



30 April 2014

## **Quarterly Activities Report Period Ended 31 March 2014**

- **Continuing exploration success at Jervois copper-silver-gold project**
  - **New high grade copper zone, East Reward, discovered adjacent to largest ore body at Jervois**
  - **EM surveys locate extensions of mineralisation at Jervois including 500m north of Reward**
  - **Consistently successful exploration triggers additional drilling program**
  - **Resource update and pre-feasibility study extended for three months to include results of current drilling**
- **Sale of Murchison increases KGL funding capability**

### **Overview**

During the quarter, KGL Resources Limited (KGL or the Company) continued to pursue the exploration and development of the Jervois copper-silver-gold project in the Northern Territory. Intensive drilling and electromagnetic surveys produced consistently good results in an exploration program to increase and extend the total Resource.

A new high grade copper zone, East Reward, was discovered alongside Marshall-Reward deposit, the largest known ore body at Jervois.

Adding to the significance of the drilling results, EM surveys located several conductors, indicating possible extensions, including a 500-metre conductor to the north of Reward and East Reward in line with the currently defined Resources.

The Company has rescheduled the completion of the Resource update from May to August in order to include the results of the current exploration activity.

KGL completed the sale of the Murchison gold project for a total cash consideration of \$15 million. The Company now has more than enough funds to complete the currently approved drilling and to complete the pre-feasibility study.

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

During the quarter, KGL completed the 20,000m RC and diamond drilling program commenced in September 2013, and results were released as assays were received.

The first release for the quarter, in early February, reported additional copper, lead and zinc mineralisation at the Marshall-Reward deposit. The Company had reported in the previous quarter an 18m long down hole intersection at a grade of 19.63% lead, 732.3 g/t silver and 3.77% zinc. Then in February, a 57m wide lower grade extension was announced. At the same time, the Company reported that, 90m to the north, another 8m down hole interval of high grade was intersected with a grade of 23.46% lead, 153.3 g/t silver and 1.49% Zn.

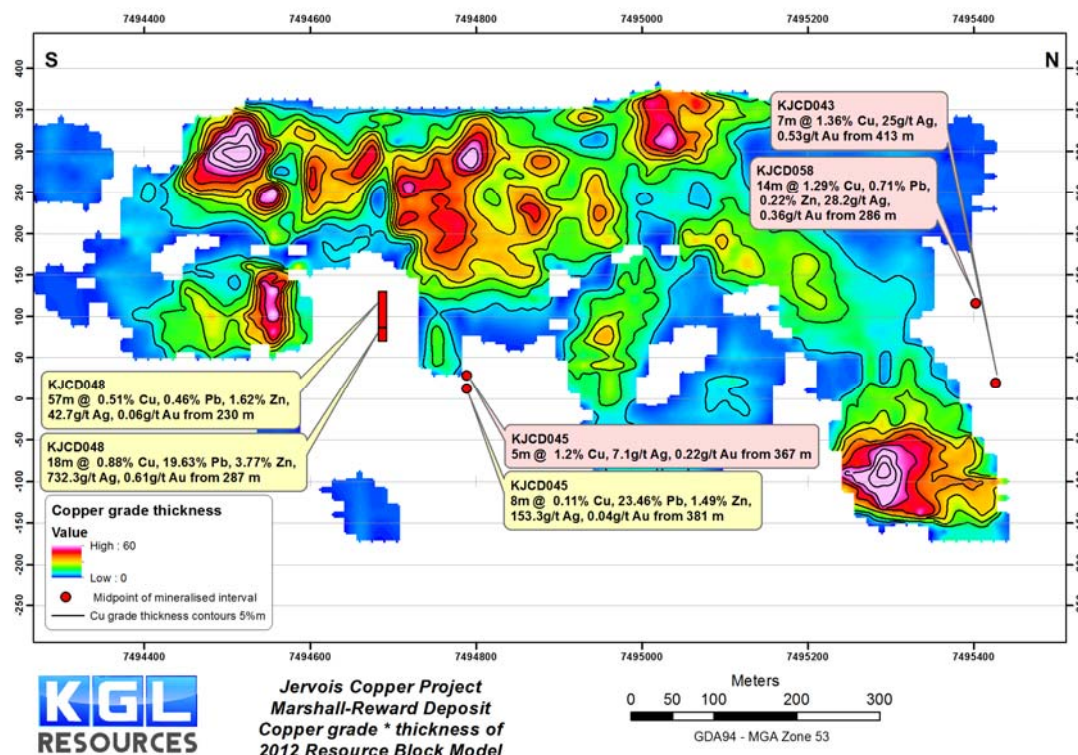


Figure 1 Marshall - Reward Longsection

East Reward: A major development during the quarter was the discovery of East Reward. Drilling along strike to the north of the existing Resource at Reward intersected the high grade copper zone. In addition to the 14m mineralised interval intersected in Reward (refer Figure 1), Hole KJCD058 was extended to the east where it intersected a further 19m @ 1.95% copper, 18.8 grams per tonne silver and 0.09 g/t gold from 408m, including 2m @ 5.86% copper, 36.7 g/t silver and 0.04 g/t gold, and 1m @ 3.90% copper, 36.3 g/t silver and 0.12 g/t gold.

