



21 May 2019

AGM Presentation

KGL Resources Limited (ASX code: KGL) provides the following presentation to be given at today's Annual General Meeting.

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Chairman's Address to the Annual General Meeting of KGL Resources Limited, Brisbane, 21 May 2019

Thank you for taking the time to attend today. It's an opportunity for me to report on a successful year of progress and planning at the Jervois Copper Project as we prepare for project development.

Building a Robust and Sustainable Project...



- ✓ Identified a resource with steadily increasing levels of confidence
- ✓ Working towards producing a JORC Ore Reserve on which to finance project development
- ✓ Pursuing engineering and other essential planning activities in parallel
- ✓ Methodically managed the government approval process, with the final stages of the Environmental Impact Study (EIS), the only outstanding major requirement, now under way
- ✓ Have established strong relationships with key stakeholders.



For three years, we have followed a strategy of delineating a mineral resource on which we could be confident of building a robust and sustainable operation. With disciplined and focused effort,

-) we have identified a resource with steadily increasing levels of confidence,
-) we are working towards producing a JORC Ore Reserve on which to finance project development,
-) we are pursuing engineering and other essential planning activities in parallel,
-) we have methodically managed the government approval process, with the final stages of the Environmental Impact Study (EIS), the only outstanding major requirement, now under way, and
-) we have been establishing strong relationships with key stakeholders

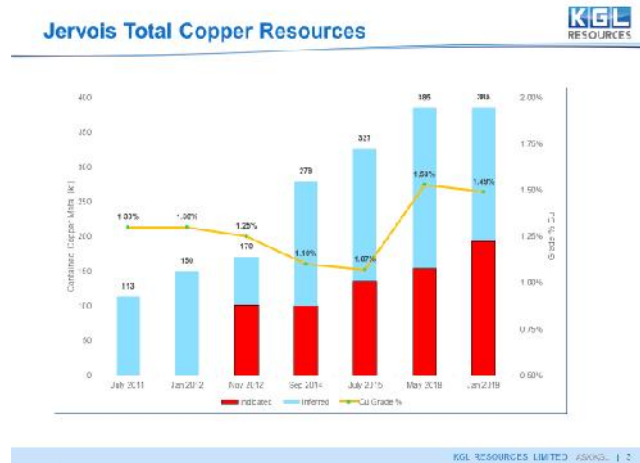
I would now like to update you on the project as we proceed towards development, on exploration for new mineralisation, and on the outlook for the copper market into which the concentrates from the Jervois operation will be directed.

Project Development

The commitment for construction at Jervois is targeted for the end of 2019. Working towards this start-up time for the project go-ahead, we have implemented an intensive program of infill drilling to enhance the mineral resource, at the same time pursuing mine design, processing and infrastructure planning, and working through the EIS approval process.

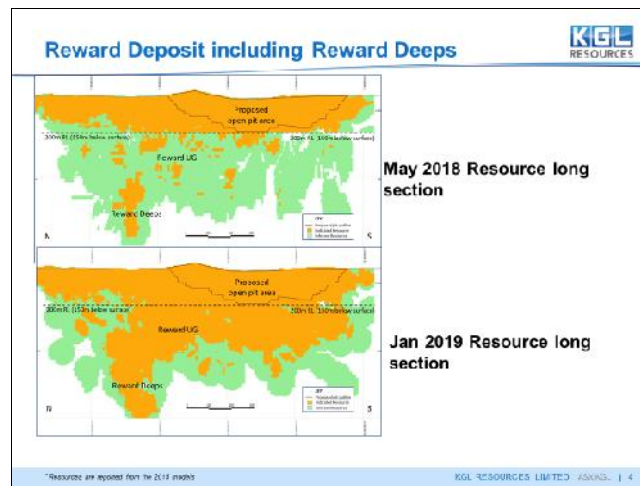
This is, of course, the current timetable and there are still some hurdles to overcome in order to meet that timetable. It is subject to the approval of the EIS and water sourcing for the project, and to the gaining of development finance which is the objective of current drilling to delineate a JORC Ore Reserve and develop the necessary financial model.

A significant concern in forecasting development timetables for mines in Australia – is the increasing rate of policy change by governments both at a state and federal level and hence the Company’s urgency in progressing the right to mine process.



