



30 July 2014

## Quarterly Activities Report Period Ended 30 June 2014

- **Multiple high grade drill results at Jervois Copper-Silver-Gold Project**
  - **New mineralisation encountered throughout the 11km strike length**
  - **Near surface very high grade intersections increased open pit potential at several deposits**
  - **Deep drilling extended mineralised zones**
- **Resource update on track for August**
- **Strong cash position - \$14.8M end June**

### Overview

In a strong cash position, KGL Resources Limited (KGL or the Company) extended its intensive exploration drilling activity during the June quarter at the Jervois copper-silver-gold project in the Northern Territory.

The consistently high grade drill results announced during and immediately after the quarter:

- extended areas of high grade mineralisation beyond the known ore bodies along the 11km strike length and at depth, and
- increased open pit mining potential at known deposits and outside existing boundaries.

The highest copper grades ever encountered at Jervois were recorded in both known and previously unknown areas of potential open pit mining, including 2m @ 20.98% copper and 302.5 g/t silver from 8m at Reward and 2m @ 31.5% copper and 1240 g/t silver from 23m in a newly drilled area at Green Parrot.

Gold grades increased in deep drilling at the northern end of the Reward deposit including 8m @ 3.96% copper, 82 g/t silver and 2.98 g/t gold from 531m.

The Company is on track to complete an updated estimate of Resources by the end of August and a pre-feasibility study into the development of Jervois shortly after.

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

The success of the drilling program completed during the March 2014 quarter caused KGL to commence a second phase program of diamond and reverse circulation drilling. This was completed late in the June quarter, bringing total drilling since September 2013 to approximately 30,000m. KGL has continued to announce drill results as they have become available into the current quarter.

### Marshall-Reward/East Reward

Results from drilling at Marshall-Reward, the main known deposit at Jervois, indicated that the best copper mineralisation at depth is at the northern end, that higher copper grades are often associated with high silver grades, and that gold grades increase in the northern part of the deposit. Hole RJ237W1 intersected 25m @ 1.74% copper, 35.9 g/t silver and 0.82 g/t gold from 518m, including 8m @ 3.96% copper, 82.2 g/t silver and 2.38 g/t gold (with 1m assays of up to 5.08 g/t gold) from 531m.

Good intercepts extended the recently discovered East Reward mineralised zone. East Reward remains open to the north and down dip with a high grade core that extends for over 300m and remains open to the north and south. The Resource update due in late August will include East Reward for the first time.

In July, KGL announced that near surface drilling at Reward had delivered consistently high grade copper intervals. Drill results included 7m @ 7.27% copper, 1.12% lead, 1.35% zinc, 140.2 g/t silver and 0.38 g/t gold from 8m (Hole JOC028) including 2m @ 20.98% copper, 1.53% lead, 1.11% zinc, 302.5 g/t silver and 0.77 g/t gold.

A near surface silver-lead-zinc zone towards the northern end of Reward also delivered good grades with hole JOC026 returning 18m @ 0.26% Cu, 16.39% Pb, 0.95% Zn, 279.1g/t Ag, 0.13g/t Au from 33 m Including 6m @ 0.57% Cu, 37.72% Pb, 1.92% Zn, 551.5g/t Ag, 0.22g/t Au from 39 m.

### Green Parrot

Also in July, the Company announced the results of near surface resource extension drilling north of the Green Parrot deposit and just south of Marshall-Reward, the largest current deposits at Jervois.

Drill results included 18m @ 4.92% copper, 1.54% lead, 0.75% zinc, 240.5 g/t silver and 0.14 g/t gold from 10m (Hole JOC062) including 2m @ 31.5% copper (the highest copper grade ever recorded at Jervois), 5.96% lead, 1.77% zinc, 1,240 g/t silver and 0.07 g/t gold.

This very high grade result opens up for further exploration a new area where KGL had not previously drilled, extending north of the known Green Parrot Resource and historical open pit.

