



31 July 2015

## **Quarterly Activities Report Period Ended 30 June 2015**

- **Resource at Jervois increased and upgraded**
- **High grade silver, lead and zinc assays increase polymetallic value**
- **Mine planning, metallurgical and operating costs reviewed to further improve economics**
- **Optimised Pre-Feasibility Study due in October**

### **Overview**

The Resource at the Jervois Copper-Silver-Gold Project in the Northern Territory was increased and upgraded during the quarter, and announced in July.

The global resource was increased by 21% to 30.5 million tonnes containing a total of 327,000 tonnes of copper and 22.6 million ounces of silver.

Total indicated resources were increased by 36%, upgrading confidence in the resource for the critical first few years of mine life.

A 59% increase in contained lead-zinc highlighted the polymetallic nature of Jervois.

The Resource Update followed continuing high grade drill results that increased the total resource and extended the high grade mineralisation.

The resource drilling, together with geo-technical, metallurgical and operating cost reviews during the quarter, contributed to the optimised pre-feasibility study which is due to be completed during October.

The PFS announced last December found Jervois to be a technically viable project with strong upside potential from additional drilling and metallurgical work.

The Company was motivated to seek to optimise the PFS by the continuing flow of good drill results pointing to a larger, more valuable asset.

## **Jervois Copper-Silver-Gold Project, Northern Territory (KGL 100%)**

Results of reverse circulation and diamond drilling during the quarter continued to extend high grade mineralisation at Jervois. The successful program has contributed to an increase in the mineral Resource for both open pit and underground access, the size of the open pit shells being planned for mining and the new mineralised trends being discovered.

Also adding value to the project's economics is the polymetallic nature of parts of Jervois featuring high grade copper, lead, zinc, silver and gold.

### **Resource Update**

In July, the Company announced a Resource Update for Jervois, the highlights of which were:

- 21% increase in Total Resource to 30.5Mt
- 36% increase in Indicated Resources to 11.5Mt
- 17% increase in contained copper to 327,000 tonnes
- 26% increase in contained silver to 22.6Moz
- 59% increase in contained lead-zinc to 190,000 tonnes

The gold resource will be updated when gold assays from the 2015 drilling are validated.

The global resource was increased by 21% to 30.5 Mt @ 1.07% copper and 23.0 g/t silver for a total of 327,000 tonnes of contained copper at a cut off of 0.5% copper and 22.6 million ounces of contained silver. This includes 10.6 Mt @ 1.37% copper for 146,000 tonnes of contained copper at Marshall-Reward and 5.4 Mt @ 1.62% copper for 88,000 tonnes of contained copper at Bellbird at a cut off of 0.75% copper.

Lead-zinc mineralisation was also targeted by the drilling, recent metallurgical test work having confirmed that good recoveries could be achieved for lead and zinc at Jervois. The lead-zinc resources increased by 70% from 2.2 Mt to 3.8 Mt with the Green Parrot resource increasing from 1.1 Mt to 1.9 Mt and the high grade Reward lead-zinc resource increasing by 0.5 Mt.

The Resource Update follows the recent drilling program the latest results of which are described below. A specific objective of the drilling was to upgrade the resources within the proposed open pit boundaries to increase confidence in the material to be delivered to the mill in the early years of operation. This has been successfully achieved with a 36% increase in total Indicated Resources. Lead-zinc ore in the Indicated classification increased by 0.7Mt to 1Mt due mostly to infill drilling at the Green Parrot deposit.

A number of mineral occurrences parallel to and along strike from Marshall-Reward were tested, including Sykes and Johannsen. This near surface mineralisation has the potential to provide additional low cost, open cut mining material. The drilling program assessed several zones of shallow mineralisation at other new prospects with similar potential.

## **Exploration Potential**

The new Exploration Potential of the larger deposits identified by H&S Consulting consists of areas peripheral to the current Inferred estimates within the interpreted mineral wireframes, unconstrained by depth. This is estimated to be a combined total for Marshall-Reward, Bellbird and Green Parrot of 4 to 8 Mt @ 0.8 to 1.2% copper and 7 to 15g/t silver at a 0.5% copper cut off (40,000 to 100,000 tonnes copper and 1.5 to 5 Moz silver). The resources are open at depth and there is additional potential along strike.

*The potential quantity and grade of the Exploration Potential is conceptual in nature and there has been insufficient exploration to define a Mineral Resource. It is uncertain if further exploration will result in the determination of a Mineral Resource.*

## **Drilling results**

The 11,000-metre drilling program at the Bellbird, Marshall-Reward and Green Parrot deposits that was completed during the quarter targeted potential high grade areas within the proposed open pits or close to planned underground mine development.

