KGL RESOURCES LIMITED

2013 ANNUAL REPORT

CHAIRMAN'S LETTER

KGL Resources Limited ended the 2013 year in a strong position, with a clear focus on the exploration and development of the multi metal Jervois project in the Northern Territory.

The drill results and other progress made to date, in 2014, have been consistently positive and have only confirmed our confidence that Jervois will be able to be developed as a profitable mine.

KGL completed the sale of the Andash copper-gold project Kyrgyzstan in mid-2013 for $15 million. Although we have retained minority interests in the Bashkol gold and copper exploration tenement, KGL is no longer pursuing new opportunities in the country and has subsequently closed its office in Bishkek.

Late in the year, KGL also executed an agreement to sell the Murchison gold project in Western Australia for $15 million, with that sale being concluded in early 2014.

The proceeds from the sales of Andash and Murchison have provided the company with much needed funding for the current exploration programs and the pre-feasibility study of Jervois. This has been a very important outcome for KGL, considering the present constrained financial environment for junior resource companies. KGL has more than sufficient funding in place to complete the current planned studies and to evaluate the next steps for development.

KGL's primary strategy remains that of acquiring early stage attractive projects, adding value through exploration and bringing them to production. In that regard Jervois fits that model perfectly and we are confident that the work now well advanced will confirm Jervois' viability later this year.

Jervois continues to justify the priority commitment by the company:

- The Project area is well located, being connected by the Plenty Highway to the Alice Springs-Darwin Port rail links.
- Within 18 months of acquisition, KGL was able to upgrade the Resource estimate to 13.5 million tonnes at 1.3% copper and 25.8 grams per tonne silver containing 170,000 tonnes of copper and 11.6 million ounces of silver. In addition, more than half that Resource was elevated to the higher Indicated category and a maiden gold Resource of 69,000 ounces was also announced.
- In the last quarter of 2013, the company commenced a 20,000 metre drilling program. The results, which have been announced progressively, have been successful in identifying extensions to the existing known ore bodies and finding new areas of mineralisation.
- Electromagnetic surveys undertaken early in 2014 revealed further extensions to the currently defined Resources and as a direct result a further (phase 2) drilling program has commenced. A number of drilling targets are in newly identified mineralised zones such as Reward East, Reward North and Morley, which are all near major known Resources. In addition there are newly identified areas several kilometres to the south. Accordingly we anticipate that we will be able to announce a considerably increased Resource estimate for the Project as the pre-feasibility study progresses.

- Metallurgical test work, evaluation of processing alternatives and other necessary prefeasibility associated work has progressed well and no “show stoppers” to developing Jervois have been identified.

The pre-feasibility is therefore progressing very well and it is currently expected to be completed late in the third quarter of this year.

While the focus of our activities remains on Jervois, we also have a position in a very interesting potential geothermal energy project in the Solomon Islands. This project, on Savo Island, is currently being managed and funded by Geodynamics Limited under a farm-in agreement.

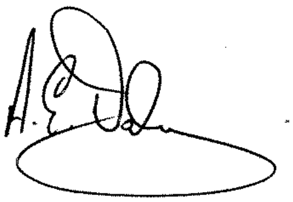
As a result of the change in scale of KGL’s interests and activities, following the sale of the Andash and Murchison projects, the management team and head office staff where downsized and the salaries of senior managers and directors’ fees reduced.

Retiring inaugural directors Chairman John Barr and Hugh McKinnon were replaced with geologist Chris Bain and metallurgist Brad Ellis. Both Chris and Brad possess technical qualifications and extensive broader mining industry experience directly relevant to the exploration and development of Jervois and are valuable additions to the Board.

I would like to thank my fellow directors for their combined wisdom and counsel during the year and I know that they join me in thanking the Managing Director Simon Milroy and his team for their efforts in refocussing the company’s priorities to the Jervois project.

We now look forward to evaluating the results of the current drilling program and updating the Resource estimates, to completing the pre-feasibility study and to moving closer to developing a multi-metal mine at Jervois.

Yours Truly



Andrew E Daley
Chairman

RESOURCES STATEMENT

Jervois		Indicated Resources	Inferred Resources	Total Resources
Copper	M Tonnes	7.8	5.7	**13.5**
	%	1.3	1.2	**1.3**
	kt Cu	101.3	69.1	**170.4**
Silver	M Tonnes	7.8	5.7	**13.5**
	g/t	23.0	29.0	**25.8**
	Moz	6.2	5.4	**11.6**
Gold	M Tonnes		12.7	**12.7**
	g/t		0.17	**0.17**
	koz		69	**69**
Lead	M Tonnes		1	**1**
	%		2.6	**2.6**
	t		26,000	**26,000**
Zinc	M Tonnes		1	**1**
	%		2.2	**2.2**
	t		22,000	**22,000**

TENEMENT LISTING

Tenement Number	Interest Held	Location
ML 30180	**100%**	Jervois Project, Northern Territory
ML 30182	**100%**	Jervois Project, Northern Territory
EL 25429	**100%**	Jervois Project, Northern Territory
ELA 30242	**100%**	Jervois Project, Northern Territory
AP1602	**80%**	Bashkol, Kyrgyz Republic
PL 01/12	**75%**	Savo Island, Solomon Islands

JORC STATEMENT

The Jervois Resources estimate was prepared and first disclosed under the JORC Code 2004 on 7 November 2012. It has not been updated since to comply with the JORC Code 2012 on the basis that the information has not materially changed since it was last reported and all material assumptions and technical parameters underpinning the estimates continue to apply and have not materially changed. The information for holes KJC048 and 045 was first reported 3 Feb 2014 under 2012 JORC Code. The information for holes KJC 033,035, 004 and 003 was prepared and first disclosed under the JORC Code 2004 on 8 November 2013. It has not been updated since to comply with the JORC Code 2012 on the basis that the information has not materially changed since it was last reported

Jervois historical workings and outcropping ore at the Bellbird deposit

Copper ore from the Reward deposit at Jervois

CORPORATE GOVERNANCE STATEMENT

Principle 1 Lay solid foundations for management and oversight

Companies should establish and disclose the respective roles and responsibilities of board and management.

1.1 Companies should establish the functions reserved to the board and those delegated to senior executives and disclose those functions. COMPLIANT
1.2 – Companies should disclose the process for evaluating the performance of senior executives. COMPLIANT
1.3 Companies should provide the information indicated in the Guide to reporting on Principle 1. COMPLIANT

The Board of Directors has been charged by members to oversee the affairs of the Company to ensure that they are conducted appropriately and in the interests of all members. The Board defines the strategic goals and objectives of the Company, as well as broad issues of policy, and establishes an appropriate framework of corporate governance within which Board members and management must operate. The Board is proactively involved with management in key matters of strategic direction.

The Board has delegated to the Managing Director responsibility for the formulation of strategy and management of the day-to-day operations and administration of the Company, consistent with the objectives and policies set down by the Board. The Managing Director is directly accountable to the Board for the performance of the management team.

The company's Board Charter providing detail of the specific roles and accountabilities of the Board is detailed on the website www.kglresources.com.au.

At the beginning of each financial year, the Managing Director recommends Key Performance Indicators (KPI's) for each of the senior executives. The Remuneration Committee approves the executive's KPIs and sets the Managing Director's KPIs for the forthcoming year. At the end of the financial year the Managing Director and each executive's performance is assessed against the KPI's and a short term incentive is calculated using the measured performance and the performance of KGL's share price for that period. The senior executives' performance was assessed for the 2013 financial year however, the Board decided against awarding any short term incentives for the period.

Principle 2 Structure the Board to add value

Companies should have a board of an effective composition, size and commitment to adequately discharge its responsibilities and duties.

2.1 - A majority of the Board should be independent directors. COMPLIANT

2.2 - The chairperson should be an independent director. COMPLIANT

2.3 - The roles of chairperson and chief executive officer should not be exercised by the same individual. COMPLIANT

2.4 - The Board should establish a Nomination Committee. COMPLIANT

2.5 - Companies should disclose the process for evaluating the performance of the board, its committees and individual directors. COMPLIANT

2.6 – Companies should provide the information indicated in the Guide to reporting on Principle 2. COMPLIANT

Directors of KGL Resources Limited are considered to be independent when they are independent of management and free from any business or other relationship that could materially interfere with the exercise of their independent judgment.

Additionally in order to be considered independent, directors should not be substantial shareholders in the company.

In the context of director independence, to be considered independent, a non-executive director may not have a direct or indirect material relationship with the Company. The Board has determined that a material relationship is one which has, or has the potential to, impair or inhibit a director's exercise of judgment on behalf of the Company and its shareholders. In accordance with the definition of independence above, the following directors of KGL Resources Limited are considered to be independent:

Mr A. Daley (Non-executive director)
Mr John Taylor (Non-executive director)
Mr Christopher Bain (Non-executive director)

Where a vacancy arises or it is considered appropriate to increase the size of the Board, the Remuneration and Nomination Committee considers suitable candidates and makes a recommendation to the Board.

All Directors of the Company have direct access to the management of the Company and, where necessary, to external advisers.

The Board undertakes regular performance assessments by holding a special meeting of non-executive directors with the objectives of evaluating the board, its committees and individual directors. These meetings are generally held annually.

Directors are also entitled to seek independent professional advice, after appropriate consultation, at the expense of the Company, to assist them to carry out their duties as directors. Such advice would be made available to all directors.

The skills, experience and expertise relevant to the position of director held by each director in office at the date of the annual report is included in the Director's Report. Also included is the period of time each director has held office.

Principle 3 Promote ethical and responsible decision-making

Companies should actively promote ethical and responsible decision making.

3.1 – Companies should establish a code of conduct and disclose the code or a summary of the code: COMPLIANT

3.2 – Companies should establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the board to establish measurable objectives for achieving gender diversity for the board to assess annually both the objective and progress in achieving them.

3.3 – Companies should disclose in each annual report the measurable objectives for achieving gender diversity set by the board in accordance with the diversity policy and progress towards achieving them.

3.4 – Companies should disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the board. COMPLIANT

The Board has adopted a Code of Conduct, which is posted on the Company's website at www.kglresources.com.au .

KGL Resources Limited recognises that a diverse and inclusive workforce is not only good for KGL employees; it is also good for KGL. It helps attract and retain talented people, create more innovative solutions and ultimately create value for KGL stakeholders. Although KGL is yet to develop a diversity policy, it believes that a gender diverse workplace is aligned with the strategic objectives of the company. A policy will be developed as KGL develops other Human Resource polices as part of its ongoing growth and advancement of commodity projects.

As at the date of this report, KGL employed 14 persons, 4 of these are women. There are 1 woman in a senior role and no women on the board.

Principle 4 Safeguard integrity in financial reporting

Companies should have a structure to independently verify and safeguard the integrity of their financial reporting.

4.1 – **The Board should establish an audit committee. COMPLIANT**

4.2 – The Audit committee should be structured so that it:

- **Consists only of non-executive directors. COMPLIANT**
- **Consists of a majority of independent directors COMPLIANT**
- **Is chaired by an independent chair who is not the chair of the board COMPLIANT**
- **Has at least three members COMPLIANT**

4.3 - The Audit Committee should have a formal charter. COMPLIANT

4.4 Companies should provide the information indicated in the Guide to reporting on Principle 4. COMPLIANT

The Board has delegated the responsibility for the establishment and maintenance of a framework of internal control and ethical standards for the management of the consolidated entity to the Audit & Risk Management Committee.

The Audit & Risk Management Committee comprises all non-executive directors and is chaired by Mr Christopher Bain, who is not the chair of the Board. The committee is supported where necessary by appropriate external consultants and advisors. The Audit and Risk Management Committee has a minimum of 3 members. The Board has adopted an Audit & Risk Management Committee Charter, which is posted on the Company's website at www.kglresources.com.au .

Information relating to the members of the audit committees experience and qualifications is listed in the Directors' Report.

Principle 5 Make timely and balanced disclosure

Companies should promote timely and balanced disclosure of all material matters concerning the company.

5.1 – Companies should establish written policies and procedures designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies. COMPLIANT

5.2 Companies should provide the information indicated in the Guide to reporting on Principle 5. COMPLIANT

The Board has adopted an ASX Disclosure Compliance Policy and Procedures document, which is posted on the Company's website. Compliance with this policy is considered at each board meeting and at each time issues arise that may involve matters of disclosure. The Managing Director is accountable for ensuring that senior executives are aware of and comply with the policies.

Principle 6 Respect the rights of shareholders

Companies should respect the rights of shareholder and facilitate effective exercise of those rights.

6.1 – Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy. COMPLIANT

6.2 Companies should provide the information indicated in the Guide to reporting on Principle 6. COMPLIANT

Information is communicated to the members through compliance with ASX Listing Rules and the Corporations Act 2001, by way of the Annual Report, Half-Yearly Report, Quarterly Activities Reports, Appendix 5B cashflow reports, the Annual General Meeting and other meetings that may be called to obtain approval for Board recommendations. In addition to this the Company releases regular progress reports released to ASX to keep members abreast of the company's development. The Company also maintains a website -www.kglresources.com.au - where all of the Company's ASX announcements and media releases can be viewed at any time. .

Principle 7 Recognise and manage risk

Companies should establish a sound system of risk oversight and management and internal control.

7.1 - Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.

7.2 - The Board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has report to it as to the effectiveness of the company's management of its material business risks.

7.3 The board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295AS of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks. COMPLIANT

7.4 Companies should provide the information indicated in the Guide to reporting on Principle 7.

The Directors continually monitor areas of significant business risk, recognising that there are inherent risks associated with the exploration for, development and mining of mineral deposits.

Specifically, in relation to risk oversight the Board is conscious of its responsibilities to: ensure compliance in legal, statutory and ethical matters; monitor the business environment; identify business opportunities; and monitor the systems established to ensure proper and appropriate responses to member complaints and enquiries.

The Board has delegated the responsibility for the establishment and maintenance of a framework for risk oversight and the management of risk for the consolidated entity to the Audit & Risk Committee.