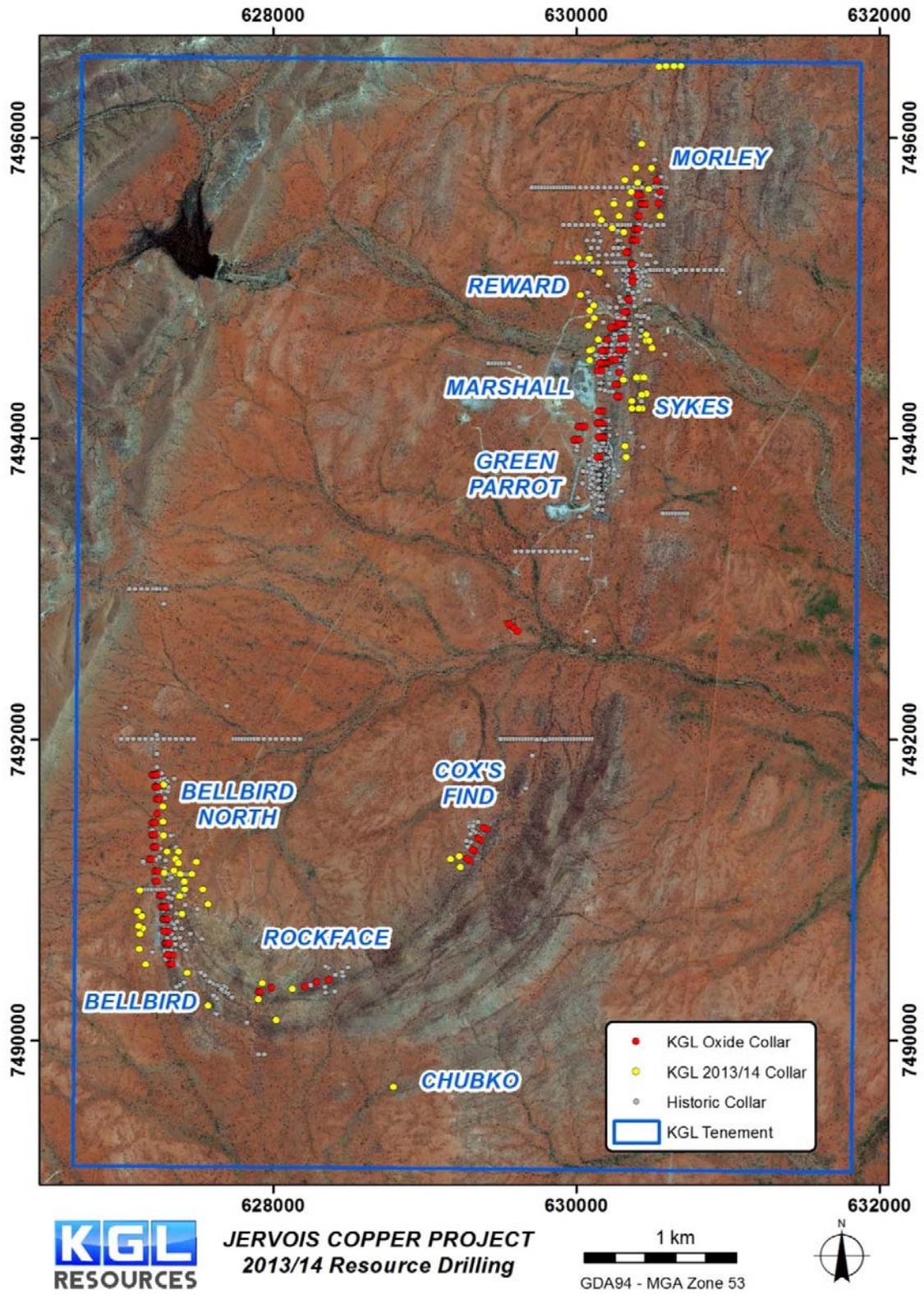
### Bellbird

Drilling at Bellbird, at the south-western end of the 11km strike length produced high grade results in the central zone and supports the postulated plunge of high grade mineralisation to the north, which is still open, with high grade intersections at depth. Drill results included 4m @ 4.91% copper, 55.3 g/t silver and 0.04 g/t gold from 253m (Hole KJC031), and 3m @ 4.7% copper, 14.5 g/t silver and 0.06 g/t gold from 398m including 1m @ 12.05% copper, 33.7 g/t silver and 0.14 g/t gold (Hole KJC056).

High grade results of near surface drilling at Bellbird announced in July indicated the potential for open pit mining. They included 13m @ 5.75% copper, 23.2 g/t silver and 0.32 g/t gold from 20m (Hole JOC090) including 3m @ 11.55% copper, 55.7 g/t silver and 0.52 g/t gold.

Near surface drilling at Bellbird North encountered high grade lead and zinc, adding to the presence of lead and zinc mineralisation at the Green Parrot and Marshall and Reward deposits. Metallurgical test work is being undertaken to determine the economics of producing a separate lead and zinc concentrate in addition to the copper concentrate from Jervois.

The RC shallow drilling program completed during the quarter comprised 177 holes for 9,653m (Figure 1). The program targeted shallow oxide and transitional copper mineralisation at Marshall-Reward, Bellbird and Green Parrot, as reported above, as well as at the Rockface and Cox's Find prospects which it is planned to include in the new Resource update for the first time.



