

Quarterly Activities Report - Period Ended 31 December 2019

Advanced planning builds foundations for KGL's Jervois Copper Project to progress to development.

-) Mine planning, processing plant design and infrastructure reached final planning stages.
-) Drilling discovered more high grade copper at the Reward deposit.
-) \$5.9 million raised in entitlement offer.

Summary

1. Strong focus on a comprehensive range of pre-development foundation planning at Jervois.

All the planning foundations for the Jervois project progressed into the final stages. Macmahon Contractors is currently preparing the mine plan at Jervois, optimising KGL's conceptual planning. The metallurgical design, process plant design and associated project infrastructure planning advanced in parallel.

The planning work is being brought together into the Mine Management Plan required for final Northern Territory Government approval for the project to proceed.

2. Further high grade, wide interval copper was intersected just below and south of the proposed pit at Reward.

The drill results significantly support the current mine optimisation planning, presenting opportunities to increase the scale of production and reduce operating costs.

Results from drilling at the Main Lode at Reward included (Estimated True Widths):

-) Hole KJD382: 14.3 m @ 3.90% Cu, and
23.5 m @ 2.56% Cu
-) KJD388: 7 m @ 4.32% Cu
-) KJD395: 30 m @ 3.60% Cu

3. The continuity of high grade mineralisation was confirmed at the Reward Deeps Lode.

Drill results included (Estimated True Widths):

-) KJCD373: 10.2 m @ 3.02% Cu, and
3.2 m @ 7.23% Cu

The quarter's drill results confirm the continuity of high grade mineralisation from 175 metres to more than 400 metres below the surface. Drilling at Reward Deeps has also increased confidence that the high grade copper trend extends northwards from Reward, and has improved understanding of the southern extensions.

4. Elevated gold grades were recorded at both the Reward Main Lode and Reward Deeps.

Elevated gold levels are consistent with the increased geological understanding of the mobilisation of sulphides at Reward, and this has helped to target drilling.

Drill results included (Estimated True Widths):

-) KJCD373: 3.1 m @ 1.38 g/t Au, and
3.2 m @ 2.59 g/t Au
including 1.2 m @ 5.68 g/t Au

5. DHEM surveying located a new conductor zone just south of the Reward pit.

Follow up drilling intercepted strong sulphide mineralisation that was confirmed visually to be predominantly the copper-bearing mineral chalcopyrite. Assays are pending.

6. Shareholders contributed \$5.94 million for new shares in an entitlement offer.

The proceeds will be used to fund drilling and planning activities required to advance Jervois to the project development financing stage.

KGL Executive Chairman, Denis Wood, said directors were pleased with the progress made during the quarter and the development timetable.

“Our advanced planning stage for Jervois coincides with an improved international outlook for copper. There is a widely held view that the international copper market will strengthen during 2020 due to growing global demand and optimism about easing trade tensions, as well as mine supply issues,” Mr Wood said.

“The excellent drill results, including wide intervals of high grade copper just below the proposed pit outline at Reward, are adding considerable value to Jervois as we proceed towards project development.

“Importantly, the results provide the current mine planners with options in mine design, scale of operations and production costs. They are expected to improve the quality of the known resources and provide options for expanding the proposed open pit mine and reducing unit production costs – all significant factors for the mine planning that is now under way. The results also open up the potential for additional mineralisation in under-explored areas.

“The newly located conductor, with observed chalcopyrite, shows the potential to discover additional mineralisation and expand the resource at Jervois.”

1. Focus on comprehensive range of pre-development foundation planning at Jervois.

During the quarter, KGL Resources Limited (ASX: KGL) (KGL or the Company) placed the focus of work at Jervois on the following areas:

Mining Program - Macmahon Contractors, the preferred mining contractor, advanced the optimisation of KGL's mine planning. Several areas of improvement were identified and are being incorporated into the plan, with the focus on optimising the scheduling for the two open pit and three underground mines. Geotechnical studies, including further drilling, core logging and core sampling were completed, and the results will be used to confirm the parameters such as the position of the underground mine declines and stopes.

Process Plant – Core Resources undertook test work to advance the metallurgical processing design to the final stages. These studies investigated quality issues important in ensuring appropriate returns from the sale of concentrate. This work has confirmed advantages of a slightly finer regrind target size to improve concentrate quality.

Water Supply – Work proceeded on the preliminary design of the borefield and pipeline to access water for the project from the previously identified sustainable water source. Applications are in progress for the required Mineral Lease and Water Extraction Licence.

Project Infrastructure - The detailed design and geotechnical requirements for the major earthworks including the Reward Creek Diversion, Tailing Storage and Run of Mine Stockpile approached finalisation. They will be integrated into the mining schedule to ensure optimal construction efficiencies. Planning for the mine accommodation camp and power station awaits the final manning and power requirements from the mine plan.

Mining Management Plan – Work progressed on incorporating the recommendations from the Environmental Impact Study into the draft Mining Management Plan. For the Jervois Project to proceed, the Northern Territory Government must approve the plan into which the optimised mining plan, process plant and infrastructure plans and schedules will be incorporated.

