

KSN

**KINGSTON
RESOURCES
LIMITED**

KINGSTON RESOURCES LIMITED

ABN 44 009 148 529

Half Yearly Financial Statements

31 December 2021

Contents

Page No.

➤	Corporate Directory	2
➤	Directors' Report	3
➤	Auditor's Independence Declaration	9
➤	Consolidated Statement of Financial Position	10
➤	Consolidated Statement of Profit or Loss and Other Comprehensive Income	11
➤	Consolidated Statement of Cash Flows	12
➤	Consolidated Statement of Changes in Equity	13
➤	Notes to the Financial Statements	14
➤	Directors' Declaration	19
➤	Independent Auditor's Review Report	20

Corporate Directory

DIRECTORS

Mick Wilkes (B Eng (Hons), MBA, GAICD)
Non-Executive Chairman

Andrew Corbett, (B Eng (Mining, Hons), MBA, MAICD)
Managing Director

Anthony Wehby, (MAICD)
Non-Executive Director

Stuart Rechner, (BSc, LLB, MAIG, MAusIMM, GAICD)
Non-Executive Director

COMPANY SECRETARY

Chris Drew, (B Comm (Hons), CFA)

REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS

201/110 Pacific Highway
North Sydney NSW 2060
AUSTRALIA

Telephone (02) 8021 7492
Email info@kingstonresources.com.au
Website www.kingstonresources.com.au

AUDITORS

Hall Chadwick (NSW)
Chartered Accountants

SHARE REGISTRY

Automic Group

BANKERS

Australia & New Zealand Banking Group Limited
Macquarie Group Limited
Bank of South Pacific

SOLICITORS

Cowell Clarke Commercial Lawyers
Ashurst Australia

STOCK EXCHANGE

Australian Securities Exchange (ASX)
The home Exchange is in Perth, Western Australia
Secondary Listing - Frankfurt Stock Exchange

ASX CODE

KSN

Directors' Report

Your Directors submit their report for the half year ended 31 December 2021.

DIRECTORS

The names of the Company's Directors in office during the half year and until the date of this report are set out below. Directors were in office for this entire period unless otherwise stated.

- Mick Wilkes
- Andrew Corbett
- Anthony Wehby
- Stuart Rechner

PRINCIPAL ACTIVITIES

The Company is an Australian-based company, listed on the ASX, with operations in Australia and Papua New Guinea. The principal activity of the Group during the period was mineral exploration and development.

REVIEW OF OPERATING RESULTS AND OPERATIONS

Operating Results

Kingston reported a statutory net profit of \$535,451 for the half year (2020: net loss \$1,078,756). The Company's profit position relative to net loss in FY2020 is primarily due to a gain of \$1,392,976 on the sale of Westernx Pty Ltd.

Review of Operations

Kingston has continued to make strong progress with the Misima Gold Project over the six months to 31 December 2021. Following conclusion of the Pre-Feasibility Study (PFS) in November 2020, Kingston transitioned into the next stage of studies and approvals in the June quarter of 2021. A Resource update was announced in September 2021, lifting the total Resource to 3.8Moz including an Indicated component of 2.5Moz (see ASX announcement 14 September 2021 for detail). Work continued on the Definitive Feasibility Study (DFS), throughout the December half and this remains on schedule for completion in March 2022. The DFS results will be reported alongside a Misima Reserve update. Work has been ongoing on the Environmental and Social Impact Assessment (ESIA), this is expected to be complete in the June 2022 quarter. Several work programs are also continuing to advance for the Mining Lease application, these are anticipated to be complete in the June 2022 quarter. Subsequent to completion, the ESIA and ML application will be submitted to the relevant regulatory authorities in Papua New Guinea for approval.

Kingston has been active at the corporate level during the period. Westernx Pty Ltd, which held Kingston's interest in the Livingstone Gold Project, was sold to Metal Bank Limited (ASX:MBK) for up to \$10m in December 2021. Kingston also acquired the Mineral Hill Mine in NSW for consideration of up to \$22.7m. Definitive documentation for the acquisition was signed in November 2021 underpinning a \$14m capital raising. Following a successful 14 December 2021 shareholder vote, the transaction completed on 17 January 2022.

The acquisition of the Mineral Hill Mine is a meaningful step for Kingston as it seeks to deliver its vision of becoming a mid-tier ASX listed gold producer. Mineral Hill brings immediate gold production, cash generation, and an excellent exploration and development pipeline which Kingston is aiming to advance through 2022.

