

21 April 2021

Quarterly Activities Report - Period Ended 31 March 2021

- **Successful equity raising of \$21.57 million providing funding for:**
 - **Increased resources for Feasibility Study and project finance planning for KGL's Jervois Copper Mine Project.**
 - **Return of two drill rigs after 12-month COVID halt.**
- **Feasibility Study, building on positive Pre-Feasibility Study (PFS) results, focussed on extending mine life and further improving project economics:**
 - **Final mine planning under way**
 - **Resumption of infill drilling to upgrade mineral resource**
 - **On-site infrastructure planning advanced.**
- **Significant improvements in the current copper market subsequent to the PFS. Global market forecasts continue to predict strong and sustained prices.**

During the quarter, KGL Resources Limited (**ASX code: KGL**) (**KGL or the Company**) continued to advance the 100% owned Jervois Copper Mine Project in the Northern Territory towards the development stage by progressing the project's Feasibility Study (FS).

Building on the positive results of the Pre-Feasibility Study (PFS) announced last December, the Company is focussing the FS on extending the initial mine life and improving even further the already robust economics.

KGL Chairman Mr Denis Wood said the successful equity raising during the quarter demonstrated investor confidence in Jervois and the Company.

"The continued support of investors has provided the funds to deliver the Feasibility Study and the associated project finance planning as we progress Jervois towards development," he said.

"As a result, infill and step-out drilling resumed in mid-February after a 12-month COVID-caused delay, more external resources were applied to mine planning, and improved power generation and other infrastructure planning were pursued.

"The welcome support for the Jervois Mine Project included the Northern Territory Government's approval of the Mining Management Plan in January and approval of water licensing in April 2021.

"The timing of the Jervois project appears increasingly favourable. The forecast global demand for copper is strengthening with a sustained period of high copper prices predicted, coinciding with the proposed start-up and operation of Jervois over the next decade."

1. Successful equity raising of \$21.57 million

An equity raising of \$21.57 million, before costs, was completed during the quarter, comprising an institutional placement of \$12 million and an entitlement offer that raised \$9.57 million.

The proceeds are being applied to the FS including mine planning and other pre-development work, financing and to test high potential exploration targets beyond current mineral resources.

The equity raising has provided KGL with the funds to deliver the FS following the encouraging results of the PFS.

2. Feasibility Study progressed, building on positive PFS

Late last year the KGL Board decided to proceed with the FS following the completion of the PFS which found that Jervois would support a robust mining operation at the rate of 30,000 tonnes per year copper in concentrate plus silver and gold over an initial 7.5 years.

The Company is aiming to enhance the quality and increase the size of the mineral resource, extend the mine life, and further improve the economics.

Mine planning

Mine planning ahead of the project development stage was advanced during the quarter. The preferred mining contractor for Jervois continued to optimise costings, while other specialist consultancies were engaged in the mine design and the updating of the Ore Reserve.

On-site infrastructure

Cost effective operational inputs and services were important considerations in planning on-site infrastructure during the quarter. The Company has now engaged a contractor to finalise design on a low penetration solar power and battery system as well as the option of wind power.

Water licence granted

On 13 April, the Northern Territory Government advised that the Company's request for a 10-year groundwater extraction licence for the Jervois Project had been granted.

KGL applied for the licence last year. The proposed take of groundwater for the project did not require a licence at the time but, consistent with the Company's conservative approach to the project's development, the Company made the application. In the event, a recent change in the law applying from January 2021 now requires such a licence.

3. Drilling

Infill Drilling

After a 12-month suspension of on-site work due to the COVID-19 pandemic, drilling at Jervois recommenced on 16 February 2021. The strong focus has been on enhancing the mineral resource at the Reward deposit, increasing mine planning accuracy and converting Inferred JORC classification material to Indicated status.

During the quarter, 11 holes were completed for a total advance of 543.2 metres of reverse circulation pre-collars and 2,212.4 metres of diamond coring. Coring has been predominantly in the large-diameter HQ core size which provides sufficient sample mass for good assay accuracy.

