised $3 million in January 2016) at a time of low prices, and so minimise dilution to existing shareholders.

On 29 December, the Company announced a capital raising to raise up to $3 million by way of a two for nine pro rata non-renounceable entitlement offer fully underwritten by the KGL Chairman Mr Denis Wood. The funds are for the exploration and development of Jervois as well as corporate overheads, working capital and offer costs. 285 shareholders contributed to the entitlement offer with over 30% of these shareholders applying for additional top up shares. This raised a total of $1.72 million. The remaining funds were contributed through the underwriting agreement.

Drilling and other exploration activities in 2016 will be highly targeted and cost less than in previous years. During this period of reduced commodity prices, reduced spending will reduce the need for further capital raising at low prices with the aim of minimising dilution to existing shareholders.

At the end of December 2015, prior to the receipt of the $3 million from the entitlement offer, the Company had a cash balance of $1,384,891, including $482,548 in cash and cash equivalents and $902,344 classified as financial assets held to maturity.

Mineral Resources increased

In July 2015, the Company announced an increase in resources, the fifth since KGL acquired Jervois in May 2011.

The global resource was increased by 21% to 30.5 million tonnes @ 1.07% copper and 23.0 g/t silver.

This resulted in

- 17% increase in contained copper to 327,000 tonnes
- 26% increase in contained silver to 22.6 million ounces.

DIRECTORS REPORT (CONTINUED)

REVIEW OF OPERATIONS (CONTINUED)

The lead-zinc resources were increased by 70% to 3.8 million tonnes, resulting in

- 59% increase in contained lead-zinc to 190,000 tonnes, highlighting the polymetallic nature of Jervois.

Importantly, there was a proportionately larger increase of 36% in the total indicated resources, upgrading confidence in the resource, particularly for the critical first few years of mine life.
A global gold resource of 21.4Mt @ 0.16g/t gold for 113,000 oz gold was included.

In addition, an Exploration Potential* of 40,000 to 100,000 tonnes of copper and 1.5 to 3.5 million ounces of silver was identified, consisting of areas that are peripheral to current resources, the resources being open at depth and with 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 in these areas.*

Pre-Feasibility Study completed

The completed PFS announced in October 2015 was updated from the initial PFS released in December 2014. The enhanced result benefited from work in 2015 that included increasing and upgrading the mineral resources, improving the mining pit walls, simplifying the metallurgical processing and reducing the operating costs.

The Jervois project presented in the PFS consists of open pit mining of several deposits followed by underground mining to feed a 2.2 Mtpa flotation plant producing 80,000 to 100,000 tpa of copper concentrate plus a separate lead/zinc bulk concentrate.

The project is forecast to produce a total of 754,000 tonnes of copper concentrate at a grade of approximately 23% copper and 283 g/t silver over an initial mine life of 8.25 years. This equates to an average annual production of approximately 21,000 tonnes of contained copper and 1 million ounces of contained silver. The project will also produce approximately 179,000 tonnes of bulk concentrate at a grade of 43% lead, 17% zinc and 1,069 g/t silver over the life of mine.

Key Life of Mine Highlights	
Resource – Copper	26.7Mt @ 1.12%Cu, 16.6g/tAg
– Lead/Zinc	3.8Mt @ 0.72%Cu, 3.7%Pb, 1.2%Zn, 67.5g/tAg
Life of Mine (LOM)*	8.25 years
Average Annual Production	21,000t Cu
Pre Production Capital Costs	A$ 189.5M
Deferred Capital Cost (Year 2)	A$ 26.7M

Open pit mining is proposed in three locations - Marshall-Reward, Green Parrot and Bellbird. The life of mine waste to ore stripping ratio for the open pits is 7.3 : 1. Open pit mining continues for the first 6.25 years of the mine life. Underground mining is scheduled to commence in the third year of operations.

The process plant will produce copper sulphide concentrate as a primary product which will contain variable amounts of silver and gold depending on the ore source. During treatment of lead-zinc ores, the plant will produce two products: a copper concentrate, and a bulk lead-zinc concentrate which will also contain the majority of the silver and gold.

The concentrate transport study concluded that the use of sealed half height containers was the cheapest and safest method to transport the concentrate from site. The sealed half height containers will be trucked to Alice Springs and then transported by rail to either Darwin or Adelaide for export to Asian smelters. This process will eliminate the need for any intermediate enclosed warehousing at both Alice Springs and at the export port.

DIRECTORS REPORT (CONTINUED)

REVIEW OF OPERATIONS (CONTINUED)

Continuing exploration
KGL continued with exploration to increase and upgrade the resource and extend production. The Company is confident that production costs can be reduced even further, including spreading the capital charges beyond the initial 8.25 years mine life. Some of the year's exploration successes indicate the potential for additional high grade relatively shallow resources that could feed into the early part of the mine schedule and further enhance the project's economics.

During the year, KGL completed a 3D induced polarisation (3DIP) and magneto-telluric survey (MT) in the Bellbird region to search for additional zones of mineralisation in a poorly tested yet highly prospective zone within the 12km mineralised strike length at Jervois. The Company followed up with a 3,500m drilling program from which several of the 10 holes discovered new zones of copper mineralisation.

Drilling and down hole electro-magnetic surveying is driving further assessment of the Rockface prospect.

Diamond drill hole KJCD171 intersected an extended length of strongly mineralised core from 253m, deeper than any previous hole drilled at Rockface and well below the current Inferred Resource:

- 13m @ 2.14% copper, 12.4 g/t silver, 0.10 g/t gold from 253m
- 2m @ 2.83% copper, 10.8 g/t silver and 0.05 g/t gold from 278m

The Rockface trend does not feature in the current PFS mine schedule. Rockface appears to improve with depth and has the potential to add a new mining areas to the Jervois project. At the Killeen prospect, further high grade copper was intersected near the surface:

- 2m @ 3.18% copper, 11.8 g/t silver and 0.03 g/t gold from 19m (hole KJC167)

At Bellbird East drilling at hole KJC169 intersected 4m @ 0.51% copper, 1.09% lead, 4.27% zinc and 16.4 g/t silver from 119m.

Yambah Prospects, Northern Territory (KGL 100%)
In April 2015, KGL announced the acquisition of two additional exploration licences at Yambah, 60km north of Alice Springs in the Northern Territory, for a cash payment of $20,000. The highly prospective tenements, acquired because of the close similarity of the mineralisation style and host rocks to Jervois.

Later in the year, two new base metal prospects were discovered, rock chip results producing copper and lead-zinc occurrences extending over 500m. Further field work is planned to progress new and previously known prospects to drill ready status.

Bashkol
During the year, KGL sold its shareholding in CJSC Kentor which was the Company's sole remaining asset in the Kyrgyz Republic.

Savo (KGL 70%, GDY 30%)
Work on the Savo Island Geothermal Project by joint venture partner Geodynamics Limited was put on hold due to low power demand growth in the Solomons and competition from established energy sources in a global low energy cost environment.

DIRECTORS REPORT (CONTINUED)

FINANCIAL REVIEW

For the year ended 31 December 2015, the KGL Group recorded loss after income tax and discontinued operations of $2,430,262 (2014: loss of $3,436,689).

