

## Quarterly Activities Report Period Ended 30 June 2022

29 July 2022

- **Capital raising successfully completed raising \$23.04 million at 37 cents per share with strong support from major shareholders**
- **Chief Operating Officer and new board appointments strengthen the Company's mine development capability**
- **Meeting with key stakeholders in the Northern Territory in June to provide a project development update**
- **Necessary infill drilling recently completed and awaiting assays to meet the JORC requirements to convert the resource to reserve**
- **Jervois project development activities**
  - Extensive optimisation work continues to reduce the impact of industry wide cost inflation to drive capital and operational efficiencies
  - Mining, process plant and civil works contracts to be progressed in 2H 2022
  - Financing discussions ongoing
- **Resource development activities**
  - Work continues on expanding the high-grade copper resource and mine life with high priority targets identified for near mine extensions of existing resources (Reward Gap and East Lodes, Reward Marshall Deeps and Rockface)
- **Copper market outlook remains bullish**
  - Independent industry commentators continue to call undersupply over the next decade, which will underpin higher copper prices in the medium to long term.

# ASX Announcement

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## Corporate

KGL has recently undergone a significant board and management restructuring to strengthen the company's mine development capability.

- Appointment of Denis Wood as Executive Chair effective 18 May 2022
- Appointment of Steven Rooney as Chief Operations Officer effective 2 May 2022
- Appointment of Jeff Gerard as Non-Executive Director effective 31 May 2022
- Appointment of Ian Williams as Non-Executive Director effective 14 June 2022
- Key operational appointments to continue

KGL Executive Chairman Denis Wood commented:

"I'm pleased we've been able to attract such experienced industry professionals to KGL to assist in bringing the Jervois copper project into development. We can already see the tangible benefits in terms of their input on optimisation strategies to achieve capital and operational efficiencies as the industry faces an inflationary cost environment. KGL will continue to add to its operational capabilities as the project proceeds along the development pathway."

In terms of stakeholder engagement, Denis Wood, Jeff Gerard and Steven Rooney visited the proposed Jervois mine site in June and met with key stakeholders in the NT including the Northern Territory Deputy Chief Minister, Minister for Tourism and Hospitality, Mining and Industry, Advanced Manufacturing, Northern Australia and Trade, and Parks and Rangers, the Hon. Nicole Manison.



On 13 April 2022, the Company announced a 1 for 6 non-renounceable entitlement offer of fully paid ordinary shares in KGL at an offer price of \$0.37 to raise up to \$24.2 million (Entitlement Offer). The Entitlement Offer closed on 5 May 2022 raising a total of \$23.04 million before costs including application shares under the top-up facility, representing a total take-up rate of approximately 95.2%.

The Entitlement Offer was strongly supported by the main shareholders. The funds raised under the Entitlement Offer will allow for the completion of the Feasibility Study.

The company's cash position as at 30 June 2022 was \$23.3 million.

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## Jervois Project Development Activities

As the world continues to grapple with the effects of the global pandemic, strong growth, labour shortages and ongoing supply chain uncertainties are driving domestic and international cost pressures. These uncertainties of future costings have created some issues and delays in finalising the Feasibility Study. This can be seen in a number of projects currently under construction facing escalating capital costs and significant delays.

KGL is undertaking extensive optimisation work to reduce the impact of industry wide cost inflation to drive capital and operational efficiencies.

The current mine plan is being simplified (deferring underground mine development) to drive capex and opex efficiencies whilst achieving our goal of a minimum 10-year mine life.

The current process plant design is also being optimised and processing costs are being revised based on the new mine plan and plant design before proceeding to contracts.

Due to current volatility in energy prices, steps are being taken to make the project less dependent on oil, especially diesel fuel, which is an inflationary hot spot and likely to remain so.

KGL is making significant progress in optimising key inputs to be able to complete a Feasibility Study despite the current industry challenges and global uncertainties. Contracts for mining, construction and processing to be progressed in 2H 2022. Financing discussions are ongoing.

## Resource Development Activities

During the period, most of the focus was on infill drilling to support an increased ore reserve estimate and JORC to support the Feasibility Study.

As reported last quarter, an updated Mineral Resource Estimate was announced of 22.87MT at 2.04% Cu, containing 465.6kt of Cu metal, representing a 14% increase in contained copper metal from that contained in the PFS. Infill drilling was recently completed, and we are awaiting assays to update the resource to enable it to be used in the JORC reserve estimate.

Work also continued on expanding the high-grade copper resource and mine life with high priority targets identified for near mine extensions of existing resources at Reward Gap and East Lodes (4 holes) and Reward Marshall Deeps (2 holes).

The most significant result at Reward East was an 11.21m intersection @ 1.71% Cu, 20.3 g/t Ag from 329.7m and 1.62m<sup>1</sup> @4.86% Cu, 67.2 g/t Ag from 348.14m (Hole KJCD533).

