

30 October 2015

Quarterly Activities Report Period Ended 30 September 2015

Jervois Copper-Silver Project

- **Completed PFS shows strong economics of Jervois -**
 - **C1* cash cost of US\$0.88/lb over mine life**
 - **3.2 years payback**
 - **A\$807M operating cash flow**

- **Continuing exploration success**
 - **high grade copper at newly emerging Rockface – potential new mine**
 - **potential for more discoveries**

Overview

KGL Resources Limited (KGL or the Company) completed the Pre-Feasibility Study (PFS) of its 100% owned Jervois Copper-Silver Project and announced the results on 16 October.

Jervois was confirmed as a robust, mid-level scale mining project with an initial annual production of 21,000 tonnes of copper, one million ounces of silver, plus lead and zinc, with a mine life of more than 8 years.

The completed PFS was updated from the initial PFS announced last December. The enhanced result benefited from work in 2015 that included increasing and upgrading the mineral resources, simplifying the metallurgical processing and reducing the operating costs.

The PFS places Jervois among the lowest cost of the world's probable new mines. The PFS shows a C1* cash cost of US\$0.88/lb (A\$1.26) over the initial mine life of 8.25 years, a 3.2 year payback and A\$807M operating cash flow.

It is likely that the mine life will be extended. With 12km of strike length, all orebodies remain open. The potential for substantial discoveries is demonstrated by the recent strongly mineralised intersection at the Rockface prospect – more than 2% copper over 13m - in an area that is not included in the current mining inventory used in the PFS. Rockface has the potential to add a new open pit and underground mine to the Jervois project.

*After by-product credits

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

The Jervois project as presented in the PFS will consist of open pit mining of several deposits followed by underground mining to feed a 2.2 Mtpa flotation plant producing 80,000 to 100,000 tpa of copper concentrate plus a separate lead/zinc bulk concentrate.

The project is forecast to produce a total of 754,000 tonnes of copper concentrate at a grade of approximately 23% copper and 283 g/t silver over an initial mine life of 8.25 years. This equates to an average annual production of approximately 21,000 tonnes of contained copper and 1 million ounces of contained silver. The project will also produce approximately 179,000 tonnes of bulk lead-zinc-silver concentrate at a grade of 43% lead, 17% zinc and 1,069 g/t silver over the life of mine.

| Key Life of Mine (LoM) Highlights | |
|--|--|
| Resource – Copper | 26.7Mt @ 1.12%Cu, 16.6g/tAg |
| – Lead/Zinc | 3.8Mt @ 0.72%Cu, 3.7%Pb, 1.2%Zn, 67.5g/tAg |
| LoM* | 8.25 years |
| Average Annual Production | 21,000t Cu |
| LoM C1 Cash Cost (after credits) | US\$ 0.88/lb |
| LoM C3 Cash Cost | US\$ 2.13/lb |
| Copper Price** | US\$ 3.25 |
| Silver | US\$ 19.94 / oz |
| Gold | US\$ 1,269 /oz |
| FX – Exchange (A\$:US\$) | 1A\$:0.7US\$ |
| Gross Revenue (net TC and RC's) | A\$ 2,392m |
| Operating Cash Flow | A\$ 807m |
| Pre-Production Capital Costs | A\$ 189.5m |
| Deferred Capital Cost (Year 2) | A\$ 26.7m |
| NPV (10% Discount rate) | A\$ 248m |
| Payback Period | 3.2 years |
| IRR | 35% |

The PFS is based on a total Indicated and Inferred Resource of 30.5 Mt containing 327,000 t copper, 22.6 Moz silver, 143,000 t lead and 47,000 t zinc.

Exploration potential* exists peripheral to the current resource estimates. The Exploration Target for the combined Bellbird and Marshall-Reward zones for a 0.5% Cu cut-off is of the order of 4 – 8 Mt at 0.8 – 1.2% Cu, 7 – 15 ppm Ag for 40,000 to 100,000 tonnes of copper, and 1.5 – 3.5 million ounces of silver. The lodes are open at depth, and there are additional possibilities along strike from the deposits based on isolated drillhole information and from interpretations of the geophysical surveys.

**The potential quantity and grade of the Exploration Potential is conceptual in nature, and there has been insufficient exploration to define a Mineral Resource in these areas.*

Recent exploration successes at Rockface, Green Parrot and Bellbird East offer the potential for additional high grade relatively shallow resources that could feed into the early part of the mine schedule and further enhance the project's economics.

Open Pit Mining is proposed in three locations - Marshall-Reward, Green Parrot and Bellbird. The life of mine waste to ore stripping ratio for the open pits is 7.3 : 1. Open pit mining continues for the first 6.25 years of the mine life. Underground mining is scheduled to commence in the third year of operations.

The process plant will produce copper sulphide concentrate as a primary product which will contain variable amounts of silver and gold depending on the ore source. During treatment of lead-zinc ores, the plant will produce two products: a copper concentrate, and a bulk lead-zinc concentrate which will also contain the majority of the silver and gold. The only significant penalty element will be bismuth which will be contained in both concentrates and is likely to attract a minor penalty.

The concentrate transport study concluded that the use of sealed half height containers was the cheapest and safest method to transport the concentrate from site to Darwin. The sealed half height containers will be trucked to Alice Springs and then transported by rail to either Darwin or Adelaide for export to Asian smelters. This process will eliminate the need for any intermediate enclosed warehousing at both Alice Springs and at the export port.

