

Quarterly Activities Report Period Ended 30 September 2021

29 October 2021

- ◆ **Feasibility Study of the Jervois Copper Mine Project well progressed during the Quarter**
 - Drilling continues to support the existing Resource
 - Optimisation phase well underway
 - Global copper price continues at near record high levels with medium term outlook for strong economic growth and extended copper supply deficit
- ◆ **Confirmatory drilling delivers high grade results at Reward and Bellbird deposits:**
 - Increased confidence in resource models - now being updated.
 - Drill results supporting optimisation work on mine planning.
- ◆ **Massive sulphide copper intersected at the periphery of Rockface deposit, unlocking potential for high grade extensions**
- ◆ **All deposits remain open at depth and highly prospective for additional resources**
- ◆ **Cash at end of quarter was \$18.1m, with \$7.0m expended in the quarter, primarily on resource infill drilling (\$4.1m), and feasibility study (\$1.8m)**

During the quarter, KGL Resources Limited (ASX code: KGL) (KGL or the Company) continued to progress the high-grade Jervois Copper Project in the Northern Territory towards development by advancing the project's Feasibility Study (FS) in line with the program set out in August.

Resource development drilling produced more high-grade results, supporting the optimisation of mine planning in the FS.

KGL Managing Director Simon Finnis said:

“Having extended the FS period into the March quarter of 2022 to allow for delays and other impacts caused by the COVID-19 pandemic, we are pleased to report advances on all fronts to near bankable standards.

“The confirmatory drilling has produced outstanding results, increasing our confidence in the resources at Reward and Bellbird significantly, and facilitating the optimisation of mine design, costing and mine longevity.

“At the same time, the future potential at Jervois continues to intensify. All major known deposits remain open at depth. Recent drilling at Rockface has intersected some of the richest copper mineralisation ever seen at Jervois and we await confirmatory assays.”

1. Feasibility study approaching completion

The FS advanced on all fronts during the quarter, in conformity with the announced study program.

The first costed mine plan is being subjected to an optimisation initiative (by independent mine planner Xenith) to fine tune and improve investor returns through accessing underground ore earlier, and strategically optimising the civils and mining fleets.

Similarly, optimisation studies of the first process plant design and costing (by KGL's process engineering house Sedgman) were initiated to enhance value.

Both mining and processing studies are continuing, using the most recent exploration and laboratory testwork results.

Other key activities during the quarter included:

- Mine infrastructure and plant layouts, accounting for flood modelling and site water management, to FS degree of certainty
- Multiple village layouts considered for the project development and operations workforces
- Detailed civil designs underway
- Charter flight and airfield requirements to meet fly-in-fly-out needs
- Hybrid power station design and quantification as the project's power needs are clarified
- Design of the water borefield and water harvesting system within the water licence entitlements and to ensure a prudent margin over the project needs
- Logistics studies for incoming freight and outgoing concentrates completed
- Preparing a COVID management plan and procedures for mine construction and operation.

2. Drilling and Exploration

Resource Development Drilling – Reward and Bellbird

Resource development drilling programs for the Reward and Bellbird deposits at Jervois were successfully completed.

All holes at Reward intersected reportable intervals of copper, silver and gold mineralisation, and all but one at Bellbird.

The intersections are broadly in line with expectations and the results serve to increase confidence in sections of the resource models where the drillhole spacing was, previously, wider than optimal.

Particularly encouraging were the high-grade copper intersections within and near the open pit outlines at Reward and Bellbird. Holes KJCD447 and KJCD448 produced strong intersections of high-grade copper in a section of the Reward deposit where high-grade shoots were previously not interpreted, and no mining is currently scheduled. The information from these two holes has led to a re-evaluation and a recognition of the potential of this 370m long zone to host high-grade copper shoots. Additional drilling is planned.

Intersections at **Reward** included (all true thickness):

KJCD458D1 – **3.72m @ 6.38% Cu**, 101.3 g/t Ag, 0.50 g/t Au from 84.85m

KJCD446 – **27.35m @ 2.14% Cu**, 18.3 g/t Ag, 0.37 g/t Au from 247.5 m

including **7.34m @ 3.98% Cu**, 33.8 g/t Ag, 0.30 g/t Au from 266m.