Shortly before last year’s AGM, we were able to announce increased resources of 385,000 tonnes of contained copper and 23.6 million ounces of silver at Jervois.

Over the last year, we have aimed at increasing the confidence levels in the resource, and in January we announced a significant upgrade. More than half of the copper resource is now in the Indicated Resource category.



This year we have been concentrating on further upgrading the level of confidence in the resource, with a particular focus on the Reward and Rockface deposits.

Central to achieving this objective is infill drilling.

This is a slow and expensive business, but absolutely essential in order to confirm the quality of the mineral resource and establish an initial JORC compliant Ore Reserve on which project finance can be raised.

We recently released results from drilling at Reward Deeps and Rockface North, and we expect that this work will enable a further upgrade in status from Inferred to Indicated Copper Resources at those locations.

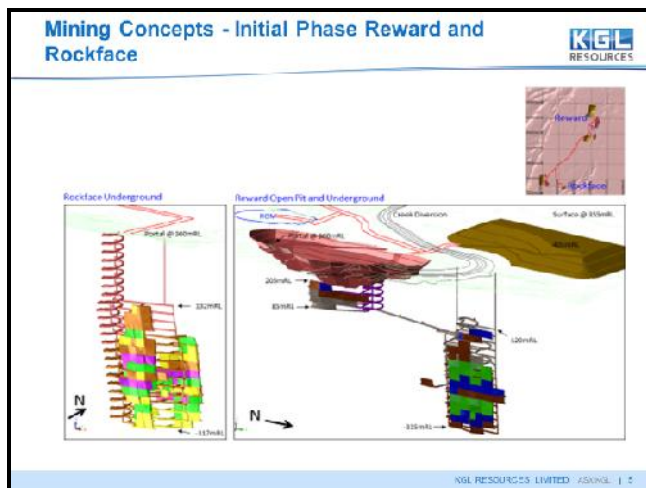
We are now working on the preparation of a new pre-feasibility study, which is essential for the establishment of the Ore Reserve under the JORC code.

The infill drilling required to determine the Ore Reserve was completed three weeks ago, and the processes necessary for the calculation of the Reserve are now under way. The release of a Reserve will also require finalisation of the financial model, completion of the geotechnical and mining studies and logistic and marketing strategies.

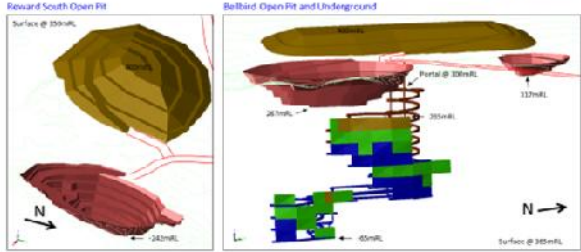
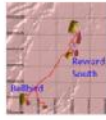
Mine Planning and Project Design

Studies for mine planning are continuing in conjunction with the JORC infill drilling. Discussions are proceeding with contractors on all major aspects of the mine development and operation, comprising mining, metallurgical processing, power generation and camp construction, transport logistics and product marketing.

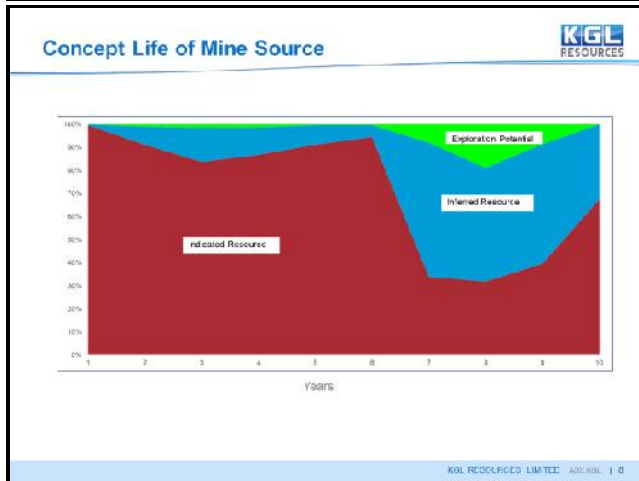
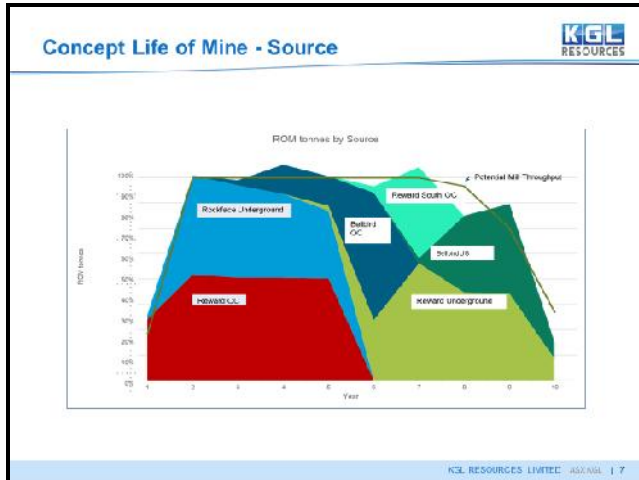
While definitive mine plans will be based on the forthcoming Ore Reserves, we have been devising conceptual mine plans that we have shared with you.



