

13 October 2020

Quarterly Activities Report - Period Ended 30 September 2020

Resource upgrade at KGL's Jervois Copper Project supports ongoing Pre-Feasibility Study work

-) Updated Jervois Project JORC Resource delivers substantial increase in copper grade and contained copper.
-) Pre-feasibility study on track for completion in December 2020 quarter.
-) Continued progress on outstanding regulatory approvals, in particular the Mining Management Plan.
-) Improved geological knowledge creates opportunities to further extend resources.
-) Successful \$3.8 million capital raising.

Summary

1. KGL Resources Limited (ASX:KGL) (KGL or the Company) announced in September 2020 a significantly increased copper and upgraded Mineral Resources at the 100% owned Jervois Copper Project in the Northern Territory.

The upgrade delivered:

-) 20.97 million tonnes at 2.03% copper, 31.9 g/t silver and 0.29 g/t gold containing
 - o 426,200 tonnes copper
 - o 21.4 million ounces silver, and
 - o 175,700 ounces gold¹.

2. Pre-feasibility study (PFS) on track for completion in the December 2020 quarter.

A pre-feasibility study into the development of the Jervois Project, including an Ore Reserve based on the updated JORC Resource and other project planning work, is now being completed, and is expected to be released during the current fourth quarter.

Higher grades and improved confidence levels in resource areas crucial to mine planning led to optimisation of the mine design block models for Reward, Rockface and Bellbird. Process plant and infrastructure designs are also being updated.

3. Progress made on key outstanding regulatory approval.

Following the October 2019 report from the Northern Territory Environmental Protection Authority (NT EPA) to the NT Government recommending that the Jervois Project be approved for development, KGL submitted the Mining Management Plan, the final government approval for the development of the Project taking into account the NT EPA report recommendation in April 2020. During the recent quarter the Company received comments on the Mining Management Plan from the Government and submitted responses to those comments including updated documents as required. The Mining Management Plan is expected to be approved by the NT Government during the current fourth quarter.

4. Improved geological understanding increased the exploration potential to extend resources.

The geological model upon which the updated resource is based has widened opportunities to target higher grade extensions adjacent to known deposits and in other prospects at Jervois and the surrounding Unca Creek tenement. Favourable host rocks for copper mineralisation have now been identified.

1. Gold reported for only Reward, Rockface and Bellbird deposits

Commenting on progress during the quarter, the KGL Chairman Mr Denis Wood said the new Resource Estimate strengthened the Jervois Copper Project, and justified the Company’s consistent focus on improving resource quality and project robustness before proceeding to development.

Mr Wood, remarked that “we are expecting that the updated Resource will result in competitive mining and processing cost inputs in the pre-feasibility study given the resource grade is above 2 percent, without considering any secondary products. This is coming at a time of strengthening markets for copper and silver with positive medium and long term outlooks being presented by many industry participants.”

“During the quarter, we continued to take advantage of the pause in on-site activity caused by COVID-related restrictions to focus on the pre-feasibility study and also to progress the Mining Management Plan, the final outstanding government approval required prior to any development at Jervois.”

“It is also pleasing that our enhanced understanding of the geology at Jervois has not only delivered an updated Resource Estimate but also opened up exciting exploration opportunities to extend mineralisation and discover new deposits over what is a relatively under explored tenement package.”

Jervois Project Update

KGL’s 100% owned Jervois Copper Project is located on existing mining leases approximately 380km by road north east of Alice Springs. The Project benefits from road access to both Darwin and Alice Springs by the Stuart and Plenty Highways (refer Figure 1).