Drilling at Reward deposit

During the quarter, the Company

received assay results of 18 holes drilled at the Reward prospect at KGL's 100% owned Jervois Copper Project in the Northern Territory (Figure 1).

A long section of the Reward deposit (Figure 2) shows the results of the recent drill holes. Also shown are three trends defined by structure and elevated grades: the Reward Deeps Lode trend, and the Reward Central Trend and the Reward Sub-trend which together are part of the Reward Main Lode.

The drilling program completed during the quarter was designed to enhance resources and geological understanding ahead of mining, and results were very positive. Drilling concentrated on increasing and upgrading the resources at the known deposits that are part of the mining plans. Results are confirming resource growth potential around the entire Reward resource. They also enhanced geological understanding of the higher grade trends within the Reward Deposit.

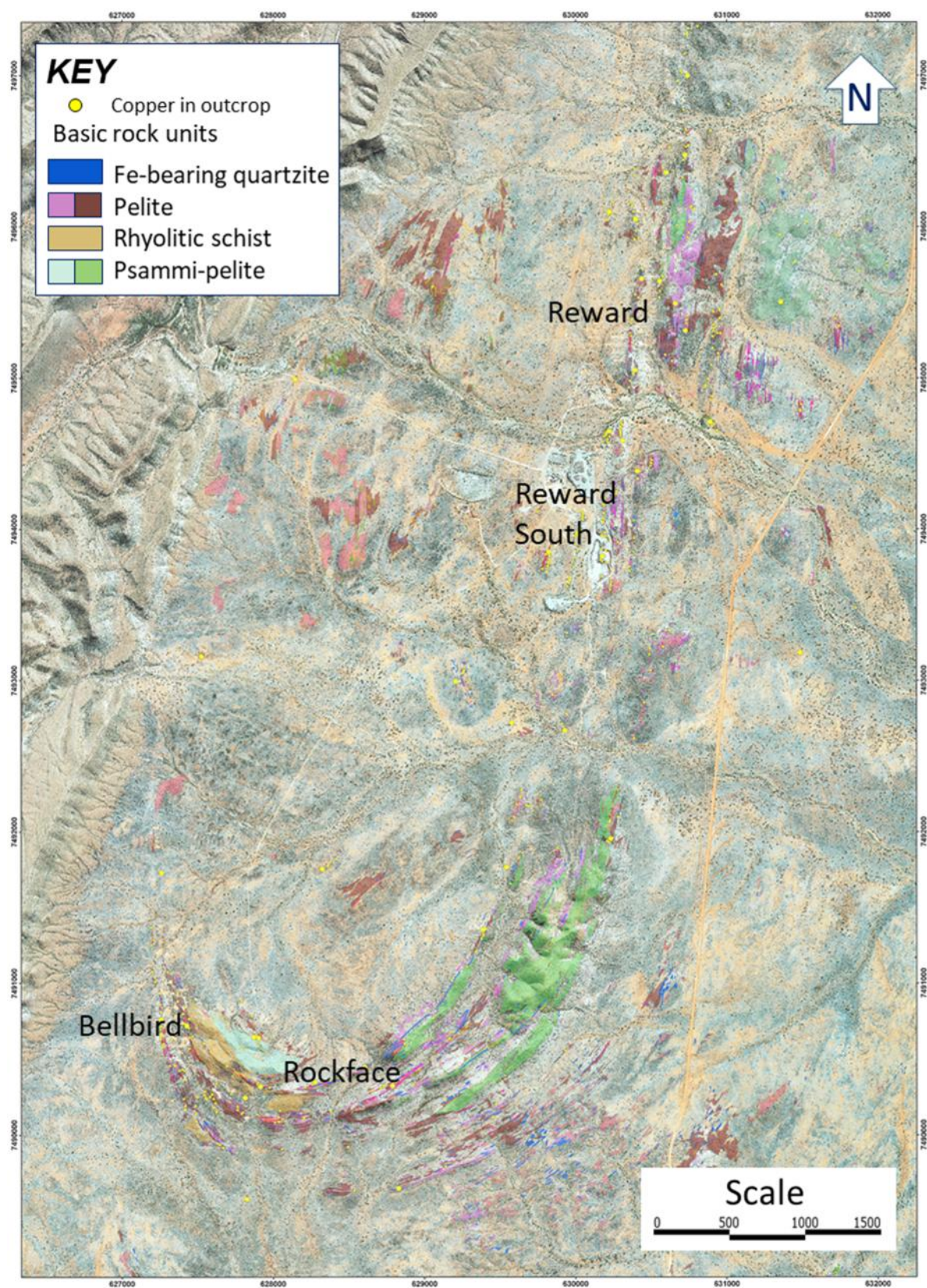


Figure 1: Jervois geology and active prospect map locating major deposits.

2. Further high grade, wide interval copper was intersected just below and south of the proposed pit at Reward

Holes KJCD376, KJD382, KJD383, KJD385, KJD388, KJD395 and KJD397 all encountered wide intersections of high grade continuous copper mineralisation. Significantly, all the intersections were just below and south of the current proposed open pit at Reward (Figure 2).

