



02 September 2021

Half Year Financial Statements

KGL Resources Limited (ASX: KGL) (KGL or the Company) advises the release of the attached Half Year Financial Statements for the period ending 30 June 2021.

This announcement has been authorised by KGL's Board of Directors.



2021

Financial Statements

for the half-year ended 30 June 2021



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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 2021.

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 (resigned 30 August 2021)	Executive Chairman
Ferdian Purnamasidi	Non-Executive Director
Peter Hay	Non-Executive Chairman
Fiona Murdoch	Non-Executive Director
Steve Mallyon (appointed 5 July 2021)	Non-Executive Director
Simon Finnis (appointed 4 August 2021)	Managing Director and CEO

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 2021, KGL advanced towards the development stage of the Jervois Copper Mine Project by initiating and progressing a Definitive Feasibility Study (DFS).

Resource development drilling resumed in mid-February after an 11-month Covid-19 caused delay but continues to be impacted by the state border closures restricting staff and contractor movements. Drilling has been reduced to one shift per day at times.

Support for the project included the Northern Territory Government's approval of the Mining Management Plan in January 2021 and approval of water licensing in April 2021.

Early in the half-year, Mr John Levings was appointed Principal Geologist. His long career in Australian and international exploration, mine development and operations includes leading major mineral discoveries and acquisitions.

Shortly after the half year, on 5 July 2021, Mr Simon Finnis was appointed Chief Executive Officer to provide the high level of executive leadership required to progress the Jervois Project to development and production. He has 30 years of global mining experience, most recently as Managing Director and CEO of Metro Mining Limited.

At that same time on 5 July 2021, the Company's board was also strengthened with the appointment of Mr Steve Mallyon as a Non-Executive Director. Mr Mallyon has spent many years in mining and construction materials and in investment banking, including the management of mining and development projects in Australia and internationally.

On 4 August 2021, Mr Denis Wood announced that he would resign as Executive Chairman of the Company, effective from 30 August 2021. At the same time the Company appointed Mr Finnis as Managing Director of the Company.

Definitive Feasibility Study

Work on the DFS and associated project financing continued throughout the half-year and as announced on 27 August 2021, the Company expects to complete the DFS in Quarter 1 2022.

Mineral resource drilling at Reward, where the largest known deposit is located, continued with the aim of increasing confidence in the quality and extent of the resource. With continuing delineation of silver and gold resources at Reward, the planning studies are expected to benefit from exploitation of these valuable by-products given expected commodity prices.

Mining contractor and other consultancies were engaged in cost optimisation, mine design and updating the Ore Reserve. Work on the on-site infrastructure, operational inputs and services including power supply neared completion. With sustainable and cost-effective operational inputs and services being important considerations, the Company engaged a contractor to finalise the design on a low penetration solar power and battery system as well as the option of wind power.

Geotechnical investigation was undertaken at site to support the DFS, complementing information obtained as part of PFS development.

Resource Development Drilling

Drilling resumed on 16 February 2021 at Jervois with one high-capacity universal rig following the COVID-19 hiatus of 11 months, and a second rig commenced on 7 May 2021. Since the resumption of drilling, 39 holes have been completed, and assays received for 16 holes all of which are at Reward (*Table 1*). Productivity of the drilling operations has been impacted since resumption by the ongoing state boarder closures with delays extending the resource drilling program and impacting costs.

Of the 11,373 metres drilled, 3,449 metres were reverse-circulation (RC) comprising mainly pre-collars for holes which were subsequently completed by diamond drilling, and the remaining 7,924 metres were diamond drilling of either HQ or NQ size.

The drilling at Reward and Bellbird was designed to improve the JORC classification of the mineral resource models, principally to re-classify mineralisation from Inferred category to Indicated category. In general, the results continued to correlate well with the current mineral resource model. With the drilling directed at parts of the mineral resource model with the greatest uncertainty such as the margins of the known lodes, the assays were therefore quite often of lower grades over thinner intervals than the main zones of the mineralised bodies. Nonetheless, it is notable that there are strong silver and gold assays in some of the significant intersections.



Directors' Report

Review of operations (continued)

Resource Development Drilling (continued)