Preparation of the samples is currently underway, and samples will be sequentially despatched for analysis. Assay results are expected during the current June quarter.

Exploration Drilling

Drilling to date has been with one rig and is ongoing. A second machine has been contracted for an expected start in late April 2021. June quarter drilling, with two rigs, will remain focussed on project development and also the testing of several prospective brownfield exploration targets, within the Jervois J-fold mineralisation-hosting structure.

4. Geophysical review to improve targeting of high potential prospects

During the quarter, Mr John Levings joined KGL in the new position of Principal Geologist. Mr Levings has had a long career in exploration and mining, having led teams that have made major discoveries and acquisitions in Australia and internationally.

Geophysics has been a critical tool in target generation at Jervois and will continue to play an important role in refining the prospectivity of the larger-scale Jervois Mineral Field.

In January 2021, Mr Levings oversaw a comprehensive review of over 60 years' worth of geophysical surveys at Jervois and the adjoining Unca Creek tenement.

This review has signposted many untested or poorly tested geophysical anomalies that will need to be followed up, either by drilling or more detailed geophysics prior to drilling. Many of the anomalies relate to the macro-scale J-fold which hosts all the known mineral resources at Jervois. Many more anomalies extend into KGL's adjoining Unca Creek Exploration Licence.

The major targets are as follows and located on Figure 1:

- A. 100m east of Reward South: The Induced Polarisation/Sub-audio Magnetics Magnetometric Resistivity (IP/SAM MMR) trend immediately east of Reward South has yet to be fully tested with drilling.
- B. Down dip from Rockface: the existing Drill Hole Electromagnetic (DHEM) given excellent encouragement for down-dip extensions to Rockface.
- C. The IP/density anomalies east, west and south of Rockface have not been adequately tested. Given the prospectivity of this area, the area is very much under-explored.
- D. Ferdian Hill: The M.I.M. Data Acquisition System (MIMDAS) IP/resistivity suggests that the thickness and strength of the IP response (which extend continuously up from Reward South) increases as it approaches Ferdian Hill. There is not much drilling in this area. A detailed IP survey is required.
- E. Large Magnetotellurics (MT) low resistivity zone/mag high/1965 IP anomaly around Rocky Road. It needs high resolution modern IP to confirm the source location and depth.
- F. Large MT conductivity zone below Rockface/Bellbird. Though deep, this anomaly is very large and quite strong.

