

31 October 2013

Quarterly Activities Report Period Ended 30 September 2013

- **Pre-feasibility study of Jervois Copper-Silver-Gold Project was progressed**
- **Drill program commenced to test exploration targets and increase the size of the resource**
- **Strong cash position maintained**

Overview

During the quarter, KGL Resources Limited (KGL or the Company) concentrated on progressing the pre-feasibility study into the proposed development of the Jervois Copper-Silver-Gold Project in the Northern Territory.

The Company commenced a 20,000m drilling program to increase the existing Resource at Jervois. An early result was the confirmation of a new copper zone at the targeted Morley prospect.

The sale of the Andash project in Kyrgyzstan was completed, with the proceeds placing KGL in a strong cash position to fund work at Jervois.

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

Copper-silver: Inferred Resource of 13.5 million tonnes @ 1.3% copper and 25.8 g/t silver for a total of 170,416 tonnes copper and 11.6 million oz silver at a 0.5% copper cutoff.

Gold: Initial gold Inferred Resource of 12.5 million tonnes @ 0.17 g/t gold for 69,000 oz gold at a 0.5% copper cutoff.

Lead-zinc: Resource includes 1 million tonnes @ 2.6% lead and 2.2% zinc for 26,000 tonnes lead and 22,000 tonnes zinc contained within the copper mineralisation at the Green Parrot and Bellbird North deposits.

During the quarter, the Company was well advanced in a pre-feasibility study into the development of Jervois as a significant multi-metal mining project. The study is scheduled for completion in the first half of 2014, and, subject to the result, will be followed by a full feasibility study.

A 20,000m RC and diamond drilling program commenced in September 2013. The program is designed to increase the size of the total Resource at Jervois.

The program comprises

- drilling to infill and extend the existing known ore bodies, and
- exploration drilling to test exploration targets beyond the known ore bodies – five prospects have been identified as high potential targets.

The planned and completed hole collar locations are shown in Figure 1.