Further details on the key work programs and events during the period are provided below.

Acquisition of Mineral Hill Mine

On 18 November Kingston agreed the acquisition of the Mineral Hill Mine from US-based Quintana MH Holding Co LLC for up to A\$22.7M (US\$17.0M) in cash and shares. Located 65km north of Condobolin in NSW, Mineral Hill has extensive gold and copper Resources, a long production history, a recently upgraded 400ktpa CIL circuit, and an existing flotation plant. Gold tailings on site are currently being processed through the CIL circuit, with the ramp up continuing towards targeted throughput and recoveries.

Reserves of 71,163oz Au and a Resource base of 469,217oz Au Equivalent (see ASX Announcement 18 November 2021 for detail) underpin Kingston's intent to establish initial mine production following conclusion of the tailings project. The project also hosts outstanding exploration potential with multiple targets located within the Mining Licence many of which host high-grade historic drilling results which will be followed up. Kingston mobilised a drill rig to site in late January, and drilling has been ongoing since.

Total consideration for the acquisition is comprised of

- US\$1.0m (A\$1.3m) upfront cash
- US\$8.0m (A\$10.7m) upfront equity (issued at 20cps)
- Deferred consideration based on the following milestones:
 - US\$1.5m (A\$2.0m) cash payment upon production of 15,000oz of gold
 - US\$2.0m (A\$2.7m) cash payment upon production of 22,500oz of gold
 - US\$3.5m (A\$4.7m) cash payment upon production of 30,000oz of gold
 - US\$1.0m (A\$1.3m) cash payment upon the earlier of production of 37,500oz of gold or 31 December 2023
- A 2% NSR over future mine production from the Mineral Hill project area

A key focus of the operation will be to provide local employment and support local businesses within the surrounding townships and the Lachlan Shire.

Misima Gold Project

Definitive Feasibility Study

- Major DFS engineering packages were well advanced including plant design work, civil works, site water management, HV electrical work, and non-processing infrastructure.
- Geotechnical drilling, metallurgical testing and site investigation programs were complete.
- Mine design work, including final mine scheduling and waste rock dump design was ongoing incorporating the updated Mineral Resource Estimate.
- Project estimating, financial modelling and project execution planning commenced during the period

Environmental and Social Impact Assessment

- All Environmental and Social Impact Assessment (ESIA) field surveys are complete, with independent studies well advanced.
- Social baseline studies are complete, with landowner studies and community engagement progressing.

Mining License Application

- Key studies for the ML application include the Artisanal and Small-Scale Mining Study, the In-migration Study, the Human Resources and Localisation Plan, and the Business Development Plan all of which advanced during the period.

Resource Update

- In September Kingston reported a 6% increase in the global Mineral Resource from 3.6Moz to 3.8Moz Au. This incorporated:
 - A 39% increase in Indicated ounces from 1.8Moz to 2.5Moz Au
 - A 43% increase in Indicated tonnes to 98Mt

- A 17% increase in global tonnes to 169Mt
- New near-surface material at Umuna East
- The current Ore Reserve of 1.35Moz will be updated with the Definitive Feasibility Study, (DFS), the increased Indicated Resource of 2.5Moz is now available for potential conversion to Reserve.

Disposal of Livingstone Gold Project

On 25 October 2021 Kingston entered into a binding agreement to sell its 75% interest in the Livingstone Gold Project in Western Australia to Metal Bank (ASX: MBK) for total consideration of up to \$10 million.

The total consideration is comprised of cash, shares, options and milestone payments as below:

- \$2.5 million cash consideration
- \$1.0 million in MBK equity (125,000,000 shares)
- 62,500,000 options in MBK exercisable at 1.6c
- \$1.5 million cash payment upon the identification of a 100koz gold equivalent JORC Resource or 12 months post-completion, whichever is sooner
- \$1.0 million cash payment upon the identification of a 250koz gold equivalent JORC Resource
- \$4.0 million cash payment upon the identification of a 500koz gold equivalent JORC Resource

Kingston retains significant exposure to future exploration upside at Livingstone through its holding of shares and options in Metal Bank, and future milestone payments.

The transaction completed on 10 December 2021.

MINERAL RESOURCES TABLE

Misima Gold Project (PNG)

Table 1: Misima Gold Project mineral resource summary, prepared by Mr S. Hayward of Kingston Resources Ltd. Rounding errors may occur.