Table 1

Hole_ID	Depth_From m	Depth_To m	Downhole Thickness m	True Thickness m	Cu %	Ag g/t	Au g/t
KJCD42	364.50	365.60	1.10	0.68	1.55	10.1	0.19
	369.56	370.54	0.98	0.85	2.11	26.0	0.17
KJD427	101.42	104.38	2.96	2.57	0.90	5.2	0.03
	106.41	113.00	6.59	5.72	1.28	17.6	0.07
KJD428 including	76.00	99.00	23.00	19.71	2.54	68.1	0.27
	76.00	83.31	7.31	6.27	4.53	90.8	0.42
	103.31	115.09	11.78	10.10	0.99	15.7	0.06
KJD429	72.69	77.40	4.71	2.08	4.28	170.9	0.61
KJD430	57.60	62.36	4.76	2.10	5.91	71.4	0.36
	67.09	70.00	2.91	1.28	1.58	80.8	0.08
KJD431	54.35	64.55	10.20	6.45	3.71	76.4	0.30
KJD432	146.59	155.14	8.55	5.84	2.91	115.9	2.30
	158.41	168.33	9.92	6.78	1.57	41.2	0.16
KJD433	133.10	136.20	3.10	1.71	0.85	8.5	0.11
	139.02	149.50	10.48	5.79	2.34	95.1	0.48
	163.11	163.99	0.88	0.49	2.52	35.9	0.08
	169.58	172.07	2.49	1.38	1.60	8.7	0.19
KJCD434	465.40	466.37	0.97	0.49	1.25	7.0	0.07
	473.26	475.10	1.84	0.94	1.14	8.0	0.28
	495.13	502.30	7.17	3.65	3.31	13.7	0.19
	506.35	508.08	1.73	0.88	1.43	10.3	0.14
KJCD435	192.41	195.25	2.84	1.78	1.39	21.5	0.52
	291.34	296.34	5.00	3.27	1.89	31.1	0.13
	304.67	305.55	0.88	0.56	1.24	9.8	0.10
KJCD436	216.61	217.30	0.69	0.59	0.58	4.1	0.04
KJCD437	156.00	157.00	1.00	0.55	0.82	4.1	0.01
	159.00	160.00	1.00	0.55	0.62	2.8	0.00
	270.50	271.50	1.00	0.61	1.22	4.2	0.09
	301.01	302.68	1.67	1.01	5.01	71.0	0.25
KJCD438	481.94	495.15	13.21	9.88	2.25	31.9	1.03
	540.00	542.05	2.05	1.94	1.71	24.5	0.31
	544.00	545.00	1.00	0.95	1.03	23.7	0.14
KJCD439	613.80	614.60	0.80	0.75	1.36	43.4	0.68
KJCD440	462.59	463.60	1.01	0.66	1.40	45.4	0.16
KJCD441	335.00	339.90	4.90	3.30	2.11	30.2	1.19
	381.70	382.70	1.00	0.90	1.09	2.0	0.05

Table 1: Length-weighted mineralised intersections compiled from assay results from drilling at Jervois Project, Reward Deposit. N.B. to maintain consistency with the most recent mineral resource estimate, if an intercept is above 200mRL then the cut off is 0.5% Cu, if below 200mRL then the cut off is 1.0% Cu.

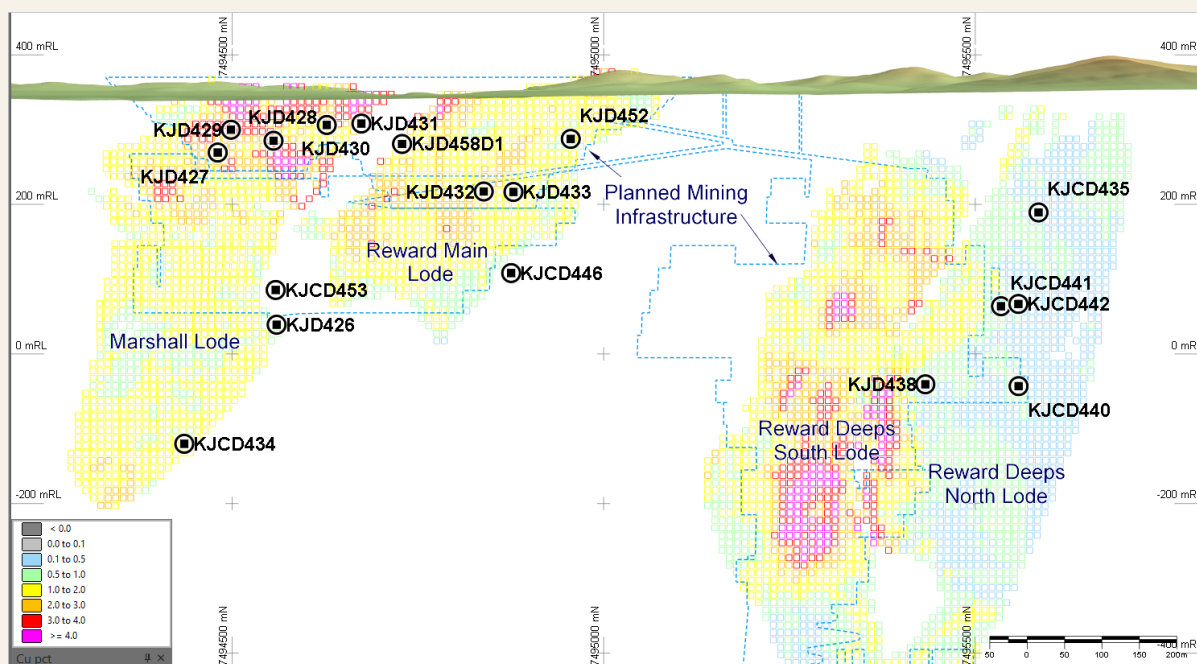


Figure 1: Long Section of Reward Deposit, Marshall, Main and Deeps Lodes showing pierce points of mineral resource development drilling completed in 2021. The 2020 JORC mineral resource block model is coloured by copper grades. The projected outline of current open pit and underground mine design is shown for reference.

