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## **KGL announces share purchase plan (SPP) for shareholders to raise \$3 million**

- ) KGL is offering eligible shareholders the opportunity to participate in a SPP to raise \$3million**
- ) Eligible shareholders can purchase up to \$15,000 in KGL shares, without incurring brokerage or transaction costs, at a share price of \$0.27**
- ) KGL will also be establishing an Unmarketable Parcel Share Sale Facility (UMPSSF) to enable shareholders to sell their shares currently classified as unmarketable (i.e. with a market value less than \$500)**
- ) Shareholders with unmarketable holdings have the opportunity to increase their holding in the company through the SPP or sell their shares through the UMPSSF.**

### **Overview**

KGL Resources Limited (KGL or the Company) (ASX: KGL) is pleased to announce a capital raising to raise up to \$3 million by way of a share purchase plan for KGL shareholders.

The proceeds from the SPP will be used to undertake further drilling on the Jervois tenement, in particular the Company plans to conduct a 9-hole drilling program at the very prospective Rockface area, commencing in March 2017. DHEM surveying will continue to be used as an effective targeting technology.

To encourage small shareholders with unmarketable parcels of shares (less than \$500 in value) to increase their holdings to marketable size, shareholders will be offered the option under the SPP to purchase shares in allotments to the value of \$1000, \$2000, \$7,500 and \$15,000. Alternatively, shareholders can elect to sell their unmarketable share parcels through a UMPSSF.

The Company's Chairman Mr Denis Wood said,

“Careful financial management over the past year has enabled the Company to advance a long way towards the goal of establishing a world class, low cost copper and multi-metal project at Jervois. This capital raising from our own shareholders will enable us to intensify the pursuit of our demonstrably successful strategy and so continue to add significant shareholder value.”

## Background

Last year the directors changed the strategy of the Company by deferring project development in favour of exploration to improve the quality and size of the Jervois resource.

The Company has directed funding overwhelmingly towards exploration at the highly prospective Rockface prospect, applying modern, cost efficient exploration methods, while minimising corporate costs, reducing the number of directors, reducing directors' fees, reducing the work force and putting staff on a part-time basis.

Down Hole Electromagnetic (DHEM) surveying has been used to identify drill targets, followed by drilling that has resulted in increasingly higher grade intersections and the discovery of extensive mineralised zones. More DHEM surveys from the new holes have in turn identified new target areas (conductors) which have then been drilled resulting in the intersection of further high grade mineralisation.

Grades have increased progressively with depth. To illustrate the trend, results of drilling since September 2015 from the surface to approximately 650m include

- ) 7.34m @ 1.22% copper from 0m (KJD016),
- ) 13m @ 2.14% copper from 255m (KJCD171),
- ) 9m @ 2.91% copper from 284m (KJCD182),
- ) 16m @ 3.34% copper from 362m (KJCD183),
- ) 28m @ 5.08% copper from 435m (incl. 14m @ 8.89% copper from 436m) (KJCD203),
- ) 10.5m @ 8.76% copper from 478.4m (KJCD195),
- ) 9.4m @ 11.53% copper from 535.4m (KJCD197),
- ) 15m @ 7.11% copper from 558m (KJCD197), and
- ) 10.05m @ 8.99% copper from 645.65m (KJCD201).

All intersections have reported silver and gold values.

Most recently, drilling and DHEM surveying have pointed to extensive, undrilled, potentially high grade zones laterally to the east of the deepest intersection. This includes Conductor 8, the strongest conductor yet discovered at Rockface.

Shareholders will be well aware of the continuing success of our exploration (this has been reflected in KGL's share price which has trebled since the previous capital raising in January 2016, as the accompanying graph illustrates).