For the financial year ending 31 December 2013, the Managing Director and the Chief Financial Officer have provided a statement to the Board that, in their view: the integrity of the Company's financial statements is founded on a sound system of risk management and internal compliance and control which implements the policies of the Board; and the Company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects.

Principle 8 Remunerate fairly and responsibly

Companies should ensure that the level and composition of remuneration is sufficient and reasonable and that its relationship to performance is clear.

8.1 – The board should establish a remuneration committee. COMPLIANT

8.2 – The remuneration committee should be structured such that it
- **Consists of a majority of independent directors. COMPLIANT**
- **Is chaired by an independent chair. COMPLIANT**
- **Has at least three members. COMPLIANT**

8.3– Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives. COMPLIANT

The Board has established a Remuneration and nomination Committee and has adopted a Remuneration Committee Charter, which is posted on the Company's website at www.kglresources.com.au

The Remuneration and Nomination Committee comprises all non-executive directors and is chaired by Mr John Taylor, who is not the chair of the Board.
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The shareholders have approved the aggregate remuneration of all Directors, in their capacity as Directors, which must not

exceed $500,000 per annum. This amount is to be apportioned amongst them in such manner as the Directors agree and, in default of agreement, equally. In addition, chairs and members of board committees are given additional fees for undertaking these duties.

There are no arrangements currently in place for payment of retirement benefits to Non-Executive Directors, other than statutory superannuation contributions.

The granting of options over ordinary shares has, in the past, formed part of the remuneration structure of the non-executive directors. The board considers this form of remuneration appropriate for a company such as KGL, which at this stage of development, needs to preserve cash on hand to ensure the progress of the company's projects.

KGL RESOURCES LIMTED
(FORMERLY KENTOR GOLD LIMITED)
AND CONTROLLED ENTITIES
ABN 52 082 658 080

FINANCIAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2013

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DIRECTORS' REPORT

The directors present their report on the consolidated entity (or the Group) consisting of KGL Resources Limited (formerly Kentor Gold Limited) and the entities it controlled at the end of, or during, the year ended 31 December 2013.

DIRECTORS

The names and details of the Company's directors in office during the financial year and until the date of this report are as follows. Directors were in office for this entire period unless otherwise stated.

Names, qualifications, experience and special responsibilities

Andrew Daley
BSc (Hons)(Mining)
Grad Dip (GeoSc), C.Eng (UK), FAusIMM, MIOM3
Non-Executive Chairman
Appointed 10 November 2004

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

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
In the past three years he has also been a director of :

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

John Taylor
BEng (Chem)
MBA
Non-executive Director
Appointed 28 July 2009

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

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

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.

DIRECTORS (CONTINUED)

Simon Milroy
BEng (Mining)
Managing Director
Appointed 14 May 2007

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

Other Current Directorships of ASX Listed Companies

None.

Former Directorships of ASX Listed Companies in last three years

None.

Brad Ellis
BASc (Extractive Metallurgy)
Grad Dip (AppFin Inv)
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 as a metallurgist and process engineer, Brad is currently a partner in West Australian consultancy Scott Dalley Francks. Brad's technical experience has focused on process plant commissioning and operation, feasibility study preparation and management, and design management for mineral processing and hydrometallurgical plants.

Other Current Directorships of ASX Listed Companies

Atlantic Limited.

Former Directorships of ASX Listed Companies in last three years

None.

Christoper Bain
B App Sc (App Geol)
Grad Dip (GeoSc)
MAusIMM
MAICD
Non-executive Director
Appointed 5 September 2013

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

Other Current Directorships of ASX Listed Companies

PLD Corporation Limited.

Former Directorships of ASX Listed Companies in last three years

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

DIRECTORS (CONTINUED)

John Barr AM
MAICD
Non-Executive Chairman
Appointed 10 November 2004
Retired 8 August 2013

Mr Barr has had a long involvement with the Australian minerals and metals industry having been Managing Director of Metallgesellschaft's Australian subsidiary since the Company's inception in 1974 until his retirement in 1994. He is a former Director of Iluka Resources Limited, Acacia Resources Ltd, Oxiana Limited, and Transurban City Link Ltd. In August 2005 he retired as Chairman of Utilities of Australia Pty Ltd, a major unlisted infrastructure investment fund. Mr Barr has been honoured by each of the Australian and German Governments for his services to international trade and industry.

Mr Barr was a member of the Audit and Risk Committee and Remuneration Committee.

Other Current Directorships of ASX Listed Companies
None.

Former Directorships of ASX Listed Companies in last three years
None.

Hugh McKinnon
BEng (Mining)
Executive Director
Appointed 28 May 1998
Retired 8 August 2013

Mr McKinnon has been involved in the mining industry in Australia, Africa, and Asia for 30 years in activities ranging from exploration ventures to mine production. Since early 1996 he has worked on mining and exploration projects across Central Asia from Tajikistan to Mongolia, with a particular interest in the Kyrgyz Republic. Hugh speaks competent Russian and is Vice Chairman of the International Business Council in the Kyrgyz Republic.

Other Current Directorships of ASX Listed Companies
None.

Former Directorships of ASX Listed Companies in last three years
None.

COMPANY SECRETARY

Kylie Anderson
BSc. MBA (Int. Bus.) MPA, MAICD
Appointed 2 January 2008

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

Interests in the shares and options of the company and related bodies corporate

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

Director	Ordinary shares	Options over ordinary shares
A Daley	320,038	200,000
S Milroy	127,044	1,100,000
J Taylor	582,355	100,000
B Ellis	-	-
C Bain	51,765	-

DIRECTORS (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		
A Daley	24	23
J Taylor	24	23
S Milroy	24	24
B Ellis	2	2
C Bain	6	6
W H J Barr	17	15
H McKinnon	17	13

Committee membership and meetings

The members of the Committees are the independent directors, Andrew Daley, John Barr and John Taylor. Mr John Taylor is the Chairman of the Audit and Risk Committee with Mr Andrew Daley the Chairman of the Nomination and Remuneration Committee.

	Audit and Risk Committee		Nominations and Remuneration Committee	
	Held	**Attended**	**Held**	**Attended**
Directors				
A Daley	2	2	1	1
J Taylor	2	2	1	1
W H J Barr	2	2	1	1
C Bain	1	1	-	-

The composition of these committees has changed as a result of the changes in directors which have occurred during the year. Mr Chris Bain is now the Chairman of the Audit and Risk Committee along with Andrew Daley and Brad Ellis as members. Mr John Taylor is the Chairman of the Nomination and Remuneration Committee along with Andrew Daley and Chris Bain as members.

CORPORATE INFORMATION

Principal activities

The principal continuing activity of the Group during the year was exploration of gold and base metals projects in the Northern Territory and Kyrgyz Republic. Refer to the review of operations for more details on both continuing and discontinued activities throughout the year.

Employees

The Group employed 12 employees as at 31 December 2013 (2012: 125 employees).

DIVIDENDS

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

OPERATING AND FINANCIAL REVIEW

Group overview

On 29 April 2013 a binding sale agreement was executed to sell the Andash Copper-Gold Project (KGL 80%) in the Kyrgyz Republic to Robust Resources Limited (Robust) for a total consideration of US$15M. In selling Andash, the Company's directors took a strategic decision to focus on the exploration and development of Jervois as a potentially large and financially viable project.

The sale was finalised on 27 August 2013.

Robust also farmed in to the Bashkol Exploration Licence (KGL 80%, diluting to 24%) in the Kyrgyz Republic, where high grade gold mineralisation has been discovered. Robust is funding a 2000m diamond drilling program.

At the 31 December 2012 production at the Murchison Gold Project, was still below target. Although production was improving on a monthly basis the USD gold price was weakening and the AUD exchange rate was continuing at a high level. A $10m finance facility had been negotiated to meet these needs, however the offer was withdrawn by the proposed financier in late March and the directors of Kentor Minerals (WA) Pty Ltd had no alternative but to immediately place this entity into voluntary administration.

Subsequent to the administrators appointment open-cut and underground mining operations were suspended. Processing operations were finally suspended in April 2013 after processing most of the existing ore stockpiles.

On 10 July 2013, the creditors of Kentor Minerals (WA) Pty Ltd accepted the terms of a Deed of Company Arrangement (DOCA), the conditions of which were satisfied by the 27 August 2013 and control was passed back to directors on this date.

The Murchison Gold plant remained under care and maintenance awaiting divestiture throughout the remainder of the financial year.

In December 2013, KGL executed a binding sale agreement to sell the Murchison Gold Project to Monument Mining Limited for a total cash consideration of $15M. The transaction was conditional on obtaining approval from the Foreign Investment Review Board and several other conditions which are normal for a transaction of this type.

The sale was finalised on 21 February 2014. Upon receipt of the $15m cash consideration a further $1m was paid to creditors, which satisfied the final terms of the DOCA.

During 2013, the Company's activities concentrated on increasing and extending the mineral Resources at the Jervois Copper-Silver-Gold Project in the Northern Territory. Exploration drilling discovered several zones of high grade mineralisation both as extensions to known Resources and in other locations along the 12km strike length. The drilling was part of a prefeasibility study into the development of Jervois which is continuing to emerge as a potential multi-metal mine.

OPERATING AND FINANCIAL REVIEW (CONTINUED)

The Group was placed in a strong cash position to fund drilling and other studies into the feasibility of developing Jervois when the Andash Gold-Copper Project and the Murchison Gold Project were sold.

The successful exploration drilling in 2013 continued the strategy of the Company to increase Resources at Jervois since it was acquired in 2011. In November 2012 the Company announced the third increased Resources estimate in 18 months.

The total was increased and upgraded to Indicated and Inferred Resources of 13.5 million tonnes @ 1.3% copper and 25.8 g/t silver for a total of 170,416 tonnes copper and 11.6 million oz silver at a 0.5% copper cutoff, plus a maiden gold Resource of 69,000 oz gold as well as 26,000 tonnes of contained lead and 22,000 tonnes of contained zinc.

With the prospect of exploration further increasing the Resource, drilling was intensified in 2013 along with work on the pre-feasibility study.

In September 2013, a 20,000m diamond and RC drilling program was commenced, with the objectives of increasing further the size of the Resource and extending known mineralisation across the 12km strike length.

Drilling intersected massive sulphides beneath the Marshall-Reward Deposit, the main currently known Resource at Jervois. An 18m wide intersection contained visible copper, lead and zinc mineralisation, and is located in a previously untested zone approximately 70m below the known Resource. The hole (KJCD048) reported 18m @ 0.88% copper, 19.63% lead, 3.77% zinc, 732.3 g/t silver and 0.61 g/t gold from 287m, including 9m @ 1.48% copper, 22.08% lead, 3.07% zinc, 740 g/t silver and 0.53 g/t gold from 291m. A 57m lower grade extension of the 18m high grade zone was also intersected.

The high grade zone remains open both at depth and along strike. This was confirmed when further massive and semi-massive sulphides were intersected in Hole KJCD045, 90m north along strike and 50m deeper than the KJCD048 intersection.

In February 2014, KGL reported that a new copper zone, named East Reward, had been intersected alongside Marshall-Reward. Hole KJCD058 reported 4m @ 1.47% copper, 0.16% lead, 0.11% zinc, 23.1 g/t silver and 0.26 g/t gold from 278m, and 14m @ 1.29% copper, 0.71% lead, 0.22% zinc, 28.2 g/t silver and 0.36 g/t gold from 286m including 7m @ 2.04% copper, 0.23% lead, 0.09% zinc, 42.2 g/t silver and 0.59 g/t gold from 293m.

As well as discovering Resource extensions at Marshall-Reward, drilling at Jervois resulted in two new near-surface discoveries close to existing Resources – at the Morley Prospect, near Marshall-Reward, and at the Rockface Prospect, 6km away near the Bellbird Deposit.The drilling at Rockface produced high grade, near-surface intervals into a zone where mineralisation outcrops at the surface. The intersections hit between two large chargeability anomalies. They included 9m @1.21% copper, 4.1g/t silver and 0.03 g/t gold from 105m (Hole KJC033), and 24m @ 1.47% copper, 3.5 g/t silver and 0.04 g/t gold from 160m (Hole KJC035). Consequently, a further drilling program was commenced, from which the first results included 3m @ 1.29% copper and 4.0 g/t silver (Hole KJD004).

Drilling at Morley confirmed a new zone of mineralisation that extends for over 1 km. The results in holes spread over a distance of 800m along strike included:8m @ 0.99% copper, 0.23% zinc, 10.2 g/t silver and 0.03 g/t gold from 115m (Hole KJC003), 5m @ 0.81% copper, 3.1 g/t silver and 0.04 g/t gold from 63m (Hole KJC004), and 4m @ 0.86% copper, 0.18% zinc, 5.7 g/t silver and 0.04 g/t gold from 70m (Hole KJC004).

Metallurgical processing tests conducted as part of the pre-feasibility study showed that the copper floats well to a high grade concentrate. Work was also commenced on process design, power station, logistics, environmental studies and NT Government permitting of the project.

The pre-feasibility study is scheduled for completion in 2014.

OPERATING AND FINANCIAL REVIEW (CONTINUED)

During the year, joint venture partner Geodynamics Limited continued with a feasibility study into the development of the Savo Island Project (KGL 75%, diluting to 30%) as a source of geothermal electricity for Honiara, the capital city of the Solomon Islands, and a nearby mine. An exploration program is planned for 2014.

At the Company's Annual General Meeting in 2013, shareholders resolved to change the Company's name from Kentor Gold to KGL Resources Limited, thus removing the Kyrgyz word 'Kentor' from the name following the sale of Andash, and also the word 'Gold' now that the Company's primary focus is on copper at Jervois.

Financial overview

The loss for the Group after income tax and discontinued operations was $14,471,412 (2012: loss of $77,032,994).

Of the loss reported $5,667,690 relates to the loss of control of Kentor Minerals (WA) Pty Ltd.