Power will be generated on site from a 100% Liquefied Natural Gas (LNG) fuelled power plant with the inclusion of a PV solar plant representing 10% of the overall power demand.

The PFS provides for the Definitive Bankable Study to commence early in 2016, design, procurement and construction to commence in 2017 (subject to funding being secured) and first production targeted for 2018.

Exploration

New areas of copper mineralisation were discovered during the quarter.

KGL completed a 3D induced polarisation (3DIP) and magnetotelluric survey (MT) in the Bellbird region to search for additional zones of mineralisation in a poorly tested yet highly prospective zone along the 12km mineralised strike length at Jervis.

Targeting the anomalies identified in the survey, KGL initiated a 10-hole drilling program. Five holes were completed during the quarter, and all holes intersected new zones of copper mineralisation.

The fifth hole, drilled at the Rockface Prospect, intersected an extended length of strongly mineralised core from 253 metres. This is deeper than any previous hole drilled at Rockface and well below the current Inferred Resource. Diamond hole KJCD171 intersected:

- 13m @ 2.14% copper, 12.4 g/t silver, 0.10 g/t gold from 253m
- 2m @ 2.83% copper, 10.8 g/t silver and 0.05 g/t gold from 278m

The Rockface trend does not feature in the PFS mine schedule. However, with such mineralisation intersected in the first hole into an IP anomaly 500m long, further drilling could identify areas for mining.

Further high grade copper was intersected near the surface at the Killeen Prospect:

- 2m @ 3.18% copper, 11.8 g/t silver and 0.03 g/t gold from 19m (Hole KJC167)

Yambah prospects, Northern Territory (KGL 100%)

Preliminary exploration work continued 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.

Corporate

At the end of September 2015, KGL had a cash balance of \$3.163 million.

Outlook

Down hole electromagnetic surveying is currently taking place at the site. The results from these surveys will be used to design the next drill program at the site.

PWC has been commissioned to find a project partner to participate in the development of Jervois as a significant copper, silver and multi-metal mine.

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 Project in the Northern Territory and developing it into a multi-metal mine.

Competent Persons 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 Reserves information was first released to the market on 16 October 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 information was first released to the market on 16 October 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 Exploration data in this report is based on information compiled by Martin Bennett, who is a member of the Australian Institute of Geoscientists and a full time employee of KGL Resources Limited. Mr. Bennett has sufficient experience which is relevant to the style of the mineralisation and the type of deposit under consideration and to the activity to which he is undertaking, 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. Bennett has consented to the inclusion of this information in the form and context in which it appears in this report. 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 |
|---------|--------------------------|---------------------|
| KJCD171 | 22/10/2015 | 2012 |
| KJC167 | 22/10/2015 | 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 |
|--|-----------------|---------------------------|
| | | 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 September 2015

Consolidated statement of cash flows

| Cash flows related to operating activities | Current Quarter \$A'000 | Year to date (9 months) \$A'000 |
|---|----------------------------|---------------------------------------|
| 1.1 Receipts from product sales and related debtors | - | - |
| 1.2 Payments for | (1,139) | (4,915) |
| (a) exploration and evaluation | - | - |
| (b) development | - | - |
| (c) production | (496) | (1,764) |
| (d) administration | - | (91) |
| (d) office closure | - | - |
| 1.3 Dividends received | - | - |
| 1.4 Interest and other items of a similar nature received | 17 | 185 |
| 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 | (1,618) | (6,585) |
| Cash flows related to investing activities | | |
| 1.8 Payment for purchases of: | | |
| (a) prospects | - | - |
| (b) equity investments | - | - |
| (c) purchase options | - | - |
| (c) other assets | (-) | (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) | - | - |
| Net investing cash flows | (-) | (40) |
| 1.13 Total operating and investing cash flows (carried forward) | (1,618) | (6,625) |

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly

| | | | |
|------|--|--------------|--------------|
| 1.13 | Total operating and investing cash flows (brought forward) | (1,618) | (6,625) |
| | 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 | (1,618) | (6,625) |
| 1.20 | Cash at beginning of quarter/year to date | 4,781 | 9,788 |
| 1.21 | Exchange rate adjustments to item 1.20 | 0 | 0 |
| 1.22 | Cash at end of quarter | 3,163 | 3,163 |

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 | 128 |
| 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

| |
|--|
| |
|--|

+ 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 | (388) |
| 4.2 Investment/Development | |
| 4.2 Deed of Company Arrangement | |
| 4.3 Deposit Interest | 14 |
| 4.31 Operations Costs | |
| 4.4 Admin | (421) |
| 4.5 Asset Disposal | |
| 4.6 Capex | (11) |
| Total | (806) |

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 | 295 | 244 |
| 5.2 Deposits at call | 2,868 | 4,537 |
| 5.3 Bank overdraft | | |
| 5.4 Other (provide details) | | |
| Total: cash at end of quarter | 3,163 | 4,781 |

+ 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 | | | |
| 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> | 2,475,000 | Unlisted Options | Exercise price | Expiry date |
| 7.8 | Expired during quarter | 324,842 | Unlisted Options | | |
| 7.9 | Exercised during quarter | | | | |
| 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 ~~/does not*~~ *(delete one)* give a true and fair view of the matters disclosed.

Sign here:  Date: 30/10/2015.....
(~~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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