The concepts of how mining will proceed at Jervois have been updated as a result of our improved understanding of the available resources, in advance of the Ore Reserves. These sections show conceptual planning for initial mining from underground at Rockface and by open cut at Reward. Underground mining at Reward will follow.



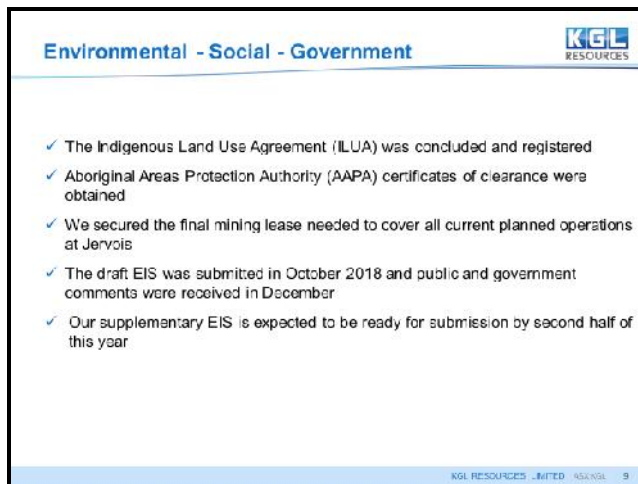
This slide shows conceptual planning for Bellbird and Reward South (previously Green Parrot) where mining will be phased in after the completion of Rockface and Reward. These resources are currently defined as Inferred, and drilling to Indicated status will take place once operations have commenced. Mindful of the expense of the infill drilling process, we are currently planning to use operating profits as opposed to raising capital.



Our current proposed mining concept envisages a production life of 10 years, with a throughput capacity of 1.6 million tonnes of ore per year, based upon the size of the processing plant. This graph depicts the commencement of mining at the two initial locations – by open cut mining at Reward and by underground mining at Rockface. Production will then be introduced from open cut mining at the Bellbird deposit, and from underground mining at Reward. Production from open cut mining at Reward South will then be introduced, and will be followed by underground mining at Bellbird.

This graph shows that our conceptual production is based on current estimates of Indicated and Inferred Resources plus a small, conservative provision of additional resources to be sourced from exploration.

Environment – Social – Government



We have worked methodically to achieve the regulatory requirements for Jervois, and have reported progressively to shareholders.

The Indigenous Land Use Agreement (ILUA) was concluded and registered.

Aboriginal Areas Protection Authority (AAPA) certificates of clearance were obtained for Jervois and for the adjoining Unca Creek exploration area. Also, we have recently received the AAPA clearance certificate for the proposed water sourcing site.

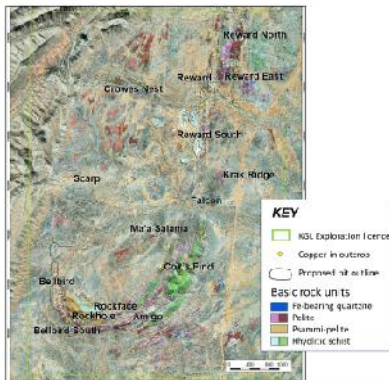
We secured the final mining lease needed to cover all current planned operations at Jervois.