Deposit	Oxide	Classification	Cutoff	Tonnes	Gold	Silver	Au Moz	Ag Moz
			g/t Au	Mt	g/t Au	g/t Ag		
Umuna within USD\$1800 Pit Shell	Oxide	Indicated	0.3	20.2	0.65	8.5	0.4	5.5
		Inferred	0.3	23.3	0.55	5.7	0.4	4.3
	Primary	Indicated	0.3	73.3	0.82	3.2	1.9	7.5
		Inferred	0.3	40.8	0.60	2.4	0.8	3.2
Umuna Total Resource	Indicated			93.5	0.78	4.3	2.4	13.1
	Inferred			64.1	0.58	3.8	1.2	7.5
Umuna TOTAL				157.6	0.70	4.1	3.6	20.5
Cooktown Stockpile	Oxide/Trans/ Primary	Inferred	0.5	3.8	0.65	7.0	0.1	0.9
Cooktown Stockpile				3.8	0.65	7.0	0.1	0.9
Ewatinona within USD\$1800 Pit Shell	Oxide	Indicated	0.3	0.4	0.68	3.2	0.01	0.04
		Inferred	0.3	1.8	0.69	3.5	0.04	0.20
	Primary	Indicated	0.3	3.7	0.9	2.5	0.11	0.30
		Inferred	0.3	1.6	0.79	2.9	0.04	0.15
	Sub-total	Indicated		4.2	0.88	2.6	0.12	0.3
		Inferred		3.4	0.74	3.2	0.08	0.3
Ewatinona TOTAL				7.6	0.81	2.8	0.2	0.7
MISIMA	Indicated			97.7	0.79	4.3	2.5	13.4
	Inferred			71.3	0.59	3.8	1.4	8.7
MISIMA TOTAL				169	0.71	4.1	3.8	22.1

Table 2: Misima Gold Project mineral reserve summary, prepared by Mr J. Wyche of Australian Mine Design and Development Pty Ltd. Rounding errors may occur.

	Mt	Au g/t	Ag g/t	Au koz	Ag koz
Ewatinona					
Probable	3.5	0.84	2.6	95	291
Ewatinona Total	3.5	0.84	2.6	95	291
Umuna					
Probable	44.8	0.87	4.3	1,251	6,191
Umuna Total	44.8	0.87	4.3	1,251	6,191
Probable	48.3	0.87	4.2	1,347	6,482
Misima Total Reserve	48.3	0.87	4.2	1,347	6,482

COMPETENT PERSON'S STATEMENT

The information in this report that relates to Exploration Results and Mineral Resources is based on information compiled by Mr. Stuart Hayward BAppSc (Geology) MAIG, a Competent Person who is a member of the Australian Institute of Geoscientists. Mr. Hayward is an employee of the Company. Mr. Hayward has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken 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. Hayward consents to the inclusion in this report of the matters based upon the information in the form and context in which it appears.

The Competent Person signing off on the overall Ore Reserves Estimate is Mr John Wyche BE (Min Hon), of Australian Mine Design and Development Pty Ltd, who is a Fellow of the Australasian Institute of Mining and Metallurgy and who has sufficient relevant experience in operations and consulting for open pit metalliferous mines. Mr Wyche consents to the inclusion in this report of the matters based upon the information in the form and context in which it appears.

Kingston publicly reports Exploration Results and Mineral Resource estimates in accordance with the ASX Listing Rules and the requirements and guidelines of the 2012 edition of the Australasian Code for Reporting Exploration Results, Mineral Resources and Ore Reserves – the JORC Code. Kingston's governance for public reporting of Exploration Results and Mineral Resource estimates includes important assurance measures. All reports are signed-off by appropriate JORC Competent Persons with JORC Code Table 1 Checklists as required. Exploration Results and Mineral Resource estimates are also peer reviewed (either by Kingston technical staff or suitably qualified external consultants) before Board approval and ASX release.

FINANCIAL POSITION

At 31 December 2021 the consolidated entity had net assets of \$54,700,061 (30 June 2021: \$40,727,110) and \$19,834,297 in cash (30 June 2021: \$11,007,936).

On 25 November 2021, the Company completed a capital raising via placement issuing a total of 70 million shares at an issue price of \$0.20 raising \$14m before fees.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Other than reported above in the Review of Results and Operations, there were no significant changes in the state of affairs of the Company during the reporting period.