At Green Parrot, drilling intersected two zones of mineralisation that have resulted in a resource extension and potential deepening of the pit. Particularly encouraging was the increase in gold grade and more than 200 g/t silver in both intervals at depth. The copper mineralisation remains open at depth. Results announced during the quarter included:

- 11m @ 1.93% copper, 2.61% lead, 1.25% zinc, 218.1 g/t silver and 0.25 g/t gold from 153 m (Hole KJC129)  
including 4m @ 3.58% copper, 4.61% lead, 1.7% zinc, 393.8 g/t silver and 0.56 g/t gold from 160m
- 4m @ 3.44% copper, 2.95% lead, 0.74% zinc, 252.2 g/t silver and 1.76 g/t gold from 177m.
- 14m @ 1.49% copper, 0.64% lead, 0.3% zinc, 160.5 g/t silver and 0.09 g/t gold from 160m (Hole KJC159)  
including 3m @ 3.83% copper, 1.08% lead, 0.17% zinc, 404 g/t silver and 0.2 g/t gold from 170m.

At Reward, drilling at the Johannsen prospect at the edge of the planned open pit intersected a zone of supergene enriched copper in a mineralised trend parallel to the main resource. The close proximity to Reward is likely to have a positive impact on the pit design. Drilling at the northern end of Reward intersected good mineralisation at depth, adjacent to existing designed underground development. Results at Johannsen included:

- 3m @ 4.1% copper, 0.82% lead, 0.3% zinc, 189.2 g/t silver and 0.29 g/t gold from 64m (Hole GTD004).

The drilling program has also successfully extended the polymetallic mineralisation at Marshall-Reward which contains several lenses of lead-zinc-copper sulphide within the larger copper resource. At the northern end of the planned Reward open pit, hole KJC123 intersected 19m (from 235m) with the consistently high silver grade averaging 104.2 g/t and a one-metre interval of 22.4% lead.

Shallow lead-zinc-silver zones beyond the northern wall of the proposed Marshall-Reward open pit were confirmed by the recent drilling and are likely to be captured in a new open pit. The best drill result was:

- 3m @ 7.76% lead, 10.29% zinc, 86.6 g/t silver from 34m (Hole KJC138).

At Marshall, holes KJC121 and KJC122 intersected broad zones of polymetallic mineralisation. A high grade zone within KJC122 of 5m @ 6.12% copper, 0.2% lead, 2.42% zinc, 31.4 silver and 0.48 g/t gold from 263m includes a best copper grade of 14.15%.

At Bellbird, drilling to test surface occurrences at the Bellbird East trend intersected more high grade copper-lead-zinc mineralisation, with grade appearing to improve with depth. Hole KJC161 includes 6m @ 1.36% copper, 2.72% lead, 6.92% zinc and 19.3 g/t silver from 65m. Bellbird East extends for several hundred metres and more drilling is needed to fully evaluate its potential.

### **Extending exploration for more mineralised zones at Jervois**

Late in the quarter, following the drilling program, KGL commenced a 3D-Induced Polarisation (3DIP) and Magnetotelluric (MT) survey in the Bellbird region to search for additional zones of mineralisation in a poorly tested and yet highly prospective zone as indicated by an earlier survey using different equipment.

There is clearly the prospect of more discoveries at Jervois, and the now completed 3DIP survey has highlighted the potential for near surface mineralisation in new areas that have not previously been explored.

In addition to the 3DIP and MT, soil sampling continues over prospective areas and will ultimately provide systematic coverage of the entire Jervois tenement. Previous sampling confirmed known mineralisation and identified several new zones such as the Wren prospect that has narrow, continuous mineralisation for more than 1000 metres.

RAB (rotary air blast) drilling, an economical technique used for shallow depths, is being used to test prospective areas with a veneer of cover of up to 5m – at the northern extension of the Bellbird trend, the Little Jay prospect where a copper occurrence has been exposed by trenching, and the southern extension of Green Parrot that is obscured by alluvium. Geological mapping of the Jervois project area is well advanced and information from the RAB drilling will supplement this work. The results of the mapping will be used to further enhance the 3D geological model for Jervois that was recently developed by the CSIRO.

### **Metallurgical and operating cost reviews**

Geotechnical drilling and studies have shown that the pit walls can be designed approximately 4 degrees steeper than previously assumed. This results in less waste having to be mined to access a similar amount of ore.

Recent metallurgical test work on the lead-zinc-silver ore has shown that it can be batch processed through the copper plant to produce a high grade mixed lead-zinc concentrate. This

will reduce total project development capital required by eliminating construction of a separate lead zinc circuit in the third year of operation.