This widens the range of options for the final pit design. Macmahon Contractors is currently preparing the mine plan at Jervois, optimising KGL's conceptual mine planning for the project. The intersection of additional high grade copper beneath the planned open pit limit presents more options for the final mine design. These include potential opportunities to increase the scale of production and reduce mine operating costs.

Among the results announced are (drill hole intervals):

KJCD376:

-) 27.3m @ 1.78% Cu, 73.6 g/t Ag, 0.56 g/t Au from 181.6 m, including
 - 10.0 m @ 2.96% Cu, 165.4 g/t Ag, 0.57 g/t Au from 198.8 m

KJD382:

-) 17.9 m @ 3.90% Cu, 97.1 g/t Ag, 0.38 g/t Au from 117.5 m, including
 - 10.0 m @ 6.10% Cu, 164.3 g/t Ag, 0.62 g/t Au from 117.5 m
-) 29.4 m @ 2.56% Cu from 182.7 m, including
 - 16.8 m @ 3.77% Cu, 68.4 g/t Ag, 0.3 g/t Au from 196.3 m

KJD388:

-) 7.1 m @ 1.68% Cu, 20 g/t Ag from 138.9 m
-) 9.4 m @ 4.32% Cu, 83.2 g/t Ag, 0.57 g/t Au from 176.2 m
-) 4.2 m @ 2.56% Cu, 130.9 g/t Ag from 197.3 m

KJD395:

-) 65 m @ 3.6% Cu, 98.6 g/t Ag, 0.45 g/t Au from 210.3 m, including
 - 18.6 m @ 6.56% Cu, 246 g/t Ag, 0.89 g/t Au from 225.4 m
-) 3.3 m @ 2.05% Cu, 19.2 g/t Ag, 0.65 g/t Au from 289.8 m

3. The continuity of high grade mineralisation was confirmed at the Reward Deeps Lode.

At Reward Deeps drill results from this quarter confirmed the continuity of high grade mineralisation from 175 metres to over 400 metres in depth.

Hole KJCD373 (Figure 2) tested the northern perimeter of the Reward Deeps Lode at a depth of approximately 400 metres below surface and confirmed the continuity of Reward Deeps at this location.

KJCD373 intercepted (drill hole intervals):

-) 12.8m @ 3.02% Cu, 36.8 g/t Ag, 0.56 g/t Au from 413.9 m, including
 - 3.9m @ 6.54% Cu, 80.4 g/t Ag, 1.38 g/t Au from 422.8 m
-) 4.1m @ 7.23% Cu, 22.1 g/t Ag, 2.59 g/t Au from 445 m, including
 - 1.4m @ 15.78% Cu, 49 g/t Ag, 5.68 g/t Au from 447.6 m

The results are expected to contribute to the northward extension of the resource. The high grade intercept also coincides with the interpreted high grade copper trend.

KJCD374 and KJCD375 tested the southern edge of the Reward Deeps Lode, and hole KJCD284D2 tested the lower extension of the Reward Deeps Lode (Figure 2). The thinner mineralised intercepts in these holes suggest that the Reward Deeps Lode is pinching out toward the south and at greater depth. The results are expected to contribute to increased confidence in the current resource estimates.

4. Elevated gold grades were recorded at both the Reward Main Lode and Reward Deeps.

It is noteworthy that the gold grades in the KJCD373 intercepts are above 1 g/t, consistent with the high grade copper intersections. This is in line with the generally elevated gold grades intersected previously at Reward Deeps (Figure 3). The gold enrichment in the Reward Deeps lode is considered to be structurally controlled as shown in Figure 4.

Lower grade mineralisation is consistent with the primary layering represented in Figure 4 by the dashed lines. The primary layering is locally tightly folded and sheared and the resultant dilation zones host the higher grade mineralisation. The orientation of these dilational zones corresponds with the mineralisation trends observed in the long section (Figure 2).

A similar structural control is present at the Reward Main Lode (Figure 5). However, significant differences are that the primary layering is off-set by faulting and that the dilation zones are produced by a combination of folding and faulting.

The enhanced geological understanding of the higher grade Cu, Ag and Au mineralisation trends has greatly improved drill targeting and delivered excellent results. Both the drill results and the more detailed definition of complex structures such as fault off-sets and tight folding will be critical in further mine optimisation planning.