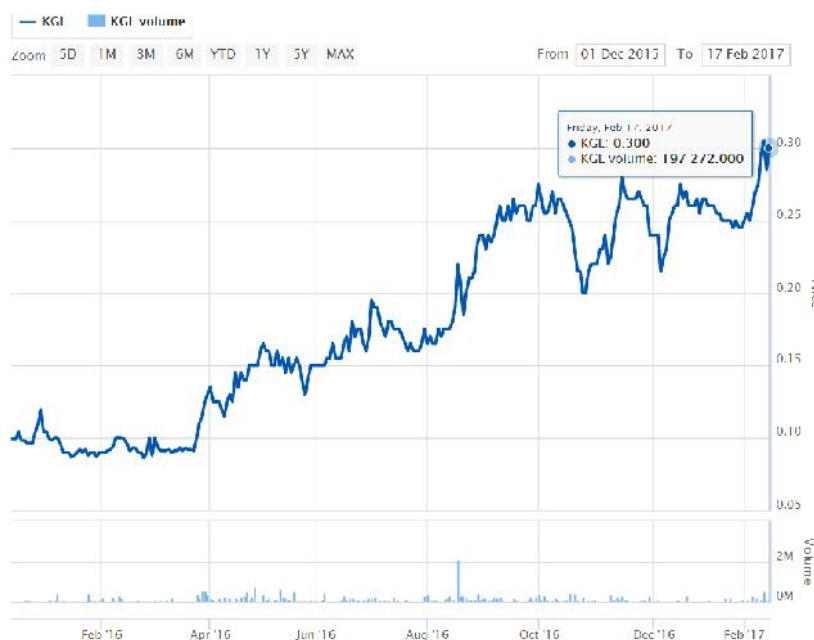


Figure 1 KGL Share Price Dec 2015 to Feb 2017

## Next Steps

A two hole program will commence in the first week of March. This drilling is designed to test the new eastern conductors that offer the potential for further high grade mineralisation, while extending the strike of the Rockface mineralisation to the east.

Following the capital raising, a further seven-hole drilling program will be implemented at Rockface.

DHEM surveying will continue to be used as an effective targeting technology and will be key to evaluating further potential in the eastern zone.

A second objective is to better define the extent of mineralisation and infill where required to support a resource update which will be the first since discovery of the Rockface high grade mineralisation.

This will enable preliminary work to commence on assessing mining and processing options for this deposit and guide future drilling to further upgrade the Rockface Resource (Summary of Rockface history in Appendix 1).

<b>Sources and Uses of Funding</b>	
	<b>\$ million</b>
Balance as at end of Feb 17	\$1.9
Capital Raising	\$3.0
Anticipated R&D Refund *	\$1.6
<b>Total</b>	<b>\$6.5</b>
2 Hole program to commence 1 <sup>st</sup> week March	(\$0.5)
7 Hole Rockface Drilling Program	(\$2.7)
Progressing EIS and Water Studies	(\$0.3)
Corporate and Capital Raising costs	(\$0.4)
<b>Balance at 30 June 2017</b>	<b>\$2.6</b>

\*R&D Refund application has been lodged but not yet received

Results of the 9 hole program, released progressively through April-June quarter, will be evaluated once complete and further exploration plans developed to build on these results.

## Share Purchase Plan

Each eligible KGL shareholder at 7pm (AEST) on 17 February 2017 will have the opportunity to subscribe for up to \$15,000 of new KGL shares, subject to scale back in the case of oversubscription, without incurring brokerage or transaction costs. Full details of the SPP are available in the Offer Booklet to be mailed to eligible shareholders and released to the ASX on 23 February 2017.

The issue price of the new KGL shares under the SPP will be \$0.27

KGL reserves the right to scale back applications under the SPP in its absolute discretion. New KGL shares issued under the SPP will rank equally with existing KGL shares. The timetable for the SPP is as below

<b>Event</b>	<b>Date</b>
Record Date (7pm)	17 February 2017
Announcement of SPP	20 February 2017
SPP Open and Documents despatched	23 February 2017
SPP Close	9 March 2017
Allotment of new KGL shares	13 March 2017
Quotation of new KGL shares	15 March 2017

All times are Brisbane time.

