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

FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 30 JUNE 2020

FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 30 JUNE 2020

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DIRECTORS' REPORT

The directors of KGL Resources Limited submit herewith the financial statements of the consolidated entity consisting of KGL Resources Limited (KGL) and the entities it controlled for the half-year ended 30 June 2020.

Directors

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

Director	Position Held
Denis Wood	Executive Chairman
Ferdian Purnamasidi	Non-Executive Director
Peter Hay	Non-Executive Director
John Gooding	Non-Executive Director
Fiona Murdoch	Non-Executive Director

Principal Activity

The principal continuing activity of the Group during the half year was exploration and development of the Jervois Copper Project in the Northern Territory.

Review of Operations

During the half-year to 30 June 2020,

- KGL progressed toward development of the Company's Jervois Copper project
- Further high-grade drilling results enhanced mine planning of the current project and reinforced the future exploration potential at Jervois.

KGL entered the final stages of planning for the development of Jervois when the global economy was beset by the effects of the CoVid-19 pandemic with consequent impact on the copper market. The rising copper demand lifted the price of copper throughout last year to a peak of US$6,327 a tonne on 14 January 2020. The price fell with the onset of the pandemic to a low of US$4,630 on 23 March, rose to finish the half year at US$6,038 on 30 June and then continued to rise further in July.

In March 2020, KGL ceased its on-site exploration activities at the Jervois Project to avoid potential site and local community exposure to CoVid-19. Sufficient information had already been obtained to service the financial modelling required for the project financing stage, which was delayed beyond the targeted June 2020 date by the effects of the pandemic.

The on-site shutdown provided time to review and improve upon the geological model, incorporate recent drill results, complete mine geotechnical studies and other planning work including:

- updating the life of mine mining schedule based on improved geological knowledge at Reward
- optimisation of mine designs and equipment
- updating the construction and operating costs
- detailed infrastructure planning

Project planning

During the half year, the Company concentrated on project planning and this continued into the second half of 2020, with the focus on completing works necessary for release of a Prefeasibility Study in Q4 2020. The Mining Management Plan, which was submitted to the Northern Territory Government in April, is expected to be approved in 2020, and any accompanying conditions will be incorporated into the modelling required to seek project financing.

Geotechnical

Detailed open pit and underground geotechnical reports were received from consultants in May. Favourable ground conditions in the Rockface underground mining area support a top-down mining strategy to target ore access sooner than would otherwise be possible. The available open pit data was found to be of a high level of confidence for the proposed open pits at Reward and Bellbird, and design parameters for the pits that are similar to those previously determined have been recommended.

DIRECTORS' REPORT

Review of Operations (continued)

Mine planning

A review of the underground mine plan for Rockface resulted in higher tonnages of ore and consequent copper metal becoming available earlier in the mining sequence at costs similar to previous estimates.

An updated geological model including the latest drilling results led to the commencement of a re-optimisation of the Reward open pit and underground mines.

Processing

A review of metallurgical testing was completed, to support metallurgical processing performance and future projections.

A second review of processing costs gave a high level of confidence in previous estimates used for planning. The process plant layout was developed and incorporated into the overall site plan. This includes the capture of run-off for re-use in the process water supply.

Infrastructure

A review of power plant tenders included assessment of the potential use of wind power in a hybrid diesel-solar plant.

A review of civil design – roads, water pond, tailings storage and other infrastructure – was completed. A cost estimate is being reviewed.

Drone based high resolution imaging equipment was used to complete detailed topographic surveying at the site.

Lease and licence applications for the water supply bore field were progressed.

Improved geological understanding

During the half year, the knowledge of the geology at Jervois that has been built up over several years was brought to bear on the mine planning. Understanding the internal distribution of the mineralisation is leading to more efficient design of both the proposed open pit and underground mines at Reward, where half of the known Jervois mineral resource is located, and also at the proposed underground mine at the Bellbird deposit. The greater efficiency in ore recovery will provide economic gains for the Jervois project.

Exploration

Exploration results received during the half year strengthened mine planning, confirmed the new Reward South discovery and highlighted the potential for finding new deposits.

Reward

Assays were received in February from nine holes that tested the boundaries of the interpreted high-grade shoots, and in April from three additional holes. All intercepted good mineralisation.

DIRECTORS' REPORT

Review of Operations (continued)

Exploration (continued)

Reward (continued)

At the Reward Main Lode, further high-grade copper was intersected just above and just below the outline of the proposed pit, improving confidence in the resource now subject to mine planning.