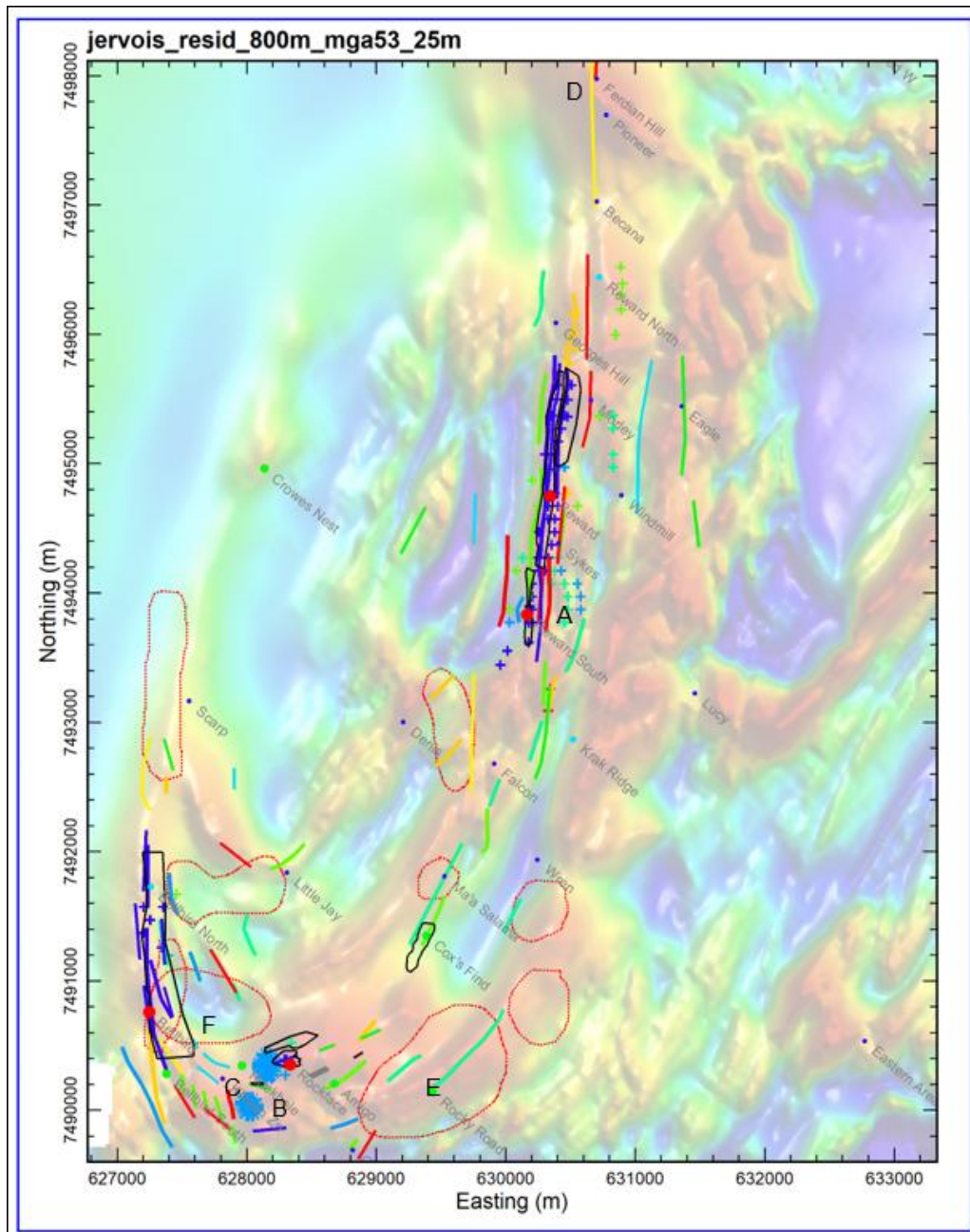


Figure 1 Exploration Targets

5. Update of Copper Market and Forecasts

KGL released the Jervois Pre-feasibility Study on 2 Dec 2020 based on a forecast copper price of US\$3.08/lb. Since then, the daily copper market has strengthened further and analysts confirmed their forecasts for continuing record and near record prices for copper. The upward market pressures reflect the looming copper shortage at a time of growing awareness of copper's crucial role in the increasing electrification of the world as it transitions to renewable energy to combat climate change.

The price is driven by increasing demand from construction, infrastructure, and consumer goods at a time of constrained copper supply caused by declining mining grades, scarcity of potential new projects, mine development costs and other factors.

The copper price, measured by the LME daily closing,

- ⌋ reached US\$9,614/t (US\$4.36/lb) on 25 February 2021,
- ⌋ more than double the 2020 low point of US\$4,630/t (US\$2.10/lb) in March 2020, and
- ⌋ the highest price since the all-time record of US\$10,190/t (US\$4.62/lb) in February 2011.
- ⌋ The price was US\$9,415/t (US\$4.27/lb) on 19 April 2021.