KJCD447 – **4.47m @ 3.81% Cu**, 22.0 g/t Ag, 0.05 g/t Au from 176.4m

and **4.22m @ 3.18% Cu**, 235.8 g/t Ag, 0.27 g/t Au from 195.07m

KJCD448 – **2.57m @ 2.26% Cu**, 35.0 g/t Ag, 0.09 g/t Au from 217.9m

and **5.16m @ 2.73% Cu**, 23.2 g/t Ag, 0.29 g/t Au from 253.0m

Intersections at **Bellbird** included:

KJD449: **3.85m @ 3.74% Cu**, 19.9 g/t Ag, 0.58 g/t Au from 80.00m

KJD450: **5.45m @ 3.62% Cu**, 15.8 g/t Ag, 0.15 g/t Au from 59.85m

including: **2.22m @ 8.08% Cu**, 32.6 g/t Ag, 0.30 g/t Au from 65.10m

KJD455: **4.46m @ 4.68% Cu**, 38.3g/t Ag, 0.12 g/t Au from 64.00m downhole, and

KJD456: **5.30m @ 3.66% Cu**, 29.1g/t Ag, 0.29g.t Au from 128.26m.

The drilling at Reward and Bellbird during the quarter was designed to improve the JORC classification of the mineral resource models, principally to re-classify mineralisation from Inferred category to Indicated category. Under the JORC code, Indicated and Measured mineral resources can be converted to ore reserves by the application of appropriate mining, processing and other economic modifying factors.

The 25 completed holes totalled 9,917 metres. Of that meterage, 3,186.7 were reverse-circulation (RC), comprising mainly pre-collars for holes which were subsequently completed by diamond drilling. The remaining 6,730.3 metres were diamond drilling of either HQ or NQ size.

All RC chips and diamond drill-cores were processed at the Company's Jervois project-site facilities. Mineralised intervals were prepared and logged according to internal KGL standard operating procedures, which conformed to accepted industry standards. Chemical analyses were carried out at Intertek Testing Services laboratories in Alice Springs, Townsville and Perth.