Results included hole KJCD418 intersecting just above the proposed pit outline:

- 24.9 m (ETW) @ 1.53% Cu, 37.5 g/t Ag, 0.21 g/t Au from 114.6 m,
  - including 8.1m (ETW) @ 3.57% Cu, 87.2 g/t Ag, 0.56 g/t Au from 116.7 m

And hole KJD401 intersecting just below the proposed pit outline:

- 33.5 m (ETW) @ 1.41% Cu, 43.6 g/t Ag, 0.12 g/t Au from 170.3 m,
  - including 14.5 m (ETW) @ 2.14% Cu, 57.1 g/t Ag, 0.17 g/t Au from 170.3 m

At Reward Deeps, Hole KJCD417 intercepted further high-grade copper up-dip of the Reward Deeps Lode, thus confirming resource growth potential closer to the surface and continuity of high grade mineralisation over more than 200 metres, intersecting:

- 5.7 m (ETW) @ 1.4% Cu, 11.6 g/t Ag, 0.34 g/t Au from 255.4 m

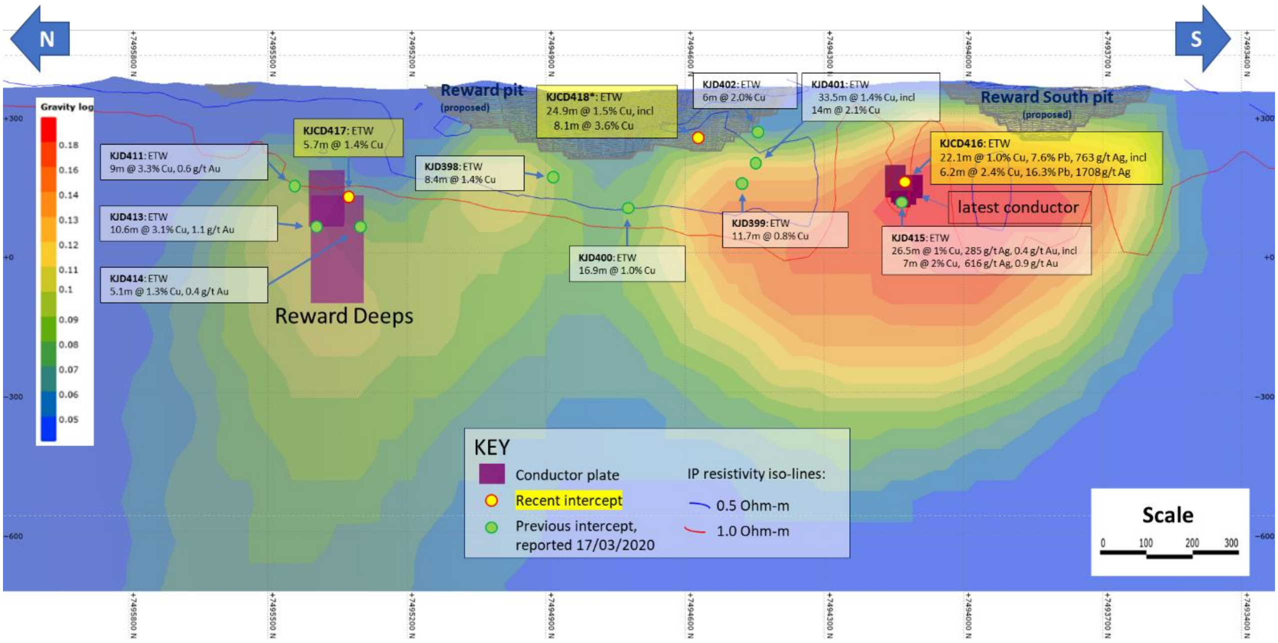

Figure 1: Longitudinal section of recent assay results and recent interpreted conductor plates from Reward (decimals rounded for ease of presentation). Also shown is an image of the gravity model of Reward.

Review of Operations (continued)

Exploration (continued)

At Reward South, two drill intercepts of very high silver grades over wide intervals of polymetallic mineralisation confirmed the significance of the recent discovery of a strong conductor zone that resulted from down hole electromagnetic (DHEM) surveying. The new area of strong mineralisation is open in all directions.

Hole KJD415 intercepted:

- 26.5 m (ETW) @ 0.98% Cu, 285.5 g/t Ag, 0.36 g/t Au from 242.2 m,
  - including 7 m @ 2.04% Cu, 616.5 g/t Ag, 0.91 g/t Au from 272.4 m

Hole KJCD416 was drilled to further test this conductor and intercepted:

- 22.1 m (ETW) @ 1.02% Cu, 7.57% Pb, 5.26% Zn, 763.2 g/t Ag, 0.44 g/t Au from 224.8 m,
  - including 6.2 m (ETW) @ 2.41% Cu, 16.33% Pb, 8.87% Zn, 1708.1 g/t Ag, 0.81 g/t Au from 251.2 m