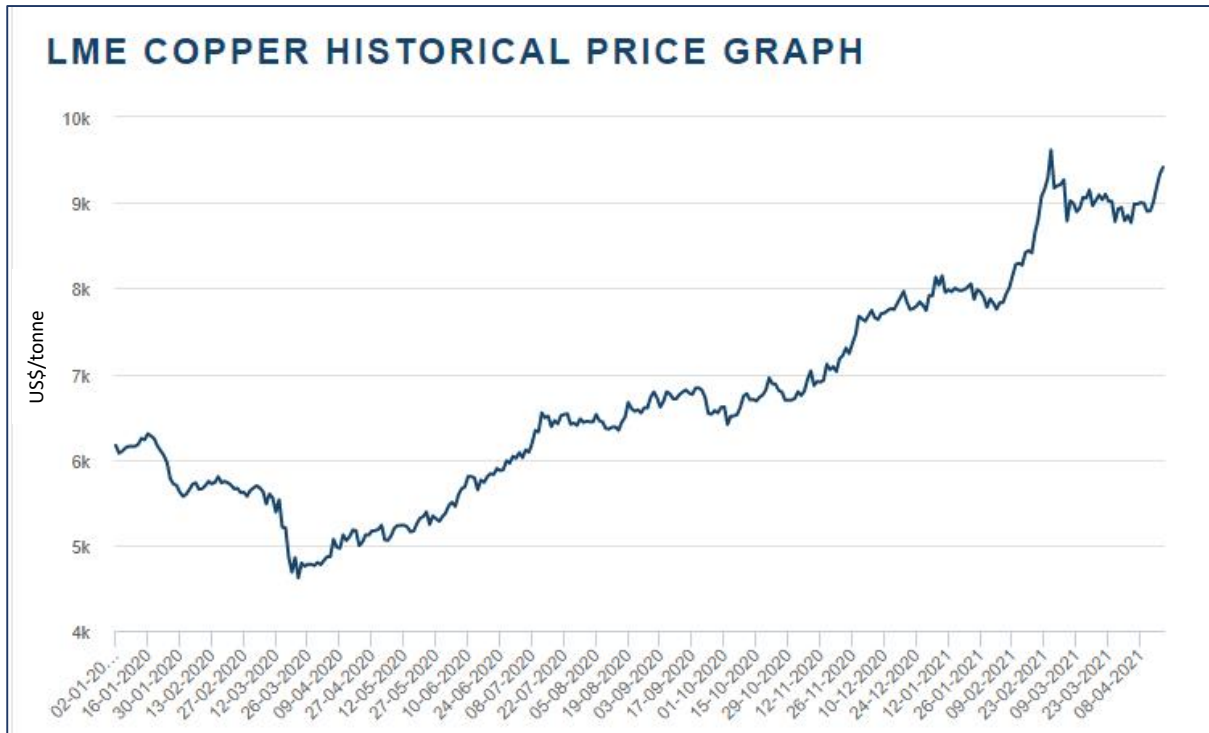


Figure 2. Copper LME closing price

More analysts agreed that copper was entering a new supercycle, described by Goldman Sachs' as "a structural upward shift in demand".¹

Price forecasts were upgraded during the March quarter.

Trafigura, the world's largest copper trader, expects copper to reach US\$15,000/t in the coming decade. Trafigura expects the price to exceed US\$10,000/t during 2021 before entering the range of US\$12,000/t to US\$15,000/t over the coming decade. US\$12,000/t is likely to become the floor price for copper as the metal is revalued, according to Trafigura.²

Goldman Sachs expects copper to average US\$11,875/t in 2022 and US\$15,000 in 2025.³

Citigroup sees the price reaching US\$12,000/t next year in its bull-case forecast.⁴

Wood Mackenzie has factored prices of US\$4/lb to US\$5/lb (up to US\$11,000/t) to justify new supply, forecasting an annual supply shortfall of 10 million tonnes a year by 2030 if no new mines are built.⁵

Jefferies forecast that with production from existing mines to fall by 20% in the next decade due to declining grades, and with demand for copper growing, a "squeeze higher" in prices is coming – for the market to reach supply-demand balance, prices may need to be above US\$10/lb.⁶

Freeport CEO Richard Adkerson noted that even if copper soared to US\$10/lb tomorrow, it would take his company 7 to 8 years to get new production to the market.