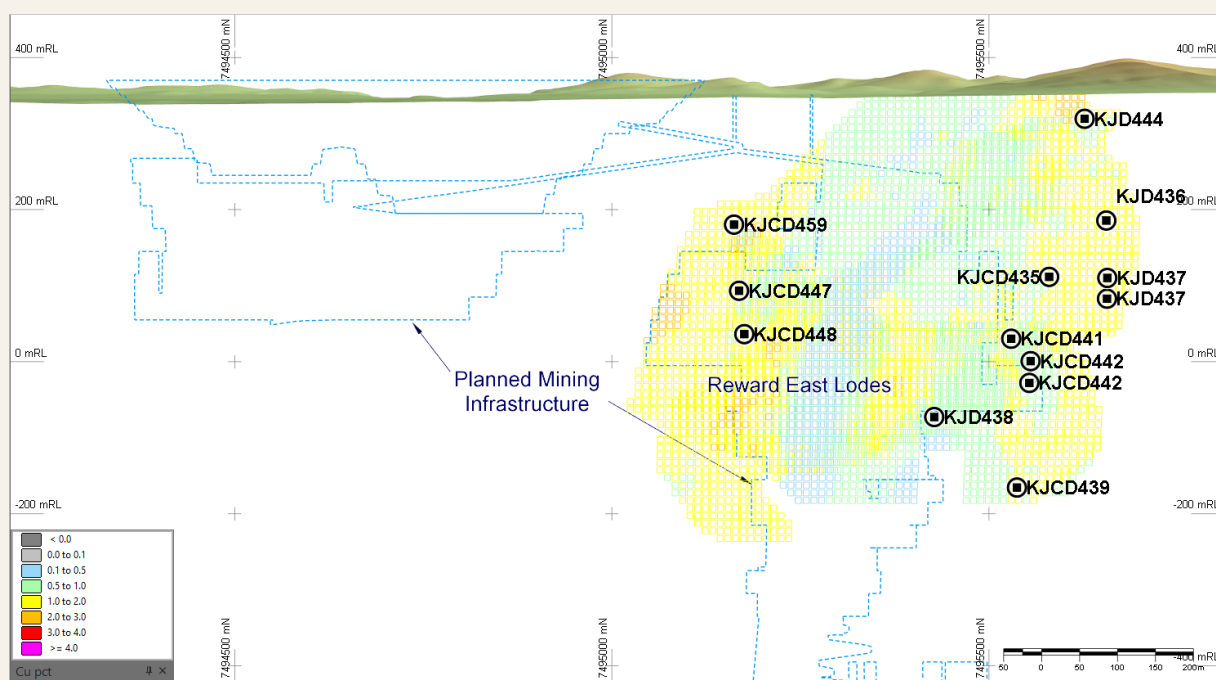


Figure 2: Long Section of Reward Deposit, East HW and East FW Lodes showing pierce points of mineral resource development drilling completed in 2021. The 2020 JORC mineral resource block model is coloured by copper grades. The projected outline of current open pit and underground mine design is shown for reference.

Directors' Report

Review of Operations (continued)

Exploration

Geophysics programs were launched into under-explored highly prospective parts of the Jervois J-fold.

The Company commenced an extensive MIMDAS 3D/2D IP-resistivity survey designed to cover sections of the J-fold which were inadequately covered by earlier, historical IP-resistivity surveys.

This followed a systematic review of 60 years' worth of geophysics at Jervois, which was completed in January 2021. One of the principal conclusions of the review was that IP-Resistivity has been the most reliable surface geophysical technique for the detection of mineralisation at depth. The report also recognised that Downhole Electromagnetic (DHEM) is a very valuable tool, which was clearly evidenced by the discovery at Rockface. The limitations of DHEM are that a drillhole must be available for the survey, the detection range is relatively short and the target mineralisation must be electrically conductive.

During the half year, four exploration holes were drilled, two into the Bellbird South prospect and two into Cox's Find, principally to prepare a platform for DHEM surveys. A DHEM crew is scheduled on site during the current (December) half year.

The current MIMDAS survey was designed particularly to cover the highly prospective 3 km of strike of the J-fold between Rockface and Reward which has never been covered by modern IP-resistivity. Historical IP lines north and south of Reward indicate anomalism at depth, below current drilling, including deeper to the north into the Unca Creek exploration licence (*Figure 4*). Infill IP in these areas will allow the construction of more accurate 3D inversion models, which should guide deep exploration drilling (*Figure 3*).