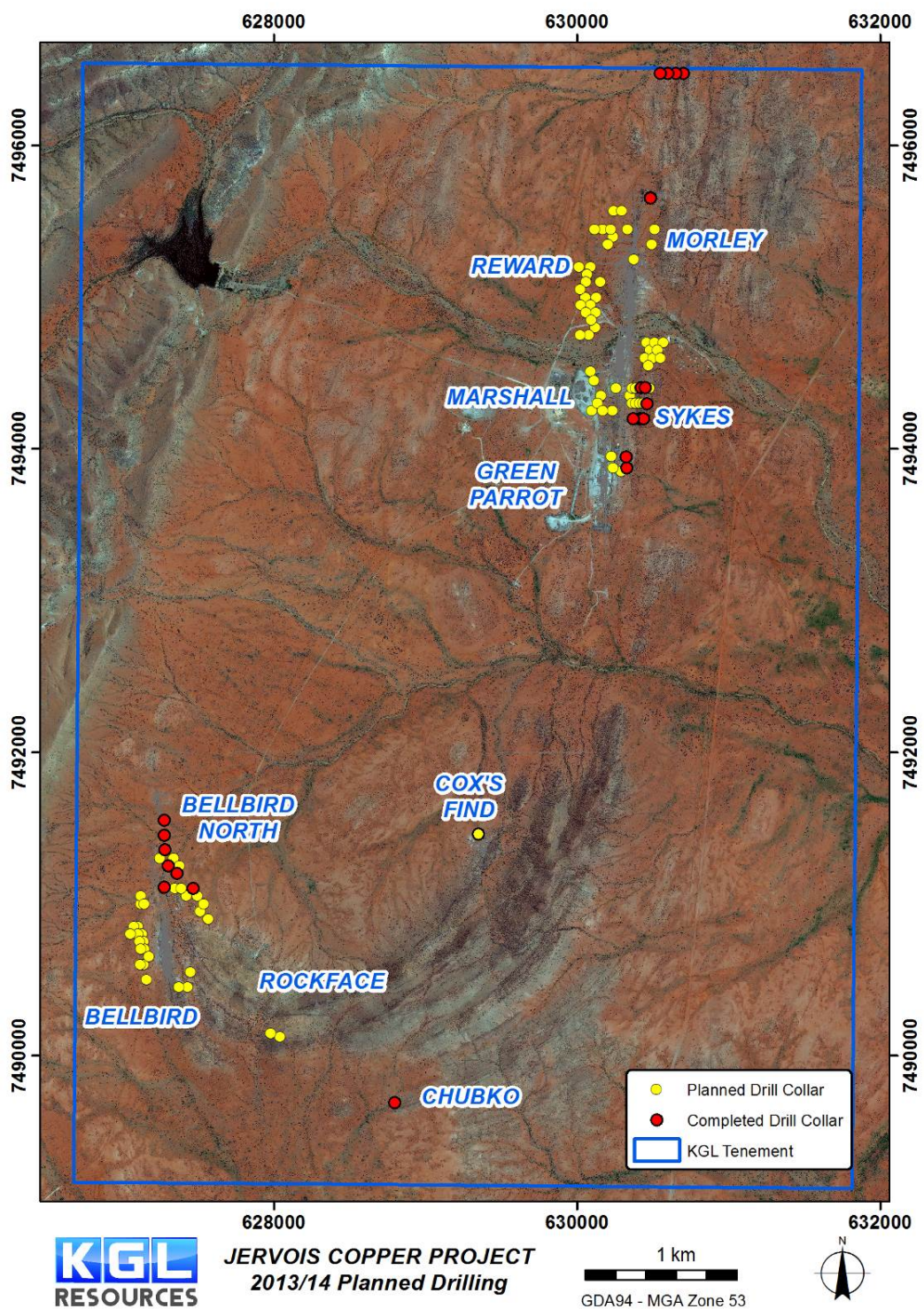


Figure 1 Planned exploration and resource drilling locations

During the quarter, results were received from reprocessing the Induced Polarisation (IP) data. The results showed good correlation of chargeability highs with the known ore bodies. The results also showed a large new IP chargeability high running parallel to the Reward ore body (Figure 2). This has been named Morley and will be tested in the current drilling programme.

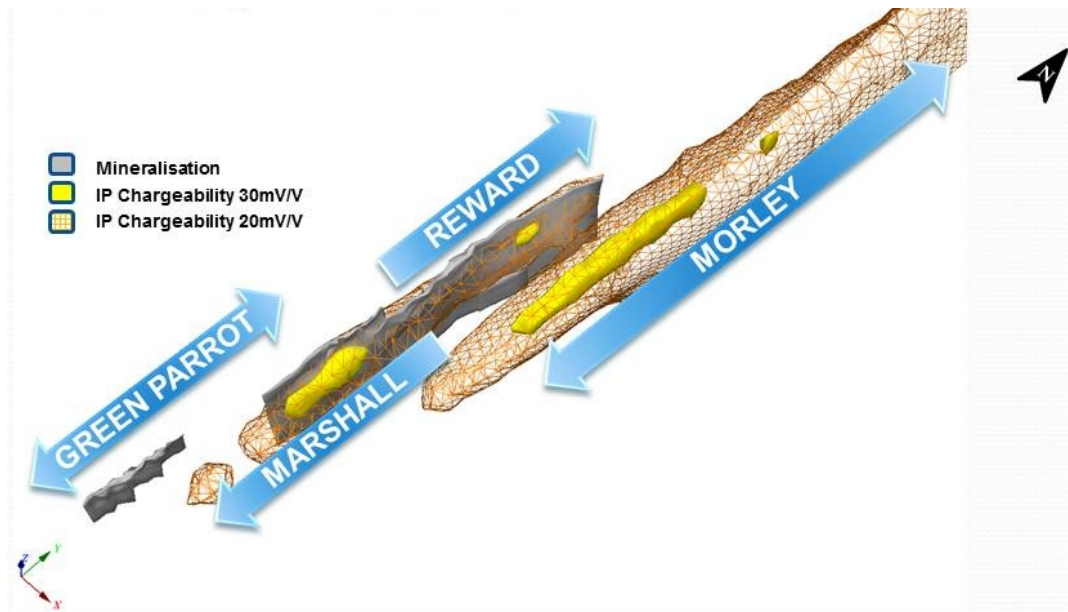


Figure 2 Morley IP Chargeability Anomaly

Two multi-purpose rigs are being used at the site. Both rigs were being used to drill RC exploration holes and RC pre-collars. In mid-October, one of the rigs was converted to commence diamond drilling.