East Reward remains open at depth and open to the north with no drilling along strike for 800m up to a traverse of RC holes which intersected copper and zinc mineralisation in September 2013.

Electromagnetic surveys during the quarter located a strong conductor extending 500m north of Reward in line with the currently defined Resources.

Short strike length conductors were also located south of the Green Parrot deposit and east Reward. All conductors were located in areas where there had been little or no previous drilling (see Figure 2).

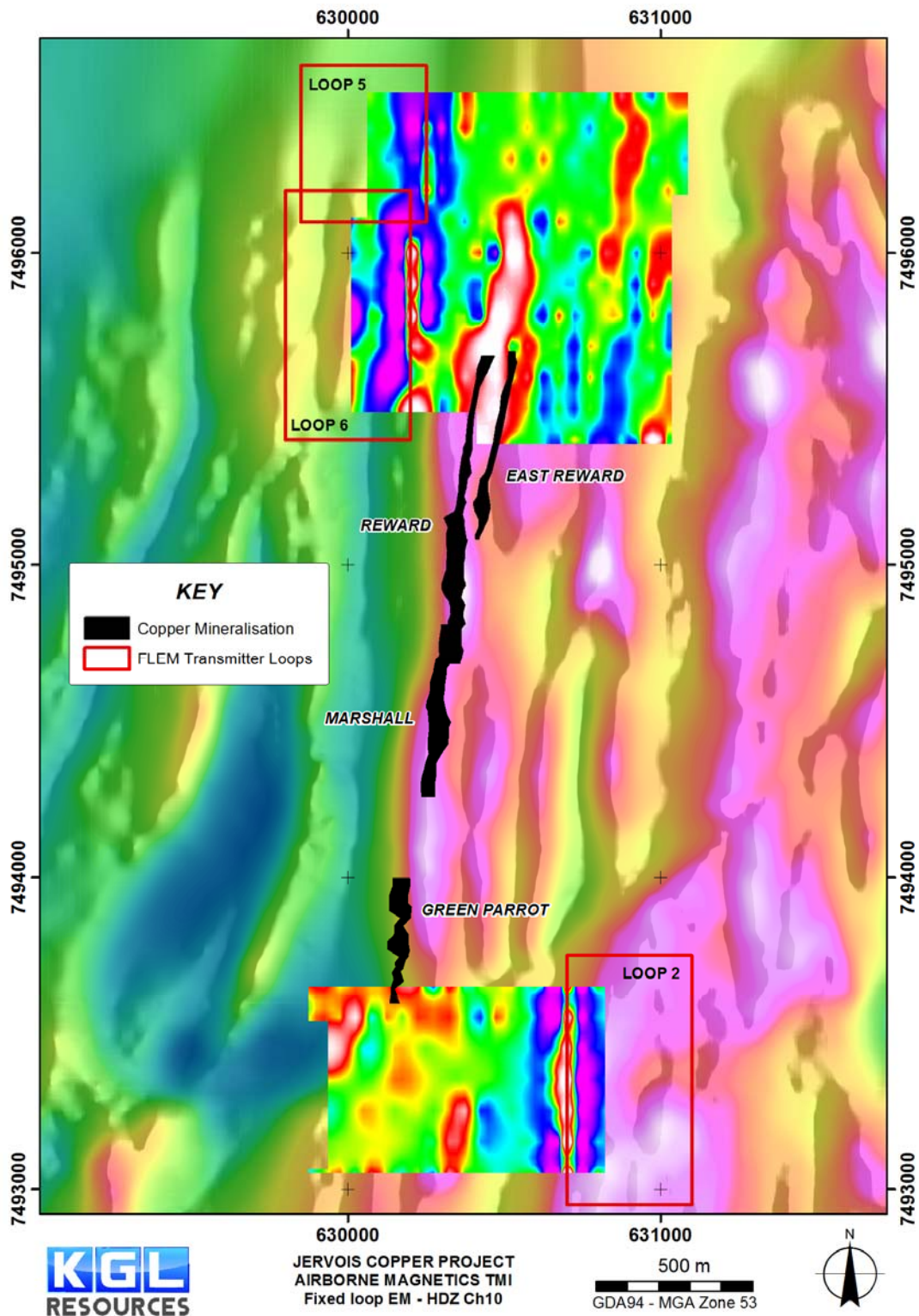


Figure 2 Jervois FLEM draped over airborne magnetics

A down hole EM survey was conducted in the central section of the Marshall Reward zone which identifies a number of deeper target to be followed up with drilling (Figure 3). The success of the 20,000m drilling program and the EM surveys prompted KGL to commence a second phase drilling program immediately.