The most significant result at Reward Marshall Deeps was a 4.42m intersection @2.21% Cu, 19.9 g/t Ag and 0.14 g/t Au from 763.2m (Hole KJCD529).

The results of recent holes are important as they demonstrate an increased confidence in the Reward East Lode and a continuity of the copper mineralisation in the southern part of Reward enhancing

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<sup>1</sup> All drill intersections are estimated true width unless otherwise specified.

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prospectivity at depth. The recent results also enhance the prospectivity of nearby IP and gravity anomalies at depth and south of Reward Marshall Deeps.

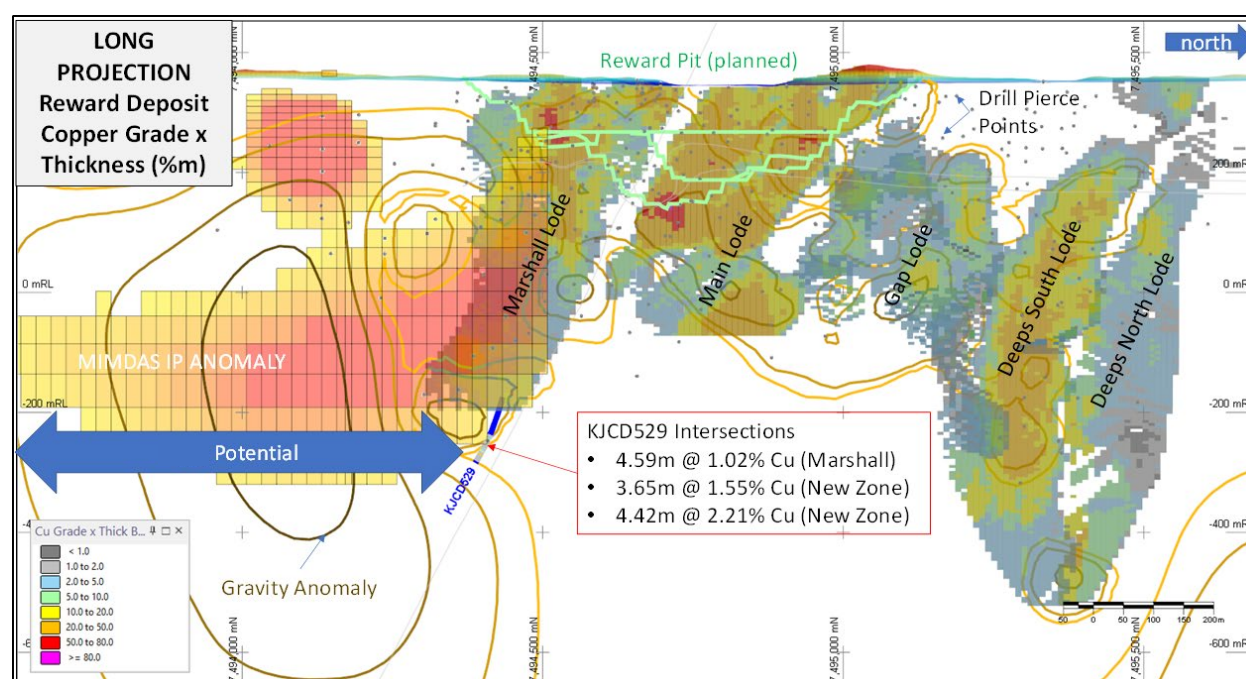


Figure 1: Long projection of the Reward Deposit. Mineral Resource Block model depicted as a product of copper grade and thickness. IP inversion model shown as large pink-yellow blocks (warmer colours depict stronger IP chargeability). Recent results from KJCD529 enhance the prospectivity at depth and south of the Marshall Lode resource model. (N.B. All drill intersections are estimated true thickness)

In term of identifying future high priority targets, work continues improving our understanding of the structural aspects of the various deposits at depth utilising KGL's systematic application of modern geophysical techniques such as MIMDAS IP and DHEM.

## Copper Market

The outlook for copper remains bullish with forecast supply deficits from 2025 driven by:

- Increased demand from a multi-decade decarbonization of the global economy to enable a successful transition to net-zero emissions by 2050 combined with increasing concerns over energy independence and the affordability and availability of fossil fuels from friendly jurisdictions which is driving an acceleration in demand for renewable energy and electric vehicles; and
- Declining production from existing mines and the lack of new copper projects to meet the growing deficit in supply to 2030 of 5.5Mtpa (Wood Mackenzie).