Figure 3. RC Drilling at the Chubko prospect

At the date of this report, approximately 7,500 metres of RC drilling has been completed and 350 metres of diamond drilling.

A bulk flotation of Jervois ore has been completed to generate a sufficient quantity of copper concentrate to examine, bismuth removal, and recovery of tungsten and cobalt from the concentrate.

Metallurgical test work has also commenced to examine the leaching of copper from copper oxide ores.

Funding the Jervois Project

During the quarter, proceeds from the sale of the Andash Project increased KGL's cash reserve, thus strengthening the Company's ability to fund the pre-feasibility study of the Jervois Project, including the current drilling program. The proposed sale of the Murchison Project will further increase the Company's cash reserve.

Andash Gold-Copper Project

During the quarter, the Company completed the sale of the Andash Project in the Kyrgyz Republic following approval by KGL shareholders at the Annual General Meeting of the Company, and the balance of the funds from the sale were received in full. The project was sold for a total consideration of \$15 million.

The funds received from the sale of Andash are being applied largely for the exploration and pre-feasibility study of the Jervois project.

Murchison Gold Project, WA (KGL 100%)

The Murchison Gold Project came out of administration during the quarter when control was passed back to directors of Kentor Minerals (WA) Pty Ltd (KMWA), a wholly owned subsidiary of KGL. This followed acceptance by a meeting of creditors of KMWA of a Deed of Company Arrangement (DOCA), the sale by KGL of the Andash Project, and the subsequent payment of \$3 million to a DOCA fund for the benefit of KMWA employees and creditors.

The Murchison Gold Mine, currently on care and maintenance, is a valuable asset with a defined gold resources. The Company plans to sell the asset and direct available cash proceeds from the sale to the Jervois Project.

Bashkol Exploration Licence, Kyrgyz Republic (KGL 80%, diluting to 24%)

Late in the quarter, a 2,000m diamond drilling program commenced at Bashkol where high grade gold mineralisation has been discovered.

The program is being funded by Robust Resources Limited (Robust) under a farm-in agreement concluded during the quarter.

KGL (80%) and the Kyrgyz Geophysical Expedition (KGE) (20%) currently own the Bashkol tenements.

Robust has the right to spend up to \$7m on the project in two stages to earn up to a 70% interest. KGL and KGE will be diluted proportionally as the new equity in the project company is issued to Robust.

The farm-out by KGL to Robust allows KGL to retain a significant interest in Bashkol while enabling KGL to be fully focussed on the exploration and development of the Jervois Project in the Northern Territory.

Savo Island geothermal energy project, Solomon Islands (KGL 100%, diluting to 30%)

During the quarter, joint venture partner Geodynamics Limited (Geodynamics) progressed a feasibility study into the development of the Savo Island Project, as a source of geothermal electricity for Honiara, the Solomon Islands' capital city, and a nearby mine.

In November 2012, Geodynamics agreed to acquire from KGL up to a 70% interest in two stages in the Savo Island Project for a total expenditure of \$5m. After completing and funding the first stage, Geodynamics took a 25% interest in the joint venture along with the operatorship of the project.

In April 2013, Geodynamics announced that initial exploration studies had confirmed the presence of a high quality geothermal exploration prospect at Savo Island. A resource has been estimated to be capable of supporting more than 30 MWe of generating capacity for 30 years, sufficient to supply 100% of the current power requirement of Honiara and the nearby Gold Ridge Mine.

Corporate

At the end of the quarter, the Company had a cash balance of \$10.6M.

Chairman of the Board John Barr and Executive Director Hugh McKinnon did not seek re-election at the Annual General Meeting on 8 August 2013, and Andrew Daley succeeded Mr Barr as Chairman. Christopher Bain joined the Board as a Non-Executive Director in September 2013. Chris is a geologist and brings valuable skills to the board.

At the AGM, shareholders resolved to change the Company's name from Kentor Gold to KGL Resources Limited, thus removing the Kyrgyz word 'Kentor' from the name following the sale of Andash, and 'Gold' now that the Company's primary focus is on copper at Jervois.

Outlook

Work on the pre-feasibility study of the Jervois Project continues during the current December quarter. The current drilling program, designed to increase the size and quality of the Resource at Jervois, is scheduled for completion in the first half of 2014.

The Company's cash position is expected to be strengthened further by the divestment of the Murchison project. This will allow the Company to concentrate on taking the Jervois project forward through feasibility to an expected development decision.