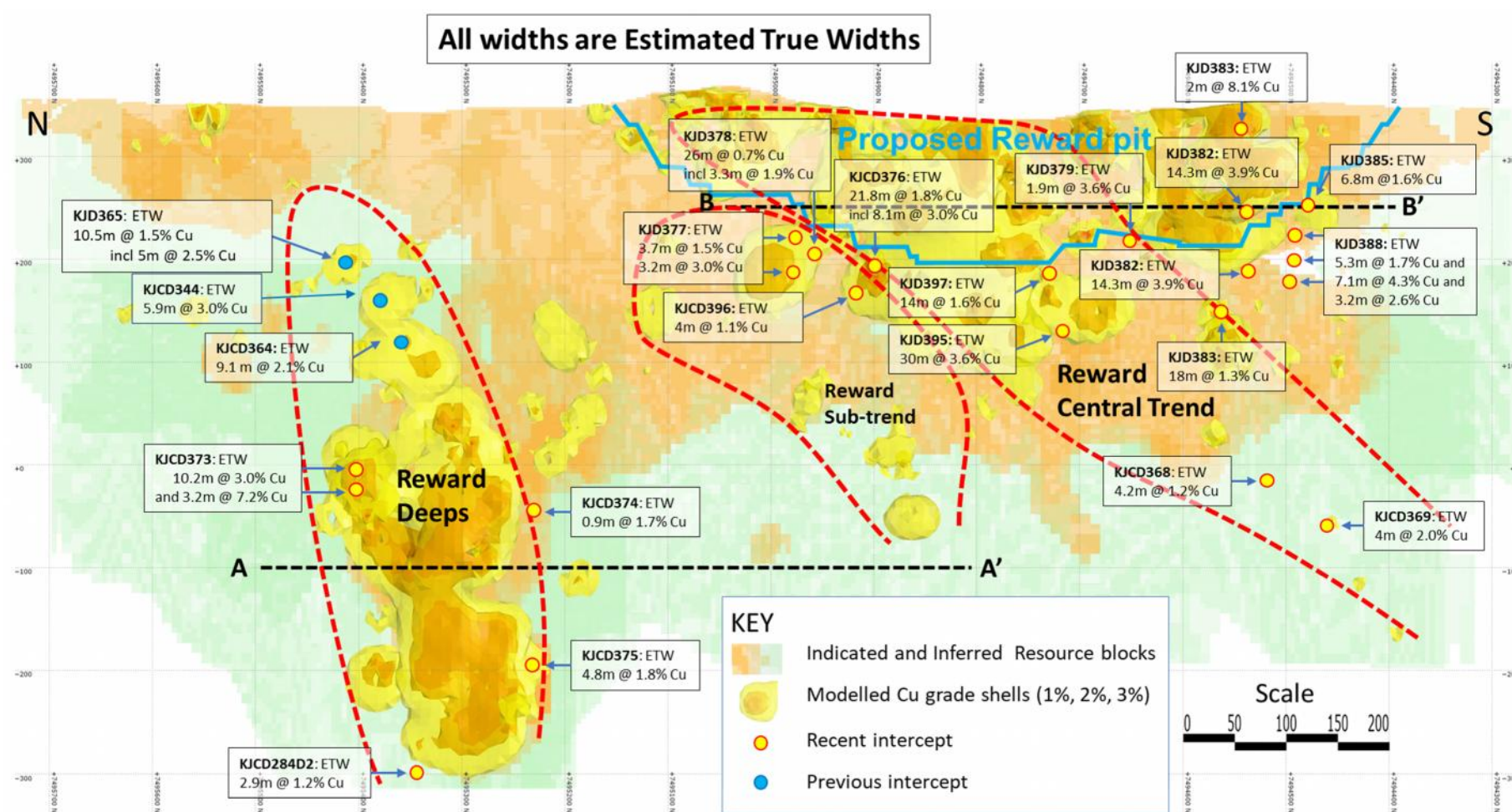


Figure 2: Longitudinal section of recent assay results from Reward, just below and south of the proposed pit – outlined in blue. All the Indicated (in orange) and Inferred (in green) resources are part of the Reward Main Lode. (decimals rounded for ease of presentation).