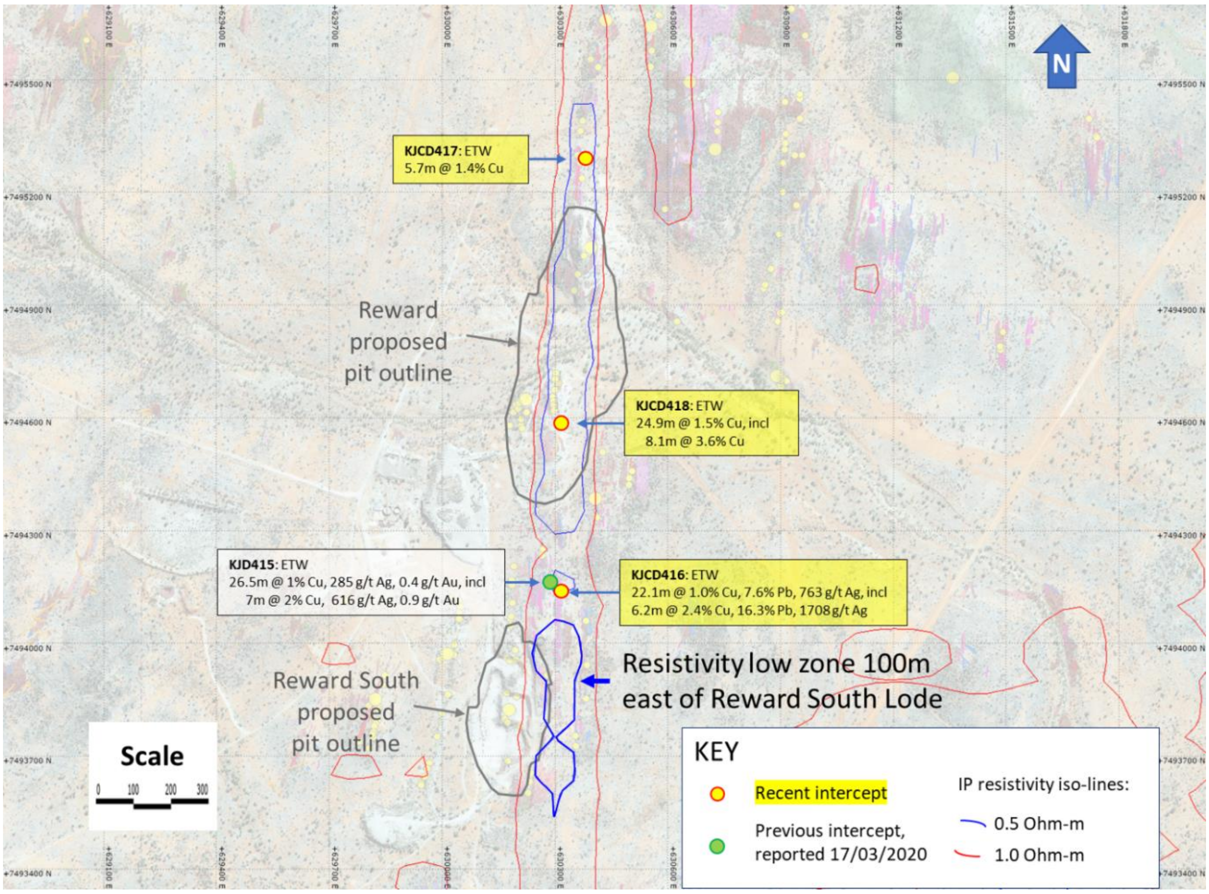

Figure 2: Map of recent assay results at Reward (decimals rounded for ease of presentation). Also shown are resistivity iso-lines at 150m RL.

Review of Operations (continued)

Exploration (continued)

Bellbird

At Bellbird, three holes drilled directly underneath the proposed pit were successful in identifying copper extensions, showing that significant mineralisation occurs immediately below the limit of the proposed pit.

Assays included, for hole KJD406:

- 18.3 m (ETW) @ 1.35% Cu, 4.2 g/t Ag, 0.04 g/t Au from 104.6 m,
    - including 9.4 m @ 2.01% Cu, 7.2 g/t Ag, 0.05 g/t Au from 119.4 m

    and for hole KJD408:

- 10.2 m (ETW) @ 2.38% Cu, 14.0 g/t Ag, 0.13 g/t Au from 91.5 m,
    - including 4.7 m @ 3.90% Cu, 20.6 g/t Ag, 0.21 g/t Au from 91.5 m

Bellbird North

At Bellbird North, three holes drilled directly underneath the proposed pit intercepted mineralisation where the extension of the lode was expected, although the lode appeared to be thinner than the surrounding intercepts. Another two holes were drilled beneath the proposed pit to test possible extensions of a previously reported bornite vein and both intercepted high-grade copper in a narrow zone of chalcopyrite veinlets with minor bornite.