For further information contact:

Mr Simon Milroy
Managing Director
Phone: (07) 3071 9003

Competent Person

The data in this report that relates to Jervois Mineral Resource Estimates is based on information evaluated by Mr Simon Tear who is a Member of The Australasian Institute of Mining and Metallurgy (MAusIMM) and who has sufficient experience relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (the "JORC Code"). Mr Tear is a Director of H&S Consultants Pty Ltd and he consents to the inclusion in the report of the Mineral Resource in the form and context in which they appear.

The data in this report that relates to Jervois cut off grades and mining assumptions is based on information evaluated by Mr Simon Milroy who is a Member of The Australasian Institute of Mining and Metallurgy (MAusIMM) and who has sufficient experience relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (the "JORC Code"). Mr Milroy is a full-time employee of Kentor Gold Limited and he consents to the inclusion in the report of the cut off grades and mining assumptions in the form and context in which they appear.

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")

30 September 2013

Consolidated statement of cash flows

	Current Quarter \$A'000	Year to date (9 months) \$A'000
Cash flows related to operating activities		
1.1 Receipts from product sales and related debtors	0	5,036
1.2 Payments for	(942)	(2,330)
(a) exploration and evaluation		
(b) development	-	(1,963)
(c) production	(0)	(7,559)
(d) administration	(982)	(3,007)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	26	81
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other (provide details if material)	-	450
Foreign Exchange differences	-	-
Net Operating Cash Flows	(1,898)	(9,292)
Cash flows related to investing activities		
1.8 Payment for purchases of:		
(a) prospects	-	-
(b) equity investments	-	-
(c) purchase options	-	-
(c) other fixed assets	(22)	(136)
1.9 Proceeds from sale of:		
(a) prospects	-	-
(b) equity investments		
(c) other fixed assets	13,289	14,736
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	-
1.12 Other (DOCA Contribution)	(3,000)	(3,000)
Net investing cash flows	10,267	11,600
1.13 Total operating and investing cash flows (carried forward)	8,369	2,308

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly

1.13	Total operating and investing cash flows (brought forward)	8,369	2,308
	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 (Capital raising costs)	-	-
	Net financing cash flows	-	-
	Net increase (decrease) in cash held	8,369	2,308
1.20	Cash at beginning of quarter/year to date	2,276	8,333
1.21	Exchange rate adjustments to item 1.20	0	4
1.22	Cash at end of quarter	10,645	10,645

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	282
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

Under the terms of the Deed of Company arrangement for Kentor Minerals (WA) control reverted back to the board of KGL Resources.

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

In the quarter KGL Resources signed a binding agreement with Robust Resources (Robust) for Robust to farm in to the Bashkol project in the Kyrgyz Republic.

+ 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	(2,819)
4.2 Investment/Development	
4.2 Deed of Company Arrangement	
4.3 Operations Revenue	
4.31 Operations Costs	
4.4 Admin	(643)
4.5 Asset Disposal	
4.6 Other	
Total	3,462

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	1,036	903
5.2 Deposits at call	9,609	1,373
5.3 Bank overdraft		
5.4 Other (provide details)		
Total: cash at end of quarter	10,645	2,276

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	Andash (AU-141-04)	Sold to Robust Resources	80%	0%
	Andash Ore body (218 AE)	Sold to Robust Resources	80%	0%
	Bashkol (AP1602)	Entered into a binding JV A	100%	100%
6.2 Interests in mining tenements acquired or increased	Western Australia EL 51/1063	Acquired in the quarter.	0%	100%

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly

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 <i>(description)</i>				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 +Ordinary securities	140,040,563			
7.4 Changes during quarter (a) Increases through issues (b) Decreases through share consolidation				
7.5 +Convertible debt securities <i>(description)</i>				
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7 Options <i>(description and conversion factor)</i>	4,704,842	Unlisted Options	Exercise price	Expiry date
7.8 Issued during quarter				
7.9 Expired during quarter				
7.10 Decrease through consolidation				
7.11 Debentures <i>(totals only)</i>				
7.12 Unsecured notes <i>(totals only)</i>				

+ See chapter 19 for defined terms.

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: 31/10/2013.....
(~~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 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.

== == == == ==

+ See chapter 19 for defined terms.