DIVIDENDS

There were no dividends paid, recommended, or declared during the current or previous financial half-years.

OPTIONS AND PERFORMANCE RIGHTS

During the half-year ended 31 December 2021 Directors and employees of the Company were granted options and performance rights. Please see Note 9 for details.

EVENTS AFTER THE BALANCE DATE

On 17 January 2022, Kingston completed the acquisition of a 100% interest in Mineral Hill Pty Ltd from Quintana MH Holdings Co. LLC. Upon completion, the Company paid US\$1million in cash and issued 54,914,882 shares to Quintana in settlement of the upfront consideration. Further deferred consideration includes a 2% NSR royalty on future production from the project area and staged payments of up to US\$8 million upon reaching certain production milestones.

On 4 February 2022, the Company completed a Share Purchase Program (SPP) offering fully paid ordinary shares to existing eligible shareholders. Under the Plan, the Company issued 1,150,000 new fully paid ordinary shares at issue price of \$0.20 raising \$230,000 before fees.

Other than as advised above, there has not been any matter or circumstance that has arisen after balance date that has significantly affected, or may significantly affect, the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial periods.

Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

The Auditor's Independence Declaration is set out on page 9 and forms part of the Directors' Report for the half year ended 31 December 2021.

Pursuant to section 306 Corporations Act 2001 this Directors' Report:

- (a) is made in accordance with a resolution of the Directors;
- (b) is dated 10 March 2022; and
- (c) is signed by Mick Wilkes.

On behalf of the directors



Mick Wilkes
Chairman

10 March 2022

KINGSTON RESOURCES LIMITED
ABN 44 009 148 529
AND CONTROLLED ENTITIES

AUDITOR'S INDEPENDENCE DECLARATION
UNDER SECTION 307C OF THE CORPORATIONS ACT 2001
TO THE DIRECTORS OF KINGSTON RESOURCES LIMITED

In accordance with section 307C of the *Corporations Act 2001*, I am pleased to provide the following declaration of independence to the directors of Kingston Resources Limited. As the lead partner for the review of the financial report of Kingston Resources Limited for the half year ended 31 December 2021, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- (ii) any applicable code of professional conduct in relation to the audit.

Hall Chadwick

HALL CHADWICK (NSW)
Level 40, 2 Park Street
Sydney NSW 2000

Drew Townsend

DREW TOWNSEND
Partner
Date: 10 March 2022

ADELAIDE
Suite 201 Level 2
147 Pirie Street
Adelaide SA 5000

T: +61 8 8545 8422

BRISBANE
Level 4
240 Queen Street
Brisbane QLD 4000

T: +61 7 2111 7000

DARWIN
Paspalis Business Centre
Level 1 Suite 11
48-50 Smith Street
Darwin NT 0800

T: +61 8 8943 0645

MELBOURNE
Level 14
440 Collins Street
Melbourne VIC 3000

T: +61 3 9820 6400

PERTH
Allendale Square
Level 11
77 St Georges Terrace
Perth WA 6000

T: +61 8 8943 0645

SYDNEY
Level 40
2 Park Street
Sydney NSW 2000

T: +61 2 9263 2600

 **PrimeGlobal**
An Association of
Independent Chartered Accountants

Liability limited by a scheme approved under
Professional Standards Legislation
Hall Chadwick (NSW) Pty Ltd
ABN: 32 103 221 332

Consolidated Statement of Financial Position

		Consolidated Group	
		31 December 2021	30 June 2021
		\$	\$
	Notes		
Current assets			
Cash and cash equivalents		19,834,297	11,007,936
Trade and other receivables		2,583,273	764,418
Financial assets		1,000,400	234,731
Other current assets		42,689	61,101
Total current assets		23,460,659	12,068,185
Property, plant and equipment	5	109,814	79,216
Capitalised exploration expenditure	4	33,214,086	30,147,187
Other non-current assets		44,541	44,464
Total non-current assets		33,368,441	30,270,865
Total assets		56,829,100	42,339,050
Current liabilities			
Trade and other payables		1,800,302	1,422,742
Interest Bearing Loan		35,636	16,384
Provisions		179,090	138,004
Total current liabilities		2,015,028	1,577,130
Non-current assets			
Interest Bearing Loan		59,706	34,810
Provisions		54,305	-
Total non-current liabilities		114,011	34,810
Total liabilities		2,129,039	1,611,940
Net assets		54,700,061	40,727,110
Equity			
Issued capital	8	112,087,431	98,584,828
Accumulated losses		(58,117,965)	(58,713,189)
Share Based Payment Reserve		586,553	690,419
Foreign Currency Translation Reserve		144,042	165,051
Total equity		54,700,061	40,727,110