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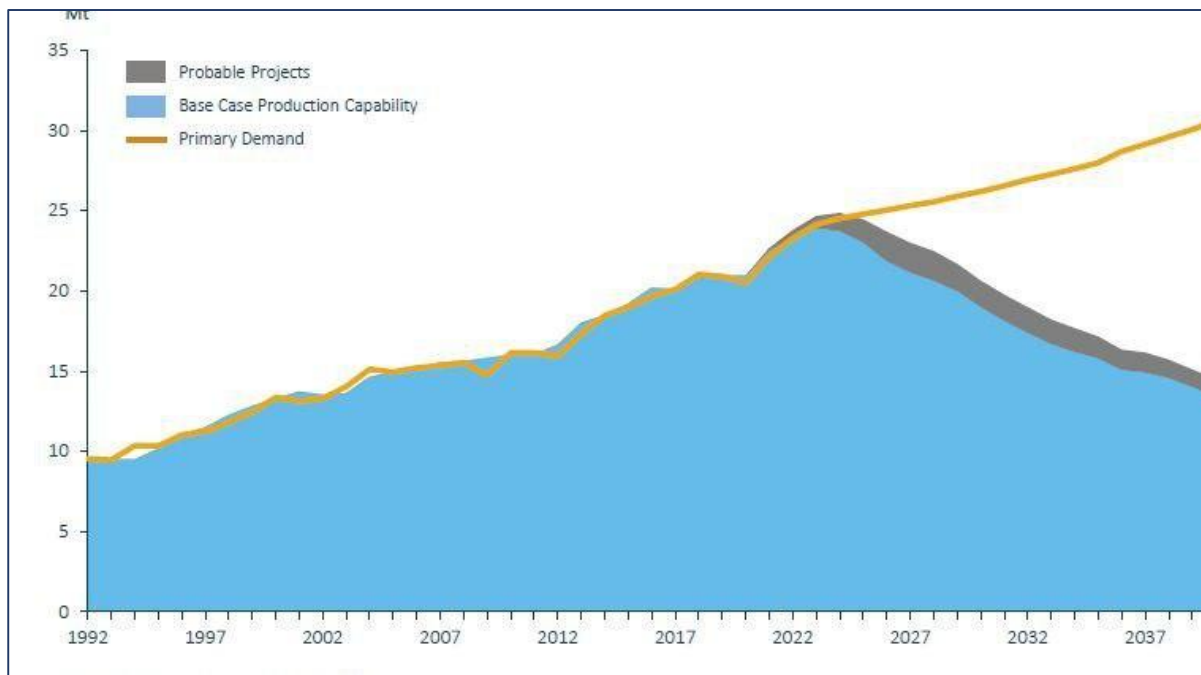


Figure 3 Copper Supply and Demand Forecasts (Wood MacKenzie Oct 2020)

Outlook

On site, the second drill rig is due to commence brownfields exploration drilling along the Jervois J-fold.

Work on the FS and project financing discussions are continuing. It is aimed to commence project development in the second half of 2021 subject to the final investment decision.

References

1. S&P Global Platts 10.2.21
2. Investors Chronicle 31.3.21
3. MiningNews.net 15.4.21
4. Bloomberg 23.3.21
5. Wood MacKenzie 23.3.21
6. Bloomberg 5.3.21
7. Bloomberg 20.3.21

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%
EL 28340	Yambah, Northern Territory	100%
EL 28271	Yambah, Northern Territory	100%
EL 28082	Unca Creek, Northern Territory	100%
ML 32277	Lucy Creek Borefield, Northern Territory	100%

Mining Tenements Acquired/Granted 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		

Transaction with related parties

As reported in the quarterly cash flow report part 6.1, amounts paid to related parties of \$56k consist of directors' fees and expenses for the quarter.

This announcement is authorised by the Board of Directors.