The historically based modelling suggests that existing drilling is all too shallow to adequately test these anomalies. IP data from the current MIMDAS survey will be amalgamated and re-processed together with the historical MIMDAS data to create a more detailed and precise 3D inversion model, which is expected to deliver superior drill targeting and exploration outcomes.



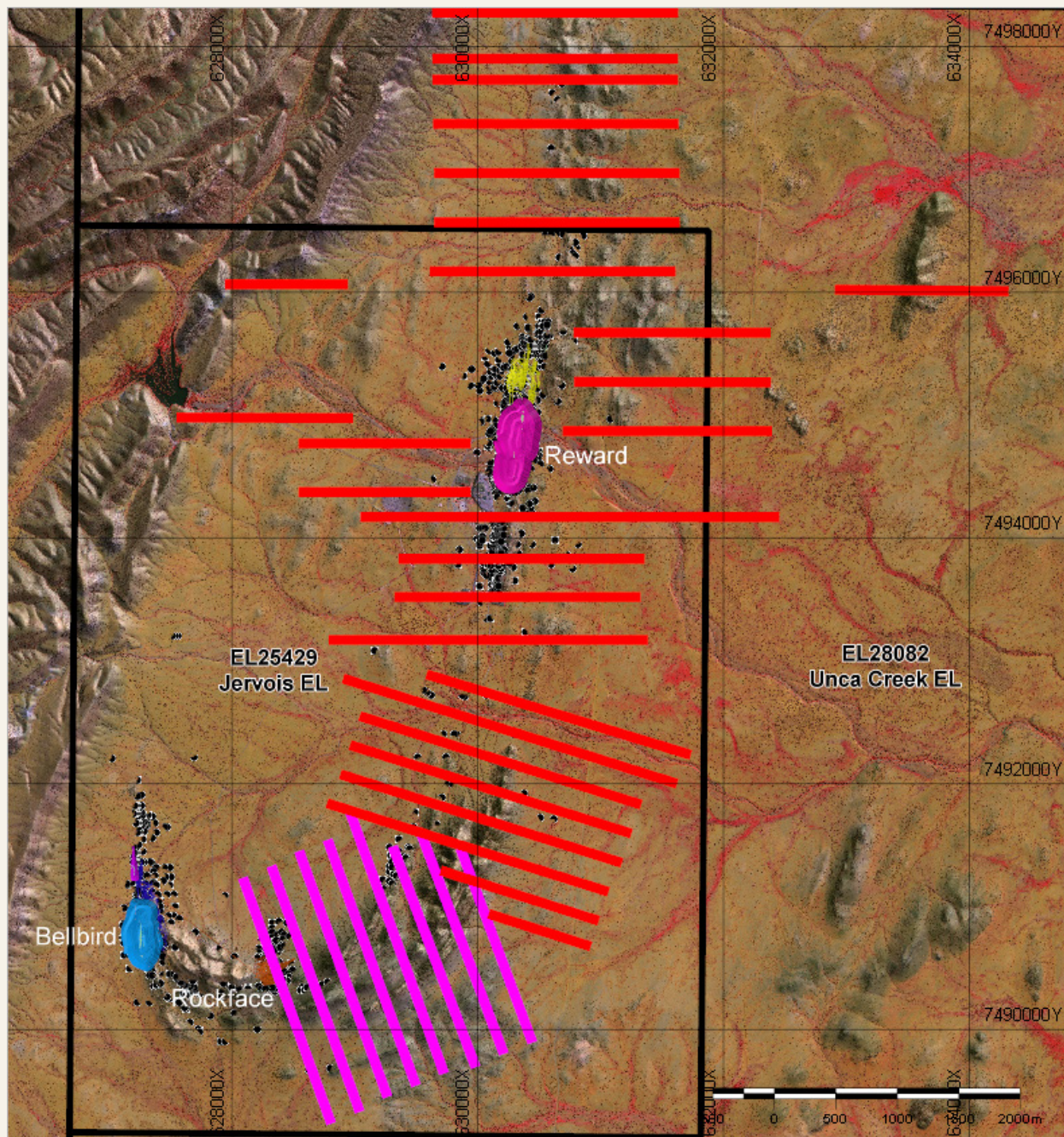


Figure 3: MIM-DAS IP-Resistivity survey currently under way on the Company's Jervois and Unca Creek Exploration Licences. The survey consists of a "3D" survey area (mauve lines) and "2D" survey line (red lines). The mauve 3D lines and the adjacent oblique 2D lines cover the data "gap" in the J-fold between Rockface and Reward. The remaining east-west 2D lines are infill of earlier MIM-DAS survey lines.