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

	Notes	Consolidated Group	
		31 December 2021 \$	31 December 2020 \$
Other revenue	3	19,405	104,633
Administrative expenses		(213,664)	(105,426)
Consultant and legal fees		(146,402)	(229,450)
Depreciation and amortisation expenses	3	-	(14,909)
Director fees		(115,728)	(125,439)
Employee expenses		(362,697)	(284,760)
Share based payments expense		(104,400)	(392,569)
Interest expense		(6,880)	(4,943)
Mark to market of financial assets		-	(25,893)
Exploration expenditure		(9,872)	-
Gain on sale of financial asset		82,184	-
Gain on sale of Westernx Pty Ltd		1,392,976	-
Foreign exchange gain/loss		529	-
Profit/(Loss) before income tax expense		535,451	(1,078,756)
Income tax expense		-	-
Profit/(Loss) for the period		535,451	(1,078,756)
Other comprehensive income			
Other comprehensive income		(21,009)	-
Total comprehensive income/(loss) for the period		514,442	(1,078,756)
Basic loss per share (cents)		0.13	(0.46)
Diluted loss per share (cents)		0.13	(0.46)

The above Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

Consolidated Statement of Cash Flows

	Consolidated Group	
	31 December 2021 \$	31 December 2020 \$
CASH FLOWS FROM OPERATING ACTIVITIES		
Continued Operations		
Interest received	18,245	20,624
Interest paid	(6,285)	(4,943)
Receipts from other income	-	84,009
Payments for exploration and evaluation	(9,872)	-
Payments to suppliers and employees	(1,148,663)	(799,354)
NET CASH FLOWS USED IN OPERATING ACTIVITIES	(1,146,575)	(699,664)
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for exploration and evaluation	(6,189,067)	(3,222,573)
Proceeds from sale of financial asset	314,972	-
Proceeds from sale of Westernx Pty Ltd	2,500,000	-
Proceeds from sale of property, plant and equipment	1,160	-
NET CASH FLOWS USED IN INVESTING ACTIVITIES	(3,372,935)	(3,222,573)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares	14,000,000	14,500,000
Transaction costs related to issue of shares, convertibles, or options	(644,274)	(468,470)
Repayment of borrowings and lease liabilities	(13,538)	(44,967)
NET CASH FLOWS PROVIDED BY FINANCING ACTIVITIES	13,342,188	13,986,563
Net increase in cash held	8,822,678	10,064,326
Cash and cash equivalents at beginning of period	11,007,936	6,511,170
Effect of movement in exchange rates on cash held	3,683	(12,264)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	19,834,297	16,563,232

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

Consolidated Statement of Changes in Equity

Consolidated	Attributable to the shareholders of Kingston Resources Limited				
	Ordinary Shares \$	Accumulated Losses \$	Foreign Exchange Reserves	Share based payment Reserve \$	Total Equity \$
Balance at 1 July 2020	83,808,031	(57,123,922)	(132,976)	893,327	27,444,460
Loss for the half year	-	(1,078,756)	-	-	(1,078,756)
Other comprehensive income	-	-	-	-	-
	83,808,031	(58,202,678)	(132,976)	893,327	26,365,704
Issue of Shares	14,510,529	-	-	-	14,510,529
Cost of share issue	(468,470)	-	-	-	(468,470)
Share based payments	-	-	-	388,056	388,056
Transfer from share based payment reserve on expiry/lapse	218,121	34,002	-	(252,909)	(786)
Additions to reserves	-	-	(72,968)	-	(72,968)
Balance at 31 December 2020	98,068,212	(58,168,676)	(205,944)	1,028,474	40,722,066
Balance at 1 July 2021	98,584,828	(58,713,189)	165,051	690,419	40,727,109
Profit for the half year	-	535,451	-	-	535,451
Other comprehensive income	-	-	-	-	-
	98,584,828	(58,177,738)	165,051	690,419	41,262,560
Issue of Shares	14,110,000	-	-	-	14,110,000
Cost of shares issued	(745,890)	-	-	-	(745,890)
Share based payments	-	-	-	94,400	94,400
Transfer from share-based payment reserve on expiry/lapse/Issuance of options	138,493	59,773	-	(198,266)	-
Additions to reserves	-	-	(21,009)	-	(21,009)
Balance at 31 December 2021	112,087,431	(58,117,965)	144,042	586,553	54,700,061

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Notes to the Financial Statements

1. CORPORATE INFORMATION

The financial statements of Kingston Resources Limited for the half year ended 31 December 2021 are authorised for issue in accordance with a resolution of the Directors on 10 March 2022. Kingston Resources Limited is a company incorporated in Australia and limited by shares listed on the ASX.