In June 2015, KGL executed a binding sale agreement to sell the CJSC Kentor tenements for a total cash consideration of USD$1. A loss on the sale of $367,239 has been recorded.

Employee expenses from both continued and discontinued operations decreased in the year to 31 December 2015 to $1,279,251 (2014 $1,642,155) due to a reduction in bonus payments and reductions in share based payments.

The KGL cash reserve as at 31 December 2015 was $1,384,891, including $482,548 in cash and cash equivalents and $902,344 classified as financial assets held to maturity.

CAPITAL RAISINGS / CAPITAL STRUCTURE

On the 29 December 2015, the Company announced a $3 million two for nine pro rata-renounceable right issue. In the subsequent year acceptances were received for 18,096,779 new fully paid ordinary shares at $0.095 under the entitlement offer. The shortfall of 13,353,516 share were issued in accordance with the underwriting agreement. Total proceeds raised were $2,987,779 by 28th January 2016.

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 1,575,000 unissued ordinary shares in respect of which the options listed below were outstanding.

Expiry date	***Number***	***Exercise price $***
Unlisted employee options		
Duration of employment	400,000	1.808 to 2.808
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	600,000	1.165
01 October 2017	25,000	0.744 to 0.892
	1575,000	
Unlisted performance rights		
24 February 2017	600,000	Nil
31 May 2016	300,000	Nil
	900,000	
Total Options Granted	2,475,000	

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.

No Performance rights were granted during the year. On the 6 February 2015, 1,300,000 performance rights were exercised. In 02 September'15, 324,842 options were forfeited as they expired without meeting their vesting conditions.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

During the year KGL sold its 80% stake in CSJC Kentor for $1. 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.

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.

DIRECTORS REPORT (CONTINUED)

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 considers 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 Chief Executive Officer and selected Senior Executives which aligns executives' long term remuneration with overall group strategy and goals. Currently only the Chief Executive Officer participates in the LTI program.

Employment agreements are entered into with 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.

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

DIRECTORS REPORT (CONTINUED)

REMUNERATION REPORT (AUDITED) (CONTINUED)

executive roles. No Remuneration Consultants were engaged in the 2015 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.

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.

In accordance with the Employee Share Option 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 Chief Executive Officer 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.

DIRECTORS REPORT (CONTINUED)

REMUNERATION REPORT (AUDITED) (CONTINUED)

Relationship between remuneration and the Company's performance

The earnings of the consolidated entity for the five years to 31 December 2015 are summarised below:

	2015 $	2014 $	2013 $	2012 $	2011 $
Sales revenue	-	-	5,183,763	5,674,133	-
EBITDA	(2,413,004)	3,097,427	(14,901,040)	(77,234,243)	(4,795,191)
	(2,430,262)				
EBIT		3,006,078	(15,056,518)	(77,417,356)	(4,887,139)
Profit after income tax	(2,430,262)	3,436,689	(14,471,412)	(77,032,994)	(3,991,860)
Total KMP remuneration	508,755	731,695	1,025,491	1,024,346	1,112,364

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

	2015	2014	2013	2012*	2011
Share price at financial year end ($)	$0.100	$0.225	$0.105	$0.39	$1.20
Total dividends declared (cents per share)	-	-	-	-	-
Basic earnings per share (cents per share)	(1.72)	2.45	(10.33)	(63.33)	(3.76)

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

Employment contracts

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 Chief Executive Officer, Simon Milroy, all contracts are for an ongoing period.

Simon Milroy – Chief Executive Officer

Mr Milroy's employment agreement with the Company was renewed as of 1 June 2014 and restated as at 24 February 2016. The agreed terms of his employment includes *inter alia*:

- Mr Milroy is engaged to provide services in the capacity of Chief Executive Officer at an annual salary of $300,000, plus statutory superannuation effective from 1 July 2015. This represents an approximate 11% increase in Mr Milroy previous remuneration package.
- The contract continues until terminated in accordance this the agreement of 24/02/2016.
- 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 not to advise or provide services to a company that competes with the Company and not to solicit any employees of the Group.
- Notice period of 6 months should the Company wish to terminate and 3 months if Mr Milroy wishes to terminate.

DIRECTORS REPORT (CONTINUED)

REMUNERATION REPORT (AUDITED) (CONTINUED)

Remuneration of non-executive directors

Dennis Wood

By mutual agreement approved by the Board, Mr Denis Wood is engaged to provide services as a Non-executive Director and Chair of the Board, with an annual director's fee of $54,844 $8,437 for Chairmanship of a sub-committee, $4,219 for participation on a sub-committee plus $6,412 superannuation subject to annual review. Mr Wood has agreed to a 30% reduction in his fees effective from the 1 January 2016.

Andrew Daley (Resigned 28 May 2015)

By mutual agreement approved by the Board, Mr Andrew Daley was 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 $101,250 plus $9,619 superannuation subject to annual review.

John Taylor (Resigned 22 Dec 2015)

By mutual agreement approved by the Board, Mr John Taylor was engaged to provide services as a Non-executive Director with an annual director's fee of $54,844, $8,437 for Chairmanship of a sub-committee, $4,219 for participation on a sub-committee plus $6,412 superannuation subject to annual review.

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 $54,844, $8,437 for Chairmanship of a sub-committee, $4,219 for participation on a sub-committee plus $6,412 superannuation subject to annual review. Mr Ellis has agreed to a 30% reduction in his fees effective from the 1 January 2016.

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 $54,844, $8,437 for Chairmanship of a sub-committee, $4,219 for participation on a sub-committee plus $6,412 superannuation subject to annual review. Mr Bain received additional director's fees of $16,690 while in the positon of acting Chairperson. Mr Bain has agreed to a 30% reduction in his fees effective from the 1 January 2016.

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 #			
	Cash salary and fees	Cash bonus	Non-monetary benefits	Termination Payments	Superannuation	Share-based payment options	Total	% total performance related
Year ended 31 Dec 2015 Directors	$	$	$	$	$	$	$	%
D Wood**	28,864	-	-	-	2,742	-	31,606	-
A Daley*	43,555	-	-	-	-	(16,921)	26,634	-
J Taylor***	67,500	-	-	-	6,413	(16,921)	56,992	-
C Bain	84,190	-	-	-	7,998	-	92,188	-
B Ellis	67,500	-	-	-	6,413	-	73,913	-
S Milroy****	290,190	-	-	-	31,425	(94,193)	227,422	(41.3%)
	581,799	-	-	-	54,991	(128,035)	508,755	-
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
	563,458	108,000	-	-	42,100	18,137	731,695	

* Directors fees were paid to Dalenier Enterprises Pty Ltd, a Company which is controlled by Mr Daley. Resigned 22 May 2015
** Appointed 28 July 2015
*** Resigned 22 December 2015
**** Stepped down from the KGL board 22 December 2015, but remains CEO
***** Remuneration in the form of options includes negative amounts for options forfeited/lapsed or the vesting period has been reassessed during the year.

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.