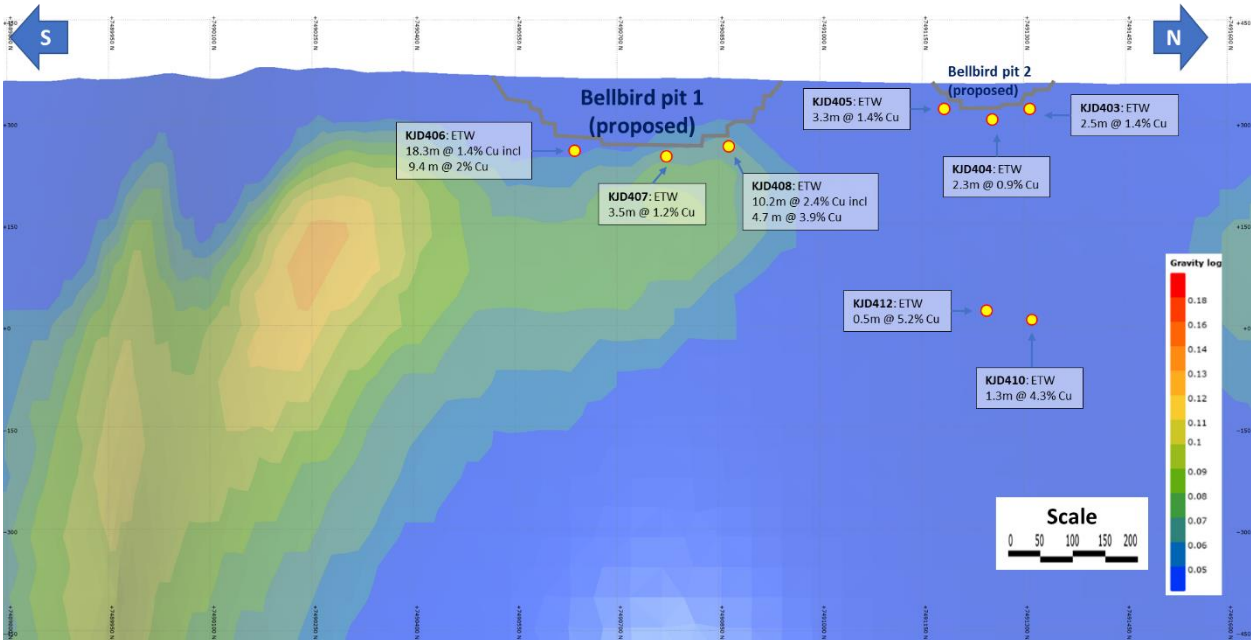

Figure 3: Longitudinal section of recent assay results and recent interpreted conductor plates from Bellbird (decimals rounded for ease of presentation). Also shown is an image of the gravity model of Bellbird.

DIRECTORS' REPORT

Financial Review

For the half-year ended 30 June 2020, the KGL group recorded loss after taxation of $681,818 (Loss 2019: $1,572,903).

In the half year to 30 June 2020 $3,006,121 (2019: $7,351,301), was incurred developing the Jervois Project. Employee benefits expenses from continued operations were in the half year to 30 June 2020 $305,097 (2019: $1,358,240). In the prior half year, a non-cash share-based payment of $1m was made to the Executive Chairman Mr Denis Wood. No material expenses have been incurred in the period as a result of the CoVid-19 pandemic.

The KGL cash reserve as at 30 June 2020 was $3,452,968.

Material Business Risks

KGL's material business risks are disclosed in the 2019 Annual Report and continue to apply in the current reporting period.

In addition, the following risks have been identified as being further exacerbated by the CoVid-19 pandemic which emerged in the current reporting period and continues to be of global concern.

Future Capital Raisings

KGLs' ongoing activities may require substantial further financing in the future, in addition to amounts raised pursuant to the July 2020 Entitlement Offer. KGL will require additional funding to bring the Jervois Copper Project into commercial production. Any additional equity financing may be dilutive to Shareholders, may be undertaken at lower prices than the current market price and debt financing, if available, may involve restrictive covenants which limit KGL's operations and business strategy. Although the Directors believe that additional capital can be obtained, no assurances can be made, especially given the impact of the CoVid-19 pandemic, that appropriate capital or funding, if and when needed, will be available on terms favourable to KGL or at all. If KGL is unable to obtain additional financing as needed, it may be required to reduce, delay or suspend its operations and this could have a material adverse effect on KGL's activities and could affect KGL's ability to continue as a going concern.