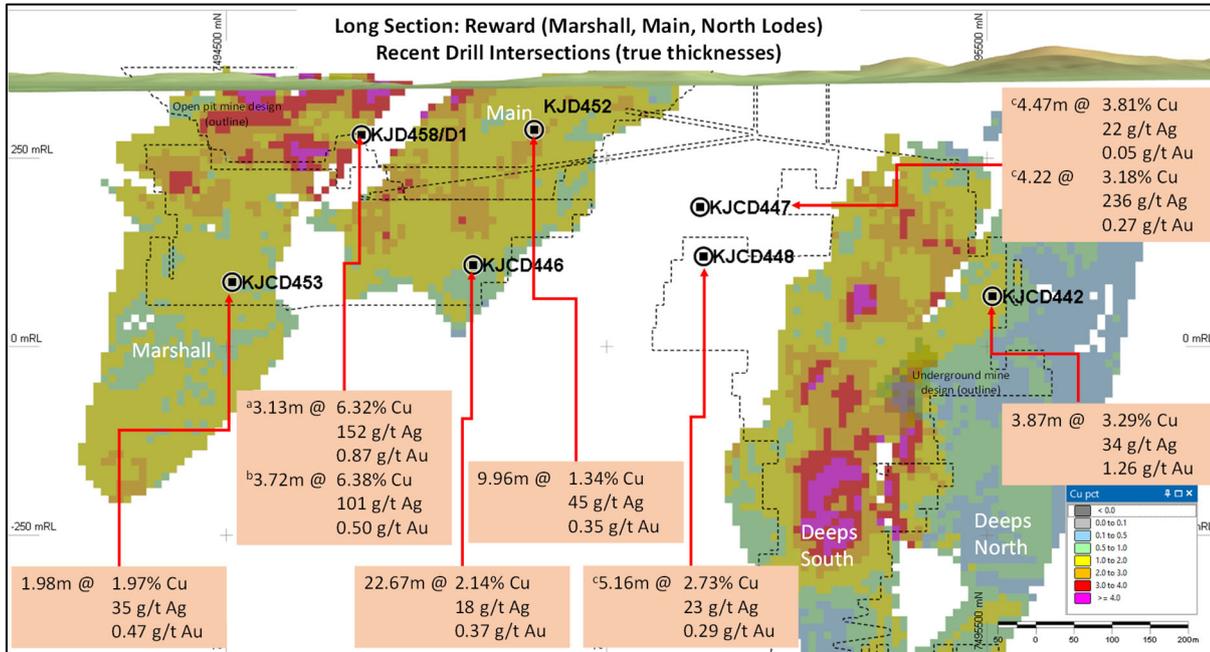


Figure 1 Longitudinal projection of the Reward Deposit mineral resource block model (blocks coloured according to copper grade), showing the Marshall, Main, Deeps South and Deeps North lodes and the most significant recent drill intersections from each completed hole. An outline of the most recent mine design is shown for reference (a. from KJD458. b. from re-drilled KJD458D1. c. these intersections are currently classified as “Stratabound” but the elevated grades indicate an extension of the high-grade Deeps South lode in to this area). True thickness is estimated based on the current resource model geometry.

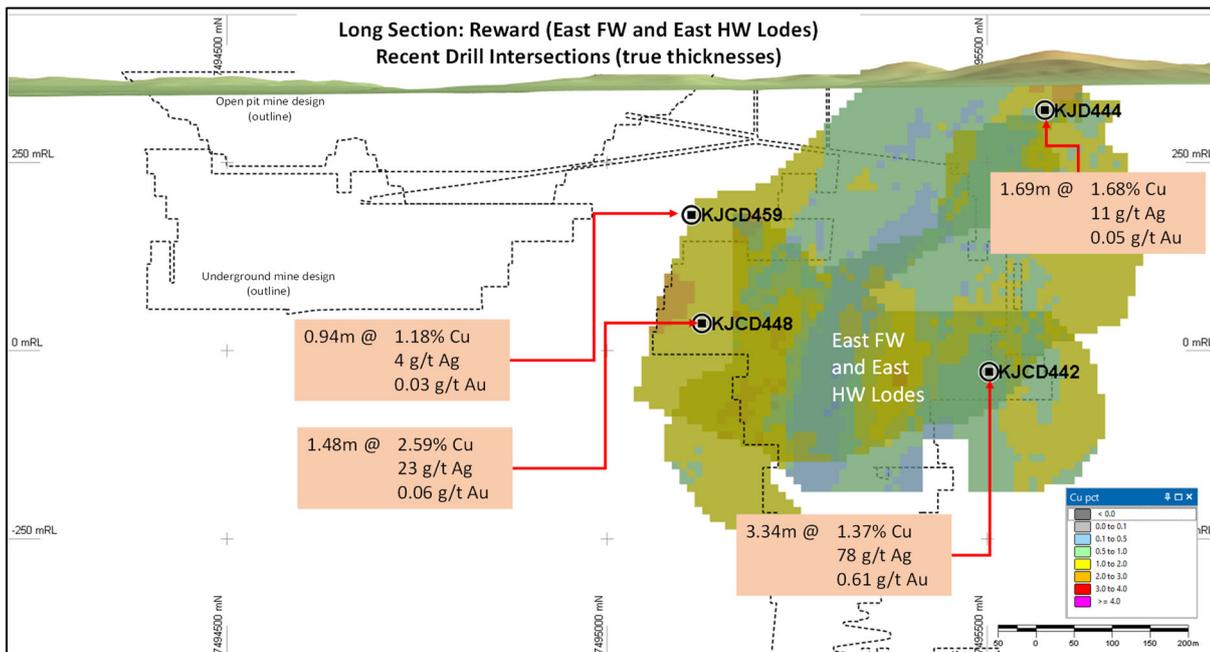


Figure 2: Longitudinal projection of the Reward Deposit mineral resource block model (blocks coloured according to copper grade), showing the East HW and East FW lodes and the latest significant recent drill intersections from each completed hole. True thickness is estimated based on the current resource model geometry.