On 29 April 2013 a binding term sheet was signed for the sale of Andash for $15m. An impairment of $22,159,595 was recognised as at 31 December 2012 in relation to this project and a further $1,553,699 was recognised to impair these assets as at 30 June 2013 to the saleable value.

The sale occurred in August 2013 resulting in a loss on sale of $409,594 being recognised in the groups' loss from discontinued operations. This includes a loss of $1,481,095 being the reclassification of the foreign currency reserve to profit and loss.

Gold revenue of $5,134,518 was based on 3,284 oz's sold at an average sales price of $1,699 per oz. This was for the period up to 28 March 2013 being the point that Kentor Minerals (WA) Pty Ltd was placed into administration. Operational losses to the 28 March 2013 were $2,652,616.

At the 31 December 2013 the Murchison Project was classified as held for sale due to the binding sale agreement which had been entered into by year end. On 21 February 2014 the sale settled and the $15m cash consideration was received.

Employee expenses from both continued and discontinued operations decreased in the year to 31 December 2013 to $6,004,153 (2012: $7,165,476) due to the ceasing of operations at Murchison. Employee expenses from continued operations were $2,584,778 (2012: $3,667,056).

The KGL cash reserve as at 31 December 2013 was $7.9m (2012: $7.2m). This is subsequent to the receipts of the funds on sale of Andash and the payment of $3m to creditors of Kentor Minerals (WA) Pty Ltd under the Deed of Company Arrangement. A further $1m has been paid subsequent to year end under this agreement and $15m received on the sale of the Murchison project.

OPERATING AND FINANCIAL REVIEW (CONTINUED)

CAPITAL RAISINGS / CAPITAL STRUCTURE

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

Summary of shares and options on issue

As at the date of this report there were 140,040,563 ordinary shares on issue, 1,800,000 performance rights and 1,899,842 unissued ordinary shares in respect of which the options listed below were outstanding.

Expiry date	*Number*	*Exercise price $*
Unlisted employee options		
Duration of employment	200,000	1.808 to 2.308
11 Sept 2014	300,000	1.176 to 1.449
04 June 2015	100,000	1.378 to 1.688
30 May 2016	100,000	1.455 to 1.746
31 May 2016	300,000	1.218 to 2.493
01 July 2016	100,000	1.256 to 1.507
25 July 2016	50,000	1.137 to 1.365
01 February 2015	24,842	1.579
28 May 2017	700,000	1.165
01 October 2017	25,000	0.744 to 0.892
	1,899,842	
Unlisted performance rights		
24 February 2017	1,800,000	0.000

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 options over unissued shares of the Company were granted during the year, 2,105,000 options were cancelled and no options were exercised. The cancelled options were due to either the employee being terminated or due to the vesting and exercise conditions no longer being able to be met. The performance rights were issued subsequent to year end on the 24 February 2014.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

During the year Kentor Minerals (WA) Pty Ltd went into administration and an agreement was entered into for the sale of Andash Mining Company. Refer to the operating and financial review section of this report for further detail. Refer also to further information contained in the significant events after the end of the reporting date for additional changes since year end including the sale of the Murchison Project.

ENVIRONMENTAL REGULATION

The Group's operations in Western Australia and the Northern Territory are now subject to significant environmental regulations under both Commonwealth and State legislation. In all instances there have been no breaches by KGL and its subsidiaries.

The Group's Kyrgyzstan based entities are subject to the relevant laws and regulations imposed by the Kyrgyzstan government. Additionally, the Kyrgyz Republic is a contracting party to a number of international environmental conventions.

KGL's projects are subject to annual reviews by the Kyrgyz government inspectors and no breaches have been reported.

REMUNERATION REPORT (AUDITED)

Remuneration philosophy

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

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

Subsequent to the year end the Board also approved a long term incentive (LTI) programme for the Managing Director and Senior Executives which aligns executives' long term remuneration with overall group strategy and goals.

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

Remuneration committee

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

Remuneration structure

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

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. 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.

REMUNERATION REPORT (AUDITED) (CONTINUED)

Executive remuneration

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

Structure
In determining the level and make-up of executive remuneration, the Board may obtain independent advice from external consultants on market levels of remuneration for comparable executive roles. 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. 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 40% of the total fixed income (TFI) component of the executive's remuneration package.

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

A revised Employee Share Option Plan was approved by the board on 11 March 2014. Under this plan options 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.

On a case by case basis some new senior executives are also provided with options when they join the Company as part of their remuneration package.

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

REMUNERATION REPORT (AUDITED) (CONTINUED)

Variable remuneration – short and long term incentives (continued)

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 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.

No STI or LTI awards have been made to any senior executive for 2013 year.

Employment contracts – Executive Directors

The Board decided that, in view of the changing future focus of the Company to pursuing solely development of the Jervois Multi Metal Project in Northern Territory, it was appropriate to cut all non-executive directors' fees by an average of 25%, commencing 1 July 2013. The following contracts were entered into prior to this decision and the changes as a result are also detailed below. New contracts have not been entered into.

Simon Milroy – Managing Director

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

- Mr Milroy is engaged to provide services in the capacity of Managing Director at an annual salary of $270,000, plus statutory superannuation effective from 1 June 2013. This represents an approximate 25% reduction in Mr Milroy previous remuneration package.
- The contract term is twelve months effective to 31 May 2014.
- 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.
- Mr Milroy has agreed that both STI and LTI component of his remuneration will be zero for six months from 1 June 2013. This is subject to review after 30 November 2013.
- A restraint for a period of 6 months after termination on Mr Milroy undertaking employment in the Kyrgyz Republic or within 5 kilometres of any mining tenements or applications in Uzbekistan, Kazakhstan, China or the Northern Territory of Australia in which the Company has any interest.
- Notice period of 3 months with no additional contractual obligations.

Hugh McKinnon – Executive Director/Country Manager

Mr McKinnon's employment agreement with the Company was renewed as of 1 July 2009 as a rolling contract. Mr McKinnon ceased employment on the 23 August 2013. The agreed terms of his employment includes *inter alia*:

- Mr McKinnon is engaged to provide services in the Kyrgyz Republic in the capacity of Executive Director and Country Manager. His place of employment is in the Kyrgyz

REMUNERATION REPORT (AUDITED) (CONTINUED)

Employment contracts – Executive Directors (continued)

Hugh McKinnon – Executive Director/Country Manager (continued)

Republic. In December 2012 Mr McKinnon seconded to the Western Australia operations to assist with the Murchison project.

- Mr McKinnon's annual salary was decreased to USD$265,000 effective 1 August 2012 (reduction from USD$278,250 per annum effective 1 January 2012).
- Mr McKinnon is also provided with USD$1,000 per month as rental allowance.
- A restraint on Mr McKinnon undertaking employment in the Kyrgyz Republic for a period of 6 months after termination.
- Notice period of 3 months with no additional contractual obligations.

Mr McKinnon retired as a director on the 8 August 2013.

Remuneration of non-executive directors

John Barr

By mutual agreement approved by the Board, Mr John Barr was engaged to provide services as a Non-executive Director, with an annual fee of $120,000 plus $10,800 superannuation subject to annual review.

Mr Barr retired as a director on the 8 August 2013 and therefore ceased his role as a director and chairman of the board on this date.

Andrew Daley

By mutual agreement approved by the Board, Mr Andrew Daley is engaged to provide services as a Non-executive Director and Chairperson through his company Dalenier Enterprises Pty Ltd, with an annual director's fee of $65,000, $10,000 for Chairmanship of a sub-committee, $5,000 for participation on a sub-committee plus $7,200 superannuation subject to annual review. This was reduced by 25% effective from the 1 July 2013 and the increment in statutory superannuation to 9.25% was also applied from this date.

Mr Daley assumed the role as Chair of the Board on the 8 August 2013 subsequent to the resignation of Mr Barr. From this date he assumed the annual fee of the Chair being $90,000 plus $8,325 superannuation, that is $120,000 reduced by 25%.

John Taylor

By mutual agreement approved by the Board, Mr John Taylor is engaged to provide services as a Non-executive Director with an annual director's fee of $65,000, $10,000 for Chairmanship of a sub-committee, $5,000 for participation on a sub-committee plus $7,200 superannuation subject to annual review. This was reduced by 25% effective from the 1 July 2013 and the increment in statutory superannuation to 9.25% was also applied from this date.

Brad Ellis

By mutual agreement approved by the Board, Mr Brad Ellis is engaged to provide services as a Non-executive Director with an annual director's fee of $48,750 and $7,500 for participation on two sub-committees plus $5,203 superannuation subject to annual review.

Christopher Bain

By mutual agreement approved by the Board, Mr Christopher Bain is engaged to provide services as a Non-executive Director with an annual director's fee of $48,750, $7,500 for Chairmanship of a sub-committee, $3,750 for participation on a sub-committee plus $5,550 superannuation subject to annual review.

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	%total issued as options
Year ended 31 Dec 2013 Directors	$	$	$	$	$	$	$	%	%
W.H.J. Barr**	69,546	-	-	-	6,283	-	75,829	-	-
S. J. Milroy	313,535	-	-	-	24,929	50,684	389,148	-	13.0
A.E. Daley*	86,500	-	-	-	-	10,137	96,637	-	10.5
H. McKinnon**	187,465	-	-	159,856	-	-	347,321	-	-
J C Taylor	70,000	-	-	-	6,375	10,137	86,512	-	11.7
B Ellis***	8,346	-	-	-	772	-	9,118	-	-
C Bain****	19,154	-	-	-	1,772	-	20,926	-	-
	754,546	-	-	159,856	40,131	70,958	1,025,491		
Year ended 31 Dec 2012 Directors									
W.H.J. Barr	120,000	-	-	-	10,800	5,913	136,713	-	4.3
S. J. Milroy	382,151	-	-	-	14,500	29,566	426,217	-	6.9
A.E. Daley*	87,200	-	-	-	-	5,913	93,113	-	6.4
H. McKinnon	275,190	-	-	-	-	-	275,190	-	-
J C Taylor	80,000	-	-	-	7,200	5,913	93,113	-	6.4
	944,541	-	-	-	32,500	47,305	1,024,346		

* Directors fees were paid to Dalenier Enterprises Pty Ltd, a Company which is controlled by Mr Daley.
** Resigned 8 August 2013
*** Appointed 5 November 2013
**** Appointed 5 September 2013

REMUNERATION REPORT (AUDITED) (CONTINUED)

Cash bonuses
The board has resolved not to pay cash bonuses during the 2012 and 2013 years.

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

Options can vest during the period from 12 months after the date of issue, with the date of issue being the 28 May 2012, up to the expiry date, as designated above. Vesting is based on the conditions identified above.

The fair value of the options was determined using a binomial model.

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.

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 2013	Value of options at grant date * $	Value of options exercised at exercise date** $	Value of options lapsed at date of lapse *** $
Directors			
W.H.J Barr	-	-	-
A. Daley	-	-	-
H. McKinnon	-	-	-
S.J. Milroy	-	-	-
J. Taylor	-	-	-
Total	-	-	-

* 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.

This is the end of the audited remuneration report.

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS
The Company has entered into Deeds of Indemnity with the directors and the company secretary, indemnifying them against certain liabilities and costs to the extent permitted by law.

The Company has also agreed to pay a premium in respect of a contract insuring the directors and officers of the Company. Full details of the cover and premium are not disclosed in this report as the insurance policy prohibits the disclosure.

PROCEEDINGS ON BEHALF OF THE COMPANY

Currently there is a claim against the company regarding a personal injury claim. The claim is expected to be settled by the company's insurance policy and the companies lawyers are liaising with the insurers on the matter.

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*.

AUDITOR INDEPENDENCE AND NON-AUDIT SERVICES

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

Non-audit services

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

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

On behalf of the Board,

A Daley
Chairman
Melbourne

Dated: 28 March 2014

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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 2013, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
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 year.

C R Jenkins

Director

BDO Audit Pty Ltd

Brisbane: 28 March 2014

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 2013 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 2013.

3. The directors draw attention to Note 1 to the consolidated financial statements, which include a statement of compliance with International Financial Reporting Standards.