Feasibility and Development Risks

It may not always be possible for KGL to exploit successful discoveries which may be made in areas in which KGL has an interest. Such exploitation would involve obtaining the necessary licences or clearances from relevant authorities that may require conditions to be satisfied and/or the exercise of discretions by such authorities. It may or may not be possible for such conditions to be satisfied. Further, the decision to proceed to further exploitation may require participation of other companies whose interests and objectives may not be the same as KGL's. There is a complex, multidisciplinary process underway to complete further feasibility studies to support any development proposal. There is a risk that a feasibility study and associated technical works will not achieve the results expected. There is also a risk that even if a positive feasibility study is produced, the project may not be successfully developed for commercial or financial reasons in the economic downturn triggered by the emergence of CoVid-19.

Availability of equipment and contractors

Prior to the CoVid-19 pandemic, the availability of appropriate equipment, including drill rigs, was in short supply. There was also high demand for contractors providing other services to the mining industry. The extent to which CoVid-19 will impact on the availability or equipment and contractors in the future is uncertain at this stage but there will be an effect. Consequently, there is a risk that KGL may not be able to source all the equipment and contractors required to fulfil its proposed exploration and development activities. There is also a risk that hired contractors may underperform or that equipment may malfunction, either of which may affect the progress of KGL's exploration activities.

State border restrictions

Further site-based activities may be required for the purposes progressing project development. These activities may be reduced, delayed, or curtailed due to State Border restrictions on inter-state travel if employees or third-party contractors required for those activities are based interstate.

Material Business Risks (continued)

Fluctuations in Copper Price and Australian Dollar Exchange Rate

The copper mining industry is competitive. There can be no assurance that copper and gold prices will be such that KGL can mine its deposits at a profit. Copper and gold prices fluctuate due to a variety of factors including supply and demand fundamentals, international economic and political trends, expectations of inflation, currency exchange fluctuations, interest rates, global or regional consumption patterns and speculative activities. These fluctuations were exacerbated by the worldwide spread of the CoVid-19 virus and at this stage, forecast recoveries from the impact of the virus are speculative. Similarly, demand and supply of capital and currencies, forward trading activities, relative interest rates and exchange rates and relative economic conditions can impact exchange rates.

Future Prospects

The Directors continue to work toward financing and development of the Jervois project, utilising the funds available to KGL in the current market and managing the impacts of the CoVid-19 pandemic on KGL. KGL is working towards completion of an updated Jervois Prefeasibility study with release expected Q4 2020.

Events after the reporting date

Entitlement offer

On 9 July 2020, KGL announced a 2 for 25 non-renounceable rights issue to raise up to $3.991 million in cash, before costs, through the issue of up to 24,945,448 shares at 16 cents.

The record date for the offer was 14 July 2020, and the offer closed on 31 July. KGL received valid applications for approximately 23,929,918 shares and existing holders applied for an additional $1.38 million of capital through the shortfall facility. A total of $3.83 million was raised before costs.

Ongoing Impact from CoVid-19 pandemic

On 11 March 2020, the World Health Organisation Director-General declared the outbreak of the novel coronavirus (CoVid-19) a pandemic. Although in Australia the pandemic is largely under control, there are still significant restrictions imposed at a federal, state and territory level. There also exists the possibility that the virus could re-emerge resulting in restrictions being strengthened. KGL withdrew all staff and contractors from the Jervois site in the Northern Territory (NT) in March 2020. Regular site security checks by NT-based employees are made ensuring that no contact is made with the local community. Resumption of site activities will be discussed with the NT government and will be impacted by state border restrictions. There are no immediate plans to resume site-based exploration activities in the NT.

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.

Auditor's Independence Declaration

A copy of the independence declaration by the lead auditor under section 307C is included on page 11 to this directors' report.

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

Denis Wood
Chairman

18 August 2020

COMPETENT PERSONS STATEMENT

The Jervois Exploration data in the Director's report is based on information compiled by Adriaan van Herk, a member of the Australian Institute of Geoscientists, Chief Geologist, and a full-time employee of KGL Resources Limited.

Mr. van Herk has sufficient experience which is relevant to the style of the mineralisation and the type of deposit under consideration and to the activity to which he is undertaking, to qualify as a Competent Person as defined in the 2012 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. Mr. van Herk has consented to the inclusion of this information in the form and context in which it appears in this report.