All three KGL directors have indicated that they will take up the maximum investment of \$15,000.

### **Unmarketable Parcel Sale Facility**

The Company is providing a share sale facility for holders of Unmarketable Parcels to sell their shares without incurring any brokerage or handling costs that could otherwise make a sale of their shares uneconomic or difficult.

The ASX Listing Rules defines an “Unmarketable Parcel” as those with a market value less than \$500. As at market close on 17 February 2017 an unmarketable parcel of shares in the Company is any shareholding of 1,666 shares or less, based on a closing share price of \$0.30 per share. This represents 875,324 ordinary shares held by 1,262 shareholders.

Under the UMPSSF, if you want to sell your KGL shares you do not need to do anything. Your units will automatically be sold if you do nothing. If you want to keep your KGL shares you will be required to opt out of the sale facility or buy sufficient KGL shares so you hold at least a marketable parcel. Further information in relation to the UMPSSF will be mailed to holders of Unmarketable Parcels around 23 February 2017.

A summary of the key dates in relation to the facility is as follows:

<b>Event</b>	<b>Date</b>
Unmarketable Parcel Record Date (7pm)	17 February 2017
Announcement of Unmarketable Parcels	20 February 2017
Letters sent to shareholders holding Unmarketable Parcels	23 February 2017
Closing date for receipt of Share Retention Form (7pm)	20 April 2017

All times are Brisbane times

### **Information**

KGL has set up a dedicated information line to address any further questions shareholders may have.

Link Market Services 1800 206 847

## **Appendix 1**

### **Rockface Copper Discovery**

The Rockface-Rockhole prospect is located 1km south-east of the Bellbird resource in the southern portion of the Jervois 'J-Fold'. RC and diamond drilling undertaken by KGL in 2014 complemented historical drilling undertaken by MIM and Reward Minerals to enable the maiden Inferred Resource of 0.7Mt @ 0.82% Cu for 6.0 kt of contained copper to be estimated. The relatively low grade of this initial resource meant that subsequent drilling was focussed on other areas of higher grade mineralisation at Bellbird, Marshall-Reward and Green Parrot. Although the area remained prospective due in part to its structural setting it would require some further refinement of targeting before a return to drilling could be justified.

Historical Induced Polarisation (IP) surveys were conducted by McPhar and MIM over much of the Jervois area, including Rockface, and these surveys demonstrated a good IP response over the known deposits of Bellbird and Marshall-Reward. Both surveys also recorded an IP response over the Rockface area though limitations of equipment, survey design and depth of investigation in an area of complex geology meant that accurately targeting IP anomalies in the Rockface area was unsuccessful.

In mid-2015 KGL undertook an Orion 3D induced polarisation (3DIP) survey, only the second such survey undertaken in Australia. This survey extended over the Bellbird Resource in order to help characterise and calibrate the responses from a known deposit. The primary target areas for this survey were extensions both north and south of the existing Bellbird, Bellbird East and Bellbird North mineralisation and the Rockface-Rockhole mineralisation.

The Orion 3DIP system offered KGL the ability to see well below the existing drilling, was unbiased by survey geometry in areas of complex deformation history and provided very high resolution data to optimise targeting of drilling.

This survey identified several good IP anomalies including the known Bellbird Resource, although the strongest coincident chargeability and conductivity anomaly was observed below the Rockface prospect, extending from surface to the limit of the survey at approximately 400m below surface. This combined with recent work undertaken by the NTGS and the CSIRO on the style, timing and structural controls of mineralisation at Jervois, gave KGL the confidence to return to Rockface and test an area 120m below what was previously the deepest hole.