Updated budget pricing was received from open pit and underground mining contractors.

Discussions are taking place with the Central Land Council regarding land access, future relationships with the local communities and benefits arising from the project including community development and commitments to local indigenous employment and contracting opportunities.

### **Yambah prospects, Northern Territory (KGL 100%)**

Preliminary exploration work began on two exploration licences at Yambah, 50km north of Alice Springs in the Northern Territory. KGL announced in April 2015 that they had been acquired due to the close similarity of the mineralisation style and host rocks to Jervois.

The highly prospective tenements contain a base metal zone and copper occurrences that have not been fully drill tested. .

### **Bashkol (KGL 0%)**

KGL has relinquished its shareholding in CJSC Kentor at the end of June which was the Company's sole remaining asset in the Kyrgyz Republic.

## **Corporate**

On the 22nd May Mr Andrew Daley resigned as Chairman and director of the Company.

Managing Director Simon Milroy, on behalf of the Board, thanked Mr Daley for his service and his dedication to the advancement of KGL Resources. "Andrew leaves the company in a strong position with the Jervois project continuing to grow and the company in a sound financial position. We all wish Andrew the very best for the future."

Non-executive director, Mr Chris Bain, will act as company Chairman until a decision is made on Mr Daley's replacement.

On the 28<sup>th</sup> July Mr. Denis Wood joined the board as an independent non-executive director. Denis is a qualified metallurgist and geologist with over 45 years of experience in the mining industry. Chris Bain, the acting Chairman of the KGL welcomed Denis to the board saying "Denis' extensive experience in the development and operation of significant resource projects along with his background in financing and investment are a welcome addition to the board."

At the end of June 2015, KGL had a cash balance of **\$4.78M**.

## **Outlook**

An updated pre-feasibility study encompassing the current optimisation work is due to be completed in October. The study is expected to show further improved economic parameters as KGL moves towards the development of Jervois as a significant copper, silver and multi-metal mine.

Additional exploration drilling will be undertaken to test the targets generated by the recent 3DIP survey.

## **For further information, contact:**

Mr Simon Milroy  
Managing Director  
Phone: 07 3071 9003

## **About KGL Resources**

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

## JORC Compliance Statement

The Jervois Resources information and Exploration Potential were first released to the market on 29 July 2015 and complies with JORC 2012. The company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcement and that all material assumptions and technical parameters underpinning the estimates in the relevant market announcement continue to apply and have not materially changed. The company confirms that the form and context in which the Competent Person's findings are presented have not been materially modified from the original market announcement.'

The Jervois Pre-Feasibility Results were first released to the market on 8 December 2014 and complies with JORC 2012. The company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcement and that all material assumptions and technical parameters underpinning the estimates in the relevant market announcement continue to apply and have not materially changed. The company is in the process of optimising the pre-feasibility study, the results of which will be released to the market in October 2015.

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 |
|------|-----|--------------------------|---------------------|
| KJC  | 129 | 8 May 2015               | 2012                |
| KJC  | 159 | 28 May 2015              | 2012                |
| GTD  | 004 | 8 May 2015               | 2012                |
| KJC  | 123 | 18 May 2015              | 2012                |
| KJC  | 138 | 28 May 2015              | 2012                |
| KJC  | 121 | 18 May 2015              | 2012                |
| KJC  | 122 | 18 May 2015              | 2012                |
| KJC  | 161 | 28 May 2015              | 2012                |

## Tenements

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

| Mining Tenements Acquired and Disposed during the quarter.* | Location                 | Beneficial Holding |
|-------------------------------------------------------------|--------------------------|--------------------|
| AP1602                                                      | Bashkol, Kyrgyz Republic | 0%                 |

| Tenements subject to farm-in or farm-out agreements | Location                | Beneficial Holding |
|-----------------------------------------------------|-------------------------|--------------------|
| PL-01/12                                            | Savo Island, Solomon Is | 75%                |

| Tenements subject to farm-in or farm-out agreements acquired or disposed of during the quarter | Location | Beneficial Holding |
|------------------------------------------------------------------------------------------------|----------|--------------------|
| Nil                                                                                            |          |                    |

# Appendix 5B

## Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001.