Directors' Report

Review of Operations (continued)

Exploration (continued)

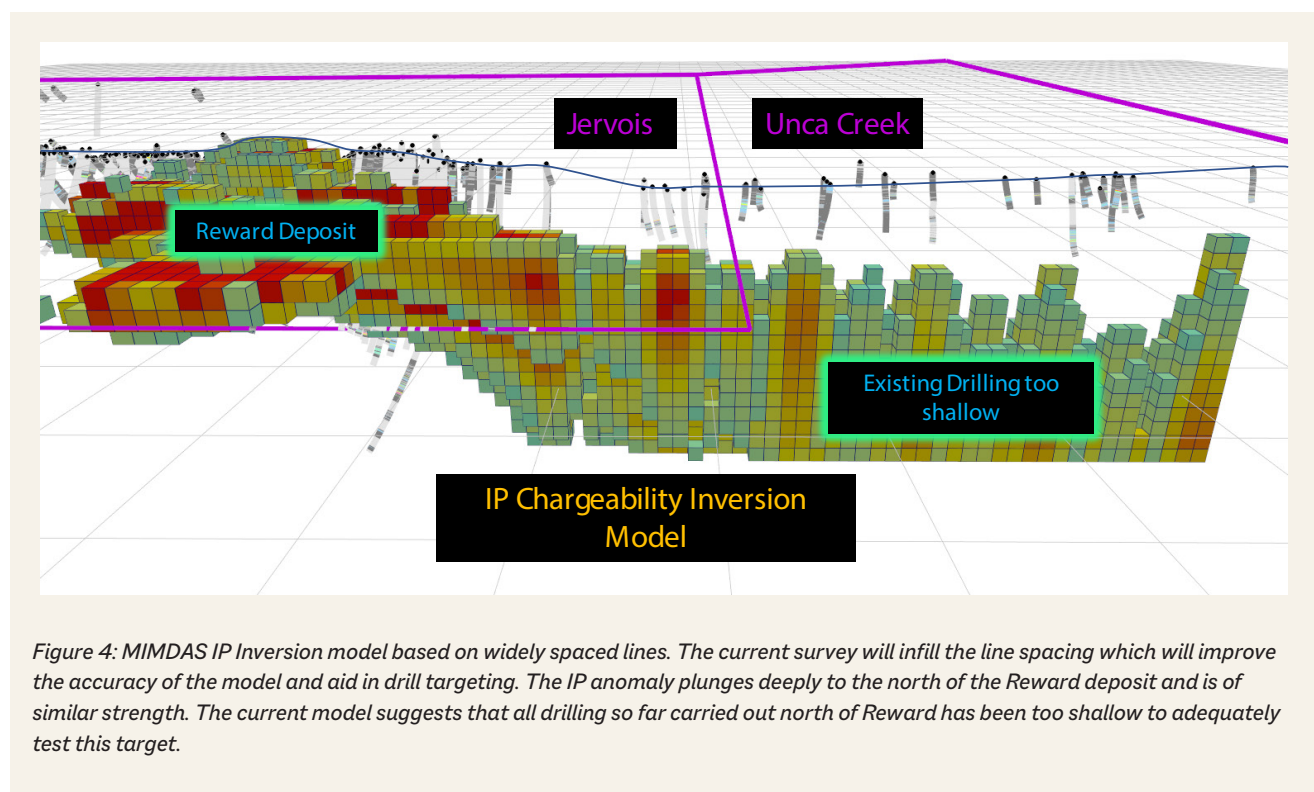


Figure 4: MIMDAS IP Inversion model based on widely spaced lines. The current survey will infill the line spacing which will improve the accuracy of the model and aid in drill targeting. The IP anomaly plunges deeply to the north of the Reward deposit and is of similar strength. The current model suggests that all drilling so far carried out north of Reward has been too shallow to adequately test this target.

Corporate

On 22 February 2021, KGL announced the successful completion of a strategic institutional placement, issuing 28,024,573 at \$0.42, and raising \$12 million before costs.

The placement was accompanied by a non-renounceable 1 for 13 entitlement offer, allowing existing shareholders to participate at \$0.42. The entitlement offer closed on 16 March 2021, and valid applications were received for approximately 22,795,564 new shares, representing approximately 81.3% of the 28,024,573 total new shares offered to shareholders. The entitlement offer raised \$9,574,128, before costs.

On 14 May 2021, the Company was pleased to advise that it had placed the shortfall shares from the entitlement offer. The shortfall offer of 5,200,000 shares was made to institutional and sophisticated investors at a price of \$0.70 per share (representing a 66% premium to the offer price under the entitlement offer) and raised a total of \$3,640,000.

KGL has utilised the proceeds from the equity raisings in the half year to optimise the mine planning, recommence resource delineation drilling and continue the project DFS.

KGL has \$25,027,298 cash on hand at 30 June 2021, which provides a pool of funds to finalise the DFS, undertake project financing, and test some of what KGL believes are exciting additional exploration targets in the area.

Financial Review

For the half-year ended 30 June 2021, the KGL group recorded loss after taxation of \$767,887 (Loss 2020: \$681,818).

In the half year to 30 June 2021 \$5,173,622 (2020: \$3,006,121), was incurred developing the Jervois Project. Employee benefits expenses from continued operations were in the half year to 30 June 2021 \$291,412 (2020: \$305,097).

