



30 April 2015

Quarterly Activities Report Period Ended 31 March 2015

Jervois Copper Project

- **Progress in optimisation of project economics**
- **9,400m drilling programme in progress**
- **More high grade drill results**

Yambah tenements acquired, similar mineralisation to Jervois

Overview

During the quarter, KGL Resources Limited (KGL or the Company) made good progress in optimising the economics of the Jervois Copper Project, building on the pre-feasibility study finding that the project is technically and commercially feasible.

The PFS optimisation work, which is continuing, comprises resource drilling, geotechnical drilling, metallurgical studies and cost reviews.

Increases in the size and quality of the mineral Resource were targeted, with an updated Resource estimate expected in July.

The optimisation work undertaken so far indicates increases in the recovery rates of copper and silver, increases in the range of ores which can be processed, and reduces mining and other operating costs.

The Company acquired two new prospective Northern Territory exploration tenements, with similar mineralisation style and host rocks to Jervois.

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

Following the completion of the pre-feasibility study of the Jervois Project in December 2014 - summarised in the previous quarterly report - KGL decided to undertake an additional work program to improve the economics.

The PFS found Jervois to be a 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. The optimisation work is targeting \$100M to \$200M of additional free cash flow over the life of the project.

The work, which was the main focus of the Company during the March 2015 quarter, comprised:

- Additional resource drilling
- Metallurgical work and flow sheet optimisation
- Geotechnical review
- Review of mining and other operating costs

Drilling

Resource extension

A resource extension RC drilling program commenced in February at the Bellbird, Marshall-Reward and Green Parrot deposits. Particular emphasis was placed on targeting poorly drilled areas that have potential for high-grade mineralisation and are within or immediately adjacent to the proposed open pits or close to planned underground mine development.

This program of 9,400m has been completed and a further 2,000m of drilling has commenced to bring recently discovered near surface copper mineralisation at Sykes, Johannsen and East Bellbird into the next Resource update. The results will feed into the updated Resource estimate expected to be completed in July.

At Bellbird, in-fill drilling around high grade lenses continued to extend the high grade zones of mineralisation and will result in improvements in the resource tonnes and grade. Similar results are anticipated at Marshall-Reward and Green Parrot.

Within the main Bellbird resource, hole KJC111 intersected a broad zone of copper mineralisation (12m @ 2.6% copper from 361m) that will have a positive impact on the resource.

Hole KJC112 intersected the shallow Bellbird East zone (including 2m @ 2.28% copper, 1.08% lead, 0.59% zinc and 16.3 g/t silver from 27m); the intersection is in a parallel mineralised zone on the eastern margin of the Bellbird pit, and will be subject to further drilling.

Drilling of hole KJC109 intersected two zones of copper mineralisation including 6m @ 3.73% copper from 298m, confirming that high grade mineralisation is continuous between two high grade lenses within the moderately plunging Bellbird resource.

Drilling also confirmed a northern extension to Bellbird Central.

Geotechnical drilling

During the quarter, the Company completed a 1,260m nine-hole geotechnical diamond drilling program aimed at assisting with the design of steeper walls at Marshall-Reward and Bellbird to reduce the mining of waste.

The geotechnical drill holes intersected unexpected copper mineralisation on both the east and west walls of the Marshall pit. An additional 2,000m of RC drilling is now in progress to follow up these two new mineralised zones.

Assay results were also received from the metallurgical drilling that was completed late last year. The results included:-

At Reward,

12m @ 3.47% copper, 0.36% zinc, 44.4 g/t silver and 0.91 g/t gold from 40m (Hole JMET017)

At Marshall,

8m @ 4.58% copper, 0.37% lead, 0.14% zinc. 89 g/t silver and 0.51 g/t gold from 20m (Hole JMET019)

At Green Parrot,

7m @ 2.84% copper, 2.32% lead, 0.4% zinc, 158.9 g/t silver and 0.04 g/t gold from 22m (Hole JMET022)

At Bellbird,

9m @ 5.57% copper, 44 g/t silver and 0.19 gold from 53m (Hole JMET021)

Metallurgical work and flow sheet optimisation

Test work was undertaken to improve our understanding of treating the wide range of ore types at Jervis. Results so far have highlighted:

- Power savings due to lower work indices for copper ores (softer ore)
- Confirmation of flow sheet conditions established for copper sulphide ores in the earlier work
- Improved confidence in metallurgical response with respect to copper sulphide and transitional ores resulting in increased copper and silver recoveries
- Potential increased throughput in the treatment of transitional ore in the initial stages of operation
- Substantial reduction in sustaining capital requirements.

Grinding

The grinding circuit has been redesigned to treat a wider range of ores including sulphide/transitional ores and lead-zinc ores. The overall installed power requirement was reduced to 5MW (Sag and Ball mill) from the previous 6MW single stage SAG circuit due to the ore being softer than previous assumptions.

Flotation

The test work found that the transitional ore can be treated with minor modifications to the sulphide flotation circuit and the transitional ore can produce a higher grade copper concentrate than the sulphide ores.

In addition further work confirmed that the same concentrator design can also be used to treat the copper-lead-zinc ore, to recover the copper separately and, with some minor modifications, to produce a lead-silver-zinc concentrate.

The encouraging metallurgical outcomes to date point to a more efficient use of capital, reduced sustaining capital over the life of the mine, and the advantage of utilising proven industry standard technologies.

