



29 January 2016

Quarterly Activities Report Period Ended 31 December 2015

Overview

KGL Resources Limited (KGL or the Company) continued to discover new areas of mineralisation at the 100% owned Jervois Copper-Silver-Gold Prospect in the Northern Territory.

The board is mindful of the current low commodity prices and has implemented a number of cost cutting activities including a reduction in the size of the board, a reduction in board fees and reducing the size of the workforce to reflect the reduced level of activity.

On 29 December 2015, the Company announced a capital raising to raise up to \$3 million by way of a two for nine pro rata non-renounceable entitlement offer, fully underwritten by the KGL Chairman, Mr Denis Wood. The funds are for the exploration and development of Jervois as well as corporate overheads, working capital and offer costs.

The offer is now closed, 285 shareholders contributed to the entitlement offer with over 30% of these shareholders applying for additional top up shares. This raised a total of \$1.72m. The remaining funds will be contributed through the underwriting agreement.

Drilling and other exploration activities this year will be highly targeted and cost less than in previous years. During this period of low commodity prices, reduced spending will reduce the need for further capital raising at low prices with the aim of minimising dilution to existing shareholders.

At the end of December, prior to the receipt of the \$3m from the entitlement offer, the Company had a cash balance of \$1,384,641.

Jervois Copper-Silver-Gold Project, Northern Territory (KGL 100%)

The results of the completed Pre-Feasibility Study (PFS) of the Jervois Project were announced early in the quarter, in time to be included in the previous quarterly report.

The PFS was based on a total Indicated and Inferred Resource of 30.5 Mt containing 327,000 t copper, 22.6 Moz silver, 143,000 t lead and 47,000 t zinc.

Exploration to increase and upgrade the Resource continued into the quarter.

A 10-hole drilling program was completed, following up a 3D induced polarisation (3DIP) in the Bellbird region to search for additional zones of mineralisation in a poorly tested yet highly prospective zone along the 12km mineralised strike length at Jervois.

Several of the holes discovered new zones of copper mineralisation.

Drilling and down hole electro-magnetic surveys were completed at the Rockface prospect.

Diamond drill hole KJCD171 intersected an extended length of strongly mineralised core from 253m, deeper than any previous hole drilled at Rockface and well below the current Inferred Resource:

- 13m @ 2.14% copper, 12.5 g/t silver, 0.10 g/t gold from 255m
- 2m @ 2.83% copper, 10.8 g/t silver and 0.05 g/t gold from 278m

The Rockface trend does not feature in the PFS mine schedule. Rockface appears to improve with depth and has the potential to add a new open pit and underground mine to the Jervois project.

At the Killeen prospect, further high grade copper was intersected near the surface:

- 2m @ 3.18% copper, 11.8 g/t silver and 0.03 g/t gold from 19m (hole KJC167)

At Bellbird East, drilling at hole KJC169 intersected 4m @ 0.51% copper, 1.09% lead, 4.27% zinc and 16.4 g/t silver from 119m.

Exploration is planned to resume at the Jervois site in February and will include a detailed gravity survey over the entire exploration license, shallow drilling near the top of the Rockface deposit to better define mineralisation near the surface, deeper drilling targeting the conductors identified in the down-hole electro-magnetic survey at Rockface and some drilling at Green Parrot to twin some of the historical holes with the aim to upgrade the resource.

Shallow RC drilling is also planned at a number of new prospects on the exploration license that were generated through the mapping, soil sampling and RAB drilling programmes which were completed in the previous quarter.

Yambah prospects, Northern Territory (KGL 100%)

Two new base metal prospects were discovered on exploration licences at Yambah. The Yambah project was acquired last year due to the close similarity of the mineralisation style and host rocks to Jervois.

Rock chip results produced copper and lead-zinc occurrences extending for over 500m.

Further field work is planned to locate additional mineralised trends and to progress the new and previously known prospects to a drill ready status.