The KGL cash reserve as at 30 June 2021 was \$25,027,298.

Material Business Risks

KGL's material business risks are disclosed in the 2020 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 continues to be of global concern and uncertainty.

Future Capital Raisings

KGLs' ongoing activities may require substantial further financing in the future, in addition to amounts raised pursuant to the placement and entitlement offer in the past six months. 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 as a result of an economic downturn triggered by the emergence of Covid-19.

Availability of equipment and contractors

The availability of appropriate skilled labour, and some equipment, including drill rigs, is in short supply, exacerbated by the Covid-19 pandemic, international and interstate border closures and supply chain issues. There is also high demand for contractors providing other services to the mining industry. The extent to which Covid-19 will continue to impact on the availability of 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 within its planned timeframes and/or at the budgeted cost. 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 and development activities.

State border restrictions

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

Fluctuations in Copper Price and Australian Dollar Exchange Rate

The copper mining industry is competitive. There can be no assurance that copper, silver and gold prices will be such that KGL can mine its deposits at a profit. Copper, silver 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 economic conditions can impact exchange rates.

Future Prospects

The Directors continue to work towards completion of the Definitive Jervois Feasibility Study, final investment decision, project financing and development commencement in Quarter 1 2022, which will be supplemented with further greenfield exploration work at Jervois.

Events after the reporting date

Issue of share options to CEO

On 8 July 2021, KGL 587,000 zero priced share options were granted (subject to shareholders' approval at a future meeting) to the new CEO, on the same terms and vesting conditions as those awarded to KGL executives and employees during the half-year (refer to Note 6 Financial Statements). The total fair value of the options granted was \$340,460.

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

Directors' Report

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.



Peter Hay
Chairman

1 September 2021

Competent Person's Statement

The Jervois Exploration data in the Director's report is based on information compiled by John Levings, a member of the Australian Institute of Geoscientists, Principal Geologist, and a part-time employee of KGL Resources Limited.

Mr Levings has the required 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, so as 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 Levings 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
KJCD	426	13/05/2021	2012
KJD	427	13/05/2021	2012
KJD	428	13/05/2021	2012
KJD	429	13/05/2021	2012
KJD	430	13/05/2021	2012
KJD	431	13/05/2021	2012
KJD	432	20/07/2021	2012
KJD	433	20/07/2021	2012
KJCD	434	13/05/2021	2012
KJCD	435	20/07/2021	2012
KJCD	436	20/07/2021	2012
KJCD	437	20/07/2021	2012
KJCD	438	20/07/2021	2012
KJCD	439	20/07/2021	2012
KJCD	440	20/07/2021	2012
KJCD	441	20/07/2021	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 2021, 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.

A handwritten signature in black ink, appearing to read 'T R Mann', with a long horizontal flourish extending to the right.

T R Mann
Director

BDO Audit Pty Ltd

Brisbane, 1 September 2021

BDO Audit Pty Ltd ABN 33 134 022 870 is a member of a national association of independent entities which are all members of BDO Australia Ltd ABN 77 050 110 275, an Australian company limited by guarantee. BDO Audit Pty Ltd and BDO Australia Ltd are members of BDO International Ltd, a UK company limited by guarantee, and form part of the international BDO network of independent member firms. Liability limited by a scheme approved under Professional Standards Legislation.

KGL RESOURCES LIMITED AND ITS CONTROLLED ENTITIES

ABN 52 082 658 080

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME FOR THE HALF-YEAR ENDED 30 JUNE 2021**

	Note	Half-year ended 30 Jun 2021	Half-year ended 30 Jun 2020
		\$	\$
Interest Income		14,711	27,433
Employee benefits expense	2	(291,412)	(305,097)
Depreciation and amortisation expense		(20,051)	(26,441)
Administration Expenses	2	(410,785)	(318,836)
Finance Costs		(585)	-
Other expenses		(59,765)	(58,877)
Loss before income tax		(767,887)	(681,818)
Income tax expense		-	-
Net profit/(loss) for the half-year		(767,887)	(681,818)
Other comprehensive income		-	-
Total comprehensive income for the half-year		(767,887)	(681,818)
Net profit/(loss) attributable to:			
Owners of KGL Resources Limited		(767,887)	(681,818)
Total comprehensive income attributable to			
Owners of KGL Resources Limited		(767,887)	(681,818)
Earnings per share attributable to the owners of KGL Resources Limited			
Basic earnings per share (cents per share)		(0.21)	(0.22)
Diluted earnings per share (cents per share)		(0.21)	(0.22)

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 FINANCIAL POSITION AS AT 30 JUNE 2021