RC/diamond hole KJCD171 was drilled in September 2015 to test the Rockface IP anomaly, intersecting 14m of massive magnetite with veined and disseminated chalcopyrite. The hole was located below the current resource boundary at a vertical depth of approximately 270m and was effectively the discovery hole of the high grade mineralisation that has remained the focus of exploration over the past 12 months.

Best results from KJCD171 included;

- ) 13m @ 2.14% Cu, 12.5g/t Ag, 0.1g/t Au from 255m
- ) 2m @ 2.83% Cu, 10.8g/t Ag, 0.05g/t Au from 278 m





*Figure 2 Rockface Prospect with the mineralised ferruginous ridge in the background*

The style of mineralisation encountered in KJCD171 was very similar to the high grade magnetite/chalcopyrite mineralisation observed at the northern end of the Reward deposit that has responded very well to DHEM.

A DHEM survey was then undertaken on KJCD171 to help delineate the extent of sulphide mineralisation that was intercepted and to identify off-hole conductors that may represent additional lenses of high-grade mineralisation.

Modelling of the DHEM by Newexco identified three good conductors all of which are part of what is now Conductor 3. The hole KJCD171 pierced the top corner of Conductor 3 and subsequent drilling in February 2016 targeted these initial conductors. Holes KJCD182 and KJCD183 both intercepted high grade mineralisation (See Table 1 below). Given the early success of the DHEM in identifying zones of high grade mineralisation it has continued to be used to guide the targeting of subsequent drilling that has also successfully intersected further zones of high grade copper mineralisation.