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

Hole		Date originally Reported	JORC Reported Under	Hole		Date originally Reported	JORC Reported Under
KJD	398	17/03/2020	2012	KJD	410	17/03/2020	2012
KJD	399	17/03/2020	2012	KJD	411	17/03/2020	2012
KJD	400	17/03/2020	2012	KJD	412	17/03/2020	2012
KJD	401	17/03/2020	2012	KJD	413	17/03/2020	2012
KJD	402	17/03/2020	2012	KJD	414	17/03/2020	2012
KJD	403	17/03/2020	2012	KJD	415	17/03/2020	2012
KJD	404	17/03/2020	2012	KJD	416	14/04/2020	2012
KJD	405	17/03/2020	2012	KJD	417	14/04/2020	2012
KJD	406	17/03/2020	2012	KJD	418	14/04/2020	2012
KJD	407	17/03/2020	2012				
KJD	408	17/03/2020	2012				

AUDITORS' INDEPENDENCE DECLARATION

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DECLARATION OF INDEPENDENCE BY T R MANN TO THE DIRECTORS OF KGL RESOURCES LIMITED

As lead auditor for the review of KGL Resources Limited for the half-year ended 30 June 2020, I declare that, to the best of my knowledge and belief, there have been:

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

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

T R Mann
Director

BDO Audit Pty Ltd

Brisbane, 18 August 2020

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE HALF-YEAR ENDED 30 JUNE 2020

	Note	Half-year ended 30 Jun 2020 $	Half-year ended 30 Jun 2019 $
Revenue and other income		27,433	118,897
Employee benefits expense	2	(305,097)	(1,358,240)
Depreciation and amortisation expense		(26,441)	(5,241)
Professional and consultancy fees expense		(154,421)	(81,831)
Corporate overheads expense		(143,206)	(130,140)
Business development and investor relations expense		(21,209)	(51,835)
Other expenses		(58,877)	(64,513)
Loss before income tax		(681,818)	(1,572,903)
Income tax expense		-	-
Net profit/(loss) for the half-year		(681,818)	(1,572,903)
Other comprehensive income		-	-
Total comprehensive income for the half-year		(681,818)	(1,572,903)
Net profit/(loss) attributable to:			
Owners of KGL Resources Limited		(681,818)	(1,572,903)
		(681,818)	(1,572,903)
Total comprehensive income attributable to			
Owners of KGL Resources Limited		(681,818)	(1,572,903)
		(681,818)	(1,572,903)
Earnings per share attributable to the owners of KGL Resources Limited			
Basic earnings per share (cents per share)		**(0.22)**	**(0.58)**
Diluted earnings per share (cents per share)		**(0.22)**	**(0.58)**

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2020

	Note	30 Jun 2020	31 Dec 2019
		$	$
Current assets			
Cash and cash equivalents		**3,452,968**	6,726,255
Trade and other receivables	5	**126,826**	171,668
Financial assets		**110,155**	476,644
Prepayments		**87,747**	104,200
Total current assets		**3,777,696**	7,478,767
Non-current assets			
Financial assets		**223,102**	227,996
Property, plant, and equipment	3	**223,672**	322,357
Exploration and evaluation assets	4	**63,146,591**	60,140,470
Intangible assets		**1,359**	5,350
Total non-current assets		**63,594,724**	60,696,173
TOTAL ASSETS		**67,372,420**	68,174,940
Current liabilities			
Trade and other payables	6	**686,201**	726,465
Lease Liabilities	7	**91,789**	110,933
Total current liabilities		**777,990**	837,398
Non-Current liabilities			
Non-Current Lease Liabilities	7	**37,731**	71,663
Total current liabilities		**37,731**	71,663
TOTAL LIABILITIES		**815,721**	909,061
NET ASSETS		**66,556,699**	67,265,879
Equity			
Contributed equity	8	**186,510,521**	186,537,883
Accumulated losses		**(119,953,822)**	(119,272,004)
Total equity		**66,556,699**	67,265,879

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

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 30 JUNE 2020

	Note	Half-year ended 30 Jun 2020 $	Half-year ended 30 Jun 2019 $
Cash flows from operating activities			
GST refunded		**257,538**	635,877
Payments to suppliers and employees		**(914,912)**	(1,233,280)
Interest received		**24,130**	90,056
Net cash used in operating activities		**(633,244)**	(507,347)
Cash flows from investing activities			
Payments for exploration and evaluation assets		**(2,909,289)**	(5,229,198)
Payments for property, plant and equipment		**(16,805)**	(8,175)
Movement in term deposits		**366,489**	(344,721)
Net cash used in investing activities		**(2,559,605)**	(5,582,094)
Cash flows from financing activities			
Net proceeds from issue of shares	8	**(27,362)**	6,477,269
Lease payments – net of finance costs		**(49,353)**	-
Lease interest		**(3,723)**	-
Net cash used in financing activities		**(80,438)**	6,477,269
Net (decrease)/increase in cash and cash equivalents		**(3,273,287)**	387,828
Cash and cash equivalents at the beginning of the period		**6,726,255**	576,202
Cash and cash equivalents at end of period		**3,452,968**	964,030