DIRECTORS REPORT (CONTINUED)

REMUNERATION REPORT (AUDITED) (CONTINUED)

Cash bonuses
There were no Cash bonuses granted in relation to the 2015 year to Simon Milroy or any of the KMP. Executives in the 2015 year received cash bonus of $54,517. In 2014 Simon Milroy earned 100% of the potential bonus following achievement of the KPI's noted above.

Options granted as part of remuneration
No options were granted to key management personnel as compensation during the reporting period.

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 on the 6 February 2015.

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 2015	Value of options at grant date * $	Value of options exercised at exercise date** $	Value of options lapsed at date of lapse *** $
Directors			
D Wood	-	-	-
C Bain	-	-	-
B Ellis	-	-	-
S Milroy	-	8,550	-
Total	**-**	**8,550**	**-**

* 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 & key management personnel

31 December 2015	Opening balance 1 January	Granted as remuneration	Options exercised	Cancelled /Forfeited	Closing balance 31 December	Exercisable at 31 December
Directors						
D Wood	-	-	-	-	-	-
A.E. Daley	200,000	-	-	(200,000)	-	-
J Taylor	100,000	-	-	(100,000)	-	-
C Bain	-	-	-	-	-	-
B Ellis	-	-	-	-	-	-
S.J. Milroy*	1,700,000	-	(300,000)	-	1,400,000	1,100,000
Total	**2,000,000**	**-**	**(300,000)**	**(300,000)**	**1,400,000**	**1,100,000**

*Mr Milroy's option have specific performance hurdles attached to them.

DIRECTORS REPORT (CONTINUED)

REMUNERATION REPORT (AUDITED) (CONTINUED)

Shareholdings of directors

31 December 2015 Ordinary Shares	**Balance 1 January 2015**	**Granted as remuneration**	**On Market Purchases**	**Other/exercise of options**	**Balance 31 December 2015**
Directors					
D Wood*	2,206,541	-	335,918	-	2,542,459
A E Daley***	825,103	-	-	(825,103)	-
J C Taylor***	782,355		200,000	(982,355)	-
C Bain	125,000	-	-	-	125,000
B Ellis	200,000	-	-	-	200,000
S J Milroy**	127,044	-	-	300,000	427,044
Total	**2,658,585**	**-**	**335,918**	**(1,507,458)**	**3,294,503**

*Opening balance for Denis Wood at appointment

** Not a director as at 31 December 2015.

*** Other net change relates to shares held on resignation.

There are null held nominally at 31 December 2015

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.

Other transactions and balances with key management personnel

There were no other transactions with key management personnel (2014: nil). At year end, there were no outstanding amounts receivable from or payable to key management personnel (2014: nil).

2015 Annual General Meeting

At the Company's 2015 annual general meeting, KGL received votes against its Remuneration Report representing greater than 25% of the votes cast by persons entitled to vote. In other words, KGL received a "First Strike" against the 2014 Remuneration Report.

Under these circumstances, the Corporations Act 2001 requires KGL to include in this year's Remuneration Report, an explanation of the Board's proposed action in response to that First Strike or, alternatively, if the Board does not propose any action, then the Board's reason for such inaction.

The response to the first strike was for the Board to firstly meet with some of the Company's largest shareholders to discuss and understand the main reasons for discontent with the 2014 Remuneration Report.

Following careful consideration and in response to other market influences, the Board implemented the following initiatives in December of this year:

- 30% reduction in board fees paid to directors along with a reduction in the number of directors.
- Reduction in both workforce numbers and hours worked.
- Reduction in reliance on external consultants

This is the end of the audited remuneration report.

DIRECTORS REPORT (CONTINUED)

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

On the 28th January 2016 KGL successfully raised $2,897,778 through a two for nine fully underwritten rights issue at $0.095 per ordinary share issuing 30,450,295 new shares.

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.

Competent Persons 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 Reserves information was first released to the market on 16 October 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 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
KJCD171	22/10/2015	2012
KJC167	22/10/2015	2012
KJC169	22/10/2015	2012

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,

Denis Wood

Chairman

Brisbane

Dated: 31 March 2016

AUDITOR'S INDEPENDENCE DECLARATION

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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 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 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 2016

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 2015 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 2015.

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

Denis Wood
Chairman

Brisbane

Dated: 31 March 2016

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 2015

		Consolidated	
		2015	2014
	Note	**$**	$
Revenue and other income	2(a)	**285,033**	627,305
Employee benefits expense	3(b)	**(1,279,251)**	(1,642,155)
Depreciation and amortisation expense		**(17,258)**	(91,349)
Professional and consultancy fees expense		**(254,251)**	(408,930)
Overseas administrative expenses		**-**	(10,778)
Head office facility overheads expense	3(a)	**(459,949)**	(473,508)
Business development and investor relations expense		**(107,251)**	(304,140)
Other expenses		**(225,124)**	(193,924)
Impairment write back / (expense)	3(c)	**(2,000)**	23,634
Share of net profits of associates accounted for using the equity method	13	**(2,972)**	(314,689)
Loss of control of subsidiary	9	**-**	(896,927)
Loss on the sale of CJSC Kentor	18	**(367,239)**	-
Loss before income tax		**(2,430,262)**	(3,685,461)
Income tax benefit	4	**-**	-
Loss from continuing operations		**(2,430,262)**	(3,685,461)
Profit /(loss) from discontinued operations	6	**-**	7,122,150
Net profit / (loss) for the year		**(2,430,262)**	3,436,689
Other comprehensive income			
Items that will be reclassified to profit and loss			
Foreign currency translation differences		**-**	(418,061)
Cumulative exchange gain recycled 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)
Total comprehensive income for the year		**(2,430,242)**	3,330,477
Net profit / (loss) attributable to:			
Non-controlling interests		**-**	(8,084)
Owners of KGL Resources Limited		**(2,430,262)**	3,444,773
		(2,430,262)	3,436,689
Total comprehensive income attributable to:			
Non-controlling interests		**-**	(60,569)
Owners of KGL Resources Limited		**(2,430,262)**	3,391,046
		(2,430,22)	3,330,477
Earnings per share for loss from continuing operations attributable to the owners of KGL Resources Limited			
Basic earnings per share (cents per share)	7	**(1.72)**	(2.63)
Diluted earnings per share (cents per share)	7	**(1.72)**	(2.63)
Earnings per share for profit / (loss) from attributable to the owners of KGL Resources Limited			
Basic earnings per share (cents per share)	7	**(1.72)**	2.45
Diluted earnings per share (cents per share)	7	**(1.72)**	2.42