KGL's Executive Chairman Denis Wood commented:

"Despite the ongoing effects of the global pandemic and interruptions in supply chains, the inflationary cost environment and recently downgraded growth forecasts for the global economy, KGL will continue to pursue a dual pronged strategy of creating shareholder value by

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focusing on being in a position to deliver a Feasibility Study and continuing to grow the high grade copper resource at the Jervois copper hub by identifying additional potential high value targets. The medium to long term outlook for copper as a vital component in the decarbonisation of the global economy gives me confidence that we are well positioned to deliver a new copper hub in Northern Australia which will also be a valuable contribution to the country's strategic interests in securing supply of this critical metal."

This announcement has been approved for release by the Directors of KGL Resources Limited.



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## Tenements

| Tenement Number | Location                                 | Beneficial Holding |
|-----------------|--|--------------------|
| <b>ML 30180</b> | Jervois Project, Northern Territory      | 100%               |
| <b>ML 30182</b> | Jervois Project, Northern Territory      | 100%               |
| <b>ML30829</b>  | Jervois Project, Northern Territory      | 100%               |
| <b>EL 25429</b> | Jervois Project, Northern Territory      | 100%               |
| <b>EL 30242</b> | Jervois Project, Northern Territory      | 100%               |
| <b>EL 28340</b> | Yambah, Northern Territory               | 100%               |
| <b>EL 28271</b> | Yambah, Northern Territory               | 100%               |
| <b>EL 28082</b> | Unca Creek, Northern Territory           | 100%               |
| <b>ML 32277</b> | Lucy Creek Borefield, Northern Territory | 100%               |

| Mining Tenements Acquired/Granted and Disposed during the quarter* | Location | Beneficial Holding |
|--|----------|--------------------|
| <b>Nil</b>   |          |                    |

| Tenements subject to farm-in or farm-out agreements | Location | Beneficial Holding |
|---|----------|--------------------|
| <b>Nil</b>  |          |                    |

| Tenements subject to farm-in or farm-out agreements acquired or disposed of during the quarter | Location | Beneficial Holding |
|--|----------|--------------------|
| <b>Nil</b>   |          |                    |

## Related Party Payments

As reported in the quarterly cash flow report part 6.1, amounts paid to related parties of \$48k consist of directors' fees and expenses for the quarter.

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## Quarterly Activities Report

### Period Ended 30 June 2022



## Competent Person Statement

The Reward Resources information were first released to the market on 11/01/2022 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 Bellbird Resources information were first released to the market on 27/01/2022 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 resources information were first released to the ASX on 23/03/2022 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 |
|------|-----|--------------------------|---------------------|
| KJCD | 533 | 28 July 2022             | 2012                |
| KJCD | 529 | 28 July 2022             | 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 June 2022

| Consolidated statement of cash flows |   | Current quarter<br>\$A'000 | Year to date<br>(6 months)<br>\$A'000 |
|--------------------------------------|---|----------------------------|---------------------------------------|
| <b>1.</b>                            | <b>Cash flows from operating activities</b>           |                            |                                       |
| 1.1                                  | Receipts from customers – GST receipts                | 622                        | 1,076                                 |
| 1.2                                  | Payments for  |                            |                                       |
|                                      | (a) exploration & evaluation                          | -                          | -                                     |
|                                      | (b) development                                       | -                          | -                                     |
|                                      | (c) production  | -                          | -                                     |
|                                      | (d) staff costs                                       | (460)                      | (683)                                 |
|                                      | (e) administration and corporate costs                | (814)                      | (1,557)                               |
| 1.3                                  | Dividends received (see note 3)                       | -                          | -                                     |
| 1.4                                  | Interest received                                     | 10                         | 13                                    |
| 1.5                                  | Interest and other costs of finance paid (leases)     | (5)                        | (10)                                  |
| 1.6                                  | Income taxes paid                                     | -                          | -                                     |
| 1.7                                  | Other   | -                          | -                                     |
| 1.8                                  | Other (provide details if material)                   | -                          | -                                     |
| <b>1.9</b>                           | <b>Net cash from / (used in) operating activities</b> | <b>(647)</b>               | <b>(1,161)</b>                        |
| <b>2.</b>                            | <b>Cash flows from investing activities</b>           |                            |                                       |
| 2.1                                  | Payments to acquire or for:                           |                            |                                       |
|                                      | (a) entities  | -                          | -                                     |
|                                      | (b) tenements   | -                          | -                                     |
|                                      | (c) property, plant and equipment                     | (46)                       | (147)                                 |
|                                      | (d) exploration & evaluation                          | (6,349)                    | (10,840)                              |
|                                      | (e) investments                                       | -                          | -                                     |
|                                      | (f) other non-current assets                          | -                          | -                                     |



