



13 September 2017

Entitlement Offer cleansing notice under section 708AA(2)(f) of the Corporations Act

KGL Resources Limited ACN 082 658 080 (**ASX:KGL**) (**KGL**) today announced that it successfully completed a placement of 22,833,333 fully paid ordinary shares to a small group of sophisticated and institutional investors, including RCF Opportunities (a fund in the global resource private equity firm Resource Capital Funds), and two of KGL's existing substantial shareholders, KMP Investments Pte Ltd and Mr Denis Wood, Executive Chairman of KGL, raising approximately \$6.9 million (**Placement**).

KGL will now undertake a one for eleven pro rata non-renounceable entitlement offer of approximately 18,489,247 fully paid ordinary shares in KGL (**New Shares**) to raise up to \$5.5 million (**Entitlement Offer**).

Under the Entitlement Offer, eligible shareholders will be able to subscribe for one fully paid ordinary share (**New Share**) in the Company for every eleven existing shares held at 5.00pm (AEDST time) on 19 September 2016 (**Record Date**) at an issue price of \$0.30 per New Share (**Offer Price**).

KGL will offer the New Shares for issue without disclosure to investors under section 708AA(2)(f) of the *Corporations Act 2001* (Cth) (**Corporations Act**) as notionally modified by ASIC Corporations (Non Traditional Rights Issues) Instrument 2016/84.

Further details of the Entitlement Offer are set out in the Investor Presentation and the Information Booklet that has been lodged with ASX today that will be dispatched to eligible shareholders on or about 21 September 2017.

Details of the securities issued

Class of securities:	Fully paid ordinary shares
ASX Code of the securities:	KGL
Date of the issue or expected issue of the securities:	23 October 2017
Total number of securities expected to be issued (subject to rounding of fractional entitlements):	18,489,247 New Shares

For the purposes of section 708AA(7) of the Corporations Act, KGL advises:

- the New Shares will be offered for issue without disclosure under part 6D.2 of the Corporations Act;
- this notice is given under section 708AA(2)(f) of the Corporations Act as notionally modified by ASIC Corporations (Non Traditional Rights Issues) Instrument 2016/84;
- as at the date of this notice, KGL has complied with:
 - the provisions of chapter 2M of the Corporations Act as they apply to KGL; and
 - section 674 of the Corporations Act;

- as at the date of this notice, there is no excluded information of the type referred to in sections 708AA(8) and 708AA(9) of the Corporations Act which is required to be set out in this notice; and
- information regarding the potential effect of the issue of New Shares pursuant to the Entitlement Offer on the control of KGL, and the consequences of that effect, is summarised below.

Effect on control

- 1 If all eligible shareholders take up their entitlement for New Shares under the Entitlement Offer, the Entitlement Offer will have no effect on the control of KGL.
- 2 Eligible shareholders who do not take up their entitlements under the Entitlement Offer will be diluted by those other shareholders who take up some, all or more than their entitlement (i.e. by subscribing for shortfall shares). In addition, ineligible shareholders will have their interests in KGL diluted.
- 3 KGL's largest shareholder, KMP Investments Pte Ltd (**KMP**), will have voting power of 26.21% in KGL, following the issue of 5,666,667 Shares (\$1.7 million) under the Placement. KMP has undertaken to take up its full entitlement under the Entitlement Offer (calculated inclusive of the placement shares).¹ Collectively, the Institutional Placees and Denis Wood (in respect of his existing holdings) will take up 41.33% of the New Shares being issued pursuant to the Entitlement Offer. Each of the Institutional Placees has confirmed that it will not make any application for short-fall under the top-up facility. The table below shows the impact of the Entitlement Offer on the voting power of KGL's two largest shareholders assuming varying levels of take-up of the remaining shares under the Entitlement Offer (in respect of which commitments to subscribe have not been received). This table assumes that the Placement shares to be taken up by Denis Wood, subject to shareholder approval, are issued (which is expected to occur on the same date as the issue of shares under the Entitlement Offer).²

Event	KMP	Denis Wood
Pre-Placement	25.76%	9.10%
Post Placement (excl Director Placement)	26.21%	8.27%
Post-rights issue based on 100% take-up [#]	25.70%	9.88%
Post rights issue based on 75% rights take-up [#]	26.01% ⁺	10.00% ⁺
Post-rights issue based on 50% rights take-up [#]	26.33% ⁺	10.13% ⁺
Post-rights issue based on 25% take-up [#]	26.66% ⁺	10.25% ⁺
Post-rights issue based on 0% take-up [#]	27.00% ⁺	10.38% ⁺

¹ KMP and each of the other institutional participants (**Institutional Placees**) in the placement (excluding Mr Denis Wood and Mr Ferdian Purnamasidi, whose placement shares will be subject to shareholder approval), will be entitled to participate in the entitlement offer and each Institutional Placee has committed to take up its entitlement in full.

² If KGL shareholders do not approve Mr Wood's and Mr Purnamasidi's participation in the placement, the effect of that will be that Mr Woods' voting power under the various scenarios presented above will be slightly lower, and KMP's voting power will be slightly higher.

The reference to % take-up is take-up of the shares to be issued under the Entitlement Offer which are not subject to commitments.
+ This assumes that none of the shortfall is placed subsequent to the rights issue.

- 4 Based on the analysis presented above, the Board does not expect the Entitlement Offer to have a material effect on the control of KGL.
- 5 The Board of KGL has reserved the right to place the shortfall at the discretion of the Board within 3 months of the closing date for the Entitlement Offer. Having regard to the number of shares to be issued under the Entitlement Offer, even if a substantial shortfall eventuated, the participants in any shortfall would not be in a position to exercise any substantive control in KGL.

Signed for and on behalf of KGL

Kylie Therese Anderson
Company Secretary
KGL Resources Limited