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 2015

	Note	**2015**	2014
		Consolidated	
		$	$
Current assets			
Cash and cash equivalents	19(b)	**482,548**	9,037,322
Trade and other receivables	8	**82,357**	249,486
Held for sale disposal group assets	6(c)	**-**	-
Financial assets held to maturity	9	**902,344**	296,526
Prepayments		**90,549**	107,909
Total current assets		**1,557,798**	9,691,243
Non-current assets			
Financial assets held to maturity	9	**157,381**	600,000
Property, plant and equipment	10	**80,198**	128,194
Exploration and evaluation assets	11	**28,016,918**	22,426,604
Intangible assets	12	**1,266**	6,740
Investments in associates accounted for using the equity method	13	**58,584**	307,824
Total non-current assets		**28,314,347**	23,469,362
Total assets		**29,872,147**	33,160,605
Current liabilities			
Trade and other payables	15	**486,656**	1,191,200
Total current liabilities		**486,656**	1,191,200
Non-current liabilities		**-**	-
Total non-current liabilities		**-**	-
Total liabilities		**486,656**	**1,191,200**
Net assets		**29,385,489**	**31,969,405**
Equity			
Contributed equity	16	**141,572,907**	141,577,527
Reserves	17	**3,701,075**	3,862,455
Accumulated losses		**(115,888,493)**	(113,470,577)
Capital and reserves attributable to owners of KGL Resources Limited		**29,385,489**	31,969,405
Non-controlling interests		**-**	-
Total equity		**29,385,489**	31,969,405

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

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2015

	Note	Consolidated 2015 $	2014 $
Cash flows from operating activities			
Receipts in the course of operations		**167,260**	900,757
Payments to suppliers and employees		**(2,777,570)**	(4,261,026)
Interest received		**255,302**	489,482
Net cash used in operating activities	19(a)	**(2,355,008)**	(2,870,787)
Cash flows from investing activities			
Payment for exploration and evaluation assets		**(5,874,689)**	(8,734,154)
Payment for property, plant and equipment		**(39,581)**	(22,781)
Payment for intangible assets		**672**	(2,500)
Refund of / (Payment for) deposits		**-**	47,913
Movement in held to maturity financial assets		**(163,199)**	-
Net proceeds on sale of Murchison	6(c)	**-**	13,715,517
Cash balance of subsidiary derecognised due to loss of control		**-**	(94,984)
Payment of costs to sell CJSC Kentor		**(120,969)**	-
Net cash provided by / (used in) investing activities		**(6,197,766)**	4,909,011
Cash flows from financing activities			
Loans provided to associates		**(2,000)**	23,635
Net cash provided by / (used in) financing activities		**(2,000)**	23,635
Net increase/ (decrease) in cash and cash equivalents		**(8,554,774)**	2,061,859
Cash and cash equivalents at the beginning of the year		**9,037,322**	6,975,463
Effects of exchange rate changes on the balance of cash held in foreign currencies		**-**	-
Cash and cash equivalents at the end of the year	19(b)	**482,548**	9,037,322

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 2015

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 2015	141,577,527	(113,470,577)	(201,180)	3,850,110	213,525	31,969,405	-	31,969,405
Profit for the year	-	(2,430,262)	-	-	-	(2,430,262)	-	(2,430,262)
Transfer from								
Other comprehensive income								
Foreign currency translation	-	-	-	-	-	-	-	-
Total other comprehensive income	-	-	-	-	-	-	-	-
Total comprehensive income for the year	-	(2,430,262)	-	-	-	(2,430,262)	-	(2,430,262)
Transactions with owners in their capacity as owners								
Share issue costs	(4,620)	-	-	-	-	(4,620)	-	(4,620)
Share-based payments	-	-	-	(149,035)	-	(149,035)	-	(149,035)
Transfer to/from reserves	-	12,345	201,180	-	(213,525)	-	-	-
Derecognition of non-controlling interests upon loss of control of CJSC Kentor	-	-	-	-	-	-	-	-
Balance at 31 December 2015	141,572,907	(115,888,493)	-	3,701,075	-	29,385,489	-	29,385,489

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.

Notes to the financial statements for the year ended 31 December 2015

Note Contents

Notes to the financial statements for the year ended 31 December 2015

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 2016.

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

(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 2015. 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

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.

AASB 15 Revenue from Contracts with Customers

AASB15 Revenue from contracts with customers (issued in January 2015) is the new comprehensive standard for revenue recognition, replacing AASB 111 Construction contracts, AASB 18 Revenue and AASB 1004 Contributions. It is equivalent to IFRS 15 of the same name issued by the International Accounting Standards Board. It is applicable for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted. Specific disclosure exemptions for entities applying Australia's reduced disclosure regime (AASB 1053) have been included (see paragraph 4.5). The consolidated entity will adopt this standard on 1 January 2018, but given the nature of the entity, it does not expect any material impact from adoption.

AASB 16 Leases

AASB 16 is effective for Annual reporting periods beginning on or after 1 January 2019. AASB 16 eliminates the operating and finance lease classifications for lessees currently accounted for under AASB 117 Leases. It instead requires an entity to bring most leases onto its balance sheet in a similar way to how existing finance leases are treated under AASB 117. An entity will be required to recognise a lease liability and a right of use asset in its balance sheet for most leases. There are some optional exemptions for leases with a period of 12 months or less and for low value leases. Lessor accounting remains largely unchanged from AASB 117. The company will adopt this standard from 1 January 2019 onwards.

(c) Basis of consolidation

Subsidiaries

The consolidated financial statements comprise the financial statements of KGL Resources Limited and its subsidiaries at 31 December 2015 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.

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:

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.

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.

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.

(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 2015

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 there 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.

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) 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.

(q) 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.

(r) 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.

Notes to the financial statements for the year ended 31 December 2015

1. Summary of significant accounting policies (continued)

(s) 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.

(t) 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.

(u) 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.

(v) 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:

<u>Going Concern</u>

The Directors believe it is appropriate to prepare the consolidated financial report on a going concern basis, which contemplates realisation of assets and settlement of liabilities in the normal course of business. The Group has incurred a loss of $2,631,442, and had cash outflows from operating and investing activities of $2,355,008 and $6,197,766 respectively. As at 31 December 2014, the Group had cash and cash equivalents of $1,384,891.

In addition to the above, on 28th January 2016 KGL Resources Limited raised $2,987,779 when it completed a fully underwritten 2 for 9 non-renounceable pro-rata entitlement offered as announced on the 29th December 2016. Following this capital raising, the Group does not anticipate requiring funds within

Notes to the financial statements for the year ended 31 December 2015

1. Summary of significant accounting policies (continued)

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

the next twelve months in order to meet planned expenditures for its projects, noting that the timing and amount of discretionary expenditures may be able to be varied to ensure this objective is met.

At year's end, the Group has taken action to reduce corporate overheads and exploration activities and will continue to manage its expenditure to ensure that it has sufficient cash reserves for at least the next twelve months. The directors believe it is appropriate to prepare the consolidated financial report on a going concern basis as, and in the opinion of the Directors, the Group has adequate plans in place to meet its minimum administrative, evaluation and development expenditures for at least twelve months from the date of this report.

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.

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).

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 "Disposal of CJSC Kentor similar to half year accounts".

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 entering into a Farm In Agreement, the Company no longer has under its control relevant activities of Kentor Energy.

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).

(w) 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.

(x) 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.