| <b>Consolidated statement of cash flows</b> |   | <b>Current quarter<br/>\$A'000</b> | <b>Year to date<br/>(6 months)<br/>\$A'000</b> |
|---|---|------------------------------------|--|
| 2.2   | Proceeds from the disposal of:                        |                                    |  |
|   | (a) entities  | -                                  | -  |
|   | (b) tenements   | -                                  | -  |
|   | (c) property, plant and equipment                     | -                                  | 7  |
|   | (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 – payment of security deposits                  | -                                  | (80)   |
| <b>2.6</b>                                  | <b>Net cash from / (used in) investing activities</b> | <b>(6,395)</b>                     | <b>(11,060)</b>                                |

|             |   |               |               |
|-------------|---|---------------|---------------|
| <b>3.</b>   | <b>Cash flows from financing activities</b>   |               |               |
| 3.1         | Proceeds from issues of equity securities (excluding convertible debt securities)       | 23,041        | 23,041        |
| 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 | (116)         | (131)         |
| 3.5         | Proceeds from borrowings  | -             | -             |
| 3.6         | Repayment of borrowings – lease payments  | (84)          | (161)         |
| 3.7         | Transaction costs related to loans and borrowings                                       | -             | -             |
| 3.8         | Dividends paid  | -             | -             |
| 3.9         | Other (provide details if material)   | -             | -             |
| <b>3.10</b> | <b>Net cash from / (used in) financing activities</b>                                   | <b>22,841</b> | <b>22,749</b> |

|           |  |         |          |
|-----------|--|---------|----------|
| <b>4.</b> | <b>Net increase / (decrease) in cash and cash equivalents for the period</b> |         |          |
| 4.1       | Cash and cash equivalents at beginning of period                             | 7,472   | 12,743   |
| 4.2       | Net cash from / (used in) operating activities (item 1.9 above)              | (647)   | (1,161)  |
| 4.3       | Net cash from / (used in) investing activities (item 2.6 above)              | (6,395) | (11,060) |
| 4.4       | Net cash from / (used in) financing activities (item 3.10 above)             | 22,841  | 22,749   |

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

| Consolidated statement of cash flows |   | Current quarter<br>\$A'000 | Year to date<br>(6 months)<br>\$A'000 |
|--------------------------------------|---|----------------------------|---------------------------------------|
| 4.5                                  | Effect of movement in exchange rates on cash held | -                          | -                                     |
| 4.6                                  | Cash and cash equivalents at end of period        | 23,271                     | 23,271                                |

| 5.  | Reconciliation of cash and cash equivalents<br>at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts | Current quarter<br>\$A'000 | Previous quarter<br>\$A'000 |
|-----|--|----------------------------|-----------------------------|
| 5.1 | Bank balances  | 3,816                      | 3,971                       |
| 5.2 | Call deposits  | 19,455                     | 3,501                       |
| 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)  | 23,271                     | 7,472                       |

| 6.  | Payments to related parties of the entity and their associates                          | Current quarter<br>\$A'000 |
|---|---|----------------------------|
| 6.1   | Aggregate amount of payments to related parties and their associates included in item 1 | 48                         |
| 6.2   | Aggregate amount of payments to related parties and their associates included in item 2 | -                          |
| <i>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.</i> |   |                            |

|           |   |   |  |
|-----------|---|---|--|
| <b>7.</b> | <b>Financing facilities</b><br><i>Note: the term "facility" includes all forms of financing arrangements available to the entity.</i><br><i>Add notes as necessary for an understanding of the sources of finance available to the entity.</i>  | <b>Total facility<br/>amount at quarter<br/>end<br/>\$A'000</b> | <b>Amount drawn at<br/>quarter end<br/>\$A'000</b> |
| 7.1       | Loan facilities   | -   | -  |
| 7.2       | Credit standby arrangements   | -   | -  |
| 7.3       | Other (please specify)  | -   | -  |
| 7.4       | <b>Total financing facilities</b>   | -   | -  |
| 7.5       | <b>Unused financing facilities available at quarter end</b>   | -   |  |
| 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   |   |  |

|           |  |                |
|-----------|--|----------------|
| <b>8.</b> | <b>Estimated cash available for future operating activities</b>  | <b>\$A'000</b> |
| 8.1       | Net cash from / (used in) operating activities (item 1.9)  | (647)          |
| 8.2       | (Payments for exploration & evaluation classified as investing activities) (item 2.1(d))   | (6,349)        |
| 8.3       | Total relevant outgoings (item 8.1 + item 8.2)   | (6,996)        |
| 8.4       | Cash and cash equivalents at quarter end (item 4.6)  | 23,271         |
| 8.5       | Unused finance facilities available at quarter end (item 7.5)  | -              |
| 8.6       | Total available funding (item 8.4 + item 8.5)  | 23,271         |
| 8.7       | <b>Estimated quarters of funding available (item 8.6 divided by item 8.3)</b><br><br><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> | 3.3            |
| 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 July 2022.....

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 Managing Director 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.