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

On behalf of the Board

A Daley
Chairman

Melbourne

Dated: 28 March 2014

KGL RESOURCES LIMITED (FORMERLY KENTOR GOLD LIMITED) AND CONTROLLED ENTITIES
ABN 52 082 658 080

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2013

		Consolidated	
		2013	2012
	Note	**$**	$
Other revenue	2(a)	**135,243**	376,984
Other income	2(a)	**582,528**	-
Administrative expenses	3(a)	**(4,927,000)**	(6,685,219)
Finance costs		**(167,506)**	(9)
Impairment expense	3(c)	**(408,339)**	(4,000,713)
Loss of control of subsidiary	5	**(5,667,690)**	-
Loss before income tax		**(10,452,764)**	(10,308,957)
Income tax benefit	4	**449,595**	-
Loss from continuing operations		**(10,003,169)**	(10,308,957)
Loss from discontinued operations	6	**(4,468,243)**	(66,724,037)
Net loss for the year		**(14,471,412)**	(77,032,994)
Other comprehensive income			
Items that will be reclassified to profit and loss			
Reclassification cash flow hedge transferred to profit and loss		**-**	619,825
Foreign currency translation differences		**1,212,550**	(436,250)
Income tax on items that will be reclassified to profit or loss		**-**	-
Other comprehensive income for the year, net of tax		**1,212,550**	183,575
Total comprehensive income for the year		**(13,258,862)**	(76,849,419)
Net loss attributable to:			
Non-controlling interests		**(364,665)**	(322,035)
Owners of KGL Resources Limited		**(14,106,747)**	(76,710,959)
		(14,471,412)	(77,032,994)
Total comprehensive income for the year attributable to:			
Non-controlling interests		**(775,556)**	(388,085)
Owners of KGL Resources Limited		**(12,483,306)**	(76,461,334)
		(13,258,862)	(76,849,419)
Earnings per share for loss from continuing operations attributable to the owners of KGL Resources Limited			
Basic and diluted earnings per share (cents per share)	7	**(7.14)**	(8.48)
Earnings per share for loss from attributable to the owners of KGL Resources Limited			
Basic and diluted earnings per share (cents per share)	7	**(10.33)**	(63.33)

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

KGL RESOURCES LIMITED (FORMERLY KENTOR GOLD LIMITED) AND CONTROLLED ENTITIES
ABN 52 082 658 080

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2013

			Consolidated
		2013	2012
		$	$
Current assets	Note		
Cash and cash equivalents	23(b)	**7,319,902**	7,214,841
Trade and other receivables	8	**374,827**	1,094,745
Held for sale disposal group assets	6	**7,924,171**	-
Inventory	9	**-**	1,912,905
Prepayments		**81,459**	171,478
Total current assets		**15,700,359**	10,393,969
Non-current assets			
Deposits	10	**600,000**	1,643,182
Property, plant and equipment	11	**218,522**	22,955,103
Exploration and evaluation assets	12	**14,019,541**	14,961,340
Intangible assets	13	**65,250**	168,751
Other non-current assets	16	**-**	147,771
Total non-current assets		**14,903,313**	39,876,147
Total assets		**30,603,672**	50,270,116
Current liabilities			
Trade and other payables	17	**1,375,365**	7,872,725
Held for sale disposal group liabilities	6	**1,669,275**	-
Borrowings	18	**-**	77,175
Total current liabilities		**3,044,640**	7,949,900
Non-current liabilities			
Borrowings	18	**-**	85,281
Provisions	19	**-**	1,624,876
Total non-current liabilities		**-**	1,710,157
Total liabilities		**3,044,640**	9,660,057
Net assets		**27,559,032**	40,610,059
Equity			
Contributed equity	20	**141,577,527**	141,577,527
Reserves	21	**3,516,759**	347,177
Accumulated losses		**(116,915,350)**	(102,808,603)
Capital and reserves attributable to owners of KGL Resources Limited		**28,178,936**	39,116,101
Non-controlling interests	22	**(619,904)**	1,493,958
Total equity		**27,559,032**	40,610,059

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

KGL RESOURCES LIMITED (FORMERLY KENTOR GOLD LIMITED) AND CONTROLLED ENTITIES
ABN 52 082 658 080

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2013

	Note	Consolidated 2013 $	2012 $
Cash flows from operating activities			
Receipts in the course of operations		**7,381,353**	10,913,335
Payments to suppliers and employees		**(10,936,324)**	(19,154,085)
Interest received		**-**	395,789
Interest paid		**(17,797)**	-
Refund of research and development claim		**449,595**	-
Net cash used in operating activities	23(a)	**(3,123,173)**	(7,844,961)
Cash flows from investing activities			
Payment for exploration and evaluation assets		**(3,464,196)**	(8,902,325)
Payment for property, plant and equipment		**(9,332,974)**	(34,095,394)
Payment for intangible assets		**(2,156)**	(133,441)
Proceeds from sale of mine development assets		**-**	5,615,113
Refund of / (Payment for) deposits		**1,043,182**	(896,182)
Proceeds from sale of Andash		**15,000,000**	-
Due diligence exclusivity fee - Murchison		**250,000**	-
Costs of sale of subsidiaries		**(210,171)**	-
Cash balance of subsidiary derecognised due to loss of control		**(31,750)**	-
Cash balance of subsidiary disposed		**(4,394)**	-
Net cash provided / (used in) investing activities		**3,247,541**	(38,412,229)
Cash flows from financing activities			
Proceeds from issue of ordinary shares		**-**	20,478,121
Payment of share issue costs		**-**	(1,305,099)
Proceeds from borrowings		**-**	195,009
Repayments of borrowings		**(19,222)**	(32,553)
Net cash provided by / (used in) financing activities		**(19,222)**	19,335,478
Net increase/ (decrease) in cash and cash equivalents		**105,146**	(26,921,712)
Cash and cash equivalents at the beginning of the year		**7,214,841**	34,134,415
Effects of exchange rate changes on the balance of cash held in foreign currencies		**(85)**	2,138
Cash and cash equivalents at the end of the year	23(b)	**7,319,902**	7,214,841

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

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2013

Consolidated	Contributed equity	Accumulated losses	Foreign currency translation reserve	Share-based payments reserve	Hedge reserve	Total parent equity	Non-controlling interests	Total equity
	$	$	$	$	$	$	$	$
Balance at 1 January 2012	122,404,505	(26,166,592)	(2,881,789)	3,502,749	(619,825)	96,239,048	1,882,043	98,121,091
Loss for the year	-	(76,710,959)	-	-	-	(76,710,959)	(322,035)	(77,032,994)
Other comprehensive income								
Foreign currency translation	-	-	(370,200)	-	-	(370,200)	(66,050)	(436,250)
Reclassification of cashflow hedge to profit and loss	-	-	-	-	619,825	619,825	-	619,825
Total other comprehensive income	-	-	(370,200)	-	619,825	249,625	(66,050)	183,575
Total comprehensive income for the year	-	(76,710,959)	(370,200)	-	619,825	(76,461,334)	(388,085)	(76,849,419)
Transactions with owners in their capacity as owners								
Issue of share capital	20,478,121	-	-	-	-	20,478,121	-	20,478,121
Cost of share capital issue	(1,305,099)	-	-	-	-	(1,305,099)	-	(1,305,099)
Share-based payments	-	-	-	165,365	-	165,365	-	165,365
Forfeiture of options	-	68,948	-	(68,948)	-	-	-	-
Balance at 31 December 2012	141,577,527	(102,808,603)	(3,251,989)	3,599,166	-	39,116,101	1,493,958	40,610,059

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

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2013

Consolidated	Contributed equity	Accumulated losses	Foreign currency translation reserve	Share-based payments reserve	Hedge reserve	Total parent equity	Non-controlling interests	Total equity
	$	$	$	$	$	$	$	$
Balance at 1 January 2013	141,577,527	(102,808,603)	(3,251,989)	3,599,166	-	39,116,101	1,493,958	40,610,059
Loss for the year	-	(14,106,747)	-	-	-	(14,106,747)	(364,665)	(14,471,412)
Cumulative exchange gain reclassified from foreign exchange reserve to profit and loss	-	-	1,481,095	-	-	1,481,095	-	1,481,095
Other comprehensive income								
Foreign currency translation	-	-	1,623,441	-	-	1,623,441	(410,891)	1,212,550
Total other comprehensive income	-	-	1,623,441	-	-	1,623,441	(410,891)	1,212,550
Total comprehensive income for the year	-	(14,106,747)	3,104,536	-	-	(11,002,211)	(775,556)	(11,777,767)
Transactions with owners in their capacity as owners								
Derecognition of non-controlling interests upon disposal of Andash Mining Company	-	-	-	-	-	-	(1,338,306)	(1,338,306)
Share-based payments	-	-	-	65,046	-	65,046	-	65,046
Forfeiture of options	-	-	-	-	-	-	-	-
Balance at 31 December 2013	141,577,527	(116,915,350)	(147,453)	3,664,212	-	28,178,936	(619,904)	27,559,032

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

Notes to the financial statements for the year ended 31 December 2013

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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 33.

The financial statements were authorised for issue in accordance with a resolution of the directors on 28 March 2014.

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

There are new standards and amendments to standards that are mandatory for the first time for the financial year beginning 1 January 2013 that the Group has adopted for the first time. Any significant impact on the accounting policies of the Group from the adoption of these Accounting Standards and Interpretations are disclosed below. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the Group.

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

The following Accounting Standards and Interpretations are most relevant to the Group:

AASB 101 Presentation of Financial Statements

The adoption of the amendments to AASB 101 Presentation of Financial Statements, effective for annual periods beginning on or after 1 July 2012, has resulted in the renaming of the 'statement of comprehensive income' to the 'statement of profit or loss and other comprehensive income' and also requires items of other comprehensive income to be grouped into those that will be reclassified to profit or loss in a future period, and those that will not be reclassified, if certain conditions are met. These amendments do not have any impact on amounts recognised in these financial statements. This standard was early adopted in the prior year and therefore has had no impact on the current year financial statements.

AASB 10 Consolidated Financial Statements (AASB 10)

Notes to the financial statements for the year ended 31 December 2013

1. Summary of significant accounting policies (continued)

AASB 10 supersedes AASB 127 Consolidated and Separate Financial Statements (AASB 127) and Interpretation 112 Consolidation – Special Purpose Entities. It revised the definition of control together with accompanying guidance to identify an interest in a subsidiary. However, the requirements and mechanics of consolidation and the accounting for any non-controlling interests and changes in control remain the same. The adoption of these revised standards from 1 January 2013 has not had a material impact on the Group as there has been no change in control for the parent.

(a) **Adoption of new and revised Accounting Standards (continued)**

AASB 12 Disclosure of Interests in Other Entities

The Group has applied AASB 12 from 1 January 2013. It contains the entire disclosure requirement associated with other entities, being subsidiaries, associates and joint ventures. The disclosure requirements have been significantly enhanced when compared to the disclosures previously located in AASB 127 'Consolidated and Separate Financial Statements', AASB 128 'Investments in Associates', AASB 131 'Interests in Joint Ventures' and Interpretation 112 'Consolidation - Special Purpose Entities'. The adoption of this standard has not affected net assets and has just increased the amount of disclosures required to be given by the Group.

AASB 13 Fair Value Measurement (AASB 13)

AASB 13 does not affect which items are required to be fair-valued, but clarifies the definition of fair value and provides related guidance and enhanced disclosures about fair value measurements. It is applicable for annual periods beginning on or after 1 January 2013.

(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 2013. 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 2013-5 Amendments to Australian Accounting Standards Investment Entities

This standard and its consequential amendments are applicable to annual reporting periods beginning on or after 1 January 2014. The amendment defines an ‘investment entity’ and requires a parent that is an investment entity to measure its investments in particular subsidiaries at fair value through profit or loss in its consolidated and separate financial statements.

The amendment prescribes three criteria that must be met in order for an entity to be defined as an investment entity, as well as four ‘typical characteristics’ to consider in assessing the criteria.

The amendment also introduces disclosure requirements for investment entities into AASB 12 Disclosure of Interests in Other Entities and amends AASB 127 Separate Financial Statements.

As the entity does not meet the definition of an investment entity, it will continue to consolidate its investments in subsidiaries in accordance with AASB 10 Consolidated Financial Statements.

(c) **Basis of consolidation**

Subsidiaries

The consolidated financial statements comprise the financial statements of KGL Resources Limited and its subsidiaries at 31 December 2013 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.

1. Summary of significant accounting policies (continued)

(c) **Basis of consolidation (continued)**

Joint Operations

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.

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).

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.

Details of joint operations are set out in Note 15.

(d) **Business combinations**

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

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

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

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

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

(e) **Revenue and other income**

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

Sales revenue

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

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).

1. Summary of significant accounting policies (continued)

(f) Income tax (continued)

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.

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.

1. Summary of significant accounting policies (continued)

(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.

(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.

1. Summary of significant accounting policies (continued)

(j) **Cash and cash equivalents (continued)**

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

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

(k) **Financial assets and liabilities**

<u>Initial recognition and measurement</u>

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.

<u>Classification and subsequent measurement</u>

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.

<u>Loans and receivables</u>

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.

<u>Financial liabilities</u>

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

<u>Impairment</u>

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.

1. Summary of significant accounting policies (continued)

(k) Financial assets and liabilities (continued)

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) Capitalisation and amortisation of mining costs

Mining development including tailings dams are recognised at cost less accumulated amortisation and any impairment losses. Where commercial production in an area of interest has commenced, costs associated with mine development are amortised over the estimated economic life of the mine on a units-of-production basis.

Changes in factors such as estimates of proved and probable reserves that affect unit-of-production calculations are dealt with on a prospective basis. Adjustments to expected life-of-mine production are taken up as an adjustment to the remaining amortisation rate. Potential adjustments are reviewed on a half-yearly basis.

Open pit mines

In conducting the mining operations it is necessary to remove overburden and other waste materials to access the ore body of open pit mines. The costs of removing overburden and waste materials are referred to as “pre-strip costs”.

The Group’s policy for each open pit mine is to capitalise all pre-strip costs of mining until the average strip ratio (i.e. the total pit ratio of waste to ore over the life of the pit) is achieved.

Underground mining

Underground mining occurs progressively in various stages.

Underground mining costs are capitalised based on an average development metre rate multiplied by the development metre(s) for the period attributed to mining activities not occurring directly within the ore body (e.g. General mine access development and infrastructure development).

(n) 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.

Notes to the financial statements for the year ended 31 December 2013

1. Summary of significant accounting policies (continued)

(n) **Impairment of non-financial assets (continued)**

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.

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.

(o) **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.

(p) **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.

(q) **Inventories**

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

Notes to the financial statements for the year ended 31 December 2013

1. Summary of significant accounting policies (continued)

(r) **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.

Finance Leases

Leases of property, plant and equipment, where the group has substantially all the risks and rewards of ownership, are classified as finance leases.

Finance leases are capitalised at the lease's inception at the lower of the fair value of the leased property and the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in liabilities. Each lease payment is allocated between the liability and finance charges so as to achieve a constant interest rate on the finance balance outstanding.

The property, plant and equipment acquired under finance leases are depreciated over the estimated useful life of the asset. Where there is no reasonable certainty that the lessee will obtain ownership, the asset is depreciated over the shorter of the lease term and the asset's useful life.

(s) **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.

(t) **Rehabilitation provision**

Provisions are made for mine rehabilitation and restoration when there is a present obligation as a result of exploration, development, productions, transportation or storage activities undertaken, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the provision can be measured reliably. The estimate future obligations include the costs of removing facilities, abandoning sites and restoring the affected areas.

The provision for rehabilitation costs is the best estimate of the present value of the expenditure required to settle the restoration obligation at the reporting date, based on current legal and other requirements and technology. Future restoration costs are reviewed annually and any changes in the estimate are reflected in the present value of the provision at each reporting date.