(y) Comparative Figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

Notes to the financial statements for the year ended 31 December 2015

2. Revenue and Other Income

	Notes	Consolidated 2015 $	Consolidated 2014 $
(a) Revenue and other income from continuing operations			
Other revenue			
Leasing income		**173,909**	**154,209**
Interest		**111,124**	**430,611**
Total other revenue		**285,033**	**584,820**
Other income			
Foreign exchange gains		**-**	40,162
Profit on sale of assets		**-**	2,323
Total other income		**-**	42,485
Total revenue and other income from continuing operations		**285,033**	627,305
(b) Revenue and other income from discontinuing operations			
Other income			
Gain on sale of Murchison	6(c)	**-**	**7,330,200**
Total other income		**-**	**7,330,200**
Total revenue and other income from discontinued operations		**-**	7,330,200
Total revenue and other income		**285,033**	7,957,505

3. Expenses

Loss before income tax from continuing operations includes the following specific expenses:

	Consolidated 2015 $	Consolidated 2014 $
(a) Head office facilities overheads expense		
Rental expense – minimum lease payments	**197,391**	274,965
Other expenses	**262,558**	198,543
	459,949	473,508
(b) Employee benefits		
Salaries, wages, and related costs (including executive directors)	**1,306,656**	1,366,094
Non cash share-based payments*	**(149,035)**	185,898
Superannuation contributions (defined contribution)	**121,630**	90,163
	1,279,251	1,642,155

*Share based payments include negative amounts for option forfeited/lapsed and where vesting dates have been reassessed during the year.

	Consolidated 2015 $	Consolidated 2014 $
(c) Impairment (write back) / expense		
Exploration and evaluation assets	**-**	-
Receivables	**(2,000)**	(23,634)
	(2,000)	(23,634)

4. Income tax

		Consolidated	
		2015	2014
		$	$
(a)	**The components of tax expense comprise**		
	Current tax benefit	**-**	-
	Deferred tax arising from origination and reversal of temporary differences	**-**	-
	Total income tax expense in profit and loss	**-**	-
(b)	**Reconciliation**		
	Profit / (loss) from continuing operations before income tax	**(2,430,262)**	3,685,461
	Income tax expense/ (benefit) calculated at 30% (2014: 30%)	**(773,789)**	1,105,638
	Effect of expenses that are not deductible in determining taxable profit or loss	**110,172**	55,770
	Deferred tax assets arising from temporary differences not recognised	**663,617**	(2,951,482)
	Sale of Murchison assets	**-**	(12,589,765)
	Effect of unused tax losses and tax offsets not recognised as deferred tax assets	**-**	14,379,839
	Total income tax benefit in profit and loss	**-**	-
(c)	**Unrecognised deferred tax assets**		
	Prior year tax losses brought forward	**75,850,933**	59,495,062
	Prior year losses utilised – loan forgiveness	**-**	(10,000,000)
	Losses recognised	**(6,243,161)**	(21,576,925)
	Current year tax losses	**8,455,219**	47,932,796
	Unrecognised tax losses	**78,062,991**	75,850,933
	Prior year tax losses recognised	**6,243,159**	31,576,925
	Deferred tax assets not taken up	**23,418,897**	22,755,279

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.

		Consolidated	
		2015	2014
(d)	**Recognised net deferred tax assets**	**$**	$
	Deferred tax liabilities		
	Exploration and prospecting	**(8,405,075)**	(6,727,981)
	Foreign exchange	**-**	(11,953)
		(8,405,075)	(6,739,934)
	Deferred tax assets		
	Tax losses	**8,346,025**	6,473,077
	Business related costs	**-**	101,807
	Provisions/accruals	**59,050**	165,050
		8,405,075	6,739,934
	Net deferred tax asset recognised	**-**	-

(e) There are no franking credits available.

Notes to the financial statements for the year ended 31 December 2015

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
	730,618
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	**(872,223)**

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

Carrying amounts of assets and liabilities	21 Feb 2014 $
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
	679,325
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	**(9,191,398)**

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	74,112
	74,112
Add: carrying value of net liabilities (*)	70,777
Less: carrying value of intergroup payable	(169,593)
Loss on interest no longer controlled	**(24,704)**

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

Carrying amounts of assets and liabilities	1 Jan 2014 $
Assets	
Cash and cash equivalents	94,051
Trade and other receivables	3,030
Property, plant and equipment	2,299
	99,380
Liabilities	
Trade and other payables	564
Loan to KGL Resources Limited	169,593
	170,157
Net assets over which control was lost	**(70,777)**

Total Loss on interest no longer controlled	2014 $
CJSC Kentor	(872,223)
Kentor Energy	(24,704)
	(896,927)

6. 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 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.

Notes to the financial statements for the year ended 31 December 2015

6. Discontinued operations (continued)

(b) Description of discontinued operations	Note	2015	2014
Financial performance		**$**	$
Profit on sale of Murchison operations	6(c)	**-**	**7,330,200**
Employee benefits expense		**-**	**(17,341)**
Professional and consulting fees expense		**-**	**(142,441)**
Head office facilities overheads expenses		**-**	**(9,801)**
Other expenses		**-**	**(38,467)**
Total expenses		**-**	**(208,050)**
Profit / (loss) before tax		**-**	**7,122,150**
Income tax expense		**-**	**-**
Net profit / (loss) attributable to discontinued operations		**-**	**7,122,150**

	2015	2014
Loss attributable to owners of KGL Resources Limited relates to:	**$**	$
Loss from continuing operations	**-**	(3,685,461)
Profit / (loss) from discontinuing operations	**-**	7,122,150
	-	3,436,689
Total comprehensive income attributable to owners of KGL Resources Limited relates to:		
Loss from continuing operations	**-**	(3,791,673)
Profit/(loss) from discontinuing operations	**-**	7,122,150
	-	3,330,477

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

	2015	2014
Net cash inflow/(outflow) from operating activities	**-**	**(263,852)**
Net cash inflow/(outflow) from investing activities	**-**	**-**
Net cash inflow/(outflow) from financing activities	**-**	**268,524**
Net cash decrease in cash generated by the discontinued operation	**-**	**4,672**

(c) Murchison Project – Held for Sale

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.

Notes to the financial statements for the year ended 31 December 2015

6. Discontinued operations (continued)

(c) Murchison Project – Held for Sale (Continued)

	2015	2014
	$	**$**
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**

		Consolidated
	2015	2014
7. Earnings per share	**$**	$
Profit /(loss) attributable to the owners of KGL Resources Limited:		
Profit /(loss) from continuing operations	**(2,430,262)**	**(3,685,461)**
Profit /(loss) from discontinuing operations	**-**	**7,122,150**
	(2,430,262)	**3,436,689**
	Cents per/share	**Cents per/share**
Basic profit / (loss) per share (cents per share) for continuing operations	**(1.72)**	**(2.63)**
Basic profit / (loss) per share (cents per share) for discontinuing operations	**-**	**5.08**
	(1.72)	**2.45**
Diluted profit / (loss) per share (cents per share) for continuing operations	**(1.72)**	**(2.63)**
Diluted profit / (loss) per share (cents per share) for discontinuing operations	**-**	**5.02**
	(1.72)	**2.42**
	# Shares	**# Shares**
Weighted average number of ordinary shares used in the calculation of basic profit/(loss) per share	**141,398,097**	**140,071,248**
Adjustments for calculation of diluted earnings per share:		
Options over ordinary shares	**2,693,045**	**1,831,780**
Weighted average number of ordinary shares used in the calculation of diluted profit/(loss) per share	**144,091,141**	**141,903,028**

At 31 December 2015, the Company had on issue 2,475,000 options (2014: 4,099,842 options) over unissued shares and has incurred a net loss. As at 31 December 2015 these options were anti-dilutive and therefore, the diluted loss per share is the same as the basic loss per share.