The draft EIS was submitted in October 2018 and public and government comments were received in December.

The draft EIS received positive and supportive reactions in the public review stage, and we are now preparing responses to the comments and queries that were raised. Our supplementary EIS is expected to be ready for submission in the second half of this year. Its preparation is being delayed by the recent challenges of getting site access to complete the drilling for process water. I am pleased to report that we were able to start the drilling for water last week. We have drilled 3 of the 10 planned holes and now believe, in conjunction with the results from an initial small drill program, we have already established 50% of our required water supply.

Exploration

Jervois Mineral Field – Current Targets



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While infill drilling has taken priority, at the same time we have continued exploration drilling, with encouraging results.

We have continued to rely heavily on state-of-the-art, down hole electromagnetic (DHEM) surveying technology, to identify targets for drilling programs.

These are specific, geophysically planned targets. They will be drilled when drill rigs become available in the breaks from infill drilling, rather than standing down the rigs and even having them sent off site and facing the added cost and inefficiency of bringing them back to site.

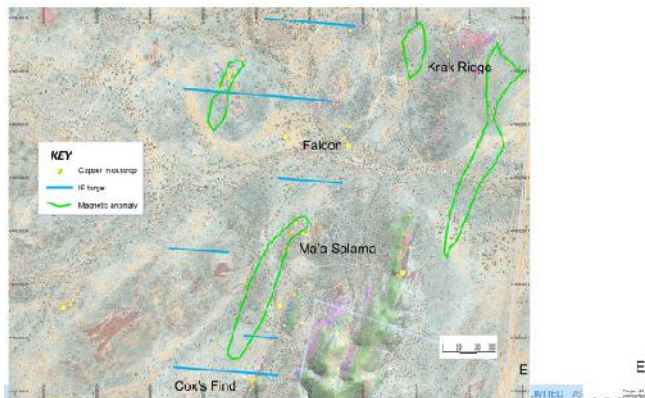
Previous work has shown the so-called strata-bound copper along the J curve.

Alteration and structural surface mapping by the geological team has located prospects with a similar signature to Rockface and Reward. Among the most prospective are, from north to south: Falcon, Ma'a Salama, Amigo and Bullbird South.

Structural analysis has shown further potential for extensions at Reward North, where they may cross over into the Unca Creek Exploration Lease.

Falcon and Ma'a Salama

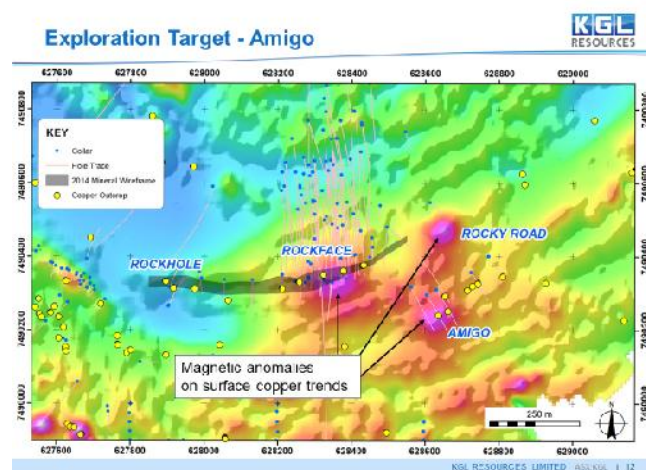
Exploration Target - Falcon and Ma'a Salama



At Falcon and Ma'a Salama, numerous copper occurrences have been mapped at surface. The alteration along the prospective horizons is similar to Rockface. Prospectivity is further underlined by magnetic features at depth that line up with copper trends, and a historical (1965) and limited IP Survey returned positive results between Falcon and Ma'a Salama.

Three shallow holes have been drilled at Ma'a Salama to test the geological structure to aid design of potentially deeper, more expensive holes.