The initial estimate of the restoration and rehabilitation provision relating to exploration, development and milling facilities is capitalised into the cost of the related asset and depreciated/amortised on the same basis as the related asset. Changes in the estimate of the provision for restoration and rehabilitation are treated in the same manner, except that the unwinding of the effect of discounting on the provision is recognised as a finance cost rather than being capitalised into the costs of the related asset.

(u) **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.

1. Summary of significant accounting policies (continued)

(v) **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.

(w) **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.

(x) **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.

(y) **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>Exploration and Evaluation</u>

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.

1. Summary of significant accounting policies (continued)

(z) 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.

	Notes	Consolidated 2013 $	Consolidated 2012 $
2. Revenue and Other Income			
(a) Revenue and other income from continuing operations			
Other revenue			
Leasing income		**86,113**	312,829
Interest		**49,130**	64,155
Total other revenue		**135,243**	376,984
Other income			
Foreign exchange gains		**582,528**	-
Total other income		**582,528**	-
Total revenue and other income from continuing operations		**717,771**	376,984
(b) Revenue and other income from discontinued operations			
Sales revenue			
Gold sales		**5,134,518**	5,635,266
Silver sales		**49,245**	38,867
Total sales revenue		**5,183,763**	5,674,133
Other revenue			
Diesel fuel rebate		**466,336**	501,296
Interest		**86,381**	320,217
Total other revenue		**552,717**	501,296
Other income			
Due diligence exclusivity fee - Murchison		**207,493**	-
Total other income		**207,493**	-
Total revenue and other income from discontinued operations		**5,943,973**	6,872,630
Total revenue and other income		**6,661,744**	6,872,630

		Consolidated	
		2013	2012
3. Expenses		**$**	$
	Loss before income tax from continuing operations includes the following specific expenses:		
(a)	**Administrative expenses**		
	Employee benefits expense	**2,584,778**	3,667,056
	Depreciation and amortisation	**155,478**	183,113
	Rental expense – minimum lease payments	**300,357**	303,382
	Overseas administrative expense	**94,695**	121,714
	Head office facility overheads	**185,722**	207,008
	Foreign exchange losses	**-**	446,174
	Professional and consulting fees	**1,090,937**	1,196,008
	Other expenses	**515,033**	560,764
		4,927,000	6,685,219
(b)	**Employee benefits**		
	Salaries, wages, and related costs (including executive directors)	**2,388,064**	3,393,046
	Non cash share-based payments	**65,046**	165,365
	Superannuation contributions (defined contribution)	**131,668**	108,645
		2,584,778	3,667,056
(c)	**Impairment expense**		
	Exploration and evaluation assets	**408,339**	4,000,713
		408,339	4,000,713

4. Income tax

(a)	**The components of tax expense comprise**		
	Current tax benefit	**449,595**	-
	Deferred tax arising from origination and reversal of temporary differences	**-**	-
	Total income tax expense in profit and loss	**449,595**	-
(b)	**Reconciliation**		
	Loss before income tax	**(10,452,764)**	(77,032,994)
	Income tax expense/ (benefit) calculated at 30% (2012: 30%)	**(3,135,829)**	(23,109,898)
	Effect of expenses that are not deductible in determining taxable profit or loss	**19,513**	49,610
	Deferred tax assets arising from temporary differences not recognised	**466,110**	14,535,675
	Effect of unused tax losses and tax offsets not recognised as deferred tax assets	**3,099,801**	8,524,614
	Total income tax benefit in profit and loss	**449,595**	-
(c)	**Unrecognised deferred tax assets**		
	Prior year tax losses brought forward	**54,830,080**	26,414,700
	Current year tax losses	**10,332,670**	28,415,380
	Unrecognised tax losses	**65,162,750**	54,830,080
	Current year temporary differences not recognised	**1,553,699**	48,452,249
	Deferred tax assets not taken up	**20,014,935**	30,984,699

Notes to the financial statements for the year ended 31 December 2013

4. Income tax (continued)

(c) Unrecognised deferred tax assets (continued)

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.

(d) There are no franking credits available.

5. Loss of Control of Subsidiary

On 28 March 2013, the Directors of Kentor Minerals (WA) Pty Ltd placed the company into administration. From this date the decision making and operations of the subsidiary have been the responsibility of the appointed administrators. Therefore, from this date the Directors have determined that control has been lost of this subsidiary and it has no longer been consolidated within the group from this date.

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

	28 Mar 2013
Carrying amounts of assets and liabilities	**$**
Assets	
Cash and cash equivalents	**31,750**
Trade and other receivables	**1,179,877**
Prepayments	**166,240**
Inventory	**3,097,356**
Property, plant and equipment	**11,069,464**
Mine development assets	**1,961,365**
	17,506,052
Liabilities	
Trade and other payables	**11,695,128**
Borrowings	**143,234**
	11,838,362
Net assets over which control was lost	**5,667,690**

6. Discontinued operations

(a) Description of discontinued operations

Andash Project

On 29 April 2013, the Directors signed a binding term sheet for the sale of Andash mining project subject to the approval of the KGL shareholders. The sale price was set at $15 million. Given there was a contract for sale of the Andash mining project the directors determined at the 30 June 2013 that it is highly probably that the sale of this project will occur and it was therefore been classified as held for sale and as a discontinued operation within the half year financial statements. In accordance with the accounting standards the carrying values of the assets for the Andash project were written down to the $15 million sale price less the estimated costs of the sale at that time and as a result an impairment expense of $1,553,699 was been recognised for the half-year ended 30 June 2013. On the 27 August 2013 the sale settled and the project was sold. Refer to Note 6(d) for the determination of the subsequent loss on sale.

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 has been reported as a discontinued operation as at 31 December 2013 and the assets and liabilities have been classified as held for sale as detailed in Note 6(c). Refer to note 32 for further details.

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 assets relating to the Murchison Project are included in the Murchison segment reported in the segment information at Note 28.

(b) Financial information relating to discontinued operations for the year ended 31 December 2013 is set out below:

Financial performance	**Note**	**2013 $**	2012 $
Revenue	2 (b)	**5,183,763**	5,674,133
Cost of sales		**(8,302,716)**	(12,502,119)
Gross loss		**(3,118,953)**	(6,827,986)
Other revenue	2(b)	**552,717**	821,513
Other income	2(b)	**207,493**	-
Impairment expense		**(1,553,699)**	(58,822,371)
Loss on sale of Andash operations	6(c)	**(409,594)**	-
Loss on sale of plant and equipment	11	**-**	(1,888,723)
Other expenses		**(146,207)**	(6,470)
Total expenses		**(2,109,500)**	(60,717,564)
Loss before tax		**(4,468,243)**	(66,724,037)
Income tax expense		**-**	-
Net loss attributable to discontinued operations		**(4,468,243)**	(66,724,037)

6. Discontinued operations (continued)

	Note	2013	2012
		$	$
Loss attributable to owners of KGL Resources Limited relates to:			
Loss from continuing operations		**(10,003,169)**	(10,308,957)
Loss from discontinuing operations		**(4,468,243)**	(66,724,037)
		(14,471,412)	(77,032,994)
The net cash flows of the discontinued operation, which have been incorporated into the statement of cash flows, are as follows:			
Net cash inflow/(outflow) from operating activities		**747,067**	2,159,644
Net cash inflow/(outflow) from investing activities		**(10,737,846)**	(39,534,424)
Net cash inflow/(outflow) from financing activities		**9,206,086**	37,947,071
Net cash decrease in cash generated by the discontinued operation		**(784,693)**	572,290

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

Information relating to the financial position of the Murchison project that has been classified as held for sale is as follows:

Carrying amounts of assets and liabilities

	2013
Assets	**$**
Trade and other receivables	**6,337**
Property, plant and equipment	**3,000,000**
Exploration expenditure	**4,917,834**
Total disposal group assets classified as held for sale	**7,924,171**
Liabilities	
Trade and other payables	**44,399**
Provision for rehabilitation	**1,624,876**
	1,669,275
Net Assets	**6,254,896**

On 28 March 2013, Kentor Minerals (WA) Pty Ltd, being the subsidiary of Kentor that holds the Murchison project, was placed into administration. All mining and processing operations at Murchison ceased following this.

On the 27 December 2013 a binding sale agreement was executed to sell the Murchison Gold Project for a total cash consideration of $15m. This agreement was conditional on obtaining approval from the Foreign Investment Review Board and several other conditions which are normal for a transaction of this type. The conditions were met and the sale of the project settled on the 21 February 2014.

Given the sale value exceeds the net assets of the Murchison Gold Project the directors have concluded that an impairment does not exist at the 31 December 2013.

6. Discontinued operations (continued)

(d) Disposal of assets and liabilities of Andash Project

KGL Resources Limited disposed of Kaldora Ltd, Tatianna Ltd and Andash Mining Company LLC (Andash Project) on 27 August 2013.

	2013 $	2012 $
Cash consideration	**15,000,000**	-
Disposal costs	**(167,663)**	-
Net cash consideration	**14,832,337**	-
Represented by:		
Cash and cash equivalents	**4,394**	-
Trade and other receivables	**12,592**	-
Prepayments	**39,194**	-
Inventory	**411,420**	-
Plant and equipment	**4,859,444**	-
Intangible assets	**8,642**	-
Mine development assets	**9,628,126**	-
Other non-current assets - VAT Receivable	**160,273**	-
Trade and other payables	**(24,943)**	-
Foreign exchange reserve reclassified to profit and loss on sale of foreign operations	**1,481,095**	-
Non-controlling interests	**(1,338,306)**	-
Net assets	**15,241,931**	-
Loss on sale of the Andash Project	**(409,594)**	-

7. Earnings per share

	Consolidated 2013 $	 2012 $
Loss attributable to the owners of KGL Resources Limited:		
Loss from continuing operations	**10,003,169**	10,308,957
Loss from discontinuing operations	**4,468,243**	66,724,037
	14,471,412	77,032,994
Basic and diluted loss per share (cents per share) for continuing operations	**(7.14)**	(8.48)
Basic and diluted loss per share (cents per share) for discontinuing operations	**(3.19)**	(54.85)
	(10.33)	(63.33)
Weighted average number of ordinary shares used in the calculation of basic and diluted loss per share	**140,040,563**	121,629,675

At 31 December 2013, the Company had on issue 2,559,842 options (2012: 4,704,842 options) over unissued shares and has incurred a net loss. These options are anti-dilutive and therefore, the diluted loss per share is the same as the basic loss per share.

		Consolidated
8. Trade and other receivables – current	**2013**	2012
	$	$
GST receivable (net)	**197,834**	288,243
Other receivables	**176,993**	806,502
	374,827	1,094,745

(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. Inventory – current		
Stores at cost	**-**	862,339
Ore stockpile at cost	**-**	101,579
Gold in circuit at recoverable amount	**-**	948,987
	-	1,912,905
10. Deposits – non-current		
Term Deposits	**600,000**	1,643,182
	600,000	1,643,182

Rolling one year interest bearing term deposits to support environmental bank guarantees with the department of mines and other guarantees. Guarantees of $455,971 (2012: $1,331,511) have been provided to the Department of Mines and other suppliers.

11. Property, plant and equipment	**Plant & equipment 2013 $**	**Mine development 2013 $**	**Consolidated Total property plant and equipment 2013 $**
Cost	**773,598**	**-**	**773,598**
Accumulated depreciation, amortisation and impairment	**(555,076)**	**-**	**(555,076)**
Net carrying amount	**218,552**	**-**	**218,522**
At 1 January, net of accumulated depreciation	**13,088,031**	**9,867,072**	**22,955,103**
Additions	**2,711,933**	**3,621,042**	**6,332,975**
Assets re-acquired under DOCA (***)	**3,000,000**	**-**	**3,000,000**
Disposals (*)	**(4,859,444)**	**(9,628,126)**	**(14,487,570)**
Effect of movement in exchange rate	**521,997**	**833,708**	**1,355,705**
Depreciation and amortisation	**(174,531)**	**(1,178,633)**	**(1,353,164)**
Impairment expense (**)	**-**	**(1,553,698)**	**(1,553,698)**
Derecognition of subsidiary due to loss of control	**(11,069,464)**	**(1,961,365)**	**(13,030,829)**
Transfer to held for sale	**(3,000,000)**	**-**	**(3,000,000)**
At 31 December, net of accumulated depreciation	**218,522**	**-**	**218,522**

(*) Sale of Andash Project on the 27 August 2013.

(**) Recognised on the classification of Andash as held for sale at the 30 June 2013 to recognise at the lower of cost or fair value less costs to sell.

(***) On 10 July 2013, the creditors of Kentor Minerals (WA) Pty Ltd accepted the terms of a Deed of Company Arrangement (DOCA) thereby returning control of the company and assets of the company from the administrators to the directors once the conditions of the DOCA were met. Conditions within the DOCA were satisfied by the 27 August 2013 and control was passed back to directors on this date. The company was re-acquired with no liabilities as part of the successful completion of the DOCA. Under the terms and conditions of the DOCA $3m was paid to creditors of Kentor Minerals (WA) Pty Ltd in full and final payment of all outstanding liabilities. Since 31 December 2013 is has been agreed that a further $1m will be paid to finalise KGL's obligations under the DOCA.