Notes to the financial statements for the year ended 31 December 2015

8. Trade and other receivables – current

	Consolidated 2015 $	2014 $
GST receivable (net)	**61,189**	63,928
Other receivables	**21,168**	185,558
	82,357	249,486

(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

	2015	2014
Current		
Term Deposits	**902,344**	**296,526**
	902,344	**296,526**
Non-current		
Term Deposits	**157,381**	**600,000**
	157,381	**600,000**

Rolling one year interest bearing term deposits to support environmental bank guarantees with the department of mines and other guarantees. Guarantees of $282,557 (2014: $222,557) have been provided to the Department of Mines and other suppliers.

10. Property, plant and equipment

	Plant & equipment 2015 $	Mine development 2015 $	Consolidated Total property plant and equipment 2015 $
Cost	**659,309**	**-**	**659,309**
Accumulated depreciation, amortisation and impairment	**(579,111)**	**-**	**(579,111)**
Net carrying amount	**80,198**	**-**	**80,198**
At 1 January, net of accumulated depreciation	**128,194**	**-**	**128,194**
Additions	**38,908**	**-**	**38,908**
Effect of movement in exchange rate	**-**	**-**	**-**
Depreciation and amortisation	**(86,904)**	**-**	**(86,904)**
Derecognition of subsidiaries due to loss of control (*)		**-**	
At 31 December, net of accumulated depreciation	**80,198**	**-**	**80,198**

	Plant & equipment 2014 $	Mine development 2014 $	Consolidated Total property plant and equipment 2014 $
Cost	620,401	-	620,401
Accumulated depreciation, amortisation and impairment	(492,207)	-	(492,207)
Net carrying amount	128,194	-	128,194

Notes to the financial statements for the year ended 31 December 2015

10. Property, plant and equipment (continued)

	Plant & equipment	Mine development	Consolidated Total property plant and equipment
	2014	2014	2014
	$	$	$
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.

11. Exploration and evaluation assets

		Consolidated
	2015	2014
	$	$
Deferred exploration and evaluation assets	**28,016,918**	22,426,604
Deferred exploration and evaluation assets		
Balance at beginning of the year	22,426,604	14,019,541
Current year expenditure	5,590,314	9,115,995
Derecognition of subsidiaries due to loss of control	**-**	(667,919)
Effect of movement in exchange rate	**-**	(41,013)
Balance at end of the year	**28,016,918**	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.

12. Intangible assets

		Consolidated
	2015	2014
	$	$
Software at cost	**300,827**	300,827
Accumulated amortisation and impairment	**(299,561)**	(294,087)
Net carrying amount	**1,266**	6,740
At 1 January, net of accumulated depreciation	**6,740**	65,250
Additions	**-**	2,500
Amortisation	**(5,474)**	(61,010)
At 31 December, net of accumulated depreciation	**1,266**	6,740

13. Investments in associates accounted for using the equity method

		Consolidated
	31 Dec 2015	31 Dec 2014
	$	$
Investment in CJSC Kentor	**-**	246,269
Investment in Kentor Energy	**58,584**	61,555
	58,584	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 has been 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.

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 entering into a Farm In Agreement, the Company no longer has under its control relevant activities of Kentor Energy.

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.

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

Name of entity	Place of business / country of Incorporation	% of Ownership Interest 2015 %	2014 %	Nature of relationship	Measurement method	Carrying Amount 2015 $	2014 $
CJSC Kentor	Kyrgyz Republic	**-**	**80**	Associate	Equity method		246,269
Kentor Energy	Savo Island	**75**	**75**	Associate	Equity method	**58,584**	61,555
Total equity accounted investments						**58,584**	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

	2015 $	2014 $
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

	2015 $	2014 $
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**

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

Summarised statement of comprehensive income

	2015 $	2014 $
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 (i.e. Kentor Energy).

Aggregate carrying amount of individually immaterial joint operations	**58,584**	61,555
Aggregate amounts of the group's share of:		
Profit/(loss) for the period	**(2,972)**	(12,556)
Other comprehensive income	**-**	-
Total comprehensive income	**(2,972)**	(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 2015 is set out below.

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

Name	Country of Incorporation	**2015 % Held by Group**	2014 % Held by Group	**2015 % Held by NCI**	2014 % Held by NCI
CJSC Kentor	Kyrgyz Republic	**-**	-	**-**	-
Kentor Gold Kazakhstan LLP	Kazakhstan	**-**	-	**-**	-
Kentor Energy	Australia	**-**	-	**-**	-

* 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	**2015 % Held**	2014 % Held
Dunmarra Uranium Ltd	Australia	**-***	100
Jinka Minerals Ltd	Australia	**100**	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

* Deregistered 30/09/2015.

Different reporting dates

Jinka Minerals Ltd has a reporting date of 30 June 2015. 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.

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.

	CJSC Kentor	
Summarised statement of profit or loss and other comprehensive income	**2015**	2014
	$	$
Revenue	**-**	**47**
Loss for the period	**-**	**(39,743)**
Other comprehensive income	**-**	76,004
Total comprehensive income	**-**	36,261
Loss allocated to NCI	**-**	**(8,084)**
Dividends paid to NCI	**-**	**-**
Summarised cash flows		
Cash flows from operating activities	**-**	(75,640)
Cash flows from investing activities	**-**	(185,973)
Cash flows from financing activities	**-**	363,306
Net increase/(decrease) in cash and cash equivalents	**-**	101,693

Transactions with non-controlling interests

There were no transactions with non-controlling interests during the 2015 or 2014 years.

	Consolidated	
15. Trade and other payables – current	**2015** **$**	2014 $
Unsecured trade payables	**268,114**	710,540
Employee benefits	**218,542**	480,660
	486,656	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.

16. Contributed equity	**31 Dec 2015**	31 Dec 2014
(a) Issued and paid up capital		
Ordinary shares fully paid	**141,572,907**	141,577,527

(b) Movements in shares on issue

	2015		2014	
Details	**Number of shares issued**	**Issued capital $**	Number of shares issued	Issued capital $
Beginning of the financial year	**140,240,563**	**141,577,527**	140,040,563	141,577,527
Exercise of options	**1,300,000**	**-**	200,000	-
Share issue Costs	**-**	**(4,620)**	-	-
Closing balance	**141,540,563**	**141,572,907**	140,240,563	141,577,527

16. Contributed equity (Continued)

(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 2,475,000 (31 December 2014: 4,099,842) unissued ordinary shares in respect of which the following options were outstanding. During the period 1,300,000 options were exercised and converted to ordinary shares.

The following summarises the unlisted employee options on issue at the end of the year.