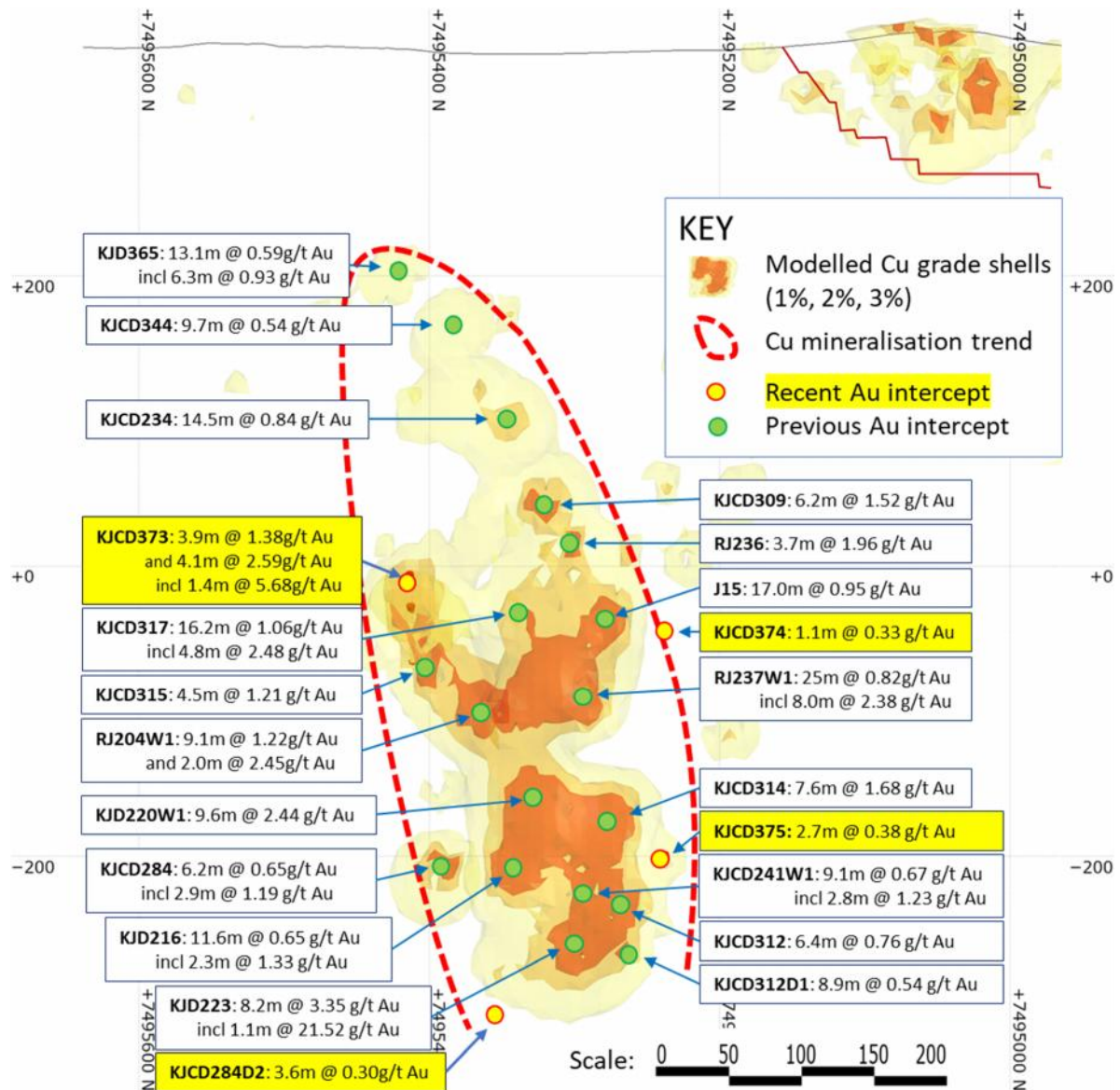


Figure 3: Longitudinal section of recent and selected previous Au assay results from Reward Deeps, showing the modelled Cu grade shells, and interpreted high grade Cu shoots based on structural trends. (Decimals rounded for ease of presentation).