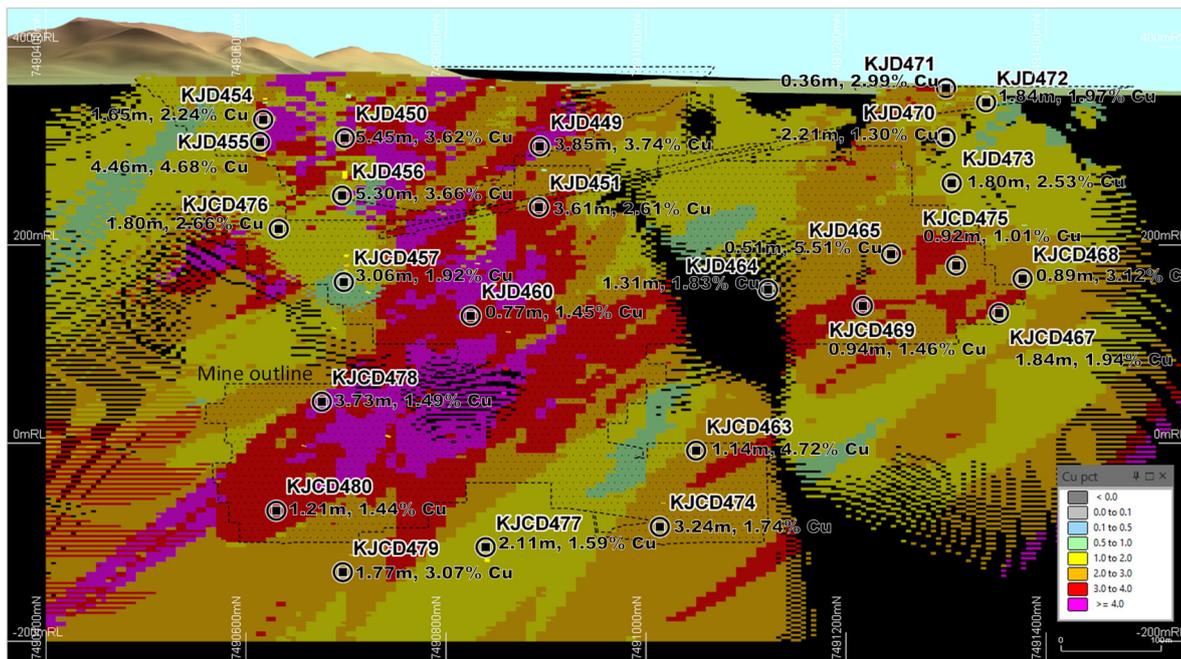


Figure 3 Longitudinal projection of the Bellbird Deposit Main Lode mineral resource block model (blocks coloured according to copper grade), showing the drill intersections associated with the Main Lode. Further details of the intersections are in Table 2. An outline of the most PFS mine design is shown for reference.

Massive Sulphide Intersection at Rockface

On 11 October, the Company reported the intersection of massive copper sulphides on the periphery of the high grade Rockface orebody. The fourth hole in the development drilling program focussed near the margins of the known deposits to better define the boundaries and improve confidence at Rockface, KJCD481D3 intersected what is some of the richest copper mineralisation ever seen at Jervois. The intersection unlocks the potential of the Rockface North deposit for high grade extensions at depth and along strike. Assays are awaited.

While one drill rig was engaged in development drilling at Rockface, a second rig commenced drilling deep exploration holes at Cox's Find, Bellbird South and Rocky Road. Assay and DHEM results for this exploration drilling are also pending.

DHEM (Down-hole electromagnetic surveying)

DHEM contractors, Gap Geophysics, commenced an estimated month of operations at Jervois on 27 September.

The planned DHEM program comprises 16 holes totalling approximately 8,500 linear metres. The program includes holes at Bellbird, Bellbird South, Reward South, Rockface and Cox's Find.

DHEM surveying has proved successful at Jervois in guiding drilling and highlighting the potential for resource extensions.

Geophysics

Geophysical contractors, GRS, engaged in three months of field operations at Jervois throughout the quarter. The MIMDAS 3D/2D IP-resistivity survey was designed to cover sections of the highly prospective Jervois J-fold which were inadequately covered by earlier, historical IP-resistivity surveys. The survey data are currently being processed and interpreted.