Expiry date	***Number***	***Exercise price $***
Duration of employment	400,000	1.808 to 2.308
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	600,000	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	**2,475,000**	

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. Disposal of the assets and liabilities of CJSC Kentor

	2015	2014
KGL Resources Limited disposed of the assets and liabilities of CJSC Kentor on 31 December 2015.	**$**	$
Non-controlling interest in:		
Cash consideration	**1**	-
Disposal costs paid at 31 Dec 2015	**(120,970)**	-
Net cash consideration at 31 Dec 2015	**(120,969)**	-
Disposal costs payable at 31 Dec 2015	**-**	-
Net cash consideration	**(120,969)**	-
Represented by:		
Investment in CJSC Kentor	**246,270**	-
Net assets	**246,270**	-
Loss on sale of CJSC Kentor	**(367,239)**	-

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	**(2,430,262)**	3,436,689
Non cash flows in operating result		
Loss of control of subsidiary	**-**	896,927
Depreciation and amortisation expense	**17,257**	91,349
Impairment expense	**-**	(23,634)
Share based payments	**(149,035)**	185,898
Loss on sale of CJSC Kentor	**367,239**	-
Profit on sale of Murchison	**-**	(7,330,200)
Unrealised foreign exchange loss	**-**	72,338
Share of equity accounted profit	**2,972**	314,689
Impaired Receivables	**2,000**	-
		-
Change in operating assets and liabilities		
Share Capital – Capital raising costs	**(4,620)**	-
(Increase)/Decrease in receivables	**167,129**	54,417
(Increase)/Decrease in inventory	**-**	-
(Increase)/Decrease in prepayments	**17,358**	(26,450)
Increase/(Decrease) in payables	**(345,046)**	(542,810)
	(2,355,008)	(2,870,787)

(b)	Cash on hand and at call	**482,548**	**3,022,182**
	Term deposits	**-**	**6,015,140**
		482,548	9,037,322

(c) **Facilities with banks**

There are no facilities at balance date (2014: Nil).

(d) **Non-cash financing and investing activities**

There are no non-cash financing and investing activities for the 2015 and 2014 years.

20. Share based payments

	Consolidated	
	2015	2014
	$	$
Share based payment expense recognised during the year	**(149,035)**	185,898

Directors have taken the view that options pertaining to Trance C & E will are highly unlikely to vest by the expiry date and are therefore deem these options not have any value.

Value of shares on the date options exercised

2015	**Number of options**	**Share price $**
Options exercised 9 February 2015	1,300,000	0.16
2014		
Options exercised 5 November 2014	200,000	0.265

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:

	2015		2014	
	Number of options	**Weighted average exercise price $**	Number of options	Weighted average exercise price $
Balance at beginning of year	4,099,842	0.67	2,599,842	2.21
- granted	**-**	**-**	2,400,000	-
- forfeited	**(324,842)**	**(1.25)**	(700,000)	(1.165)
- exercised	**(1,300,000)**	**-**	(200,000)	-
Balance at end of year	**2,475,000**	**0.90**	4,099,842	0.67

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**
At 31 December 2015						
400,000	30 May 2009	30 May 2009	n/a*	1.808 to 2.808	0.110 to 0.280	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
600,000	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
600,000	10 Feb 2014	10 Feb 2014 to 31 Dec 2016	24 Feb 2017	Nil	0.1150	C
300,000	29 May 2014	29 May 2014 to 31 Jan 2016	31 May 2016	Nil	0.0900	E
2,475,000						

20. Share based payments (continued)

No. of options	Grant date	Vesting date	Expiry date	Weighted average exercise price	Fair value at grant date	Tranche
At 31 December 2014				$	$	
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						

* 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 Trance C and Tranche E. Directors have taken the view that options pertaining to Trance C & E will are highly unlikely to vest by the expiry date and are therefore deem these options not have any value.

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 2015 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	Highly unlikely condition will be satisfied by 24/02/2017
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	Highly unlikely condition will be satisfied by 31/05/2016

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.

Key management personnel compensation	**2015**	2014
	$	$
Short-term employee benefits	**581,799**	563,458
Cash bonuses		108,000
Termination payments		-
Post-employment benefits	**54,991**	42,100
Share-based payments	**(128,035)**	18,137
	508,755	731,695

	Consolidated	
	2015	2014
	$	$
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	**51,700**	66,113
Remuneration of other auditors of subsidiaries		
• audit or review of the financial statements of subsidiaries	**3,310**	-

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.

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:

<u>Murchison Project - Western Australia</u>
This segment consists of the operations of Kentor Minerals (WA) Pty Ltd and assets of Jinka Minerals Ltd. The Murchison project was the only project in this reportable segment for the 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 divesture when it was sold on the 21 February 2014. As at the 31 December 2013 the Murchison operations were classified as held for sale and were disclosed as such within those financial statements. Refer to Note 6 for further information.

<u>Jervois Project - Northern Territory</u>
This segment consists of the operations of Kentor Minerals (NT) Pty Ltd. The Jervois project was the only project in this reportable segment for the year ended 31 December 2015. This project is still in the exploration and evaluation phase.

<u>Bashkol Projects - Kyrgyz Republic</u>
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 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 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.

<u>Geothermal Energy Project - Solomon Islands</u>
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 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 5. Refer to Note 29 for further information subsequent to the reporting period regarding this segment.

Notes to the financial statements for the year ended 31 December 2015

24. Segment information (continued)

Information Provided to the Executive Directors

Segment information provided to the executive directors is as follows:

	Murchison	Jervois	Bashkol	Geothermal Energy	Total
Year ended 31 December 2015	$	$	$	$	$
Segment Revenue					
Total segment revenue (*)	-	1,638	-	-	1,638
Result					
Segment result	-	1,002	(367,239)	(4,972)	(371,209)
Segment result contains:					
Interest revenue	-	1,638	-	-	1,638
Impairment (expense)/write back	-	-	-	(2,000)	(2,000)
Depreciation and amortisation	-	-	-	-	-
Gain/(loss) on sale of non-current assets	-	-	(367,239)	-	(367,239)
Segment Assets and Segment Liabilities					
Segment assets	-	28,340,117	-	(15,516)	28,324,602
Segment liabilities	-	(94,559)	-	-	(94,559)
Acquisition of non-current assets	-	5,590,314	-	-	5,590,314

(*) 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 2014	$	$	$	$	$
Segment Revenue					
Total segment revenue (*)	-	1,637	47	-	1,684
Result					
Segment result	7,122,150	(62,691)	(1,214,098)	52,890	5,898,251
Segment result contains:					
Interest revenue	-	1,637	47	-	1,684
Impairment expense	-	-	(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
Segment Assets and Segment Liabilities					
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.

Notes to the financial statements for the year ended 31 December 2015

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.