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

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE HALF-YEAR ENDED 30 JUNE 2020

	Contributed Equity $	Accumulated losses $	Total equity $
Balance at 1 January 2020	**186,537,883**	**(119,272,004)**	**67,265,879**
Profit/(loss) for the half-year	**-**	**(681,818)**	**(681,818)**
Other comprehensive income	**-**	**-**	**-**
Total comprehensive income for the half-year	**-**	**(681,818)**	**(681,818)**
Transactions with owners in their capacity as owners	**-**	**-**	**-**
Share issue costs	**(27,362)**	**-**	**(27,362)**
Balance at 30 June 2020	**186,510,521**	**(119,953,822)**	**66,556,699**

	Contributed Equity $	Accumulated losses $	Total equity $
Balance at 1 January 2019	173,200,789	(116,943,628)	56,257,161
Profit/(loss) for the half-year	-	(1,572,903)	(1,572,903)
Other comprehensive income			
Total comprehensive income for the half-year	-	(1,572,903)	(1,572,903)
Transactions with owners in their capacity as owners			
Issue of Share Capital, net of share issue costs.	7,477,269	-	7,477,269
Balance at 30 June 2019	180,678,058	(118,516,531)	62,161,527

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 30 JUNE 2020

Note 1. Basis of preparation

These general purpose financial statements for the half-year reporting period ended 30 June 2020 have been prepared in accordance with Australian Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Act 2001.

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

These half-year financial statements do not include all the notes of the type normally included in annual financial statements and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial statements. Accordingly, these half-year financial statements are to be read in conjunction with the annual financial statements for the year ended 31 December 2019 and any public announcements made by KGL Resources Limited during the half-year reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The same accounting policies and methods of computation have generally been followed in these half-year financial statements as compared with the most recent annual financial statements except for the adoption of new and amended standards as set out below.

New and amended standards adopted by the group

No new or amended standards became applicable for the current reporting period and the group has not changed its accounting policies during the reporting period.

Going Concern

The financial report has been prepared on the going concern basis, which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the normal course of business.

As disclosed in the financial report, the consolidated entity incurred a net loss of $681,818 and net operating cash outflows of $633,244 for the period ended 30 June 2020. As at 30 June 2020 the consolidated entity has cash of $3,452,968.

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

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

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

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

- the consolidated entity has a proven history of successfully raising funds which included during the period raising $5.9 million in November 2019, through a share placement plan.
- Subsequent to the end of the period, on the 9 July 2020, KGL announced a 2 for 25 non-renounceable entitlement offer to raise up to $3.991 million, before costs. Two major shareholders, who together hold 36% of KGL's issued capital, have committed to take up their share of the entitlement offer.

Note 1. Basis of preparation (continued)

Going Concern (continued)

- The Directors believe there is sufficient cash available for the consolidated entity to continue operating until it can raise further capital to fund its ongoing activities.

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

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

Segment information

AASB 8 requires operating segments to be identified on the basis of internal reports about components of the Consolidated Entity that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance.

Management currently identifies the Group as having only one reportable segment, being exploration at the Jervois site in the Northern Territory. The financial results from this segment are equivalent to the financial statements of the Group. There were no changes in identified reportable segments during the period since the last annual financial statements.

Note 2. Employee benefits expense

In the prior reporting period, the total employee benefits expense as at reporting date included a share-based payment expense of $1,000,000, corresponding to the 4 million shares issued to the executive chair, Denis Wood for his past three years of service. There were no share-based payments made in the current period.

Note 3. Property, plant and equipment

	Plant & Equipment 30 Jun 2020 $	Plant & Equipment 31 Dec 2019 $
At 1 January, net of accumulated depreciation	**140,320**	222,798
Additions – Property, plant and equipment	**16,805**	78,729
Disposals	**-**	(18,865)
Depreciation and amortisation	**(47,729)**	(142,342)
At the end of the period, net of accumulated depreciation	**109,396**	140,320
Cost - Property, plant and equipment	**479,702**	468,802
Accumulated depreciation – Property, plant and equipment	**(370,306)**	(328,482)
Net carrying amount	**109,396**	140,320

	Plant & Equipment 30 Jun 2020 $	Plant & Equipment 31 Dec 2019 $
Cost - Right-of-use Asset	**275,370**	275,370
Accumulated depreciation	**(161,094)**	(93,333)
Net carrying amount	**114,276**	182,037
Total carrying amount of property, plant and equipment	**223,672**	322,357

Right-of-use assets relates to head office premises and plant and equipment used in exploration activities. Depreciation of right-of-use assets is capitalised to exploration and evaluation assets.