JORC Compliance Statement

The information contained in this release that relates to the Jervois Ore Reserves Estimate was first released to the market on 2 December 2020 complies with JORC 2012 and was compiled by Mr Iain Ross, who is a Member of The Australasian Institute of Mining and Metallurgy. Mr Ross is a full-time employee of Xenith Consulting. Mr Ross has sufficient experience that is relevant to the style of mineralisation and type of deposit described in the release to qualify as a Competent Person as defined by the JORC Code, 2012 Edition. 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.

Forward-looking statements

This presentation includes certain forward-looking statements. The words "forecast", "estimate", "like", "anticipate", "project", "opinion", "should", "could", "may", "target" and other similar expressions are intended to identify forward looking statements. All statements, other than statements of historical fact, included herein, including without limitation, statements regarding forecast cash flows and potential mineralisation, resources and reserves, exploration results and future expansion plans and development objectives of KGL are forward-looking statements that involve various risks and uncertainties. Although every effort has been made to verify such forward-looking statements, there can be no assurance that such statements will prove to be accurate and actual results and future events could differ materially from those anticipated in such statements. You should therefore not place undue reliance on such forward-looking statements.

Statements regarding plans with respect to the Company's mineral properties may contain forward looking statements. Statements in relation to future matters can only be made where the Company has a reasonable basis for making those statements.

Appendix 5B

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Name of entity

KGL Resources Limited

ABN

52 082 658 080

Quarter ended ("current quarter")

31 March 2021

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers – GST receipts	64	64
1.2 Payments for		
(a) exploration & evaluation	-	-
(b) development	-	-
(c) production	-	-
(d) staff costs	(139)	(139)
(e) administration and corporate costs	(299)	(299)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	6	6
1.5 Interest and other costs of finance paid (leases)	-	-
1.6 Income taxes paid	-	-
1.7 Other	-	-
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(368)	(368)

2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) tenements	-	-
(c) property, plant and equipment	(8)	(8)
(d) exploration & evaluation	(1,039)	(1,039)
(e) investments	-	-
(f) other non-current assets	-	-

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
2.2	Proceeds from the disposal of:		
	(a) entities	-	-
	(b) tenements	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other – refund of security deposits	-	-
2.6	Net cash from / (used in) investing activities	(1,047)	(1,047)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	21,574	21,574
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	(677)	(677)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings – lease payments	(20)	(20)
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	20,877	20,877

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	5,158	5,158
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(368)	(368)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(1,047)	(1,047)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	20,877	20,877

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	24,620	24,620

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	15,619	404
5.2	Call deposits	9,001	4,754
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	24,620	5,158

6.	Payments to related parties of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	56
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-

Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

7. Financing facilities	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
<i>Note: the term "facility" includes all forms of financing arrangements available to the entity.</i>		
<i>Add notes as necessary for an understanding of the sources of finance available to the entity.</i>		
7.1 Loan facilities	-	-
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	-	-
7.4 Total financing facilities	-	-
7.5 Unused financing facilities available at quarter end		-
7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.		
N/a		

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (item 1.9)	(368)
8.2 (Payments for exploration & evaluation classified as investing activities) (item 2.1(d))	(1,039)
8.3 Total relevant outgoings (item 8.1 + item 8.2)	(1,407)
8.4 Cash and cash equivalents at quarter end (item 4.6)	24,620
8.5 Unused finance facilities available at quarter end (item 7.5)	-
8.6 Total available funding (item 8.4 + item 8.5)	24,620
8.7 Estimated quarters of funding available (item 8.6 divided by item 8.3)	17.5
<i>Note: if the entity has reported positive relevant outgoings (ie a net cash inflow) in item 8.3, answer item 8.7 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.7.</i>	
8.8 If item 8.7 is less than 2 quarters, please provide answers to the following questions:	
8.8.1 Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?	
Answer: N/a	
8.8.2 Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?	
Answer: N/a	

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

8.8.3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer: N/a

Note: where item 8.7 is less than 2 quarters, all of questions 8.8.1, 8.8.2 and 8.8.3 above must be answered.

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.

Date: 21/04/2021

Authorised by: . Kylie Anderson on behalf of the Board

(Name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow 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 cash flow 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.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.