*Figure 3 Diamond drill core from KJCD201 (circa 655m)*

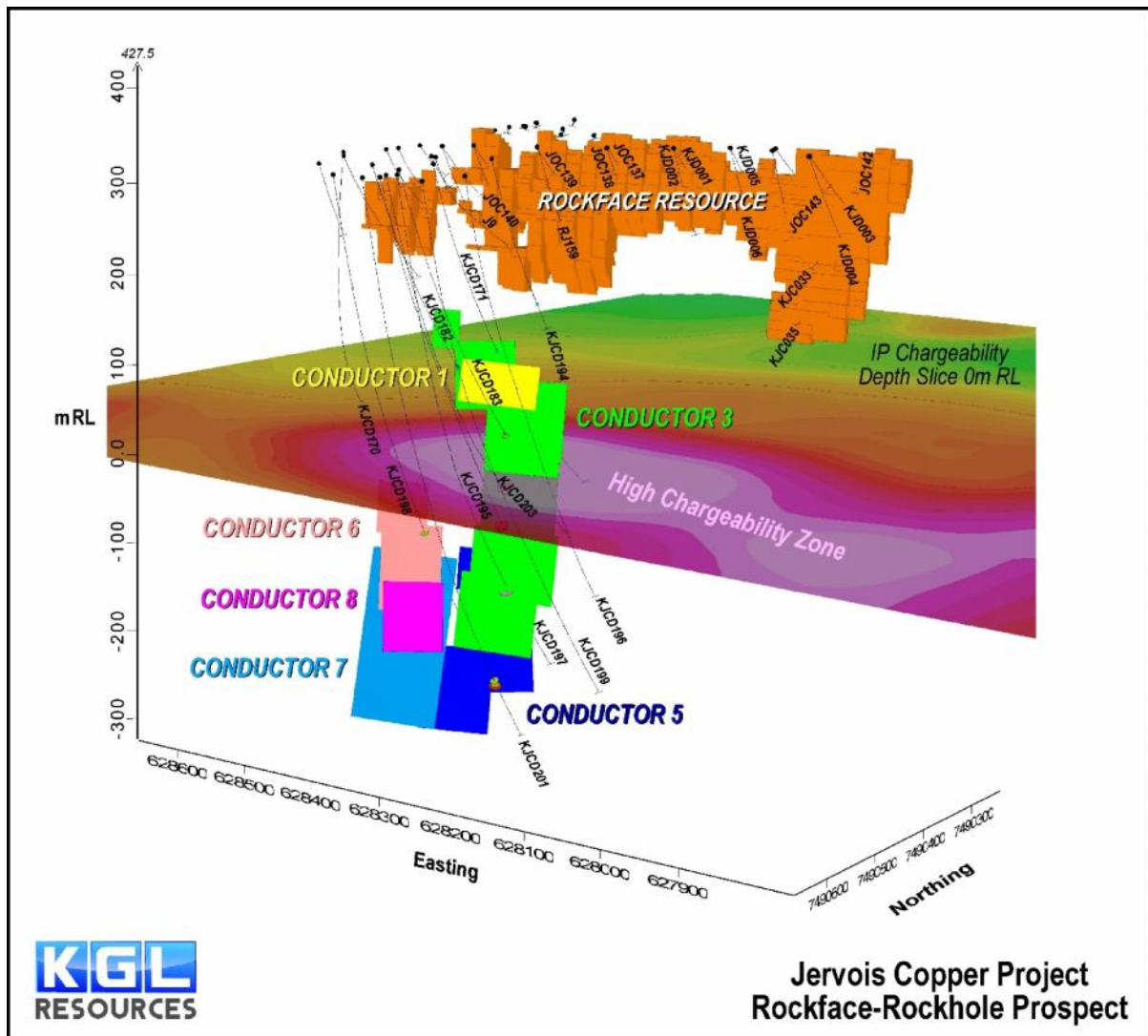


Figure 4 Rockface prospect DHEM conductors and IP Chargeability perspective view (looking south-east)

Exploration to date in the Rockface area has identified little else that responds to the DHEM other than high grade copper mineralisation. With each DHEM survey the dimensions and orientation of all the conductors are further refined, often becoming more complex in shape, and this additional resolution helps optimise drill hole targeting.

Drilling now extends approximately 650m below the outcropping mineralisation at Rockface. The trend of grades in copper, silver and gold increasing with depth can be observed in Table 1 below. Also of note is the relatively high density (SG) of the mineralisation due to a combination of massive/semi-massive magnetite and chalcopyrite.

Table 1 Significant results from Rockface Drilling since Sept 2015

HoleID	Interval	ETW (m)	RL (m)	SG (t/m <sup>3</sup> )
KJD016	7.35m @ 1.22% Cu, 2.1g/t Ag, 0.06g/t Au from 0m	4.3	389.7	2.71
KJCD171	13m @ 2.14% Cu, 12.5g/t Ag, 0.10g/t Au from 255m	10.0	140.6	4.33
	2m @ 2.83% Cu, 10.8g/t Ag, 0.05g/t Au from 278 m	1.5	121.5	2.95
KJCD182	9m @ 2.91% Cu, 17.6g/t Ag, 0.2g/t Au from 284m	6.6	118.3	3.65
	6m @ 1.6% Cu, 9.3g/t Ag, 0.16g/t Au from 296 m	4.4	108.7	4.46
KJCD183	16m @ 3.34% Cu, 16.7g/t Ag, 0.17g/t Au from 362m	11.7	46.6	3.84
KJCD203	28m @ 5.08% Cu, 22.4g/t Ag, 0.22g/t Au from 435m	23.2	-13.5	4.02
	Incl. 14m @ 8.89% Cu, 38.5g/t Ag, 0.38g/t Au from 436m	11.6	-14.2	4.28
KJCD195	10.5m @ 8.76% Cu, 42.9g/t Ag, 0.51g/t Au from 478.4m	7.5	-58.6	4.42
	5.1m @ 2.66% Cu, 13.8g/t Ag, 0.27g/t Au from 513.6 m	3.7	-87.0	3.38
KJCD198	5.95m @ 4.94% Cu, 25.9g/t Ag, 0.45g/t Au from 449.85m	4.0	-61.4	3.90
KJCD197	9.4m @ 11.53% Cu, 56.6g/t Ag, 0.87g/t Au from 535.4m	6.6	-133.2	4.03
	8.9m @ 1.00% Cu, 7.3g/t Ag, 0.09g/t Au from 544.8 m	6.2	-141.3	3.94
	15m @ 7.11% Cu, 29.4g/t Ag, 0.89g/t Au from 558 m	10.5	-152.2	3.59
KJCD201	10.05m @ 8.99% Cu, 45.5g/t Ag, 0.6g/t Au from 645.65m	7.5	-243	3.90