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 30 JUNE 2020

Note 4. Exploration and evaluation assets

	30 Jun 2020 $	31 Dec 2019 $
Deferred exploration and evaluation assets	**63,146,591**	60,140,470
Deferred exploration and evaluation assets		
Balance at beginning of the period	**60,140,470**	46,253,894
Current period expenditure	**3,006,121**	13,886,576
R&D Tax Credit	**-**	-
Balance at end of the period	**63,146,591**	60,140,470

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

Note 5. Trade and other receivables

	30 Jun 2020 $	31 Dec 2019 $
GST Receivable (net)	**29,356**	132,881
Other Receivables	**97,470**	38,787
	126,826	171,668

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

Note 6. Trade and other payables

	30 Jun 2020 $	31 Dec 2019 $
Unsecured trade payables	**570,169**	543,623
Employee benefits	**116,032**	182,842
	686,201	726,465

(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 as these are non-interest bearing.

Note 7. Lease liabilities

	30 Jun 2020 $	31 Dec 2019 $
Current lease liabilities	**91,789**	110,933
Non-current lease liabilities	**37,731**	71,663
	129,520	182,596

Note 8. Contributed equity

	30 Jun 2020 $	31 Dec 2019 $
(a) Issued and paid up capital		
Ordinary shares fully paid	**186,510,521**	186,537,883

Note 8. Contributed equity (continued)

(b) Movements in shares on issue

	30 Jun 2020		31 Dec 2019	
Details	**Number of Shares issued**	**Issued capital $**	Number of Shares issued	Issued capital $
Beginning of the half-year	**311,818,103**	**186,537,883**	285,965,087	180,678,058
Exercise of options	**-**	**-**	-	-
Issue Shares – November 2019	**-**	**-**	25,853,016	5,946,195
Share based payments	**-**	**-**	-	-
Share Issue Costs	**-**	**(27,362)**	-	(86,370)
Closing balance	**311,818,103**	**186,510,521**	311,818,103	186,537,883

(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.

Note 9. Fair value measurement

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

Note 10. Contingent liabilities and assets

There have been no material changes to contingent liabilities and assets since the 31 December 2019 financial report.

Note 11. Events subsequent to reporting date

Entitlement offer

On 9 July 2020, KGL announced a 2 for 25 non-renounceable rights issue to raise up to $3.991 million in cash, before costs, through the issue of up to 24,945,448 shares at 16 cents.

The record date for the offer was 14 July 2020, and the offer closed on 31 July. KGL received valid applications for approximately 23,929,918 shares and existing holders applied for an additional $1.38 million of capital through the shortfall facility. A total of $3.83 million was raised before costs.

Ongoing Impact from CoVid-19 pandemic

On 11 March 2020, the World Health Organisation Director-General declared the outbreak of the novel coronavirus (CoVid-19) a pandemic. Although in Australia the pandemic is largely under control, there are still significant restrictions imposed at a federal, state and territory level. There also exists the possibility that the virus could re-emerge resulting in restrictions being strengthened. KGL withdrew all staff and contractors from the Jervois site in the Northern Territory (NT) in March 2020. Regular site security checks by NT-based employees are made ensuring that no contact is made with the local community. Resumption of site activities will be discussed with the NT government and will be impacted by state border restrictions. There are no immediate plans to resume site-based exploration activities in the NT. 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.

Note 12. Related Party Transactions

During the half-year to 30 June 2020, KGL engaged Core Resources Pty Ltd, a director-related entity to provide metallurgical consulting work. This value of this work totalled $25,741 and the services were performed on an arm's length basis.

There were no other related party transactions requiring disclosure.

DIRECTORS' DECLARATION

The directors of the company declare that in their opinion:

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

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

   b) Give a true and fair view of the consolidated entity's financial position as at 30 June 2020 and of its performance for the half-year ended on that date.

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

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

Denis Wood
Chairman

Brisbane

18 August 2020

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INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of KGL Resources Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of KGL Resources Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2020, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of the Group does not comply with the *Corporations Act 2001* including:

(i) Giving a true and fair view of the Group's financial position as at 30 June 2020 and of its financial performance for the half-year ended on that date; and

(ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to the audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001* which has been given to the directors of the Company, would be the same terms if given to the directors as at the time of this auditor's review report.

Material uncertainty relating to going concern

We draw attention to Note 1 in the financial report which describes the events and/or conditions which give rise to the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern and therefore the Group may be unable to realise its assets and discharge its liabilities in the normal course of business. Our conclusion is not modified in respect of this matter.

Responsibility of the directors for the financial report

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

Auditor's responsibility for the review of the financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the Corporations Act 2001 including giving a true and fair view of the Company's financial position as at 30 June 2020 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001.

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

BDO Audit Pty Ltd

BDO
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T R Mann
Director

Brisbane, 18 August 2020