Outlook

In view of the continuing success of exploration drilling late in 2015 indicating high grade extensions to known deposits and new areas of mineralisation within the 12km strike length at Jervois, the Company will focus on upgrading and extending Resources. A detailed gravity survey and RC and diamond drilling will commence in February.

Baseline monitoring for the Environmental Impact Assessment has also commenced.

Negotiation of a mining agreement with the Central Land Council has been progressing and is expected to be completed in the current quarter.

For further information, contact:

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Managing Director
Phone: 07 3071 9003

About KGL Resources

KGL Resources Limited is an Australian mineral exploration company focussed on increasing the high grade resource at the Jervois Copper-Silver Project in the Northern Territory and developing it into a multi-metal mine.

Competent Persons Statement

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.

The Jervois Reserves information was first released to the market on 16 October 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.

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
KJCD171	22/10/2015	2012
KJC167	22/10/2015	2012
KJC169	22/10/2015	2012

Tenements

Tenement Number	Location	Beneficial Holding
ML 30180	Jervois Project, Northern Territory	100%
ML 30182	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%
PL 01/12	Savo Island, Solomon Islands	75%

Mining Tenements Acquired and Disposed during the quarter.*	Location	Beneficial Holding
		0%

Tenements subject to farm-in or farm-out agreements	Location	Beneficial Holding
PL-01/12	Savo Island, Solomon Is	75%

Tenements subject to farm-in or farm-out agreements acquired or disposed of during the quarter	Location	Beneficial Holding
Nil		

Table 1 2015 Jervois Resource Estimate

Jervois Copper Resources	Category	Tonnes Mt	Copper %	Silver g/t	Lead %	Zinc %	Copper kt	Silver Moz	Lead kt	Zinc kt	Cut-off Cu%
Marshall Copper	Indicated	1.4	1.45	35.6			20.1	1.6			0.5
	Inferred	0.3	0.90	20.2			2.5	0.2			0.5
Reward Copper	Indicated	5.0	1.14	25.3			57.1	4.1			0.5
	Inferred	7.6	1.02	22.2			78.0	5.4			0.5
East Reward	Inferred	2.0	0.82	7.1			16.9	0.5			0.5
Bellbird	Indicated	4.1	1.22	7.7			49.9	1.0			0.5
	Inferred	4.3	1.29	8.5			55.9	1.2			0.5
Cox's Find	Inferred	0.7	0.87	2.8			6.0	0.1			0.5
Rock Face	Inferred	0.7	0.82	3.1			6.0	0.1			0.5
TOTAL	Indicated	10.5	1.21	19.8			127.0	6.7			
	Inferred	16.2	1.06	14.6			172.1	7.6			
	TOTAL	26.7	1.12	16.6			299.1	14.3			

Jervois Lead/Zinc Resources	Category	Tonnes Mt	Copper %	Silver g/t	Lead %	Zinc %	Copper kt	Silver Moz	Lead kt	Zinc kt	Cut-off Cu%
Reward Lead/Zinc	Indicated	0.5	0.74	70.7	6.8	0.9	3.6	1.1	33.6	4.4	None
	Inferred	0.8	0.51	90.9	8.6	1.2	4.1	2.3	69.4	9.4	None
Green Parrot	Indicated	0.5	0.99	64.0	0.9	0.6	5.1	1.1	4.7	3.2	0.3
Lead/Zinc	Inferred	1.4	0.81	78.0	1.8	0.9	11.1	3.4	24.4	12.8	0.3
Bellbird North	Inferred	0.7	0.57	17.9	1.7	2.5	3.8	0.4	11.3	16.7	0.2
TOTAL	Indicated	1.0	0.87	67.3	3.8	0.8	8.7	2.2	38.3	7.6	
	Inferred	2.8	0.67	67.6	3.7	1.4	19.0	6.2	105.1	38.9	
	TOTAL	3.8	0.72	67.5	3.7	1.2	27.7	8.4	143.4	46.5	

2015 Combined	TOTAL	30.5	1.07	23.0			327	22.6	143	47	
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Appendix 5B

Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001.