ETW – Estimated True Width RL – Height above MSL at the start of the interval  
SG – Specific Gravity (density)

One of the most promising areas for exploration at Rockface are the eastern Conductors 6, 7 & 8. A DHEM survey of KJCD197 identified a conductor off-set to the east and in the hanging wall to Conductor 3 which was called Conductor 6. Hole KJCD198 targeted and intersected Conductor 6 and the subsequent DHEM survey identified Conductor 7 in the footwall of Conductor 6.

The deepest hole yet drilled at Rockface, KJCD201, provided further confirmation of the location of Conductors 6 & 7 and identified a third eastern conductor, Conductor 8, in the hanging wall of Conductor 6. The modelling of Conductor 8 suggests that it has a significantly higher conductance than the other major conductors, further enhancing this target's prospectivity.



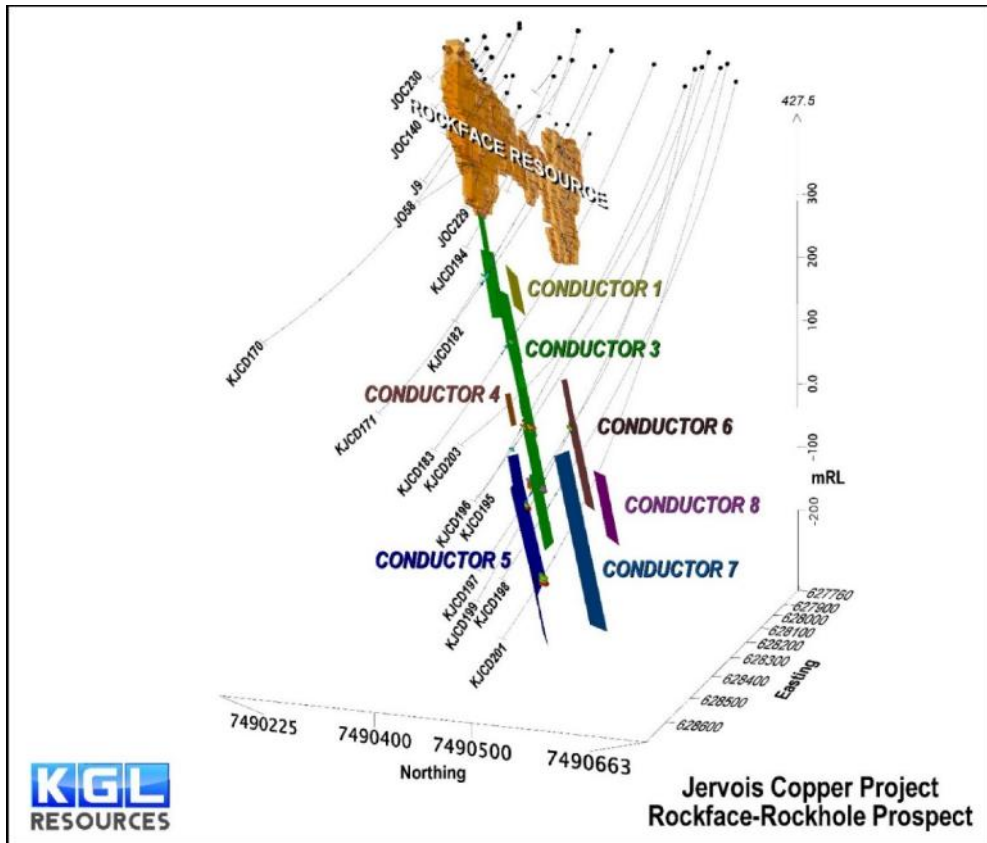


Figure 5 Perspective view of Rockface looking south-west

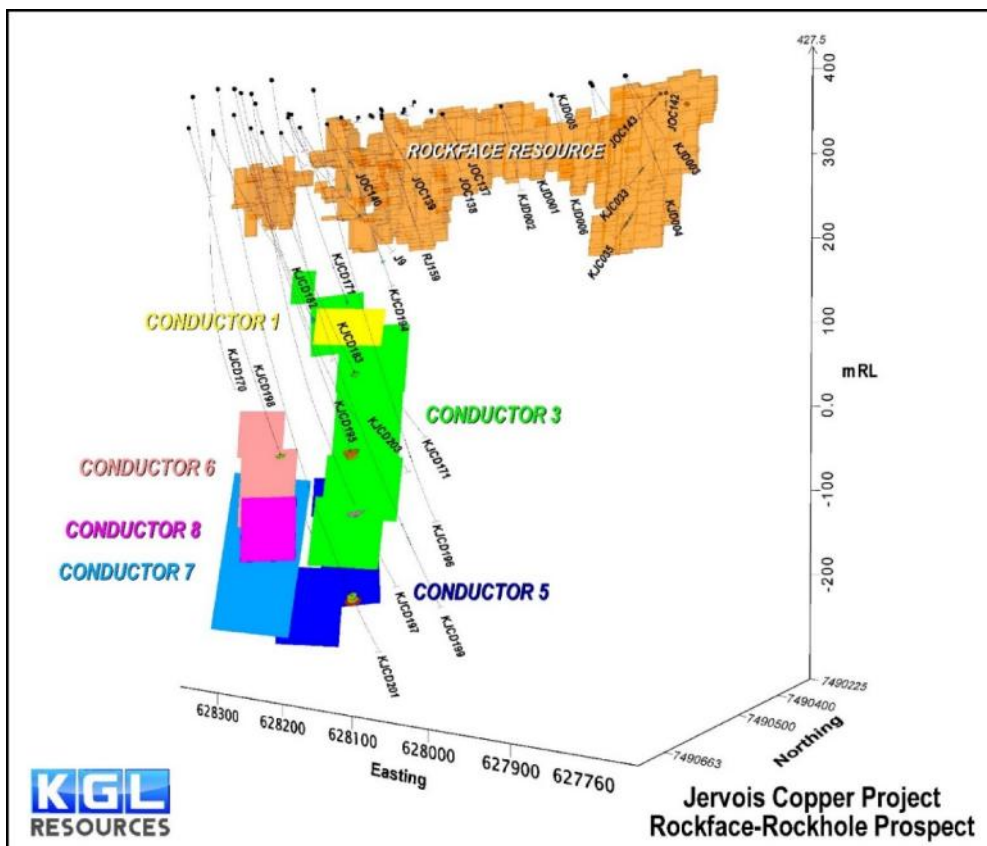


Figure 6 Perspective view of Rockface looking south-east

## **Competent Person Statement**

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.

<b>Hole</b>	<b>Date originally Reported</b>	<b>JORC Reported Under</b>
KJD016	30/3/2016	2012
KJCD171	22/10/2015	2012
KJCD182	9/5/2016	2012
KJCD183	26/04/2016	2012
KJCD195	02/08/2016	2012
KJCD197	19/09/2016	2012
KJCD182	09/05/2016	2012
KJCD203	09/02/2017	2012
KJCD195	02/08/2016	2012
KJCD198	10/11/2016	2012
KJCD201	09/02/2017	2012

The Jervois Resources information and Exploration Potential were first released to the market on 29 July 2015 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.