Amigo

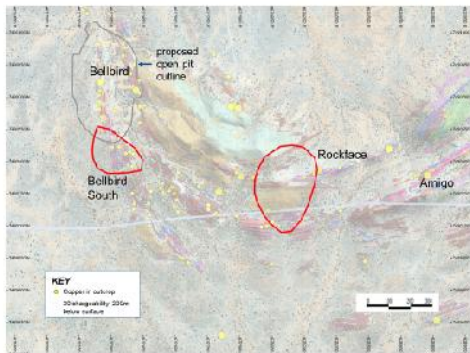


Amigo is an attractive target because of its close proximity and similar geology to Rockface. Copper occurrences are found in gossans and garnet-chlorite alteration at surface. There are also abundant magnetite altered banded ironstones along strike and possibly at depth as suggested by the magnetic susceptibility anomaly linked with Rockface mineralisation. A series of shallow drill holes have been drilled to test the concept and have confirmed mineralisation in varying degrees. We are now awaiting assays.

We issued an update yesterday ahead of receiving assays to ensure that the market was as up to date as possible at the time of the Annual General Meeting. The results of the five holes were encouraging. The five shallow holes intercepted copper mineralisation within 150 metres of the surface. Amigo is only 300 metres from Rockface where the highest grade known copper Resource at Jervois is located, and Amigo has similar geology to Rockface.

Bellbird South plan

Exploration Target – Bellbird South



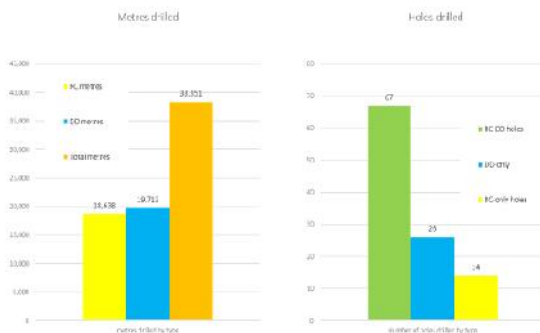
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In plan view, Bellbird South follows the trend of mineralisation at Bellbird Main Lode. A large IP chargeability anomaly similar to that of Rockface makes this an attractive target. We are currently preparing and extending existing holes for DHEM survey.

Operational efficiency

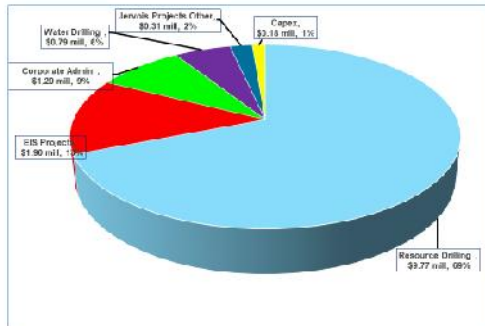
The heavy focus on improving the quality of mineral resources at Jervois has required intensive drilling activity, and this continued throughout 2018. Engaging drilling contractors is a major expense and we have placed great emphasis on using the drill rigs efficiently.

Operational Efficiency - Drilling at Jervois 2018



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The two contracted drill rigs on site at Jervois drilled 38,351 metres in 107 holes. They operated almost non-stop throughout the year, drilling for 11 months and halting only for Christmas-New Year.



