



29 December 2015

Dear Optionholder

KGL Resources Limited fully underwritten entitlement offer – notice to optionholders

Today KGL Resources Limited ACN 082 658 080 (**KGL** or **Company**) announced a two for nine pro rata non-renounceable entitlement offer of fully paid ordinary shares in the Company to raise approximately \$3 million (**Entitlement Offer**).

The proceeds of the Entitlement Offer will be applied principally to working capital, and in particular to the further development of KGL's current projects and operations.

Terms of the Entitlement Offer

The offer price for the Entitlement Offer will be \$0.095 per share (**Offer Price**).

Under the Entitlement Offer, eligible shareholders will be able to subscribe for two new ordinary shares in the Company for every nine existing shares (**New Shares**) held at 7.00pm (Brisbane time) on 5 January 2016 (**Record Date**) at the Offer Price (**Entitlements**).

Fractional Entitlements will be rounded down to the nearest whole number of New Shares.

KGL will offer the New Shares for issue without disclosure to investors under section 708AA(2)(f) of the Corporations Act as notionally modified by ASIC Class Order 08/35. On 8 January 2016, KGL will lodge an Information Booklet for the Entitlement Offer with ASX, a copy of which will be sent to each Eligible Shareholder (along with a personalised Entitlement and Acceptance Form) on or about 8 January 2016.

Eligible shareholders may also apply for additional New Shares in excess of their Entitlement at the same price as under the Entitlement Offer (**Top-Up Facility**). Additional New Shares will only be available under the Top-Up Facility where there is a shortfall between applications for New Shares received from eligible shareholders and the number of New Shares proposed to be issued under the Entitlement Offer. There is no guarantee that applicants under this top up facility will receive all or any of the shares that they apply for under the top up facility.

The Entitlement Offer will be fully underwritten by Denis Leslie Wood, the newly appointed Chairman of KGL.

Your options do not entitle you to participate in the Entitlement Offer

The purpose of this letter is to give you notice prior to the Record Date that you may exercise your options should you wish to participate in the Entitlement Offer. Accordingly, if you wish for some or all of the shares underlying your options to be counted as part of your Entitlement under the Entitlement Offer, you will need to exercise that portion of your vested and exercisable options for which you wish to participate and pay the current exercise price for those options so that the corresponding shares are issued to you before the Record Date.

If you choose to participate in the Entitlement Offer by exercising some or all of your options prior to the Record Date, you will be sent an information booklet and personalised entitlement and acceptance form containing important information about the Entitlement Offer.

In that case, you should be aware that the exercise price of options which you do not exercise may be reduced as contemplated by the ASX Listing Rules.

Further information

If you have any queries, please contact KGL on + 61 7 3071 9003 (within Australia) between 8:30am and 5:00pm (Brisbane time) Monday to Friday during the offer period or, alternatively, consult your stockbroker, solicitor, accountant or other professional financial adviser.

On behalf of the directors, I thank you for your continued support of KGL.

Signed for and on behalf of KGL

A handwritten signature in black ink, appearing to read 'K. Anderson'.

Kylie Therese Anderson

Company Secretary
KGL Resources Limited