11. Property, plant and equipment (continued)

	Plant & equipment 2012 $	Mine development 2012 $	Consolidated Total property plant and equipment 2012 $
Cost	37,691,002	38,134,952	75,825,954
Accumulated depreciation, amortisation and impairment	(24,602,971)	(28,267,880)	(52,870,851)
Net carrying amount	13,088,031	9,867,072	22,955,103
At 1 January, net of accumulated depreciation	13,155,829	30,998,093	44,153,922
Additions	24,765,312	14,229,648	38,994,960
Transfers from exploration	-	634,739	634,739
Transfers to intangible assets	(388,509)	-	(388,509)
Disposals	(250)	(7,503,838)	(7,504,088)
Effect of movement in exchange rate	(170,847)	(223,690)	(394,537)
Depreciation and amortisation	(1,968,072)	(2,368,309)	(4,336,381)
Impairment expense	(22,305,432)	(25,899,571)	(48,205,003)
At 31 December, net of accumulated depreciation	13,088,031	9,867,072	22,955,103

12. Exploration and evaluation assets

	Consolidated 2013 $	2012 $
Deferred exploration and evaluation assets	**14,019,541**	14,961,340
Deferred exploration and evaluation assets		
Balance at beginning of the year	**14,961,340**	13,719,111
Current year expenditure	**4,292,989**	9,037,569
Transfers to mine development (*)	**-**	(634,739)
Other	**-**	(13,502)
Transfer to held for sale	**(4,917,834)**	-
Effect of movement in exchange rate	**91,385**	(33,524)
Impairment of area of interest	**(408,339)**	(7,113,575)
Balance at end of the year	**14,019,541**	14,961,340
Exploration tenements		
Balance at beginning of the year	**-**	7,257,259
Provision for impairment	**-**	(7,257,259)
Balance at end of the year	**-**	-

(*) In the prior period, exploration and evaluation assets of $634,739 relating to the Reward and Lewis pits were transferred from exploration and evaluation assets to mine development due to these pits going into production.

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.

13. Intangible assets

	Consolidated	
	2013	2012
	$	$
Software at cost	**315,112**	611,480
Accumulated amortisation and impairment	**(249,862)**	(442,729)
Net carrying amount	**65,250**	168,751

At 1 January, net of accumulated depreciation	**168,751**	-
Additions	**2,156**	133,442
Disposals	**(8,642)**	-
Transfers from plant and equipment	**-**	388,509
Other	**-**	13,502
Effect of movement in exchange rate	**990**	(491)
Impairment expense	**-**	(247,247)
Amortisation	**(98,005)**	(118,964)
At 31 December, net of accumulated depreciation	**65,250**	168,751

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

Interests in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 1(c).

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

Name	Country of Incorporation	**2013 % Held by Group**	2012 % Held by Group	**2013 % Held by NCI**	2012 % Held by NCI
CJSC Kentor	Kyrgyz Republic	**80**	80	**20**	20
Kaldora Limited BVI Company **	British Virgin Islands	**-**	100	**-**	-
Tatianna Limited BVI Company **	British Virgin Islands	**-**	100	**-**	-
Andash Mining Company LLC **	Kyrgyz Republic	**-**	80*	**-**	20
Kentor Gold Kazakhstan LLP	Kazakhstan	**100**	100	**-**	-

* KGL owned 100% of Andash Mining Company up to the date of sale. KGL did not have the right to exercise control over 20% of this interest which has been offered to the Kyrgyz Government.

** Refer to Note 6 for details regarding the sale of these entities during the year end.

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

Name	Country of Incorporation	**2013 % Held**	2012 % Held
Dunmarra Uranium Ltd	Australia	**100**	100
Jinka Minerals Ltd	Australia	**100**	100
Kentor Energy Pty 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

* Refer to Note 32 for details regarding the sale of this entity subsequent to year end.

Different reporting dates

Notes to the financial statements for the year ended 31 December 2013

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

Jinka Minerals Ltd has a reporting date of 30 June 2013. 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.

Non-controlling interests

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

	Andash Mining		**CJSC Kentor**	
Summarised statement of financial position	**2013**	2012	**2013**	2012
	$	$	**$**	$
Current assets	**-**	515,585	**2,561**	11,788
Non-current assets	**-**	10,309,808	**713,825**	891,478
Total assets	**-**	10,825,393	**716,386**	903,266
Current liabilities	**-**	23,331	**16,695**	11,695
Non-current liabilities	**-**	29,897,287	**9,855,298**	9,648,684
Total liabilities	**-**	29,920,618	**9,871,993**	9,660,649
Net assets	**-**	(19,095,225)	**(9,155,607)**	(8,757,383)
Accumulated NCI	**-**	1,803,398	**(619,904)**	(309,440)
Summarised statement of profit or loss and other comprehensive income				
Revenue	**86,381**	320,217	**1,116**	804
Loss for the period	**(847,542)**	(1,265,061)	**(975,781)**	(345,115)
Other comprehensive income	**1,477,916**	257,808	**576,540**	72,608
Total comprehensive income	**630,374**	(1,007,252)	**(399,241)**	(272,508)
Loss allocated to NCI	**(169,508)**	(253,012)	**(195,156)**	(69,023)
Dividends paid to NCI	**-**	-	**-**	-
Summarised cash flows				
Cash flows from operating activities	**(190,955)**	(1,548,364)	**(345,574)**	(217,729)
Cash flows from investing activities	**-**	(218,448)	**(147,721)**	(34,462)
Cash flows from financing activities	**118,348**	1,817,971	**492,852**	249,743
Net increase/(decrease) in cash and cash equivalents	**(72,607)**	51,159	**(443)**	(2,448)

Transactions with non-controlling interests

There were no transactions with non-controlling interests during the 2012 or 2013 years.

15. Joint Operations

On the 20 November 2012, Kentor Energy Pty Ltd entered into a joint arrangement with Geodynamics (Savo Island) Pty Ltd and Geodynamics Limited which enables Geodynamics (Savo Island) Pty Ltd to earn an interest in the project and the prospect assets owned by Kentor Energy Pty Ltd. The group has classified this as a joint operation because under the terms of the agreement, KGL and Geodynamics share in all the assets employed in the joint arrangement and are liable for all the liabilities of the joint arrangement, according to their participating shares (100% : 0%). The initial 25% participating interest was to be granted to Geodynamics on the provision of an Initial Resource Report and Scoping Study for the project. At the 31 December 2013 the 25% interest in the tenement had not been transferred to Geodynamics and therefore, the group has not classified this arrangement as a joint operation and has not included its interests in the assets employed and liabilities incurred in the appropriate line items in the statement of financial position as described in accounting policy in Note 1(c). The principal place of business is on Savo Island, Solomon Islands.

On the 3 September 2013, KGL Resources Limited and Kentor CJSC 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 the 31 December 2017 which will entitle Robust to earn a 51% share in Kentor CJSC. A further 19% interest will be gained on a further $5,000,000 spend by 31 December 2021. The group has classified this as a joint operation because under the terms of the agreement, KGL and Robust share in all the assets employed in the joint arrangement and are liable for all the liabilities of the joint arrangement, according to their participating shares. At the 31 December 2013 Robust had not reached the required spend and therefore was not entitled to a share of the joint operation at year end. The group has therefore not classified this arrangement as a joint operation and has not included its interests in the assets employed and liabilities incurred in the appropriate line items in the statement of financial position as described in accounting policy in Note 1(c), however will do so once Robust is entitled to its initial earn in. The principal place of business is in Bashkol, Kyrgyz Republic.

	Consolidated	
	2013	2012
16. Other non-current assets	**$**	$
VAT paid	**-**	147,771
	-	147,771

VAT paid relates to value added tax (VAT) paid in the Kyrgyz Republic. Under the Kyrgyz Tax Code, the VAT paid can be claimed as an offset to VAT collected or other taxes such as taxes imposed on profit and service taxes. If sufficient VAT is not collected in the future or sufficient other taxes are not incurred in the Kyrgyz Republic, the VAT paid will not be recovered and will need to be written off.

	Consolidated	
	2013	2012
17. Trade and other payables – current	**$**	$
Unsecured trade payables	**1,042,951**	7,120,187
Employee benefits	**332,414**	752,538
	1,375,365	7,872,725

(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.

	Consolidated	
	2013	2012
18. Borrowings	**$**	$
Current		
Lease liability	**-**	77,175
	-	77,175
Non-current		

Lease liability	**-**	85,281
	-	85,281

	Consolidated	
	2013	2012
19. Provisions	**$**	$
Non-Current		
Mine rehabilitation	**-**	1,624,876
	-	1,624,876
Balance at beginning of the year	**-**	-
Additional provisions	**-**	1,624,876
Transfer to held for sale disposal group liabilities	**(1,624,876)**	-
Balance at end of the year	**-**	1,624,876

A provision has been recognised for the costs to be incurred for the restoration of mining sites used for the exploration and mining of gold. It is anticipated that various mines will require restoration within the next 5 years.

20. Contributed equity

(a) Issued and paid up capital

Ordinary shares fully paid	**141,577,527**	141,577,527

(b) Movements in shares on issue

	2013		2012	
Details	**Number of shares issued**	**Issued capital $**	Number of shares issued	Issued capital $
Beginning of the financial year	**140,040,563**	**141,577,527**	1,062,092,950	122,404,505
Share consolidation 1:10 on 9 February 2012	**-**	**-**	(955,883,076)	-
Rights issue on 17 July 2012	**-**	**-**	23,830,689	14,278,121
Share placement issue on 17 July 2012	**-**	**-**	10,000,000	6,200,000
(Costs)/refunds of costs of share issues	**-**	**-**	-	(1,305,099)
Closing balance	**140,040,563**	**141,577,527**	140,040,563	141,577,527

(c) Terms and conditions of issued capital

Ordinary shares

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

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

20. Contributed equity (continued)

(d) Share options

Options over ordinary shares

At the end of the financial year, there were 2,599,842 (31 December 2012: 4,704,842) unissued ordinary shares in respect of which the following options were outstanding:

Expiry date	***Number***	***Exercise price $***
Unlisted employee options		
Duration of employment	200,000	1.808 to 2.308
14 Sept 2014	300,000	1.176 to 1.449
04 June 2015	100,000	1.378 to 1.688
30 May 2016	100,000	1.455 to 1.746
31 May 2016	300,000	1.218 to 2.493
01 July 2016	100,000	1.256 to 1.507
25 July 2016	50,000	1.137 to 1.365
01 February 2015	24,842	1.579
28 May 2017	1,400,000	1.040 to 1.165
01 October 2017	25,000	0.744 to 0.892
TOTAL OPTIONS GRANTED	**2,599,842**	

21. 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.

Hedge reserve

The hedge reserve records gains and losses on hedging instruments that are recognised as cash flow hedges. The gains and losses are recognised in other comprehensive income and are included in the measurement of the purchase to which they relate when the associated hedged transaction is recognised.

22. Non-controlling interests

	Consolidated	
	2013	2012
	$	$
Non-controlling interest in:		
Share capital	**-**	5
Foreign currency translation reserve	**(84,622)**	(407,143)
Retained earnings	**(535,282)**	1,901,096
	(619,904)	1,493,958

23. Notes to the statement of cash flows

		Consolidated	
		2013	2012
(a)	**Reconciliation of loss after tax to net cash flows from operations**	**$**	$
	Net profit/(loss) for the year	**(14,471,412)**	(77,032,994)
	Non cash flows in operating result		
	Loss of control of subsidiary	**5,667,690**	-
	Depreciation and amortisation expense	**1,390,919**	4,455,345
	Impairment expense	**1,962,038**	62,823,085
	Share based payments	**65,046**	165,365
	Loss on sale of non-current assets	**-**	1,888,723
	Loss on sale of Andash	**409,594**	-
	Unrealised foreign exchange loss	**(453,319)**	6,690
	Reclassification of cashflow hedge to profit and loss	**-**	619,825
	Change in operating assets and liabilities		
	(Increase)/Decrease in receivables	**(478,888)**	(488,932)
	(Increase)/Decrease in inventory	**(1,595,870)**	(1,526,715)
	(Increase)/Decrease in prepayments	**(115,414)**	251,309
	Increase/(Decrease) in provisions	**-**	239,688
	Increase/(Decrease) in payables	**4,496,443**	753,651
		(3,123,173)	(7,844,961)
(b)	Cash on hand and at call	**6,694,345**	2,237,173
	Term deposits	**625,557**	4,977,668
		7,319,902	7,214,841

(c) **Facilities with banks**

Lease facility	**-**	500,000
Facilities utilised	**-**	(162,456)
	-	337,544

These facilities are provided by National Australia Bank. Refer to note 30 for the terms of these facilities.

There are no other facilities at balance date (2012: Nil).

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

During the prior year the consolidated group acquired plant and equipment with an aggregate value of $280,289 by means of finance leases. No acquisition exists for 2013. These acquisitions are reflected in the statement of cash flows as the leasing agreement was entered into subsequent to the acquisition of the assets.

24. Share based payments

	Consolidated 2013 $	Consolidated 2012 $
Share based payment expense recognised during the year	**65,046**	165,365

There were no options exercised during the 2013 and 2012 years.