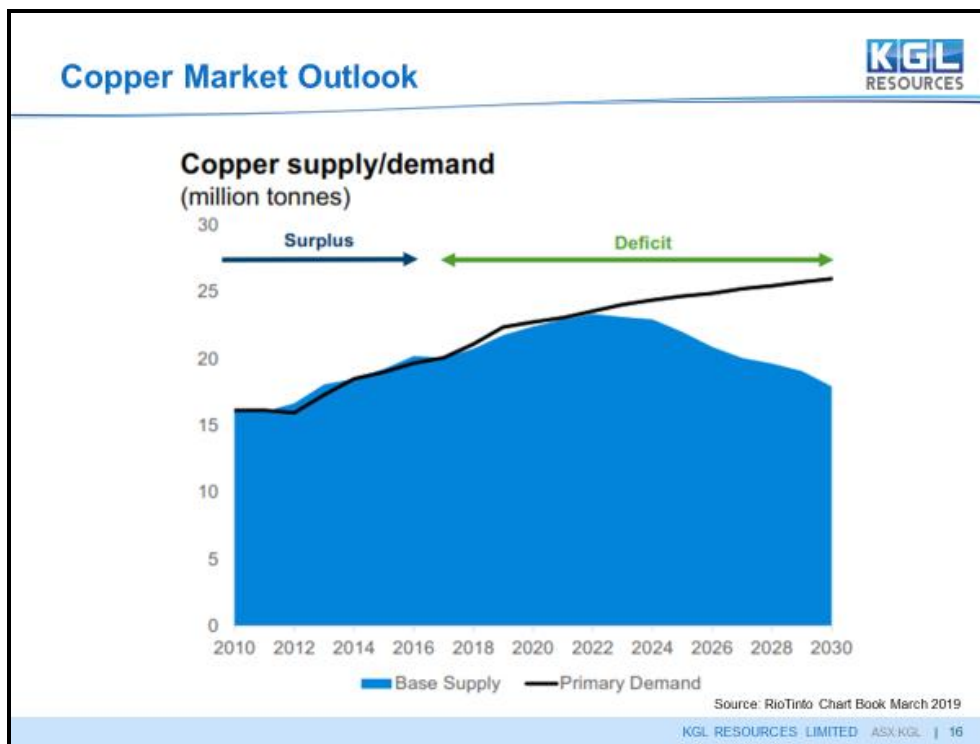
We were also efficient in applying KGL’s funds to the advancement of the project. More than 90% of the Company’s \$14 million expenditure in 2018 was directed to operations – 69% on drilling, 13% on the EIS and 8% on water drilling and engineering.

Capital raising

At this point, I would like to thank, on behalf of directors, shareholders and new investors for participating in capital raisings that have funded the drilling programs and other activities, and are now taking Jervois forward to the point of project development. A placement in February last year was followed by a placement and share purchase plan last August and a further placement in February this year.

I would like to acknowledge the support of KGL’s largest shareholder, KMP Investment Pty Ltd, who participated in all three placements. Directors also value the confidence shown by two new shareholders – international mining investor Ernie Thrasher through an associated company, and funds managed by Argyle Street Management Limited. Both investors followed their entries on to the KGL register in 2018 with participation in the latest February 2019 placement.

Copper Market Outlook –



A major consideration in bringing Jervois into production is the outlook for the copper market. We are seeing today that global politics can have a serious effect, as the current copper price experiences an unexpected drop, most likely due to the decline in the rate of China's economic growth and the trade war between China and the United States.

However, the long term position can be demonstrated to be strong.

Jervois is due to start up at a time of forecast growth in world copper consumption and continuing pressures on production.

Here is the current forecast from the recent chart book of the respected major resources company, Rio Tinto, for the supply/demand of copper over the next decade. As you can see, an 8 million tonne shortfall in the base supply of copper over demand is forecast by 2030.

Over the last three months, others have been predicting looming deficits as demand for copper begins to exceed supply, with a consequent rise in the copper price.

The more bullish of the analysts have been forecasting that the deficits and substantial price rises will occur as early as this year, while others have taken more moderate positions, with deficits occurring over the next two or three years and with lower consequential price rises.

However, all see a tightening supply situation emerging, and strong prices, with mines struggling to keep up with the growing demand from infrastructure, consumer products and electric vehicles.

I have included in the published version my address today some detailed forecasts from commodity analysts relating to the copper market outlook but will not take up the time of this meeting by reading the commentary in full. However, I would like to highlight, the Chief Executive of Rio Tinto's copper and diamonds division, Arnaud Soirat, brought a dramatic

perspective when he said, at a CRU conference in Chile last month, that the world will need the same amount of copper in the next 25 years as it has produced in the last 500 years if expected global demand is to be met.

In conclusion, I would like to thank directors, staff and other stakeholders including our drilling company DRC, the pastoralists at Jervois Station and Lucy Creek Station and the local aboriginal community for their efforts during the past year.

We welcomed two new directors and a senior executive, all with valuable relevant experience and skills. John Gooding and Fiona Murdoch have already greatly strengthened our board, John with his experience as a director and manager in building and operating mines, and Fiona with her mining, infrastructure and commercial background. Chris Bain retired as a director after almost five years on the board. His contribution to strategy and governance is gratefully acknowledged. Paul Richardson joined us to fill the new executive role of project director. He is a mineral processing engineer well qualified and experienced to head the development of Jervois where he is based.