*Figure 1 Plan showing recent drilling locations at Jervois*

During the quarter, PFS level metallurgical test work on the copper sulphide mineralisation was completed and further test work was commenced on the copper oxide mineralisation and the silver, lead, zinc mineralisation from Jervois.

Process design, capital and operating cost estimation is ongoing. Preparations of wireframe models for the resource modelling has commenced.



Geologists logging high grade silver, lead and zinc core at Jervois



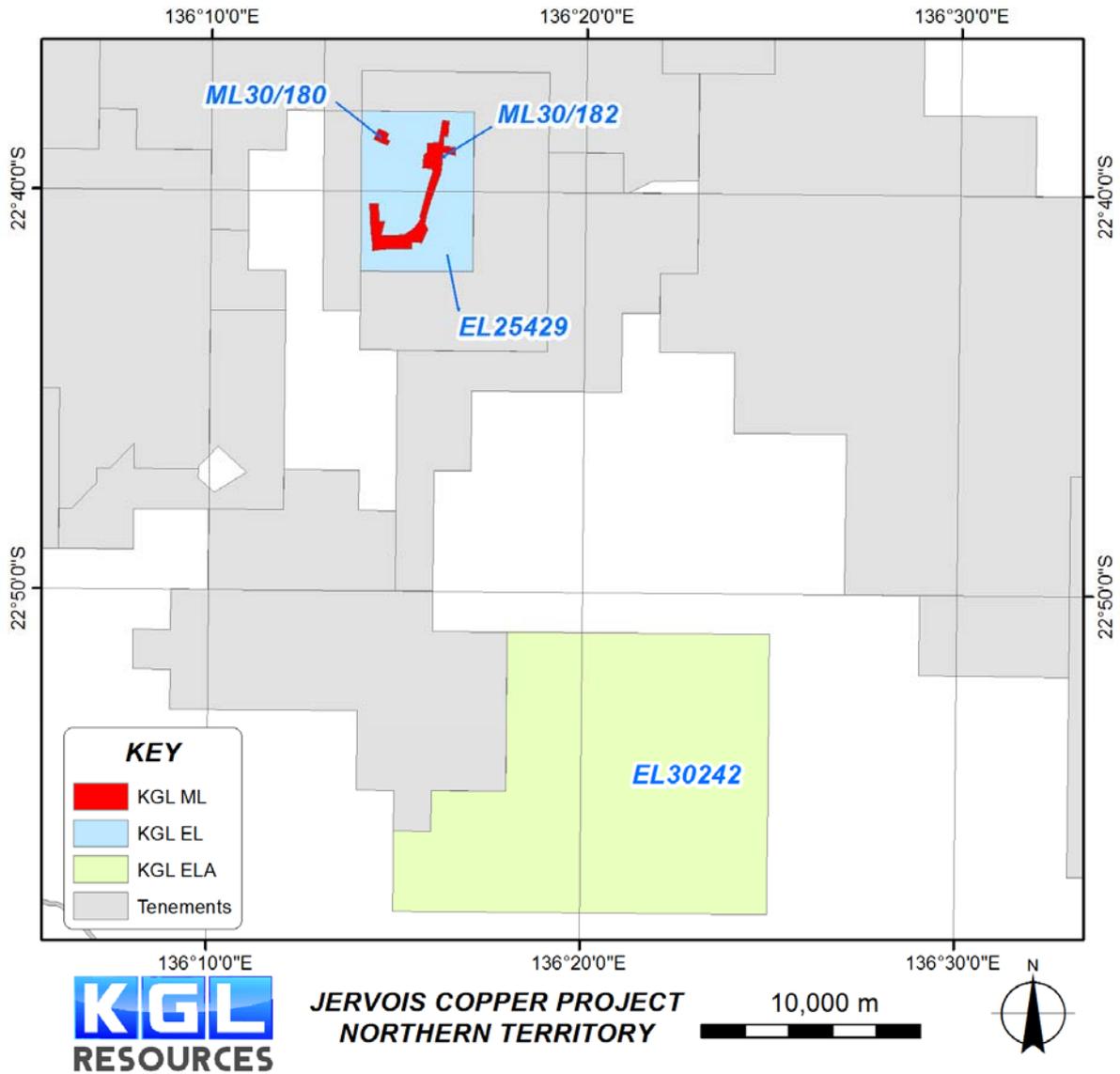
*High grade lead and zinc mineralisation*