Name of entity

KGL Resources

ABN

52 082 658 080

Quarter ended ("current quarter")

30 June 2015

### Consolidated statement of cash flows

| Cash flows related to operating activities        |                                                            | Current Quarter<br>\$A'000 | Year to date<br>(6 months)<br>\$A'000 |
|---------------------------------------------------|------------------------------------------------------------|----------------------------|---------------------------------------|
| 1.1                                               | Receipts from product sales and related debtors            | -                          | -                                     |
| 1.2                                               | Payments for (a)exploration and evaluation                 | (2,259)                    | (3,776)                               |
|                                                   | (b) development                                            | -                          | -                                     |
|                                                   | (c) production                                             | -                          | -                                     |
|                                                   | (d) administration                                         | (488)                      | (1,268)                               |
|                                                   | (d) Kyrgyz office closure                                  | (91)                       | (91)                                  |
| 1.3                                               | Dividends received                                         | -                          | -                                     |
| 1.4                                               | Interest and other items of a similar nature received      | 52                         | 168                                   |
| 1.5                                               | Interest and other costs of finance paid                   | -                          | -                                     |
| 1.6                                               | Income taxes paid                                          | -                          | -                                     |
| 1.7                                               | Other – Settlements                                        | -                          | -                                     |
|                                                   | Foreign Exchange differences                               | -                          | -                                     |
| <b>Net Operating Cash Flows</b>                   |                                                            | <b>(2,786)</b>             | <b>(4,967)</b>                        |
| <b>Cash flows related to investing activities</b> |                                                            |                            |                                       |
| 1.8                                               | Payment for purchases of: (a)prospects                     | -                          | -                                     |
|                                                   | (b)equity investments                                      | -                          | -                                     |
|                                                   | (c) purchase options                                       | -                          | -                                     |
|                                                   | (c) other assets                                           | (22)                       | (40)                                  |
|                                                   | (d) disposal Costs                                         | -                          | -                                     |
| 1.9                                               | Proceeds from sale of: (a)prospects                        | -                          | -                                     |
|                                                   | (b)equity investments                                      | -                          | -                                     |
|                                                   | (c)other fixed assets                                      | -                          | -                                     |
| 1.10                                              | Loans to other entities                                    | -                          | -                                     |
| 1.11                                              | Loans repaid by other entities                             | -                          | -                                     |
| 1.12                                              | Deed of Company Arrangement (KMWA)                         | -                          | -                                     |
| <b>Net investing cash flows</b>                   |                                                            | <b>(22)</b>                | <b>(40)</b>                           |
| 1.13                                              | Total operating and investing cash flows (carried forward) | <b>(2,808)</b>             | <b>(5,007)</b>                        |

+ See chapter 19 for defined terms.



**Appendix 5B**  
**Mining exploration entity quarterly**

|      |                                                            |              |              |
|------|------------------------------------------------------------|--------------|--------------|
| 1.13 | Total operating and investing cash flows (brought forward) | (2,808)      | (5,007)      |
|      | <b>Cash flows related to financing activities</b>          |              |              |
| 1.14 | Proceeds from issues of shares, options, etc.              | -            | -            |
| 1.15 | Proceeds from sale of forfeited shares                     | -            | -            |
| 1.16 | Proceeds from borrowings                                   | -            | -            |
| 1.17 | Repayment of borrowings                                    | -            | -            |
| 1.18 | Dividends paid                                             | -            | -            |
| 1.19 | Other                                                      | -            | -            |
|      | <b>Net financing cash flows</b>                            | -            | -            |
|      | <b>Net increase (decrease) in cash held</b>                | (2,808)      | (5,007)      |
| 1.20 | Cash at beginning of quarter/year to date                  | <b>7,589</b> | <b>9,788</b> |
| 1.21 | Exchange rate adjustments to item 1.20                     | 0            | 0            |
| 1.22 | <b>Cash at end of quarter</b>                              | <b>4,781</b> | <b>4,781</b> |

**Payments to directors of the entity and associates of the directors**

**Payments to related entities of the entity and associates of the related entities**

|      |                                                                  | Current Quarter<br>\$A'000 |
|------|------------------------------------------------------------------|----------------------------|
| 1.23 | Aggregate amount of payments to the parties included in item 1.2 | 192                        |
| 1.24 | Aggregate amount of loans to the parties included in item 1.10   | -                          |

1.25 Explanation necessary for an understanding of the transactions

Remuneration and expenses paid to executive and non-executive directors for the quarter.

**Non-cash financing and investing activities**

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

|  |
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|  |
|--|

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

|                                                                                 |
|---------------------------------------------------------------------------------|
| Acquisition of 100% interest in the Yambah tenements from Mithril Resources Ltd |
|---------------------------------------------------------------------------------|

+ See chapter 19 for defined terms.