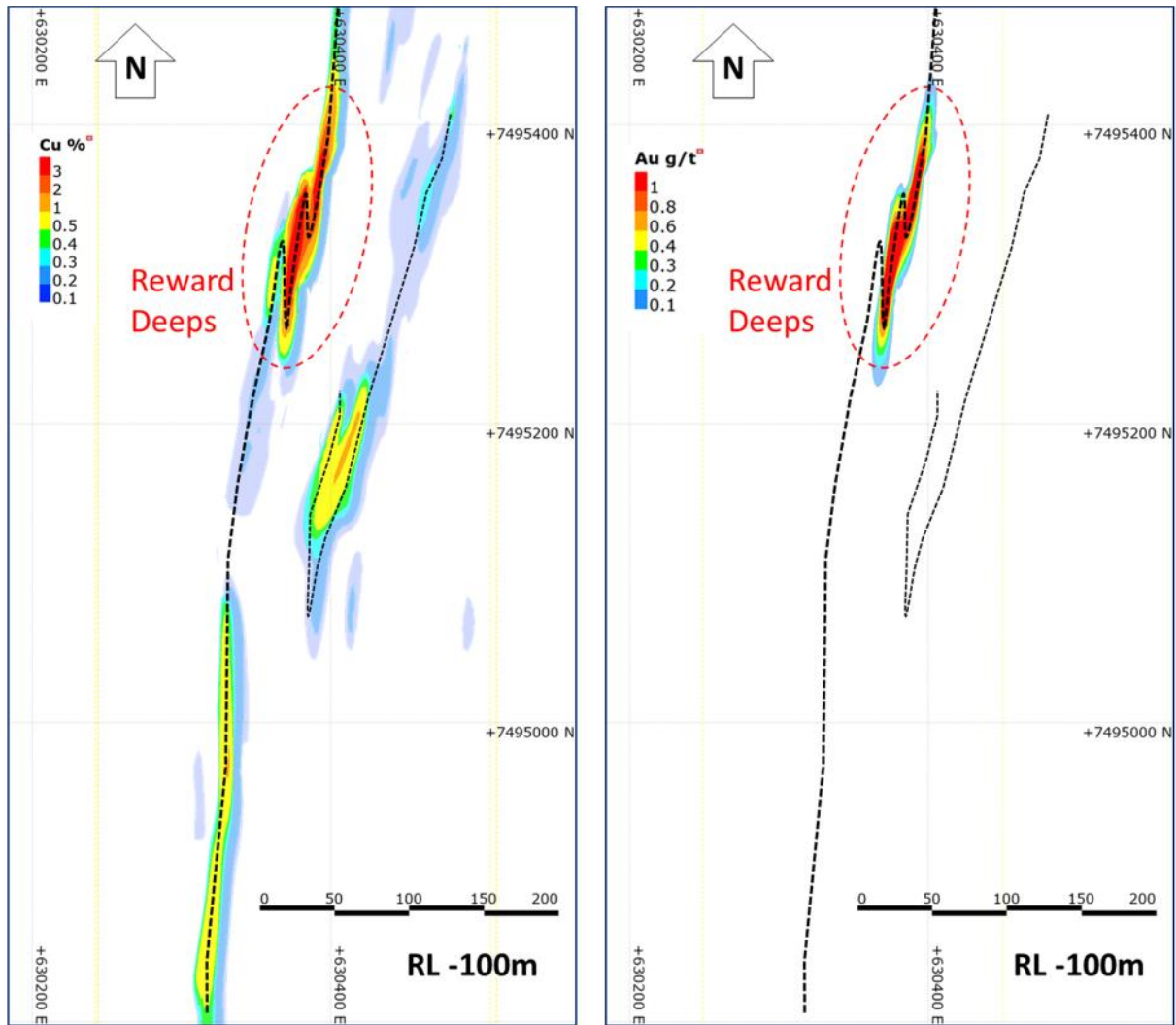


Figure 4: Level plan (depth -100m RL, approximately 450m below surface) of Reward Deeps, showing the modelled grade shells, Cu -left, and Au - right, primary layering (dashed black lines) and interpreted structures where mineralisation is elevated (encircled in red).

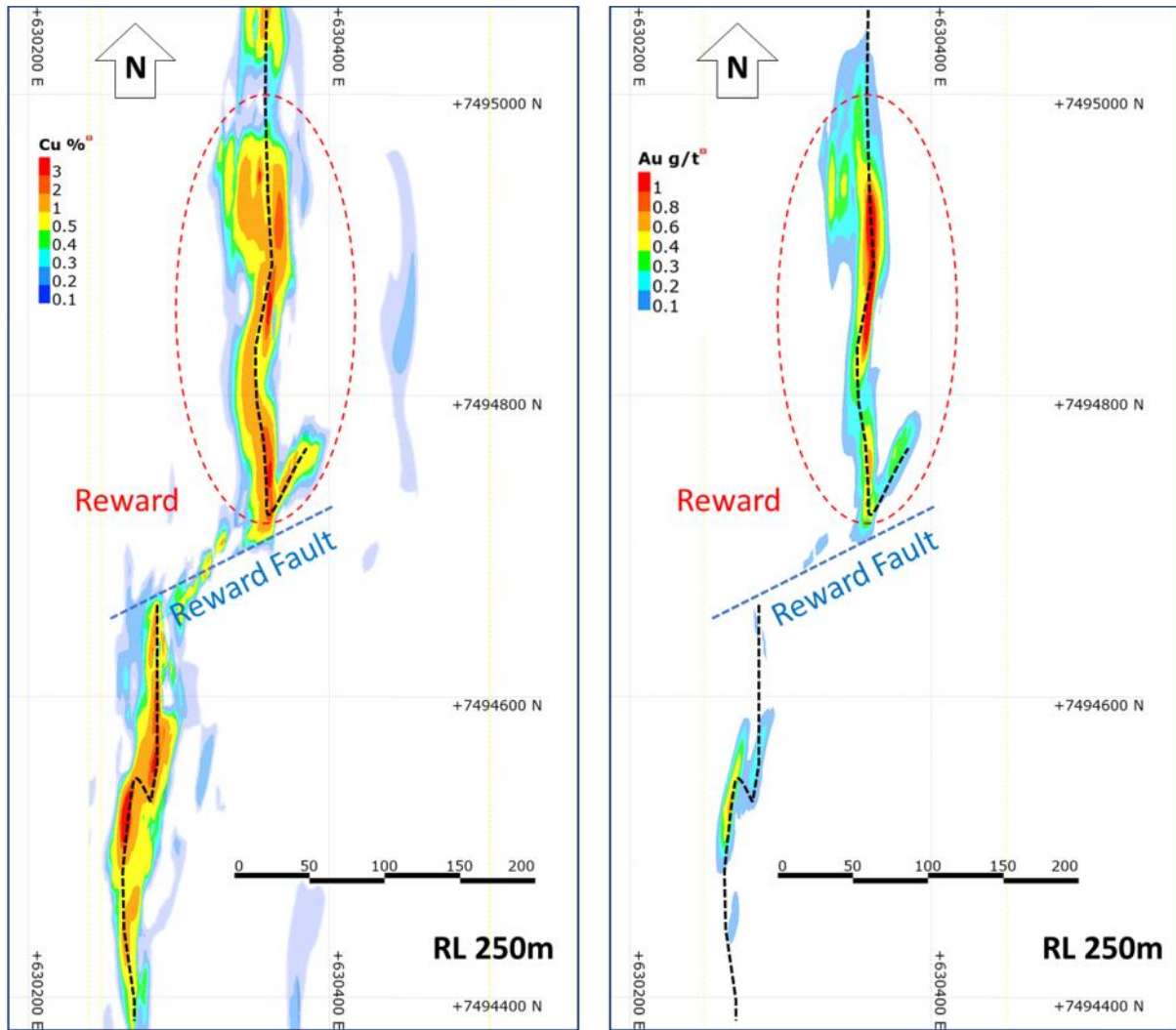


Figure 5: Level plan (depth 250m RL, approximately 100m below surface) of Reward, showing the modelled grade shells, Cu -left, and Au - right, primary layering (dashed black lines) and interpreted structures where mineralisation is elevated (encircled in red).