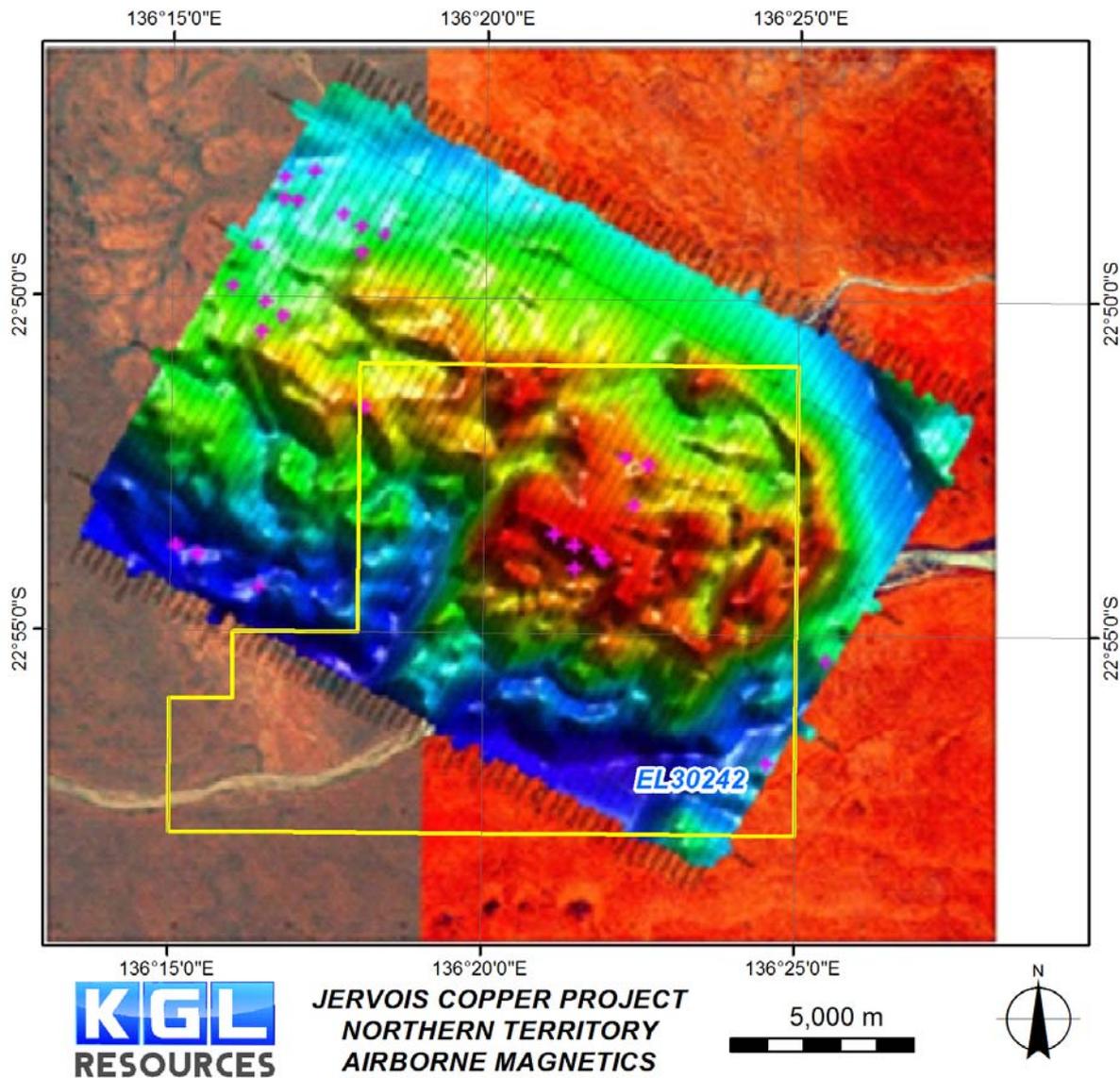
*Reverse Circulation Drill Rig at Jervois July 2014*

#### New Exploration Licence

A new Exploration License EL30242 of 180 square kilometres has been applied for approximately 20km to the south of Jervois (Figure 2). The license is in an area that has known airborne electromagnetic anomalies coincident with a large magnetic anomaly (Figure 3).



*Figure 2 Location Plan EL30242*



*Figure 3 Plan showing Airborne EM anomalies (Pink Crosses) and Magnetics*

## Corporate

At the end of June 2014 the Company had a cash balance of \$14.8M.