The nature of the operations and principal activities of the Group are described in the Review of Operating Results and Operations included in the Directors' Report and in Note 6 Segment Information.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The half year financial statements do not include all of the notes of the type normally included within the annual financial report 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 report.

The half year financial statements should be read in conjunction with the annual Financial Statements of the Group as at 30 June 2021.

It is also recommended that the half year financial statements be considered together with public announcements made by Kingston Resources and its controlled entities during the half year ended 31 December 2021 and up to the date of this report in accordance with the continuous disclosure obligations arising under the *Corporations Act 2001*.

a) Basis of Preparation

These general purpose financial statements for the interim half year reporting period ended 31 December 2021 have been prepared in accordance with requirements of the *Corporations Act 2001* and Australian Accounting Standards including AASB 134: Interim Financial Reporting. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards.

The interim financial statements are intended to provide users with an update on the latest annual financial statements of Kingston Resources Limited and its controlled entities (the Group). As such, it does not contain information that represents relatively insignificant changes during the half year within the Group. It is therefore recommended that these financial statements be read in conjunction with the annual financial statements of the Group for the year ended 30 June 2021, together with any public announcements made during the half year and up to the date of this report.

The accounting policies and methods of computation are the same as those adopted in the most recent annual financial report.

From 1 July 2021, the consolidated entity has adopted all Australian Accounting Standards and Interpretations effective for annual periods beginning on or before 1 July 2021. The adoption of new and amended standards and interpretations had no impact on the financial position or performance of the consolidated entity.

The consolidated entity has not elected to early adopt any new standards or amendments that are issued but not yet effective.

b) Going Concern

The consolidated entity has incurred operating profit of \$535,451, which includes a gain on sale of Westernx Pty Ltd amounting to \$1,392,976 (2020: net loss \$1,078,756) and negative operating cash flows of \$1,146,575 (2020: \$699,664) for the half year ended 31 December 2021. As at 31 December 2021 the consolidated entity held cash of \$19,834,297.

The Company's 31 December 2021 cash balance of \$19,834,297 leaves it with sufficient funding to continue to meet its budgeted operational expenditure requirements, including minimum exploration commitments across its tenement portfolio. Nevertheless, the nature of an exploration company is to have negative cashflow from operations, which requires the Company to raise equity as required. Most recently, the company successfully raised \$14 million in November 2021. If the Group is unsuccessful in raising capital, a material uncertainty exists, that may cast significant doubt on the Group's ability as a going concern and its ability to recover assets, and discharge liabilities in the normal course of business and at the amount shown in the financial statements. The financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be necessary should the Group not continue as a going concern.

Taking into account the current cash reserves of the Company, the Directors are confident the Company has adequate resources to continue in its main business activity for the foreseeable future. As a result, the financial statements have been prepared on the basis of going concern which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business and at the amounts stated in the financial report.

c) New Accounting Standards Implemented

The Group has adopted all the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the consolidated entity.

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

d) Coronavirus (COVID-19) pandemic

Judgement has been exercised in considering the impacts that the Coronavirus (COVID-19) pandemic has had, or may have, on the consolidated entity based on known information. This consideration extends to the nature of the operations, assets, and geographic regions in which the consolidated entity operates. There does not currently appear to be either any significant impact upon the financial statements or any significant uncertainties with respect to events or conditions which may impact the consolidated entity unfavourably as at the reporting date or subsequently as a result of the Coronavirus (COVID-19) pandemic.