### Financing facilities available

*Add notes as necessary for an understanding of the position.*

|                                 | Amount available<br>\$A'000 | Amount used<br>\$A'000 |
|---------------------------------|-----------------------------|------------------------|
| 3.1 Loan facilities             | -                           | -                      |
| 3.2 Credit standby arrangements | -                           | -                      |

### Estimated cash inflow/(outflow) for next quarter

|                                 | \$A'000        |
|---------------------------------|----------------|
| 4.1 Exploration and evaluation  | (943)          |
| 4.2 Investment/Development      |                |
| 4.2 Deed of Company Arrangement |                |
| 4.3 Deposit Interest            | 24             |
| 4.31 Operations Costs           |                |
| 4.4 Admin                       | (427)          |
| 4.5 Asset Disposal              |                |
| 4.6 Capex                       | (10)           |
| <b>Total</b>                    | <b>(1,356)</b> |

### Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.

|                                      | Current Quarter<br>\$A'000 | Previous Quarter<br>\$A'000 |
|--------------------------------------|----------------------------|-----------------------------|
| 5.1 Cash on hand and at bank         | 244                        | 239                         |
| 5.2 Deposits at call                 | 4,537                      | 7,343                       |
| 5.3 Bank overdraft                   |                            |                             |
| 5.4 Other (provide details)          |                            |                             |
| <b>Total: cash at end of quarter</b> | <b>4,781</b>               | <b>7,582</b>                |

+ See chapter 19 for defined terms.

### Changes in interests in mining tenements

|                                                                   | Tenement reference              | Nature of interest<br>(note (2))    | Interest at<br>beginning<br>of quarter | Interest at end<br>of quarter |
|-------------------------------------------------------------------|---------------------------------|-------------------------------------|----------------------------------------|-------------------------------|
| 6.1 Interests in mining tenements relinquished, reduced or lapsed | Bashkol, Kyrgyz Republic AP1602 | Equity interest through CJSC Kentor | 80%                                    | 0%                            |
| 6.2 Interests in mining tenements acquired or increased           | EL28340, EL28271                | Acquired 100% interest              | 0%                                     | 100%                          |

### Issued and quoted securities at end of current quarter

*Description includes rate of interest and any redemption or conversion rights together with prices and dates.*

|                                                                                                                                    | Total number | Number quoted | Issue price per security (see note 3) (cents) | Amount paid up per security (see note 3) (cents) |
|------------------------------------------------------------------------------------------------------------------------------------|--------------|---------------|-----------------------------------------------|--------------------------------------------------|
| 7.1 <b>Preference securities</b><br>(description)                                                                                  |              |               |                                               |                                                  |
| 7.2 Changes during quarter<br>(a) Increases through issues<br><br>(b) Decreases through returns of capital, buy-backs, redemptions |              |               |                                               |                                                  |
| 7.3 <b>*Ordinary securities</b>                                                                                                    | 141,540,563  | 141,540,563   |                                               |                                                  |
| 7.4 Changes during quarter<br>(a) Increases through issues<br>(b) Decreases through share consolidation                            |              |               |                                               |                                                  |
| 7.5 <b>*Convertible debt securities</b><br>(description)                                                                           |              |               |                                               |                                                  |

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+ See chapter 19 for defined terms.

|      |                                                                                                               |           |                  |                |             |
|------|---------------------------------------------------------------------------------------------------------------|-----------|------------------|----------------|-------------|
| 7.6  | Changes during quarter<br>(a) Increases through issues<br>(b) Decreases through securities matured, converted |           |                  |                |             |
| 7.7  | <b>Options</b><br>(description and conversion factor)                                                         | 2,799,842 | Unlisted Options | Exercise price | Expiry date |
| 7.8  | Issued during quarter                                                                                         |           |                  |                |             |
| 7.9  | Exercised during quarter                                                                                      |           |                  |                |             |
| 7.10 | Decrease through consolidation                                                                                |           |                  |                |             |
| 7.11 | <b>Debentures</b><br>(totals only)                                                                            |           |                  |                |             |
| 7.12 | <b>Unsecured notes</b> (totals only)                                                                          |           |                  |                |             |

## Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act [or other standards acceptable to ASX \(see note 4\)](#).
- 2 This statement does ~~not~~\* [\(delete one\)](#) give a true and fair view of the matters disclosed.

Sign here:  ..... Date: 31/07/2015.....  
(Director/Company secretary)

Print name: ...Kylie Anderson.....

## Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.

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+ See chapter 19 for defined terms.

## Appendix 5B

### Mining exploration entity quarterly

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- 2      The “Nature of interest” (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3      **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4      The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.
- 5      **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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+ See chapter 19 for defined terms.