Name of entity

KGL Resources

ABN

52 082 658 080

Quarter ended ("current quarter")

31 December 2015

Consolidated statement of cash flows

Cash flows related to operating activities		Current Quarter \$A'000	Year to date (9 months) \$A'000
1.1	Receipts from product sales and related debtors	-	-
1.2	Payments for (a)exploration and evaluation	(1,289)	(6,204)
	(b) development	-	-
	(c) production	-	-
	(d) administration	(514)	(2,278)
	(d) office closure	-	(91)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	21	206
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Other – Settlements	-	-
	Foreign Exchange differences	-	-
Net Operating Cash Flows		(1,782)	(8,367)
Cash flows related to investing activities			
1.8	Payment for purchases of: (a)prospects	-	-
	(b)equity investments	-	-
	(c) purchase options	-	-
	(c) other assets	-	(40)
	(d) disposal Costs	-	-
1.9	Proceeds from sale of: (a)prospects	-	-
	(b)equity investments	-	-
	(c)other fixed assets	-	-
1.10	Loans to other entities	-	-
1.11	Loans repaid by other entities	-	-
1.12	Deed of Company Arrangement (KMWA)	-	-
Net investing cash flows		-	(40)
1.13	Total operating and investing cash flows (carried forward)	(1,782)	(8,407)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly

1.13	Total operating and investing cash flows (brought forward)	(1,782)	(8,407)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	-	-
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other	-	-
	Net financing cash flows	-	-
	Net increase (decrease) in cash held	(1,782)	(8,407)
1.20	Cash at beginning of quarter/year to date	3,163	9,788
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	Cash at end of quarter	1,381	1,381

Payments to directors of the entity and associates of the directors
Payments to related entities of the entity and associates of the related entities

		Current Quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	115
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

Remuneration and expenses paid to executive and non-executive directors for the quarter.

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

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2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

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+ See chapter 19 for defined terms.

Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	-	-
3.2 Credit standby arrangements	-	-

Estimated cash inflow/(outflow) for next quarter

	\$A'000
4.1 Exploration and evaluation	(404)
4.2 Investment/Development	
4.2 Deed of Company Arrangement	
4.3 Deposit Interest	7
4.31 Operations Costs	
4.4 Admin	(421)
4.5 Rights Issue	3,000
4.6 Capex	(5)
Total	2,170

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.

	Current Quarter \$A'000	Previous Quarter \$A'000
5.1 Cash on hand and at bank	115	295
5.2 Deposits at call	1,266	2,868
5.3 Bank overdraft		
5.4 Other (provide details)		
Total: cash at end of quarter	1,381	3,163

+ See chapter 19 for defined terms.

Changes in interests in mining tenements

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements relinquished, reduced or lapsed			
6.2	Interests in mining tenements acquired or increased			

Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.


	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1	Preference +securities (description)			
7.2	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy- backs, redemptions			
7.3	+Ordinary securities	141,540,563	141,540,563	
7.4	Changes during quarter (a) Increases through issues (b) Decreases through share consolidation			
7.5	+Convertible debt securities (description)			

+ See chapter 19 for defined terms.

7.6	Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7	Options (description and conversion factor)	2,475,000	Unlisted Options	Exercise price	Expiry date
7.8	Expired during quarter				
7.9	Exercised during quarter				
7.10	Decrease through consolidation				
7.11	Debentures (totals only)				
7.12	Unsecured notes (totals only)				

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act [or other standards acceptable to ASX \(see note 4\)](#).
- 2 This statement does ~~/does not~~* (*delete one*) give a true and fair view of the matters disclosed.



Sign here:Date: 29/01/2015.....
(~~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.

+ See chapter 19 for defined terms.

Appendix 5B

Mining exploration entity quarterly

An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.

- 2 The “Nature of interest” (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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