Review of Mining Costs

A review of mining and other operating costs was initiated in the PFS optimisation and is in progress.

However, during the quotation process, it was generally observed that mine establishment costs and mining operating costs have decreased from 2014 to 2015.

The reduction in the price of fuel will also result in additional savings in mining and transport costs.

Acquisition of tenements, Yambah, Northern Territory

In April 2015, KGL announced the acquisition of two additional exploration licences in the Northern Territory for a cash payment of \$20,000.

The tenements formed part of Mithril Resources Limited's Yambah Project located 50km north of Alice Springs. They were acquired because of the close similarity of the mineralisation style and host rocks to Jervis. The highly prospective tenements contain a base metal zone and copper occurrences that have not been fully drill tested.

Surface sampling returned 19% copper, 0.26g/t gold and 25g/t silver (Sample 80337), and 11.85% copper, 34.4g/t silver and 36.8g/t gold (Sample 87112) in surface and rock chip sampling.

Bashkol (KGL 80%)

Tengri Resources advised that they are withdrawing from the farm in agreement over the Bashkol license. KGL Resources is looking for alternative investors for this project.

Savo (KGL 70%, GDY 30%)

In the Solomon Islands, our joint venture partner Geodynamics negotiations with the Solomon Islands Electricity Authority (SIEA), regarding the proposed off-take agreement for the Savo Island Geothermal Project have been put on hold while the SIEA assesses their needs due to lower than expected grid demand growth in Honiara and awaits the outcome of the ongoing World Bank sponsored tender process for the Tina River Hydro Project. Currently Geodynamics is awaiting the renewal of the prospecting licence for Savo Island and will await the outcomes of the Tina Hydro tender process before taking any decisions on the projects next steps.

Corporate

At the end of March 2015, KGL had a cash balance of \$7.58m.

Outlook

With all of the planned drilling now nearing completion, assay results will be used in preparing the updated Resource estimate targeted for completion in July.

Other pre-feasibility study optimisation work during the current and following quarter will encompass metallurgical testing, current development and operational costs, geotechnical reviews and open pit and underground mine design. The information will then be used to prepare a revised financial model for the Jervois project.

An updated pre-feasibility study encompassing the current optimisation work is expected to be completed in the December quarter.

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 was first released to the market on 15 September 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 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 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	111	17/04/2015	2012
KJC	112	17/04/2015	2012
KJC	109	17/04/2015	2012
JMET	017	20/02/2015	2012
JMET	019	20/02/2015	2012
JMET	022	20/02/2015	2012
JMET	021	20/02/2015	2012
Sample	80337	22/03/2015	2004
Sample	87112	22/03/2015	2004

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%
AP1602	Bashkol, Kyrgyz Republic	80%
PL 01/12	Savo Island, Solomon Islands	75%

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

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")

31 Mar 2015

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	(1,517)	(1,517)
(b) development	-	-
(c) production	-	-
(d) administration	(780)	(780)
(d) office closure	-	-
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	116	116
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other – Settlements	-	-
Foreign Exchange differences	-	-
Net Operating Cash Flows	(2,181)	(2,181)
Cash flows related to investing activities		
1.8 Payment for purchases of: (a)prospects	-	-
(b)equity investments	-	-
(c) purchase options	-	-
(c) other assets	(18)	(18)
(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)	-	-
Net investing cash flows	(18)	(18)
1.13 Total operating and investing cash flows (carried forward)	(2,199)	(2,199)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly

1.13	Total operating and investing cash flows (brought forward)	(2,199)	(2,199)
	Cash flows related to financing activities		
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	-	-
	Net financing cash flows	-	-
	Net increase (decrease) in cash held	(2,199)	(2,199)
1.20	Cash at beginning of quarter/year to date	9,788	9,788
1.21	Exchange rate adjustments to item 1.20	0	0
1.22	Cash at end of quarter	7,589	7,589

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	222
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 withdrew from the farm in agreement on Bashkol

+ 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	(1,288)
4.2 Investment/Development	
4.2 Deed of Company Arrangement	
4.3 Deposit Interest	28
4.31 Operations Costs	
4.4 Admin	(702)
4.5 Asset Disposal	
4.6 Capex	(10)
Total	(1,972)

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	239	246
5.2 Deposits at call	7,343	9,542
5.3 Bank overdraft		
5.4 Other (provide details)		
Total: cash at end of quarter	7,582	9,788

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly

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	Preference +securities <i>(description)</i>			
7.2	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy- backs, redemptions			
7.3	+Ordinary securities	141,540,563	141,540,563	
7.4	Changes during quarter (a) Increases through issues (b) Decreases through share consolidation	1,300,000	nil	Performance options exercised.
7.5	+Convertible debt securities <i>(description)</i>			

+ See chapter 19 for defined terms.

7.6	Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7	Options <i>(description and conversion factor)</i>	2,799,842	Unlisted Options	Exercise price	Expiry date
7.8	Issued during quarter				
7.9	Exercised during quarter	1,300,000			
7.10	Decrease through consolidation				
7.11	Debentures <i>(totals only)</i>				
7.12	Unsecured notes <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: 30/04/2015.....
(~~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.

+ See chapter 19 for defined terms.

Appendix 5B

Mining exploration entity quarterly

- 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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