3. LOSS FOR THE PERIOD

	Consolidated Group	
	31 December 2021	31 December 2020
	\$	\$
The following revenue and expense items are relevant in explaining the financial performance for the interim period:		
Other revenue		
Interest from bank	18,245	20,624
Proceeds from sale of property, plant and equipment	1,160	-
DMIRS EIS funding	-	34,009
Government grants	-	50,000
Total other revenue	19,405	104,633

Expenses

Depreciation and amortisation on non-current assets

Depreciation of:

- Right of use asset	-	14,909
Total depreciation and amortisation	-	14,909

4. EXPLORATION AND EVALUATION ACTIVITIES

	Consolidated Group	
	31 December 2021	30 June 2021
	\$	\$
Opening Balance	30,147,187	22,295,305
Capitalised exploration expenditure	6,673,923	7,725,237
Disposal of mining assets - Livingstone	(3,607,024)	-
Foreign Exchange adjustments	-	126,645
Total exploration expenditure capitalised	33,214,086	30,147,187

The carrying value of the capitalised exploration and evaluation expenditure is assessed for impairment whenever facts and circumstances suggest that the carrying amount of the asset may exceed its recoverable amount, where substantive expenditure on further exploration is neither budgeted nor planned, or the period for which the Company has the right to explore will expire in the near future and is not expected to be renewed.

On 10 December 2021, Kingston sold its 75% interest in the Livingstone Gold Project to Metal Bank for a total consideration of \$10 million. The transaction was undertaken through the sale of 100% of the issued capital of Westernx Pty Ltd. Following the divestment of Westernx, the groups' total capitalised exploration and evaluation was reduced by \$3,607,024 reflecting the carrying value of the Livingstone Gold Project.

5. PROPERTY, PLANT AND EQUIPMENT

	Consolidated Group	
	31 December 2021	30 June 2021
	\$	\$
Motor vehicles:		
At cost	226,352	177,203
Accumulated depreciation	(116,538)	(97,987)
Total property, plant and equipment	109,814	79,216

6. SEGMENT INFORMATION

The Group has identified its operating segments based on the internal reports that are reviewed and used by the Board of Directors (chief operating decision makers) in assessing performance and determining the allocation of resources.

The group operates in one segment being Exploration and Evaluation of Minerals.

7. COMMITMENTS AND CONTINGENCIES

The Group has had certain obligations to perform minimum exploration work and to expend minimum amounts of money on such work on mining tenements. These obligations may be varied from time to time subject to approval and are expected to be fulfilled in the normal course of the operations of the Group. These commitments have not been provided for in the financial report. Due to the nature of the Group's operations in exploring and evaluating areas of interest, it is difficult to accurately forecast the nature and amount of future expenditure beyond the next year. Expenditure may be reduced by seeking exemption from individual commitments, by relinquishing of tenure or by new joint venture arrangements. Expenditure may be increased when new tenements are granted or joint venture agreements amended. As at 31 December 2021, there were no minimum expenditure commitments in place, prior period balances are shown below:

	Consolidated Group	
	31 December 2021	31 December 2020
	\$	\$
Not Later than one year	-	68,000
Later than one year and less than five years	-	161,000

8. ISSUED CAPITAL

	Consolidated Group	
	31 December 2021	30 June 2021
	\$	\$
a) Ordinary shares		
356,704,557 fully paid ordinary shares (30 June 2021: 283,736,946)	112,087,431	98,584,828
b) Movements in contributed equity for the period		
Balance at the beginning of the period	98,584,828	83,808,031
Shares issued during the current financial period:		
- 30 July 2021(conversion of options)	138,493	-
- 25 November 2021	14,000,000	-
- 25 November 2021	100,000	-
- 25 November 2021	10,000	-
Shares issued during the previous period:		
- 14 July 2020	-	2,000,000
- 17 July 2020 (share based payment)	-	29,593
- 27 November 2020 (share based payment)	-	18,630
- 27 November 2020	-	10,529
- 18 December 2020	-	12,500,000
- 18 December 2020 (share based payment)	-	169,898
- 2 Feb 2021	-	500,000
- 8 April 2021	-	31,979
Less share issuance costs	(745,890)	(483,833)
Total contributed equity	112,087,431	98,584,828

9. SHARE BASED PAYMENTS

- (i) Share options and performance rights granted to employees and directors of the Company, or any Associated Body Corporate of the Company:
- On 5 November 2021 Kingston granted senior management and staff 2,215,257 FY22 STI Performance Rights and 1,772,206 LTI Performance Options
 - On 14 December 2021 Kingston granted senior management 1,019,940 STI Performance Rights and 815,952 LTI Performance Options
 - On 14 December 2021 Kingston granted Non-Executive Directors 326,233 service fee options.
- (ii) Shares granted on the vesting of performance rights held by employees and directors of the Company, or any Associated Body Corporate of the Company:
- On 30 July 2021 Kingston issued senior management and staff 2,417,611 shares on the vesting of FY21 STI Performance rights. 1,043,431 FY21 STI Performance rights lapsed, unvested.