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:

	2013 Number of options	**2013** Weighted average exercise price $	2012 Number of options	2012 Weighted average exercise price $
Balance at beginning of year	**4,704,842**	**1.37**	16,300,000	0.23
- share consolidation 1:10	**-**	**-**	(14,670,000)	(1.25)
- granted	**-**	**-**	4,256,765	0.44
- forfeited	**(2,105,000)**	**(1.22)**	(1,181,923)	(0.74)
- exercised	**-**	**-**	-	-
Balance at end of year	**2,599,842**	**2.21**	4,704,842	1.37

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**
At 31 December 2013				**$**	**$**
200,000	30 May 2009	30 May 2009	n/a*	1.808 to 2.308	0.110 to 0.280
300,000	11 Sep 2009	11 Sep 2009	11 Sep 2014	1.176 to 1.449	0.499 to 0.539
100,000	04 Jun 2010	04 Jun 2010	04 Jun 2015	1.378 to 1.688	0.398
300,000	31 May 2011	31 May 2011	31 May 2016	1.218 to 2.493	0.623 to 0.791
100,000	08 Aug 2011	08 Aug 2011	01 Jul 2016	1.256 to 1.507	0.500 to 0.533
100,000	08 Aug 2011	08 Aug 2011	30 May 2016	1.455 to 1.746	0.474 to 0.507
50,000	08 Aug 2011	08 Aug 2011	25 Jul 2016	1.137 to 1.365	0.522 to 0.554
24,842	1 Feb 2012	1 Feb 2012	1 Feb 2015	1.579	0.515
1,400,000	28 May 2012	28 May 2012 to 30 Jun 15	28 May 2017	1.040 to 1.165	0.410 to 0.430
25,000	1 Oct 2012	1 Oct 2012	1 Oct 2017	0.744 to 0.892	0.108 to 0.125
2,599,842					
At 31 December 2012				**$**	**$**
90,000	01 Dec 2004	01 Dec 2004	n/a*	6.058 to 8.558	0.162 to 0.294
290,000	30 May 2009	30 May 2009	n/a*	1.808 to 2.808	0.110 to 0.280
500,000	11 Sep 2009	11 Sep 2009	11 Sep 2014	1.176 to 1.449	0.499 to 0.539
200,000	04 Jun 2010	04 Jun 2010	04 Jun 2015	1.378 to 1.728	0.309 to 0.415
300,000	31 May 2011	31 May 2011	31 May 2016	1.218 to 2.493	0.623 to 0.791
100,000	08 Aug 2011	08 Aug 2011	01 Jul 2016	1.256 to 1.507	0.500 to 0.533
100,000	08 Aug 2011	08 Aug 2011	30 May 2016	1.455 to 1.746	0.474 to 0.507
50,000	08 Aug 2011	08 Aug 2011	25 Jul 2016	1.137 to 1.365	0.522 to 0.554
24,842	1 Feb 2012	1 Feb 2012	1 Feb 2015	1.579	0.515
50,000	16 Feb 2012	16 Feb 2012	16 Feb 2017	1.561 to 1.874	0.517 to 0.558
25,000	01 Mar 2012	01 Mar 2012	01 Mar 2017	1.583 to 1.899	0.816 to 0.867
2,900,000	28 May 2012	28 May 2012 to 30 Jun 15	28 May 2017	1.040 to 1.165	0.410 to 0.430
25,000	1 Oct 2012	1 Oct 2012	1 Oct 2017	0.744 to 0.893	0.108 to 0.125
25,000	11 Sep 2012	11 Sep 2012	11 Sep 2017	0.720 to 0.864	0.110 to 0.127
25,000	21 Dec 2012	21 Dec 2012	1 Dec 2017	0.587 to 0.705	0.133 to 0.151
4,704,842					

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

24. Share based payments (continued)

At year end all options were exercisable with the exception of those noted in Note 25(b).

The fair value of the options were determined using a 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.

No options have been granted during the year however three tranches of options were granted on 28 May 2012 which had vesting conditions attached. Tranche 1 was dependent upon the Murchison project operating at design capacity and having produced 10,000 oz. gold. As a result of this project being placed into administration and a contract for sale is in place to sell the assets relating to this project this condition is not achievable and therefore the options are no longer expected to vest. Tranche 2 and 3 are dependent upon the Andash and Jervois projects, respectively, obtaining all permits, approvals and financing for development of the project and construction having commenced. Given Andash has been sold Tranche 2 are no longer achievable and therefore the options were cancelled during the year. Estimated vesting date for Tranche 3 is 30 June 2015.

25. 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.

(a) Key management personnel compensation

	2013	2012
	$	$
Short-term employee benefits	**754,546**	944,541
Termination payments	**159,856**	-
Post-employment benefits	**40,131**	32,500
Share-based payments	**70,958**	47,305
	1,025,491	1,024,346

(b) Option holdings of directors

31 December 2013	**Opening balance 1 January**	**Granted as remuneration***	**Options exercised**	**Cancelled /Forfeited**	**Closing balance 31 December**	**Exercisable at 31 December**
Directors						
A.E. Daley	**400,000**	**-**	**-**	**(100,000)**	**300,000**	**100,000**
W.H. J Barr****	**400,000**	**-**	**-**	**(400,000)**	**-**	**-**
H. McKinnon****	**780,000**	**-**	**-**	**(780,000)**	**-**	**-**
S.J. Milroy	**2,100,000**	**-**	**-**	**(500,000)**	**1,600,000**	**400,000**
J Taylor	**300,000**	**-**	**-**	**(100,000)**	**200,000**	**-**
C Bain**	**-**	**-**	**-**	**-**	**-**	**-**
B Ellis***	**-**	**-**	**-**	**-**	**-**	**-**
Total	**3,980,000**	**-**	**-**	**(1,880,000)**	**2,100,000**	**500,000**

31 December 2012	**Opening balance 1 January**	**Granted as remuneration***	**Options exercised**	**Consolidation**	**Closing balance 31 December**	**Exercisable at 31 December**
Directors						
A.E. Daley	1,000,000	300,000	-	(900,000)	400,000	100,000
W.H. J Barr	1,000,000	300,000	-	(900,000)	400,000	100,000
H. McKinnon	2,800,000	500,000	-	(2,520,000)	780,000	190,000
S.J. Milroy	6,000,000	1,500,000	-	(5,400,000)	2,100,000	400,000
J Taylor	-	300,000	-	-	300,000	-
Total	10,800,000	2,900,000	-	(9,720,000)	3,980,000	790,000

* Whilst these options were granted during the 2012 year, 2,100,000 had lapsed by 31 December 2012 due to the conditions attached to these options no longer being achievable. Refer to Note 24 for further information.
** Appointed 5 September 2013
*** Appointed 5 November 2013
**** Resigned on 8 August 2013 and therefore forfeited options 30 days subsequent to this date.

25. Key management personnel (continued)

(c) Shareholdings of directors

31 December 2013	**Balance 1 January 2013**	**Consolidation**	**Granted as remuneration**	**On exercise of options**	**Rights Issue**	**Balance 31 December 2013**	**Held nominally at 31 December 2013**
Ordinary Shares							
Directors							
W H J Barr*	**274,237**	**-**	**-**	**-**	**-**	**274,237**	**-**
A E Daley	**320,038**	**-**	**-**	**-**	**-**	**320,038**	**-**
H McKinnon*	**323,672**	**-**	**-**	**-**	**-**	**323,672**	**-**
S J Milroy	**127,044**	**-**	**-**	**-**	**-**	**127,044**	**-**
J C Taylor	**582,355**	**-**	**-**	**-**	**-**	**582,355**	**-**
C Bain**	**51,765**	**-**	**-**	**-**	**-**	**51,765**	**-**
B Ellis***	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total	**1,679,111**	**-**	**-**	**-**	**-**	**1,679,111**	**-**

* Resigned on 8 August 2013.
** Appointed 5 September 2013
*** Appointed 5 November 2013

31 December 2012	Balance 1 January 2012	Consolidation	Granted as remuneration	On exercise of options	Rights Issue	Balance 31 December 2012	Held nominally at 31 December 2012
Ordinary Shares							
Directors							
W H J Barr	2,076,837	(1,869,152)	-	-	66,552	274,237	-
A E Daley	2,473,018	(2,225,716)	-	-	72,736	320,038	-
H McKinnon	2,501,094	(2,250,984)	-	-	73,562	323,672	-
S J Milroy	1,245,428	(1,120,884)	-	-	2,500	127,044	-
J C Taylor	4,500,006	(4,050,005)	-	-	132,354	582,355	-
Total	12,796,383	(11,516,741)	-	-	347,704	1,627,346	-

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.

(d) Other transactions and balances with key management personnel

There were no other transactions with key management personnel (2012: nil)

At year end, there were no outstanding amounts receivable from or payable to key management personnel (2012: nil)

26. Auditors' remuneration

	Consolidated **2013** **$**	2012 $
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	**70,000**	75,000
Remuneration of other auditors of subsidiaries		
• audit or review of the financial statements of subsidiaries	**11,840**	8,852

No non-audit services were provided by the auditors.

27. 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 25.

28. Segment information

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

Murchison Project - Western Australia
This segment consists of the operations of Kentor Minerals (WA) Pty Ltd and assets of Jinka Minerals Ltd. The Murchison project was the only project in this reportable segment for the year ended 31 December 2013 and is the only project that produced gold during the year ended 31 December 2013. Therefore, the Murchison project costs surround operations, exploration and capital works. Control of Kentor Minerals (WA) Pty Ltd was lost on the 28 March 2013 when administrators were appointed and therefore the results until the date that control was lost have been included up to this date. On the 27 August 2013 control was passed back to the directors and therefore the results from this date until the 31 December 2013 are also included. The results reflect that the Murchison Gold plant remained under care and maintenance awaiting divesture from this date until year end. As at the 31 December 2013 the Murchison operations were classified as held for sale and has been disclosed as such within these financial statements. Refer to Note 6 for further information.

Jervois Project - Northern Territory
This segment consists of the operations of Kentor Minerals (NT) Pty Ltd. The Jervois project was the only project in this reportable segment for the year ended 31 December 2013. This project is still in the exploration and evaluation phase.

Andash and Bashkol Projects - Kyrgyz Republic
This segment consists of projects that are in the process of being developed or explored. The Andash mining and Bashkol projects are the reportable segments for the year end 31 December 2013 contained in this operating 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.

Geothermal Energy Project - Solomon Islands
This segment consists of the Geothermal Energy project being conducted in the Solomon Islands. The Geothermal Energy project was the only project in this reportable segment for the year ended 31 December 2013 and is still in the exploration and evaluation phase.

28. Segment information (continued)

Information Provided to the Executive Directors

Segment information provided to the executive directors is as follows:

	Murchison	Jervois	Andash / Bashkol	Geothermal Energy	Total
Year ended 31 December 2013	**$**	**$**	**$**	**$**	**$**
Segment Revenue					
Total segment revenue (*)	**5,650,099**	**-**	**87,498**	**-**	**5,737,597**
Result					
Segment result	**(2,652,616)**	**-**	**(2,852,693)**	**(1,696)**	**(5,507,005)**
Segment result contains:					
Interest revenue	**-**	**-**	**1,385**	**-**	**1,385**
Impairment expense	**-**	**-**	**(1,962,038)**	**-**	**(1,962,038)**
Depreciation and amortisation	**(1,253,305)**	**-**	**(6,553)**	**(1,291)**	**(1,261,150)**
Gain/(loss) on sale of non-current assets	**-**	**-**	**-**	**-**	**-**
Segment Assets and Segment Liabilities					
Segment assets	**8,524,171**	**13,806,312**	**716,386**	**99,380**	**23,146,248**
Segment liabilities	**(1,669,275)**	**(833,228)**	**(16,695)**	**(564)**	**(2,519,763)**
Acquisition of non-current assets	**9,643,975**	**3,351,158**	**628,754**	**-**	**13,623,887**

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

	Murchison	Jervois	Andash / Bashkol	Geothermal Energy	Total
Year ended 31 December 2012	**$**	**$**	**$**	**$**	**$**
Segment Revenue					
Total segment revenue (*)	6,175,428	-	321,021	-	6,496,449
Result					
Segment result	(46,987,764)	-	(23,932,623)	(69,093)	(70,989,480)
Segment result contains:					
Interest revenue	-	-	8,192	-	8,192
Impairment expense	(40,654,603)	-	(22,159,595)	-	(62,814,198)
Depreciation and amortisation	(4,235,018)	-	(11,868)	(324)	(4,247,210)
Gain/(loss) on sale of non-current assets	-	-	(1,888,723)	-	(1,888,723)
Segment Assets and Segment Liabilities					
Segment assets	17,200,873	10,310,794	15,781,599	333,870	43,627,136
Segment liabilities	(8,832,402)	(62,563)	(35,296)	(146,388)	(9,076,649)
Acquisition of non-current assets	30,344,048	6,411,792	1,558,462	3,913	38,318,215

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

28. 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.

	2013	2012
	$	$
Segment Revenue	**5,737,597**	6,496,450
Interest revenue	**134,126**	376,180
Other income	**582,529**	-
Discontinued operations	**(5,736,481)**	(6,495,646)
Total revenue and other income per statement of profit or loss and other comprehensive income	**717,771**	376,984
Segment result	**(5,507,005)**	(70,989,480)
Interest revenue	**134,126**	376,180
Other income	**582,529**	-
Loss of control of subsidiary	**(5,667,690)**	-
Impairment	**-**	(8,887)
Gain on sale of Murchison	**207,492**	-
Corporate expenses	**(4,670,459)**	(6,410,807)
Discontinued operations	**4,468,243**	66,724,037
Net loss for the year per statement of profit or loss and other comprehensive income before income tax and discontinued operations	**(10,452,764)**	(10,308,957)

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

	2013	2012
	$	$
Segment assets*	**23,146,248**	43,627,136
Cash	**7,063,567**	6,224,508
Trade and other receivables	**284,249**	168,003
Property, plant and equipment	**109,607**	250,469
Total assets per statement of financial position	**30,603,672**	50,270,116
* Held for sale assets included in segment assets	**7,924,171**	-
Segment liabilities	**(2,519,763)**	(9,076,649)
Trade and other payables	**(524,877)**	(583,408)
Total liabilities per statement of financial position	**(3,044,640)**	(9,660,057)
* Held for sale liabilities included in segment liabilities	**1,669,275**	-

Revenue of $5,183,763 (2012: 5,674,133) is derived from a single domestic customer, the Perth Mint.

29. Financial instruments

Management monitors and manages the financial risks relating to the operations of the Group through regular reviews of the risks. These risks include market risk (including interest rate risk, foreign currency risk and commodity price risk), credit risk, and liquidity risk.

The primary responsibility for identification and control of financial risks rests with the Board. The Group's financial and commodity risk management program supports the achievement of the Group's objectives by enabling the identification and evaluation of risks, setting acceptable risk thresholds, identifying and mapping controls against these risks and implementing policies and procedures to manage and monitor the risks.

These written policies establish the financial and commodity risk management framework and define the procedures and controls for the effective management of the Group's risks that arise through the Group's current gold mining, exploration and development activities and those risks which may arise through other mining activities in the future.

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

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

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

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

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

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

(a) Capital risk management

The capital structure of the Group consists of equity as disclosed in the statement of financial position. Management controls the capital of the Group in order to generate long-term shareholder value, maximising the return to shareholders and ensuring that the Group can fund its operations and continue as a going concern.

There are no externally imposed capital requirements.