5. DHEM surveying located a new conductor zone just south of the Reward pit.

The discovery of chalcopyrite, the main mineral source of copper, in hole KJD415, just south of the pit outline at Reward between Reward Main Lode and Reward South, is the latest result from state-of-the-art down hole electromagnetic (DHEM) surveying technology being applied at Reward.

The drilling of KJD415 followed the drilling of KJD360 which targeted a gravity anomaly identified by gravity inversion modelling from surface readings. In penetrating the anomaly, KJD360 intercepted a 1 metre galena vein with very high lead, zinc and silver (reported previously on 12 November 2019).

KJD360 was then surveyed by DHEM with a strongly positive result, indicating a potential off-hole conductor 50 metres to the south (the high likelihood of chalcopyrite located only 50 metres from galena is consistent with quite abrupt changes from chalcopyrite to galena elsewhere at Reward).

Following up on this result, KJD415 intercepted a 45 metre wide zone containing several intercepts with strong sulphide mineralisation, predominantly chalcopyrite, as well as thinner intercepts of sphalerite and galena. Assays are pending.

Drilling KJD415 was immediately followed by a DHEM survey in the hole. The results confirmed the potential observed from KJD360 and the geological visual logs on KJD415.

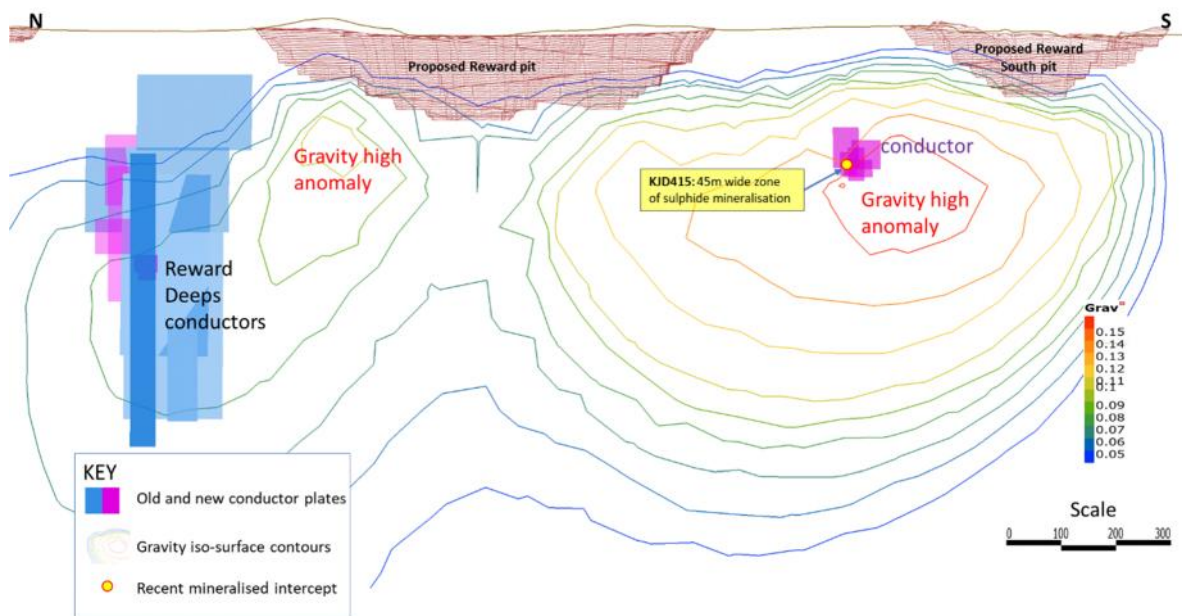


Figure 6: Longitudinal section at Reward, showing location of newly identified conductor resulting from DHEM survey from holes KJD360 and KJD415 and located between the proposed pit into Reward Main Lode and Reward South and extended conductor plates at Reward Deeps.

6. Shareholders contributed \$5.94 million for new shares in an entitlement offer.

During the quarter, the Company raised \$5.94 million in a 1 for 8 non-renounceable entitlement offer of fully paid shares issued at 23 cents per share representing a 6.12% discount to the traded price on the last day prior to the offer being announced.

All of the top 10 shareholders in KGL participated in the capital raising, including KGL's largest shareholder KMP Investments Pte Ltd by way of a placement when the required funds arrived after the closing date.

The proceeds will fund the completion of the drilling, planning and design required to be able to undertake the project financing stage.

Outlook

The Company continues to work to a timetable that provides for the start of mine construction in mid-2020.

The mine plan and other metallurgical processing and infrastructure plans are expected to be completed shortly so that the Mine Management Plan can be lodged with the Northern Territory Government for approval to proceed with the project.