The additional drilling is testing targets at Marshall-Reward and Bellbird generated during the first phase, focussing on the northern extension of Reward and the newly discovered East Reward, following up extensions to the copper-silver-lead-zinc sulphides at Reward indicated by the EM surveying, and aiming to generate initial Resource estimates at the Cox's Find and Rockface prospects.

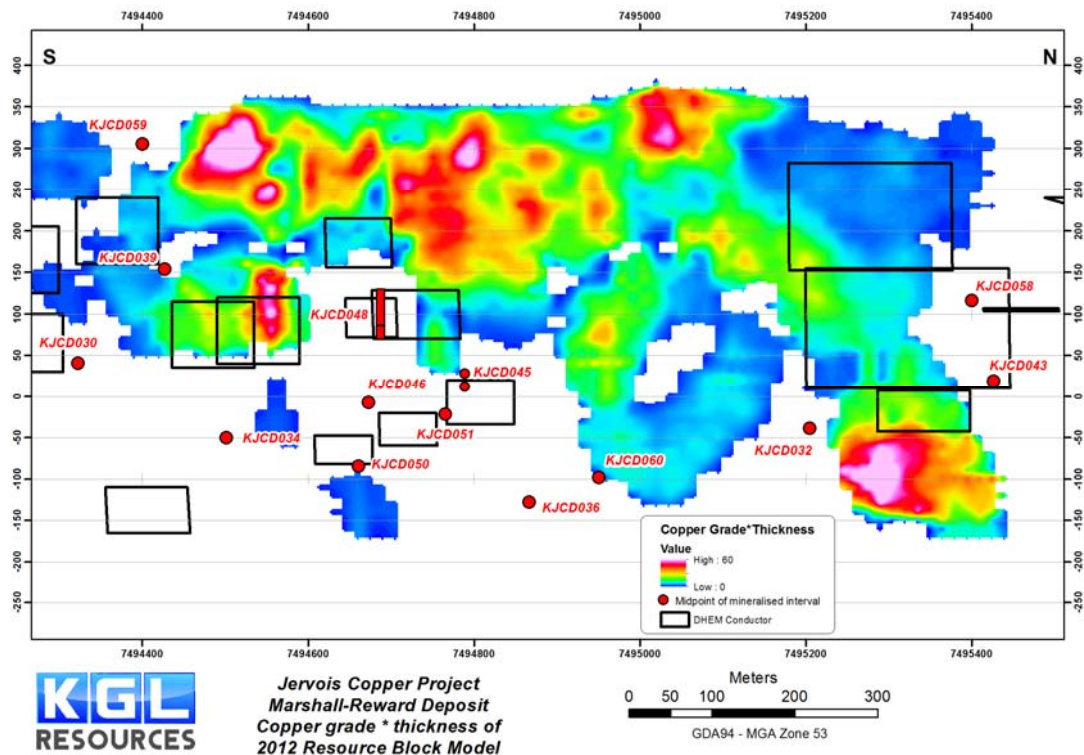


Figure 3 Marshall-Reward long section showing copper grade thickness of existing resource overlain with modelled DHEM conductors (black polygons)

Metallurgical test work on both the sulphide and oxide copper ores was completed during the quarter. Other work towards the pre-feasibility study included process design, capital and operating cost estimation, mine design, environmental, concentrate transport and marketing studies.

### Savo Island geothermal energy project, Solomon Islands (KGL 75%, diluting to 30%)

During the quarter, joint venture partner Geodynamics Limited (Geodynamics ASX:GDY) completed and submitted an environmental and social impact assessment for the Savo Island project to the Solomon Islands Department of Environment. The report highlights the significant social and economic benefits for the Solomon Islands, the country's capital city of Honiara and the local community on Savo Island of the proposed development of a geothermal power project at Savo Island.

Geodynamics is currently planning an exploration drilling campaign designed to define a Geothermal Reserve.



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## **Corporate**

The sale of the Murchison gold project was settled during the quarter with the Company receiving \$15 million cash for the project. In addition to applying the funds to the continuing exploration and development of the Jervois project, KGL contributed \$1 million to the creditors of Kentor Minerals (WA) Pty Ltd via the Deed of Company Arrangement (DOCA), thus finalising all KGL's obligations under the DOCA.