Management effectively manages the Group's capital by assessing the Group's financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of debt levels, distributions to shareholders and share issues.

There have been no changes in the strategy adopted by management to control the capital of the Group since the prior year. Borrowings are minimal with this year being the first year that finance has been obtained. This remained small with finance only being sought for some equipment via finance leases. In the coming financial period additional capital will be required and obtained via the sale of assets. Refer to note 1(x) for further information.

29. Financial instruments (continued)

(b) Categories of financial instruments

	Consolidated	
	2013	2012
	$	$
Financial assets		
Loans and receivables (including cash)	**8,294,729**	9,952,769
Financial liabilities		
Measured at amortised cost	**(1,042,951)**	(7,282,642)

(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 current year there is no concentration of credit risk in trade and other receivables as the Group did not have customers at year end. There was one significant receivable at the 31 December 2012 being to the Perth Mint for $450,341.

At year end the Group has two material exposures of $7,041,878 (2012: $7,614,391) to National Australia Bank Limited and $785,217 (2012: $1,031,386) 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

Foreign currency risks arise from three areas:-
- Gold sales are contracted in Australian Dollars, priced at US gold spot price combined with the inter-bank exchange rate on the day of settlement.
- The Group's investment in foreign controlled subsidiaries. The currencies in which these transactions are primarily denominated are Kyrgyz Soms and US Dollars. The Group's investments in subsidiaries are not hedged as those currency positions are considered to be long term in nature.
- The Group's development of the Andash copper-gold project in the Kyrgyz Republic. As a result of development activities, the parent entity enters into contracts for goods and services denominated in Euro and USD.

This risk was significantly reduced at the 31 December 2013 compared to 31 December 2012 given that mining had ceased at Murchison and therefore gold sales ceased and the Andash project was sold during the current financial year. This is demonstrated in the following information regarding foreign currency risk.

29. Financial instruments (continued)

(d) Market risk (continued)

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 2013 and 2012 there was no foreign currency that was being held as a hedging instrument. During the year ended 31 December 2012 hedge accounting ceased because it wasn't probable that the timing of the development of Andash would occur within the period set out in the hedge relationship documentation.

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

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

				2012		
	AUD	**USD**	**EUR**	**Kyrgyz SOM**	**KZT**	**SOL**
Consolidated						
Cash at bank (including deposits)	**7,368,293**	**677,341**	**1,196**	**3,677,222**	**176,323**	**84,843**
Trade and other receivables	**1,059,062**	**200**	**-**	**1,743,421**	**1,217**	**-**
Trade and other payables	**(7,836,582)**	**-**	**-**	**(1,734,251)**	**-**	**-**

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

Currency	**Average Rate**		**Reporting Date Spot Rate**	
	2013	2012	**2013**	2012
USD	**0.968**	1.036	**0.8873**	1.0371
EUR	**n/a**	n/a	**0.6445**	0.7846
Kyrgyz SOM	**46.815**	48.634	**43.6732**	49.1342

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

	Increase / (decrease) in net loss		**Increase / (decrease) in other comprehensive income**	
	2013	2012	**2013**	2012
	$	$	**$**	$
USD – 10%	**410**	72,568	**-**	-
USD + 10%	**(335)**	(59,374)	**-**	-

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

29. Financial instruments (continued)

(d) Market risk (continued)

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 2013							
Financial assets							
Cash	0.52%	**492,989**	**6,826,913**	**-**	**-**	**-**	**7,319,902**
Deposits	3.16%	**-**	**600,000**	**-**	**-**	**-**	**600,000**
Trade and other receivables	N/A	**-**	**-**	**-**	**-**	**374,827**	**374,827**
		492,989	**7,426,913**	**-**	**-**	**374,827**	**8,294,729**
Financial liabilities							
Trade and other payables	N/A	**-**	**-**	**-**	**-**	**(1,375,365)**	**(1,375,365)**
Borrowings	N/A	**-**	**-**	**-**	**-**	**-**	**-**
		-	**-**	**-**	**-**	**(1,375,365)**	**(1,375,365)**
		492,989	**7,426,913**	**-**	**-**	**(1,000,538)**	**6,919,364**
31 December 2012							
Financial assets							
Cash	0.88%	**654,341**	**6,560,500**	**-**	**-**	**-**	**7,214,841**
Deposits	4.45%	**-**	**1,643,182**	**-**	**-**	**-**	**1,643,182**
Trade and other receivables	N/A	**-**	**-**	**-**	**-**	**1,094,745**	**1,094,745**
		654,341	**8,203,682**	**-**	**-**	**1,094,745**	**9,952,768**
Financial liabilities							
Trade and other payables	N/A	**-**	**-**	**-**	**-**	**(7,120,187)**	**(7,120,187)**
Borrowings	10.0%	**-**	**(77,175)**	**(85,281)**	**-**	**-**	**(162,456)**
		-	**(77,175)**	**(85,281)**	**-**	**(7,120,187)**	**(7,282,643)**
		654,341	**8,126,507**	**(85,281)**	**-**	**(6,025,442)**	**2,670,125**

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 2012, 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) 2013 $**	**2012 $**	**Other comprehensive income Higher/(Lower) 2013 $**	**2012 $**
+0.5% (50 basis points)	**112,636**	27,723	**-**	-
-0.5% (50 basis points)	**(112,636)**	(27,723)	**-**	-

29. Financial instruments (continued)

(d) Market risk (continued)

iii) Commodity price risk

The Group is predominantly exposed to gold price risk from its normal trading activity. The exposure is closely monitored and to date the use of financial derivatives has not been required. To date 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. This risk is existed throughout the current and prior year however at year end it was no longer a risk given the Murchison project was no longer mining.

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 2013 or 31 December 2012.

(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.

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 2013					
Financial assets					
Cash	**7,319,902**	**-**	**-**	**7,319,902**	**7,319,902**
Deposits	**600,000**	**-**	**-**	**600,000**	**600,000**
Trade and other receivables	**374,827**	**-**	**-**	**374,827**	**374,827**
	8,294,729	**-**	**-**	**8,294,729**	**8,294,729**
Financial liabilities					
Trade and other payables	**(1,042,951)**	**-**	**-**	**(1,042,951)**	**(1,042,951)**
Lease liabilities	**-**	**-**	**-**	**-**	**-**
	(1,042,951)	**-**	**-**	**(1,042,951)**	**(1,042,951)**
Net maturity	**7,251,778**	**-**	**-**	**7,251,778**	**7,251,778**

29. Financial instruments (continued)

(e) Liquidity risk (continued)

CONSOLIDATED	<12 Months $	1-5 Years $	>5 years $	Total cashflows $	Carrying amount $
31 December 2012					
Financial assets					
Cash	2,237,173	-	-	2,237,173	2,237,173
Deposits	4,977,668	-	-	4,997,668	4,997,668
Trade and other receivables	1,094,745	-	-	1,094,745	1,094,745
	8,309,587	-	-	8,309,587	8,309,587
Financial liabilities					
Trade and other payables	(7,120,186)	-	-	(7,120,186)	(7,120,186)
Lease liabilities	(86,485)	(90,110)	-	(176,595)	(162,456)
	(7,206,671)	(90,110)	-	(7,296,781)	(7,282,642)
Net maturity	1,102,916	(90,110)	-	1,012,806	1,026,945

(f) Fair values

The Directors consider that the carrying value of financial assets and liabilities recorded at amortised cost in the financial statements approximate their fair value at reporting date. Management have concluded this as all categories do not attract fixed interest except for the finance lease liabilities which are payable in the next 3 years and therefore the discounting effect would not be significant.

Given there are no financial instruments valued at fair value in the statement of financial position no disclosures are required around the different levels of fair value measurement.

30. Commitments

	Consolidated 2013 $	2012 $
Capital expenditure commitments		
No longer than 1 year	**804,460**	733,400
Between 1 and 5 years	**2,556,520**	2,960,600
Greater than 5 years	**4,775,900**	5,237,500
	8,136,880	8,661,500
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	**397,460**	369,227
Between 1 and 5 years	**743,747**	963,565
Greater than 5 years	**757,397**	815,053
	1,898,605	2,147,845
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	**163,415**	-
Between 1 and 5 years	**287,979**	-
Greater than 5 years	**-**	-
	451,394	-
Finance lease commitments		
No longer than 1 year	**-**	86,485
Between 1 and 5 years	**-**	90,110
Greater than 5 years	**-**	-
Minimum lease payments	**-**	176,595
Less future finance charges	**-**	(14,139)
	-	162,456

30. Commitments (continued)

Capital commitments
There are capital and rental commitments on tenements ranging from $2,000 to $100,000 per annum with expiry terms of between 1 to 18 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 $15,726 to $154,560 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.

Finance lease commitments
Finance lease commitments comprised of leases over vehicles in Western Australia. The annual commitments ranged from $18,608 to $46,290 per annum with expiry terms of between 20 and 28 months. These leases were assumed by the administrators when they took control over Kentor Minerals (WA) Pty Ltd.

31. Contingent liabilities and contingent assets

On the 27 April 2011, the Company obtained control of Jinka Minerals Limited through an agreed off-market takeover offer. Attached to the sale of the Burnakura mining tenements owned by Jinka Minerals Limited, is a royalty agreement with Royal Gold, Inc. The Group is contractually obliged to pay Royal Gold, Inc. a royalty based on potential future extractions at a rate of 1.5% of gold sales once 300,000 oz's has been recorded in the region. Refer to Note 32 the Burnakura mining tenements have been sold subsequent to year end.

32. Subsequent events

The sale of the Murchison Gold Project settled on the 21 February 2014 for a cash consideration of $15 million.

KGL contributed an additional $1 million, on top of the $3 million paid in 2013 to the creditors of Kentor Minerals (WA) Pty Ltd via the Deed of Company Arrangement (DOCA) fund. This has finalised all of KGL's obligations under the DOCA.

On the 24 February 2014 1,800,000 performance rights were granted to employees. The performance rights were issued under the KGL Resources Limited's Employee Share Ownership Scheme. The performance rights have a zero exercise price and have vesting conditions pertaining to the Jervois Project.

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

33. 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	**2013**	2012
	$	$
Current assets	**7,167,017**	6,259,089
Non-current assets	**18,513,152**	29,685,737
Total assets	**25,680,169**	35,944,826
Current liabilities	**(389,814)**	(488,666)
Total liabilities	**(389,814)**	(488,666)
Net assets	**25,290,355**	35,456,160
Contributed equity	**141,577,527**	141,577,527
Share-based payments reserve	**3,664,212**	3,599,167
Retained earnings/(accumulated losses)	**(119,951,383)**	(109,720,535)
Total shareholders' equity	**25,290,355**	35,456,159
Profit/(loss) for the year	**(10,230,849)**	(92,891,405)
Other comprehensive income	**-**	619,825
Total comprehensive income for the year	**(10,230,849)**	(92,271,580)

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 2013 (2012 - $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 2013, 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 Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's Responsibility

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

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

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

Independence

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

Opinion

In our opinion:

(a) the financial report of KGL Resources Limited is in accordance with the *Corporations Act 2001*, including:

  (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2013 and of its performance for the year ended on that date; and

  (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

(b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

Report on the Remuneration Report

We have audited the Remuneration Report included on pages 10 to 15 of the directors' report for the year ended 31 December 2013. 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 2013 complies with section 300A of the *Corporations Act 2001*.

BDO Audit Pty Ltd

BDO

C R Jenkins

Director

Brisbane, 28 March 2014

ADDITIONAL INFORMATION

As at 22 April 2014

1. Names of Substantial Holders

Name of Holder	No of Securities	% Issued Capital
KMP INVESTMENTS PTE LTD	38,260,794	27.32%

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2. Number of holders in each class of equities

	Holders	No of Units
Ordinary Shares	4,281	140,040,563
Unlisted Options	9	1,899,942
Unlisted Performance Rights	7	1,800,000

3. Voting rights attached to each class of security

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

4. Distribution Schedule

Range	Securities	No of Holders
100,001 and Over	103,882,269	120
10,001 to 100,000	26,570783	863
5,001 to 10,000	4,872,429	630
1,001 to 5,000	4,114,133	1,535
1 to 1,000	600,949	1,133
Total	140,040,563	4,281

5. Unmarketable Parcels

Number of holders with a holding of less than a marketable parcel 2,710

At a price of $0.092

6. 20 Largest holders in each class of quoted security

Rank	Name	Shares Held	% of Issued Capital
1	KMP INVESTMENTS PTE LTD	38,260,794	27.32%
2	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	9,137,281	6.52%
3	JP MORGAN NOMINEES AUSTRALIA LIMITED	7,118,233	5.08%
4	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	6,028,427	4.30%
5	NATIONAL NOMINEES LIMITED	4,872,183	3.48%
6	CITICORP NOMINEES PTY LIMITED	2,519,856	1.80%
7	NOREL NOMINEES PTY LTD	2,000,000	1.43%
8	BELLARINE GOLD PTY LTD	1,280,000	0.91%
9	MRS JANE KILLEN & MR MATTHEW JAMES KILLEN	1,200,000	0.86%
10	KIMBRIKI NOMINEES PTY LTD	1,000,000	0.71%
11	COWAY MANAGEMENT LIMITED	965,162	0.69%
12	DIEMAR & ASSOCIATES PTY LIMITED	868,255	0.62%
13	EDNA SECURITIES PTY LTD	849,177	0.61%
14	MR PETER LORENZ	824,016	0.59%
15	MR COLIN JAMES MCCAVANA & MRS DEBRA DIANE MCCAVANA	720,648	0.51%
16	AMMF INVESTMENTS PTY LTD	600,000	0.43%
17	COAL INDUSTRY SERVICES PTY LTD	585,000	0.42%
18	A M VAN HEYST SUPERANNUATION PTY LTD	585,000	0.42%
19	MR JOHN CHARLES TAYLOR & MRS CHRISTINE RUTH TAYLOR	582,355	0.42%
20	ABN AMRO CLEARING SYDNEY NOMINEES PTY LTD	542,594	0.39%

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.