JORC Compliance Statement

The Jervois Resources information were first released to the market on 22/08/19 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 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
J	15	17/05/2011	2004
KJD	216	25/09/2017	2012
KJD	223	12/12/2017	2012
KJCD	234	13/04/2018	2012
RJ	236	2/10/2012	2012
KJCD	309	23/01/2019	2012
KJCD	312	26/02/2019	2012
KJCD	314	26/04/2019	2012
KJCD	315	26/02/2019	2012
KJCD	317	26/04/2019	2012
KJCD	344	9/09/2019	2012
KJCD	344	9/09/2019	2012
KJCD	364	17/10/2019	2012
KJD	365	17/10/2019	2012
KJCD	368	12/11/2019	2012
KJCD	373	12/11/2019	2012
KJCD	374	12/11/2019	2012
KJCD	375	12/11/2019	2012
KJCD	376	12/11/2019	2012
KJD	377	12/11/2019	2012
KJD	378	12/11/2019	2012
KJD	379	12/11/2019	2012
KJD	382	12/11/2019	2012
KJD	382	12/11/2019	2012
KJD	383	12/11/2019	2012
KJD	388	12/11/2019	2012
KJD	396	12/11/2019	2012
RJ	204W1	16/08/2012	2004
KJD	220W1	12/12/2017	2012
RJ	237W1	28/05/2014	2012
KJCD	241W1	26/02/2018	2012
KJCD	284D2	18/11/2019	2012
KJCD	312D1	26/02/2019	2012

Tenements

Tenement Number	Location	Beneficial Holding
ML 30180	Jervois Project, Northern Territory	100%
ML 30182	Jervois Project, Northern Territory	100%
ML30829	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%
EL28082	Unka Creek, Northern Territory	100%

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

Tenements subject to farm-in or farm-out agreements	Location	Beneficial Holding
Nil		

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 and oil and gas exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10, 01/05/13, 01/09/16

Name of entity

KGL Resources

ABN

52 082 658 080

Quarter ended ("current quarter")

31 Dec 2019

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
1. Cash flows from operating activities	-	-
1.1 Receipts from customers		
1.2 Payments for		
(a) exploration & evaluation	(4,638)	(14,419)
(b) development	(256)	(256)
(c) production	-	-
(d) staff costs	(472)	(807)
(e) administration and corporate costs	(411)	(1,039)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	12	193
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Research and development refunds	-	-
1.8 Restructuring costs	-	-
1.9 Net cash from / (used in) operating activities	(5,765)	(16,328)

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	(34)	(34)
(b) tenements (see item 10)	-	-
(c) investments	-	-
(d) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
2.2	Proceeds from the disposal of:		
	(a) property, plant and equipment	-	-
	(b) tenements (see item 10)	-	-
	(c) investments	-	-
	(d) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	Net cash from / (used in) investing activities	(34)	(34)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares	5,946	12,446
3.2	Proceeds from issue of convertible notes	-	-
3.3	Proceeds from exercise of share options	-	-
3.4	Transaction costs related to issues of shares, convertible notes or options	(74)	(74)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	5,872	12,372

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	6,652	10,715
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(5,765)	(16,328)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(34)	(34)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	5,872	12,372
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	6,725	6,725

5. Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1 Bank balances	3,625	391
5.2 Call deposits	3,100	6,261
5.3 Trust		
5.4 Bank overdrafts		
5.5 Other (provide details)		
5.6 Cash and cash equivalents at end of quarter (should equal item 4.6 above)	6,725	6,652

6. Payments to directors of the entity and their associates

- 6.1 Aggregate amount of payments to these parties included in item 1.2
- 6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

Current quarter \$A'000
106
-

Remuneration and expenses paid to executive and non-executive directors for the quarter (\$65K) and Core Metallurgical (\$41K) a related company to a non-executive director.

7. Payments to related entities of the entity and their associates

- 7.1 Aggregate amount of payments to these parties included in item 1.2
- 7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

Current quarter \$A'000
-
-

8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1 Loan facilities	-	-
8.2 Credit standby arrangements	-	-
8.3 Other (please specify)	-	-
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		


--

9. Estimated cash outflows / (inflows) for next quarter	\$A'000
9.0 Equity Raising	-
9.1 Exploration and evaluation	1,453
9.2 Development (Jervois Project)	905
9.3 Production	-
9.4 Staff costs	179
9.5 Administration and corporate costs	234
9.6 Fixed Assets	-
9.7 Total estimated cash outflows / (inflows)	2,771

10. Changes in tenements (items 2.1(b) and 2.2(b) above)	Tenement reference and location	Nature of interest	Interest at beginning of quarter	Interest at end of quarter
10.1 Interests in mining tenements and petroleum tenements lapsed, relinquished or reduced	N/a	N/a	N/a	N/a
10.2 Interests in mining tenements and petroleum tenements acquired or increased	N/a	N/a	N/a	N/a

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Sign here: ..  Date:24/1/2020.....
(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 that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, AASB 6: Exploration for and Evaluation of Mineral Resources and AASB 107: Statement of Cash Flows apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.