	Note	30 Jun 2021	31 Dec 2020
		\$	\$
Current assets			
Cash and cash equivalents		25,027,298	5,157,935
Trade and other receivables		140,576	23,326
Financial assets		110,155	110,155
Prepayments		105,165	114,939
Total current assets		25,383,194	5,406,355
Non-current assets			
Financial assets		224,202	224,202
Property, plant, and equipment		491,273	135,869
Deferred exploration and evaluation costs	3	69,658,666	64,485,044
Intangible assets		1,227	-
Total non-current assets		70,375,368	64,845,115
TOTAL ASSETS		95,758,562	70,251,470
Current liabilities			
Trade and other payables	4	2,197,994	454,307
Lease Liabilities		207,805	63,348
Total current liabilities		2,405,799	517,655
Non-Current liabilities			
Lease Liabilities		154,221	13,427
Total non-current liabilities		154,221	13,427
		2,560,020	531,082
TOTAL LIABILITIES			
NET ASSETS		93,198,542	69,720,388
Equity			
Issued Capital	5	214,480,963	190,240,532
SBP Reserve		5,610	-
Accumulated losses		(121,288,031)	(120,520,144)
Total equity		93,198,542	69,720,388

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 CASH FLOWS FOR THE HALF-YEAR ENDED 30 JUNE 2021

	Note	Half-year ended 30 Jun 2021	Half-year ended 30 Jun 2020
		\$	\$
Cash flows from operating activities			
GST refunded		311,201	257,538
Interest Paid		(5,601)	(3,723)
Payments to suppliers and employees		(1,151,097)	(914,912)
Interest received		11,418	24,130
Net cash used in operating activities		(834,079)	(636,967)
Cash flows from investing activities			
Payments for exploration and evaluation assets		(3,400,693)	(2,909,289)
Payments for property, plant and equipment		(91,426)	(16,805)
Movement in term deposits			366,489
Net cash used in investing activities		(3,492,119)	(2,559,605)
Cash flows from financing activities			
Net proceeds/ (costs) from issue of shares	5	24,280,431	(27,362)
Lease payments – net of finance costs		(84,870)	(49,353)
Net cash used in financing activities		24,195,561	(76,715)
Net (decrease)/increase in cash and cash equivalents		19,869,363	(3,273,287)
Cash and cash equivalents at the beginning of the period		5,157,935	6,726,255
Cash and cash equivalents at end of period		25,027,298	3,452,968

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 2021**

	Contributed Equity	Share based payment reserve	Accumulated losses	Total equity
	\$	\$	\$	\$
Balance at 1 January 2021	190,240,532	-	(120,520,144)	69,720,388
Profit/(loss) for the half-year	-	-	(767,887)	(767,887)
Other comprehensive income	-	-	-	-
Total comprehensive income for the half-year	-	-	(767,887)	(767,887)
Transactions with owners in their capacity as owners	25,214,128	-	-	25,214,128
Share issue costs	(973,697)	-	-	(973,697)
Share based payments	-	5,610	-	5,610
Balance at 30 June 2021	214,480,963	5,610	(121,288,031)	93,198,542

	Contributed Equity	Share based payment reserve	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

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

KGL RESOURCES LIMITED AND ITS CONTROLLED ENTITIES

ABN 52 082 658 080

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 30 JUNE 2021

Note 1. Basis of preparation

These general-purpose financial statements for the half-year reporting period ended 30 June 2021 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.

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 2020 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 or amended accounting standards and interpretations adopted

The Group has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

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

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 \$767,887 and net operating cash outflows of \$834,079 for the period ended 30 June 2021. As at 30 June 2021 the consolidated entity has cash of \$25,027,298.

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.

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 at total of \$25,214,128 from an institutional placement, entitlement offer and shortfall placement.
- 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.

KGL RESOURCES LIMITED AND ITS CONTROLLED ENTITIES

ABN 52 082 658 080

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 30 JUNE 2021

Note 2. Employee benefits and administration expenses

The total employee benefits expense for the reporting date included a share-based payment expense of \$5,610, corresponding to the expensing of share options issued to employees on 23 June 2021. Refer to Note 9 for further information. There were no share-based payments made in the prior period.

	30 Jun 2021	30 Jun 2020
	\$	\$
Professional and consulting fees	151,282	125,500
Corporate overheads expense	164,046	172,036
Business development and investor relations expenses	95,457	21,300
Total administration expenses	410,785	318,836

Note 3. Exploration and evaluation assets

	30 Jun 2021	31 Dec 2020
	\$	\$
Deferred exploration and evaluation assets	69,658,666	64,485,044
<i>Deferred exploration and evaluation assets</i>		
Balance at beginning of the period	64,485,044	60,140,470
Current period expenditure	5,173,622	4,344,574
Balance at end of the period	69,658,666	64,485,044

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 4. Trade and other payables

	30 Jun 2021	31 Dec 2020
	\$	\$
Trade payables	1,102,977	88,260
Accruals	945,405	195,267
Employee benefits	131,612	170,780
	2,197,994	454,307

- (i) Trade payables are non-interest bearing and are usually settled on 30-day terms.