10. DISPOSAL OF CONTROLLED ENTITY

On 10 December 2021, Kingston sold its 75% interest in the Livingstone Gold Project to Metal Bank for a total consideration of up to \$10 million. The transaction was undertaken through the sale of 100% of the issued capital of Westernx Pty Ltd. Following the divestment of Westernx, the groups' total capitalised exploration and evaluation was reduced by \$3,607,024, reflecting the carrying value of the Livingstone Gold Project.

Divestment of Westernx Pty Ltd

Fair value of consideration	\$5,000,000
Carrying value of assets disposed	(\$3,607,024)
Gain on sale	<u>\$1,392,976</u>

11. EVENTS SUBSEQUENT TO REPORTING DATE

On 17 January 2022, Kingston completed the acquisition of a 100% interest in Mineral Hill Pty Ltd from Quintana MH Holdings Co. LLC. Upon completion, the Company paid US\$1million in cash and issued 54,914,882 shares to Quintana in settlement of the upfront consideration. Further deferred consideration includes a 2% NSR royalty on future production from the project area and staged payments of up to US\$8 million upon reaching certain gold production milestones from the tailings project.

On 4 February 2022, the Company completed a Share Purchase Program (SPP) offering fully paid ordinary shares to existing eligible shareholders. Under the Plan, the Company issued 1,150,000 new fully paid ordinary shares at issue price of \$0.20 raising \$230,000 before fees.

Other than as advised above, there has not been any matter or circumstance that has arisen after balance date that has significantly affected, or may significantly affect, the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial periods.

Directors' Declaration

In the opinion of the Directors:

- (a) the financial statements and the notes of the consolidated entity are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the financial position as at 31 December 2021 and the performance for the half year ended on that date of the consolidated entity; and
 - (ii) complying with Accounting Standard AASB 134: *Interim Financial Reporting* and the Corporations Regulations 2001; and
- (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.

Signed in accordance with a resolution of the directors of Kingston Resources Limited made pursuant to section 303(5)(a) of the Corporations Act 2001.

On behalf of the Board



Mick Wilkes
Chairman

10 March 2022

KINGSTON RESOURCES LIMITED
ABN 44 009 148 529
AND CONTROLLED ENTITIES

**INDEPENDENT AUDITOR'S REVIEW REPORT TO THE OWNERS OF
KINGSTON RESOURCES LIMITED**

Report on the Half Year Financial Report

Conclusion

We have reviewed the accompanying half-year financial report of Kingston Resources Limited (the Company) and its controlled entities (the Group), which comprises the consolidated statement of financial position as at 31 December 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 half year financial report of Kingston Resources Limited and its controlled entities is not in accordance with the *Corporations Act 2001* including:

- (i) giving a true and fair view of the Group's financial position as at 31 December 2021 and of its financial performance for the half year then ended; and
- (ii) complying with AASB 134: Interim Financial Reporting and the *Corporations Regulations 2001*.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of Financial Report performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the Auditor's Responsibilities 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 our 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 in the same terms if given to the directors as at the time of this auditor's review report.

Material Uncertainty Related to Going Concern

We draw attention to Note 2(b) to the financial report, which indicates that the Group had incurred net operating cash outflows of \$1,146,575. This condition, along with other matters as set forth in Note 2(b) indicate the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern. As a result, the financial report may not be suitable for another purpose. Our conclusion is not modified in respect of this matter.

Responsibilities of the Directors for the Half Year Financial Report

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

**KINGSTON RESOURCES LIMITED
ABN 44 009 148 529
AND CONTROLLED ENTITIES**

**INDEPENDENT AUDITOR'S REVIEW REPORT TO THE OWNERS OF
KINGSTON RESOURCES LIMITED**

Auditor's Responsibilities for the Review of the Half Year Financial Report

Our responsibility is to express a conclusion on the half year financial report based on our review. ASRE 410 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 31 December 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 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.



HALL CHADWICK (NSW)
Level 40, 2 Park Street
Sydney NSW 2000



DREW TOWNSEND
Partner
Date: 10 March 2022