At the end of March 2014 the Company had a cash balance of \$19.1 M.

## **Outlook**

The Company will continue to concentrate on exploration and pre-feasibility studies of Jervois. The main expenditure will be on the additional drilling program outlined above with a Resource update targeted for August and the completion of the pre-feasibility study shortly afterwards.

While the focus will continue to be on Jervois, KGL will continue with the strategy of seeking advanced projects for exploration and development. In the current constrained financial environment, there are clearly opportunities to acquire high quality assets from junior resource companies that are having difficulty in sourcing funds.

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

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## JORC Statement

The following exploration results quoted in the announcement were previously released to the ASX on the following dates under the 2012 JORC. The Company is not aware of any new information or data that materially affects the information.

KJCD034	21 March 2014
KJCD058	21 March 2014
KJCD045	3 February 2014
KJCD048	3 February 2014

## 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%
ELA 30242	Jervois Project, Northern Territory	100%

Mining Tenements Acquired and Disposed during the quarter.*	Location	Beneficial Holding
Nil		

Tenements subject to farm-in or farm-out agreements	Location	Beneficial Holding
AP1602	Bashkol, Kyrgyz Republic	80%
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")

31 March 2014

### Consolidated statement of cash flows

Cash flows related to operating activities	Current Quarter \$A'000	Year to date (3 months) \$A'000
1.1 Receipts from product sales and related debtors	-	-
1.2 Payments for (a)exploration and evaluation	(2,194)	(2,194)
(b) development	-	-
(c) production	-	-
(d) administration	(370)	(370)
(d) office closure	-	-
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	28	28
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other – R&D Refund	-	-
Foreign Exchange differences	-	-
<b>Net Operating Cash Flows</b>	<b>(2,536)</b>	<b>(2,536)</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 fixed assets	-	-
(d) disposal Costs	-	-
1.9 Proceeds from sale of: (a)prospects	-	-
(b)equity investments	-	-
(c)other fixed assets	14,851	14,851
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	-
1.12 Deed of Company Arrangement (KMWA)	(1,000)	(1,000)
<b>Net investing cash flows</b>	<b>13,851</b>	<b>13,851</b>
1.13 Total operating and investing cash flows (carried forward)	11,315	11,315

+ See chapter 19 for defined terms.

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

1.13	Total operating and investing cash flows (brought forward)	11,315	11,315
<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 (Capital raising costs)	-	-
<b>Net financing cash flows</b>		-	-
<b>Net increase (decrease) in cash held</b>		11,315	11,315
1.20	Cash at beginning of quarter/year to date	<b>7,819</b>	<b>7,819</b>
1.21	Exchange rate adjustments to item 1.20	0	0
1.22	<b>Cash at end of quarter</b>	<b>19,134</b>	<b>19,134</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 \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	134
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

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+ See chapter 19 for defined terms.



### Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount available \$A'000	Amount used \$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	(4,202)
4.2 Investment/Development	
4.2 Deed of Company Arrangement	
4.3 Deposit Interest	64
4.31 Operations Costs	
4.4 Admin	(606)
4.5 Asset Disposal	
4.6 Capex	(10)
<b>Total</b>	<b>(4,754)</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 \$A'000	Previous Quarter \$A'000
5.1 Cash on hand and at bank	456	409
5.2 Deposits at call	18,678	7,410
5.3 Bank overdraft		
5.4 Other (provide details)		
<b>Total: cash at end of quarter</b>	<b>19,134</b>	<b>7,819</b>

### Changes in interests in mining tenements

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements relinquished, reduced or lapsed			
6.2	Interests in mining tenements acquired or increased			

+ See chapter 19 for defined terms.

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

**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> <i>(description)</i>				
7.2 Changes during quarter (a) Increases through issues  (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 <b>+Ordinary securities</b>	140,040,563			
7.4 Changes during quarter (a) Increases through issues (b) Decreases through share consolidation				
7.5 <b>+Convertible debt securities</b> <i>(description)</i>				
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7 <b>Options</b> <i>(description and conversion factor)</i>	3,699,842	Unlisted Options	Exercise price	Expiry date
7.8 Issued during quarter	1,800,000	Various	Nil	24/02/2017
7.9 Expired during quarter	(700,000)	Various	Various	Various
7.10 Decrease through consolidation				
7.11 <b>Debentures</b> <i>(totals only)</i>				
7.12 <b>Unsecured notes</b> <i>(totals only)</i>				

+ See chapter 19 for defined terms.

## 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 ~~/does not\*~~ (*delete one*) give a true and fair view of the matters disclosed.

*K. Anderson*

Sign here: ..... Date: 30/04/2014.....  
(~~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.
- 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.