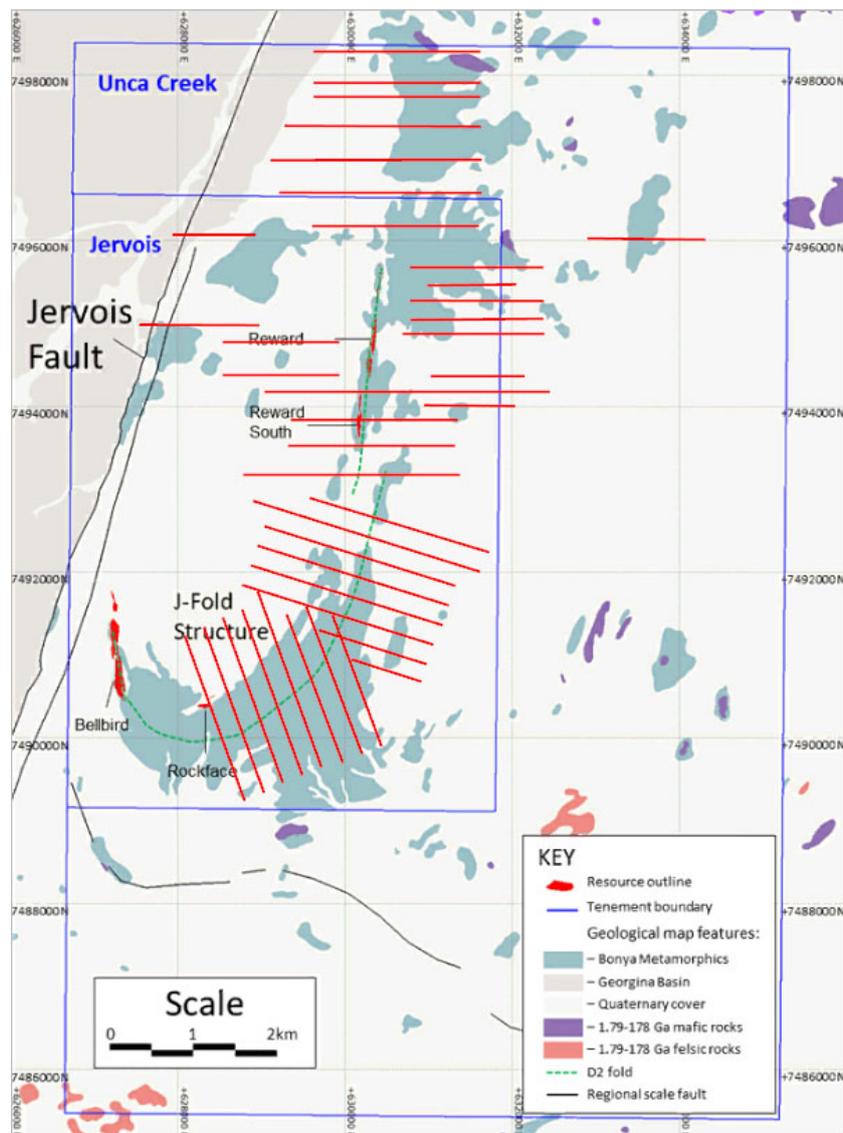


Figure 4: Completed MIMDAS IP survey lines (red lines). The survey covered sections of the prospective J-Fold structure which lacked modern IP coverage and also infill lines where previous MIMDAS IP lines were considered too broadly spaced for effective 3D inversion modelling.

Mineral Resource Estimate

Independent consultants, Mining Associates Pty Ltd, have been engaged to perform an update of the Reward deposit mineral resource estimate. This work is anticipated to take 4 to 6 weeks to complete.

The update of the Bellbird mineral resource estimate is also scheduled to be completed during the current December quarter.

3. Copper Market, Outlook and Corporate

Update of Copper Market

On 10 May the copper price reached a peak of US\$10,274/t (US\$4.86/lb), measured by the LME daily closing price, the copper price ranged between US\$8,922 and US\$9,781 throughout the quarter, climbing back to US\$10,281 by 15 October.

Long term, the fundamentals of growing demand from the Electric Vehicle sector and constrained supply are expected to sustain copper prices near the higher levels of recent months.

Capital Economics Chief Economist Neil Shearing was reported as telling a recent LME Week audience that a slowdown in China's economic growth would weigh on copper price in 2022 before increased demand and transition to the greener economy provided bullish impetus in the medium term. (Source: MiningNews.net 12 October 2021)

Outlook

Work on the FS will extend throughout the current quarter and is on track for completion early in the March 2022 quarter. An updated mineral resource model for Reward and Bellbird is expected to be completed by December.

Corporate

During the quarter, the cash outflows totalled \$7.0m, with the majority of the expenditures on resources infill drilling, (\$4.1m), and feasibility studies (\$1.8m), in line with budget.