KGL RESOURCES LIMITED AND ITS CONTROLLED ENTITIES

ABN 52 082 658 080

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 30 JUNE 2021

Note 5. Contributed equity

		30 Jun 2021	31 Dec 2020
		\$	\$
(a)	Issued and paid-up capital		
	Ordinary shares fully paid	214,480,963	190,240,532

(b)	Movements in shares on issue			
		30 Jun 2021		31 Dec 2020
		Number of Shares issued	Issued capital \$	Number of Shares issued
Details				Issued capital \$
Beginning of the half-year	335,748,021	190,240,532	311,818,103	186,537,883
Shares issued - Feb 2021	28,571,427	12,000,000	23,929,918	3,828,787
Entitlement offer - Mar 2021	22,795,564	9,574,128	-	-
Shortfall Offer - May 2021	5,200,000	3,640,000	-	-
Share Issue Costs	-	(973,697)	-	(126,138)
Closing balance	392,315,012	214,480,963	335,748,021	190,240,532

(c) Terms and conditions of issued capital

Ordinary shares

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

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

(d) Share options

Options over ordinary shares

At the end of the half-year, there were 458,000 share options outstanding (31 December 2020: nil). During the period 458,000 options were granted, and none were vested or converted into ordinary shares.

KGL RESOURCES LIMITED AND ITS CONTROLLED ENTITIES

ABN 52 082 658 080

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 30 JUNE 2021

Note 6. Share based payments

On 23 June 2021 (grant date), KGL granted 458,000 zero priced share options to senior executives and employees. KGL shareholders approved the issue of the options at the KGL AGM held 31 May 2021.

The following summarises the options granted in the half-year.

Unlisted employee options

Options on issue	Grant date	Expiry date	Number	Fair Value at Grant date \$	Exercise price \$
23 June 2021 (Tranche 1 and 2)	23/06/2021	23/06/2026	458,000	257,626	nil
Total options on issue at the end of the period			458,000	257,626	nil

The fair value of the options was determined in accordance with *AASB 2 Share based payments* using the following assumptions: -

Share price on grant date	Risk free rate	Volatility	Dividend Yield	Time to Expiry (years)
\$0.5625	1.205%	21.7%	0%	5

The estimated vesting date of the hurdles has been based on management's best estimate as at the half-year, and the probability of achievement of the hurdles has been reflected in the fair value of the options granted.

Key inputs used in the calculation of the value of options issued during the half-year 30 June 2021 were:-

Tranche	Grant date	Expiry date	Share price on grant date \$	Total Value \$	SBP Expensed in period \$
1	23/06/2021	23/06/2026	0.5625	128,813	4,721
2	23/06/2021	23/06/2026	0.5625	128,813	889

All options granted during the half-year were not exercisable at period end and have unsatisfied vesting conditions attached.

The following table sets out the conditions attached to each option tranche.

Tranche	Conditions	Estimated Vesting Date
1	Vest upon achieving successful final investment decision for the Jervois project, on time and on budget based on the criteria approved by the board of KGL Resources Limited.	Dec 2021
2	Vest following the construction of the mine for the Jervois project and achieving first production of at least 1000t of concentrate under the conditions approved by the board of KGL Resources Limited.	Sep 2023

Forfeiture of options

Unless the board of KGL Resources Limited determines otherwise, the options will immediately lapse if the holder ceases to be employed by KGL Resources Limited.

If, in the opinion of the board of KGL Resources Limited, a significant safety, environmental or social incident occurs, the board of KGL Resources Limited may determine that the options will lapse.

KGL RESOURCES LIMITED AND ITS CONTROLLED ENTITIES

ABN 52 082 658 080

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 30 JUNE 2021

Note 6. Share based payments (continued)

In respect of the Tranche 1 options – unless the board of KGL Resources Limited determines otherwise, 20% of the total Tranche 1 options granted to the holder will lapse for each month that a successful final investment decision for the Jervois project is delayed beyond the time approved and set by the board of KGL Resources Limited.

In respect of the Tranche 2 options – unless the board of KGL Resources Limited determines otherwise, 20% of the total Tranche 2 options granted to the holder will lapse for each month that the construction of the mine for the Jervois project and first production (1000t) is delayed beyond the time approved and set by the board of KGL Resources Limited.

Note 7. 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 8. Contingent liabilities and assets

There have been no material changes to contingent liabilities and assets since the 31 December 2020 financial report.

Note 9. Events subsequent to reporting date

Issue of share options to CEO

On 8 July, KGL issued 587,000 zero priced share options were granted to the new CEO, on the same terms and vesting conditions as those awarded to KGL executives and employees during the half-year (refer to Note 6). The total fair value of the options granted was \$340,460.

Note 10. Related Party Transactions

During the half-year to 30 June 2021, KGL engaged Core Resources Pty Ltd, a director-related entity to provide metallurgical consulting work. This value of this work totalled \$84,539 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 2021 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:



Peter Hay
Chairman

1 September 2021

Independent Auditor's Review Report



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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 2021, 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 2021 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.

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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 Group's financial position as at 30 June 2021 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

T R Mann
Director

Brisbane, 1 September 2021

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