	2015	2014
	$	$
Segment Revenue	**1,638**	1,684
Interest revenue	**109,486**	428,927
Leasing revenue	**173,909**	154,209
Other income	**-**	42,485
Discontinued operations	**-**	-
Total revenue and other income per statement of profit or loss and other comprehensive income	**285,033**	627,305
Segment result	**(371,209)**	5,898,251
Interest revenue	**109,486**	428,927
Leasing revenue	**-**	154,209
Other income	**173,909**	42,485
Gain on sale of Murchison	**-**	-
Corporate expenses	**(2,342,447)**	(3,087,183)
Discontinued operations		(7,122,150)
Net loss for the year per statement of profit or loss and other comprehensive income before income tax and discontinued operations	**(2,430,262)**	(3,685,461)

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

	2015	2014
	$	$
Segment assets*	**28,324,602**	23,221,915
Cash	**213,529**	9,358,283
Trade and other receivables	**133,102**	298,539
Financial assets held to maturity	**853,378**	247,560
Property, plant and equipment	**37,323**	34,308
Total assets per statement of financial position	**29,872,147**	33,160,605
* Held for sale assets included in segment assets		-
Segment liabilities*	**(94,559)**	(420,092)
Trade and other payables	**(392,097)**	(771,108)
Total liabilities per statement of financial position	**(486,656)**	(1,191,200)
* Held for sale liabilities included in segment liabilities	**-**	-

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 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

	Consolidated	
	2015	2014
	$	$
Financial assets		
Loans and receivables (including cash)	**1,624,629**	10,183,334
Financial liabilities		
Measured at amortised cost	**(268,114)**	(710,540)

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 2015 and 2014 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 $340,916 (2014: $430,132) to National Australia Bank Limited and $1,035,382 (2014: $9,359,510) 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 two areas:-

- 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.

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 2015 and 2014 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:

			2015		
	AUD	**USD**	**Kyrgyz SOM**	**KZT**	**SOL**
Consolidated					
Cash at bank (including deposits)	**1,542,273**	**-**	**-**	**-**	**-**
Trade and other receivables	**82,357**	**-**	**-**	**-**	**-**
Trade and other payables	**(268,114)**	**-**	**-**	**-**	**-**

25. Financial instruments (continued)

(d) Market risk (continued)

	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)	-	-	-	-

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

Currency	Average Rate		Reporting Date Spot Rate	
	2015	2014	**2015**	2014
USD	**.752**	0.902	**0.730**	0.816
Kyrgyz SOM	**48.303**	47.905	**49.238**	48.008

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

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 $	Fixed interest maturing in: 1 year or less $	over 1 to 5 years $	5 years or more $	Non-interest bearing $	**Total $**
31 December 2015							
Financial assets							
Cash	0.73%	**460,628**	**919,895**	**-**	**-**	**4,368**	**1,384,891**
Deposits	1.13%	**-**	**-**	**157,381**	**-**	**-**	**157,381**
Trade and other receivables	N/A	**-**	**-**	**-**	**-**	**82,357**	**82,357**
		460,628	**919,895**	**157,381**	**-**	**86,725**	**1,624,629**
Financial liabilities							
Trade and other payables	N/A	**-**	**-**	**-**	**-**	**(268,114)**	**(268,114)**
Borrowings	N/A	**-**	**-**	**-**	**-**	**-**	**-**
		-	**-**	**-**	**-**	**(268,114)**	**(268,114)**
		460,628	**919,895**	**157,381**	**-**	**(181,389)**	**1,356,515**

Notes to the financial statements for the year ended 31 December 2015

25. Financial instruments (continued)

(d) Market risk (continued)

CONSOLIDATED	Weighted average interest rate	Floating interest rate $	Fixed interest maturing in: 1 year or less $	over 1 to 5 years $	5 years or more $	Non-interest bearing $	Total $
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**

(d) Market risk (continued)

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 2015, 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:

Consolidated	Net loss Higher/(Lower) 2015 $	2014 $	Other comprehensive income Higher/(Lower) 2015 $	2014 $
+0.5% (50 basis points)	**48,016**	55,562	**-**	-
-0.5% (50 basis points)	**(48,016)**	(55,562)	**-**	-

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 2015 or 31 December 2014.

(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.

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 cashflows $	Carrying amount $
31 December 2015					
Financial assets					
Cash	1,384,891	-	-	1,384,891	1,384,891
Deposits	-	157,381	-	157,381	157,381
Trade and other receivables	82,357	-	-	82,357	82,357
	1,467,248	157,381	-	1,624,629	1,624,629
Financial liabilities					
Trade and other payables	(269,065)	-	-	(269,065)	(269,065)
	(269,065)	-	-	(269,065)	(269,065)
Net maturity	1,198,183	157,381	-	1,355,564	1,355,564
31 December 2014					
Financial assets					
Cash	9,037,322	-	-	9,037,322	9,037,322
Deposits	296,526	600,000	-	896,526	896,526
Trade and other receivables	249,486	-	-	249,486	249,486
	9,583,334	600,000	-	10,183,334	10,183,334
Financial liabilities					
Trade and other payables	(710,540)	-	-	(710,540)	(710,540)
Net maturity	8,872,794	600,000		9,472,994	9,472,994

(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.

27. Commitments

	Consolidated	
	2015	2014
	$	$
Capital expenditure commitments		
No longer than 1 year	**211,000**	84,000
Between 1 and 5 years	**272,333**	-
Greater than 5 years	**-**	-
	483,333	84,000
Non-cancellable operating lease commitments		
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
No longer than 1 year	**228,818**	279,920
Between 1 and 5 years	**17,905**	250,762
Greater than 5 years	**4,404**	4,674
	251,127	535,356
Non-cancellable operating lease receivables		
Commitments for minimum lease receivables in relation to non-cancellable operating leases are payable as follows:		
No longer than 1 year	**116,092**	169,673
Between 1 and 5 years	**-**	116,092
Greater than 5 years	**-**	-
	116,092	285,765

Capital commitments

There are capital and rental commitments on tenements ranging from $3,333 to $60,000 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 $28,872 to $138,237 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 2015.

29. Subsequent events

On the 28th January 2016 KGL Resources raised $2,987,779 when it completed a fully underwritten 2 for 9 non-renounceable pro-rata entitlement offered as announced on the 29th December 2016. Acceptances were received from shareholders for 18,096,779 new fully paid ordinary shares under the entitlement offer. A total of 285 shareholders accepted the offer. The Company's significant shareholders, KMP Investments Pte and Pegasus CP One Ltd, both fully participated in the offer. A shortfall of 13,353,516 was issued in accordance with the underwriting agreement.

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	**2015**	2014
	$	$
Current assets	**1,352,053**	**9,183,445**
Non-current assets	**29,029,356**	**24,604,829**
Total assets	**30,381,409**	**33,788,274**
Current liabilities	**(315,969)**	**(604,268)**
Total liabilities	**(315,969)**	**(604,268)**
Net assets	**30,065,440**	**33,184,006**
Contributed equity	**141,572,908**	**141,577,527**
Share-based payments reserve	**3,701,075**	**3,850,110**
Retained earnings/(accumulated losses)	**(115,208,543)**	**(112,243,631)**
Total shareholders' equity	**30,065,440**	**33,184,006**
Profit/(loss) for the year	**(2,964,912)**	**7,707,752**
Other comprehensive income	**-**	**-**
Total comprehensive income for the year	**(2,964,912)**	**7,707,752**

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 2015 (2014 - $nil).

Contingent liabilities

The parent entity has no known contingent liabilities.

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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 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 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 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 Stat*ements, 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 2015 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 in pages 10 to 16 of the directors' report for the year ended 31 December 2015. 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 2015 complies with section 300A of the *Corporations Act 2001*.

BDO Audit Pty Ltd

BDO

C R Jenkins
Director

Brisbane, 31 March 2016