In summary, KGL plans to bring Jervois into production at a time of strong and sustained demand for copper. The positive market environment is there. The KGL strategy of establishing a good quality mineral resource on which to proceed with a robust, consistently profitable mining project at Jervois, is the right one for the times and in the best interests of KGL shareholders.

Detailed Copper Market Commentary

Morgan Stanley is reported as expecting the copper price to rise to almost US\$6900 a tonne by the end of 2019. MS forecasts a 2.4% fall in mine production this year and a 1.6% rise in demand, which it considers will put the copper market into a deficit of 380,000 tonnes.

Goldman Sachs lifted its forecast for the copper price this year, expecting it to increase to US\$8000, as a result of an acceleration in global industrial growth, with a weakening in the value of the US dollar also a factor.

Fitch Solutions forecast US\$7100 for the copper price this year, rising year by year to US\$7300 in 2022, due to market deficits driven by solid demand from China's power and infrastructure sectors and rising global electric vehicle production.

A Capital Economics analyst sees persistent market deficits out to 2027, with the copper price rising to almost US\$10,000 by 2025.

Some other recent forecasts have pointed in the same direction but more moderately.

Macquarie Group suggested that the price could rise to \$6650 a tonne next year and reach more than \$8000 in 2022.

The CRU Group now sees the copper market slipping into small supply-demand deficits in 2021 and 2022, reaching a 270,000-tonne shortfall in 2023, with the resultant price rise.

Another report attributed to BMO forecast a possible 700,000-tonne deficit in 2024, although it doesn't foresee runaway price scenarios.

Behind the forecasts lie the reasons for the strengthening copper market. First, the supply factors.

Bank of America Merrill Lynch researchers identified persistent delays in new mine production of copper and consequent minimal growth in mine supply. They noted that average mine grades had fallen from 1.31% in 2000 to 0.94% in 2018, raising operating costs and slowing the enthusiasm to develop new mines which were increasingly located in higher cost remote regions.

BMO analysts, considering a group of large copper mine producers, believe the steady fall in the grade of copper mined could actually be halted and increase from 0.7% in 2018 to 0.82% in 2030, influenced by a few large, high grade operations, and also by oxide operations being replaced by higher grade, but more expensive, sulphide operations.

A point of general agreement is that production costs of copper will increase.

The CEO of a major copper mine in Chile, interviewed recently, predicted that labour strife, extreme weather and delays in the development of some projects would exacerbate the supply shortfall. He forecast deficits during the next two years.

Then there are the factors influencing demand.

Rio Tinto has taken a strong line this year on the growth of copper consumption. The Chief Executive of Rio Tinto's copper and diamonds division, Arnaud Soirat, brought a dramatic perspective when he said, at a CRU conference in Chile last month, that the world will need the same amount of copper in the next 25 years as it has produced in the last 500 years if expected global demand is to be met.

Among the growth factors, clearly there is a major role for copper in the global drive for clean energy solutions.

Rio Tinto's Chief Executive Officer Jean-Sebastien Jacques recently announced development plans for Resolution, the large copper project that Rio owns with BHP in Arizona. He said, quoting him: "The rise of electric vehicles, battery storage, new transmission technology and other green energy innovations are highly copper-intensive. We need to prepare now to meet this future demand."

Only a couple of weeks ago, Reuters report that Tesla expects world-wide shortages of copper and other metals required for electric vehicle batteries. Tesla's global supply manager for battery metals, Sarah Maryssael, attributed the shortages to under-investment in the mining sector.

It's widely agreed that electric vehicles need up to 80kg of copper, approaching four times that of a medium-sized petrol vehicle. The number of electric vehicles on the road is obviously growing. According to Morgan Stanley analysts, sales of electric vehicles should increase five-fold to 10.2 million by 2025.

The research company IDTechEx, which does work for the International Copper Association, forecast the electric vehicle market will grow to a massive 52 million annual sales by 2029.

Finally, a comment on recent copper exploration. Are the discoveries for the mines of the future being made? A report published last month by S&P Global Market Intelligence (SPGMI) concluded that the mining industry had been mostly unsuccessful in locating major new copper discoveries over the past decade. And this was despite what it called “historically significant investments in copper exploration.”

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