KGL welcomed Simon Finnis and Steve Mallyon to the Board of Directors during the quarter, with Denis Wood stepping down as Executive Chairman on 30 August 2021.

Fiona Murdoch resigned from the Board following the end of quarter, and the Board is continuing its search for a replacement director to balance the skillset at KGL ahead of the development of the Jervois Project.

Transaction with related parties

As reported in the quarterly cash flow report part 6.1, amounts paid to related parties of \$65k consist of directors' fees and expenses for the quarter and part 6.2, \$38k paid to Core Resources for metallurgical consulting services provided on an arm's length basis.

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		

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.

Hole		Date originally Reported	JORC Reported Under	Hole		Date originally Reported	JORC Reported Under
KJCD	442	21/09/2021	2012	KJD	459	21/09/2021	2012
KJD	444	21/09/2021	2012	KJCD	463	21/10/2021	2012
KJCD	446	21/09/2021	2012	KJD	464	21/10/2021	2012
KJCD	447	21/09/2021	2012	KJD	465	21/10/2021	2012
KJCD	448	21/09/2021	2012	KJCD	467	21/10/2021	2012
KJD	449	21/10/2021	2012	KJCD	468	21/10/2021	2012
KJD	450	21/10/2021	2012	KJCD	469	21/10/2021	2012
KJD	451	21/10/2021	2012	KJD	470	21/10/2021	2012
KJD	452	21/10/2021	2012	KJD	473	21/10/2021	2012
KJCD	453	21/10/2021	2012	KJCD	474	21/10/2021	2012
KJD	454	21/10/2021	2012	KJCD	475	21/10/2021	2012
KJD	455	21/10/2021	2012	KJCD	476	21/10/2021	2012
KJD	456	21/10/2021	2012	KJCD	477	21/10/2021	2012
KJCD	457	21/10/2021	2012	KJCD	478	21/10/2021	2012
KJCD1	458	21/09/2021	2012	KJCD	479	21/10/2021	2012
				KJCD	480	21/10/2021	2012

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")

30 September 2021

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
1.	Cash flows from operating activities		
1.1	Receipts from customers – GST receipts	549	860
1.2	Payments for		
	(a) exploration & evaluation	-	-
	(b) development	-	-
	(c) production	-	-
	(d) staff costs	(271)	(562)
	(e) administration and corporate costs	(1,221)	(2,081)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	4	15
1.5	Interest and other costs of finance paid (leases)	(3)	(9)
1.6	Income taxes paid	-	-
1.7	Other	-	-
1.8	Other (provide details if material)	-	-
1.9	Net cash from / (used in) operating activities	(942)	(1,777)
2.	Cash flows from investing activities		
2.1	Payments to acquire or for:		
	(a) entities	-	-
	(b) tenements	-	-
	(c) property, plant and equipment	(41)	(132)
	(d) exploration & evaluation	(5,866)	(9,266)
	(e) investments	-	-
	(f) other non-current assets	-	-

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 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	(38)	(38)
2.6 Net cash from / (used in) investing activities	(5,945)	(9,436)

3. Cash flows from financing activities		
3.1 Proceeds from issues of equity securities (excluding convertible debt securities)	-	25,214
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	(5)	(939)
3.5 Proceeds from borrowings	-	-
3.6 Repayment of borrowings – lease payments	(73)	(158)
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	(78)	24,117

4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of period	25,027	5,158
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(942)	(1,777)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(5,945)	(9,436)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	(78)	24,117

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 (9 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	18,062	18,062

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	1,062	3,027
5.2	Call deposits	17,000	22,000
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)	18,062	25,027

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	65
6.2	Aggregate amount of payments to related parties and their associates included in item 2	38

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 <i>Note: the term "facility" includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity.</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
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)	(942)
8.2 (Payments for exploration & evaluation classified as investing activities) (item 2.1(d))	(5,866)
8.3 Total relevant outgoings (item 8.1 + item 8.2)	(6,808)
8.4 Cash and cash equivalents at quarter end (item 4.6)	18,062
8.5 Unused finance facilities available at quarter end (item 7.5)	-
8.6 Total available funding (item 8.4 + item 8.5)	18,062
8.7 Estimated quarters of funding available (item 8.6 divided by item 8.3)	2.7
<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: 29 October 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.