While in a strong position to fund current exploration and pre-feasibility studies, the Company is pursuing a strategy of acquiring a partner to take a 30% to 40% equity in the Jervois project to fund future deep drilling, the definitive feasibility study and to contribute to the capital cost of project construction.

## **Outlook**

The Company will continue to place a strong focus on the Jervois project. It is expected that a Resource update will be completed by the end of August and the pre-feasibility study shortly after.

Further results remain to be reported from the completed drill program at Marshall, Reward, Bellbird, Cox's Find and Rockface.

## **For further information contact:**

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Managing Director  
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## **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

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.

		Date originally Reported	JORC Reported Under
KJC	2	8/11/2013	2004
KJC	3	8/11/2013	2004
KJC	4	8/11/2013	2004
KJC	5	8/11/2013	2004
KJC	6	8/11/2013	2004
KJC	10	8/11/2013	2004
KJC	11	8/11/2013	2004
KJC	14	8/11/2013	2004
KJC	15	8/11/2013	2004
KJC	19	16/06/2014	2012
KJC	29	16/06/2014	2012
KJC	30	29/05/2014	2012
KJC	32	29/05/2014	2012
KJC	33	8/11/2013	2004
KJC	34	21/03/2014	2012
KJC	35	8/11/2013	2004
KJC	39	29/05/2014	2012
KJC	43	21/03/2014	2012
KJC	45	3/02/2014	2012
KJC	46	29/05/2014	2012
KJC	48	9/12/2014	2012
KJC	50	29/05/2014	2012
KJC	56	16/06/2014	2012
KJC	58	21/03/2014	2012
KJC	59	29/05/2014	2012
KJC	60	29/05/2014	2012
KJC	63	29/05/2014	2012
KJC	64	29/05/2014	2012
KJC	65	29/05/2014	2012
KJC	66	29/05/2014	2012
KJC	69	29/05/2014	2012
KJC	70	29/05/2014	2012
KJC	72	29/05/2014	2012
KJC	73	21/07/2014	2012
KJC	74	29/05/2014	2012
KJC	76	21/07/2014	2012
RJ	169	7/09/2011	2044
RJ	237w	29/05/2014	2012
RJ	240	2/08/2012	2004
RJ	241	2/08/2012	2004
KJC	36W1	29/05/2014	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%
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")

30 June 2014

### Consolidated statement of cash flows

Cash flows related to operating activities	Current Quarter \$A'000	Year to date (6 months) \$A'000
1.1 Receipts from product sales and related debtors	-	-
1.2 Payments for (a)exploration and evaluation	(3,647)	(5,841)
(b) development	-	-
(c) production	-	-
(d) administration	(678)	(1,048)
(d) office closure	-	-
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	64	92
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>(4,261)</b>	<b>(6,797)</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	(26)	(26)
(d) disposal Costs	(42)	(42)
1.9 Proceeds from sale of: (a)prospects	-	-
(b)equity investments	-	-
(c)other fixed assets	-	14,851
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	-
1.12 Deed of Company Arrangement (KMWA)	-	(1,000)
<b>Net investing cash flows</b>	<b>(68)</b>	<b>13,783</b>
1.13 Total operating and investing cash flows (carried forward)	(4,329)	6,986

+ See chapter 19 for defined terms.

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

1.13	Total operating and investing cash flows (brought forward)	(4,329)	6,986
<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>		(4,329)	6,986
1.20	Cash at beginning of quarter/year to date	<b>19,134</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>14,805</b>	<b>14,805</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	123
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

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

In the quarter Robust Resources invested \$171, 925 in CJSC Kentor re the Bashkol Joint Venture.

+ 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	(1,038)
4.2 Investment/Development	
4.2 Deed of Company Arrangement	
4.3 Deposit Interest	47
4.31 Operations Costs	
4.4 Admin	(606)
4.5 Asset Disposal	
4.6 Capex	(10)
<b>Total</b>	<b>(1,607)</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	424	456
5.2 Deposits at call	14,379	18,678
5.3 Bank overdraft		
5.4 Other (provide details)		
<b>Total: cash at end of quarter</b>	<b>14,803</b>	<b>19,134</b>

+ See chapter 19 for defined terms.

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

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**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			

**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>			

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+ See chapter 19 for defined terms.

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>	4,299,842	Unlisted Options	Exercise price	Expiry date
7.8	Issued during quarter	600,0000	Various	Various	Various
7.9	Expired during quarter				
7.10	Decrease through consolidation				
7.11	<b>Debentures</b> <i>(totals only)</i>				
7.12	<b>Unsecured notes</b> <i>(totals only)</i>				

## 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: 30/07/2014.....  
(~~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.

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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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