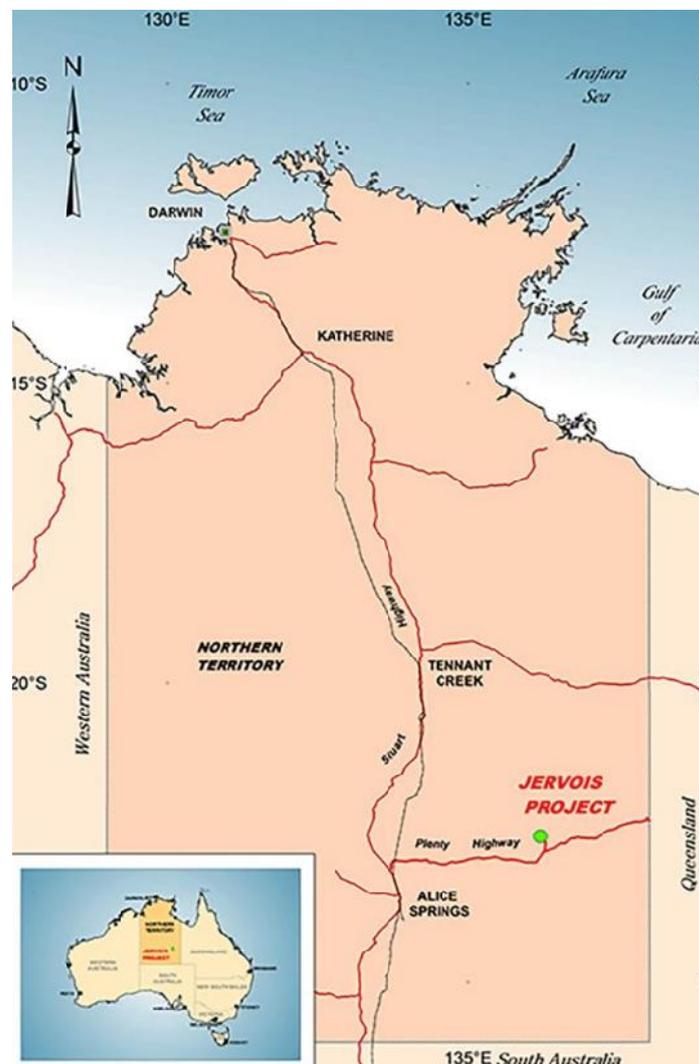


Figure 1 Jervois Area Local Geology.

1. Significant upgrade of the Mineral Resource at the Jervois Project.

During the quarter, KGL announced significantly increased copper and upgraded Mineral Resources at the Jervois Copper Project. The update comprised resources at Reward, Rockface and Bellbird, the three main deposits initially considered for development (resources at Reward South will be re-assessed in the future).

The new Resource Estimate, prepared by Mining Associates Pty Ltd, of 20.97 million tonnes at 2.03% copper, 31.9 g/t silver and 0.29 g/t gold, contains 426,200 tonnes copper, 21.4 million ounces silver and 175,700 ounces gold¹.

The Company's consistent strategy has resulted in the significant upgrading of total Resource Estimates over the last four years.

-) The grade of copper has almost doubled from 1.07% to 2.03%.
-) Contained copper has increased by 30% to 426,200 tonnes, associated with a 31% reduction in the resource tonnage.
-) Increased confidence in the resource has been achieved, with 68% now in the Indicated Resource category.

The advance to a higher grade and increased tonnes of contained copper has been progressively facilitated by:

-) removal of the low grade resource from the previous resource models by:
 - o changing the cut-off grade below 200 m from 0.5% to 1% and,
 - o removing smaller low grade surface resources from previous estimates,
-) successful use of state of the art exploration geophysics to guide drilling plans
-) excellent drilling results coupled with the improved understanding of the geological controls on mineralisation.

Jervois Resource Estimate		Material	Grade			Metal		
Deposit	Category	(Mt)	Copper (%)	Silver (g/t)	Gold † (g/t)	Copper (kt)	Silver (Moz)	Gold (koz)
Reward (2020) ¹	Indicated	7.03	2.05	42.30	0.48	144.00	9.60	107.60
	Inferred	4.26	1.38	23.70	0.16	58.70	3.20	22.10
	Total	11.28	1.80	35.30	0.36	202.60	12.80	129.70
Rockface (2020) ¹	Indicated	2.45	3.54	19.80	0.25	86.80	1.56	20.03
	Inferred	0.84	2.07	15.60	0.18	17.50	0.42	4.96
	Total	3.29	3.17	18.70	0.23	104.20	1.98	24.73
Bellbird (2020) ¹	Indicated	1.67	3.17	18.42	0.22	52.80	0.98	11.78
	Inferred	2.83	1.78	12.89	0.10	50.30	1.17	9.08
	Total	4.49	2.30	15.00	0.15	103.10	2.17	21.66
Total Reward, Rockface, Bellbird	Indicated	11.15	2.55	33.78	0.39	283.60	12.14	139.41
	Inferred	7.93	1.60	18.98	0.14	126.50	4.79	36.14
	Total	19.07	2.15	27.60	0.29	410.00	16.94	175.70
Reward South 2015 ²	Indicated	0.50	0.99	64.00	-	5.10	1.06	-
	Inferred	1.40	0.81	78.00	-	11.10	3.44	-
	Total	1.90	0.86	74.20	-	16.20	4.50	-
Total Jervois	Indicated	11.65	2.48	35.08	-	288.70	13.20	139.41
	Inferred	9.33	1.48	27.84	-	137.60	8.23	36.14
	Total	20.97	2.03	31.82	-	426.20	21.44	175.70

Table 1. Cut-off grades: 0.5% Cu above 200m RL, 1% Cu below 200m RL; 200m RL is ±150m below surface and considered to be the depth limit for potential open pit mining, resource estimates do not include Reward South; 2. † The 2015 resource estimate for Reward South had a deposit wide cut-off grade of 0.3% Cu and did not include gold.

The updated Resource Estimate for the Jervois Project is depicted in Figure 2 with Reward, Bellbird, Rockface and Reward South Resource Estimates shown individually. These resources are clearly identifiable along the “J curve” which to date has been the focus of historical and modern exploration and are the basis of the current PFS work due for completion in the December quarter.

The Company is confident the Resource will provide a strong foundation for the PFS and provides the opportunity to assess the development of a cost competitive copper operation. As discussed further in this report, the Company’s enhanced understanding of the local geology at Jervois has also been greatly enhanced over recent exploration programs to the extent that KGL is confident of identifying additional copper mineralisation, both in known resource extensions and exploration of new targets, in future exploration programs on the Jervois and Unca Creek tenements.

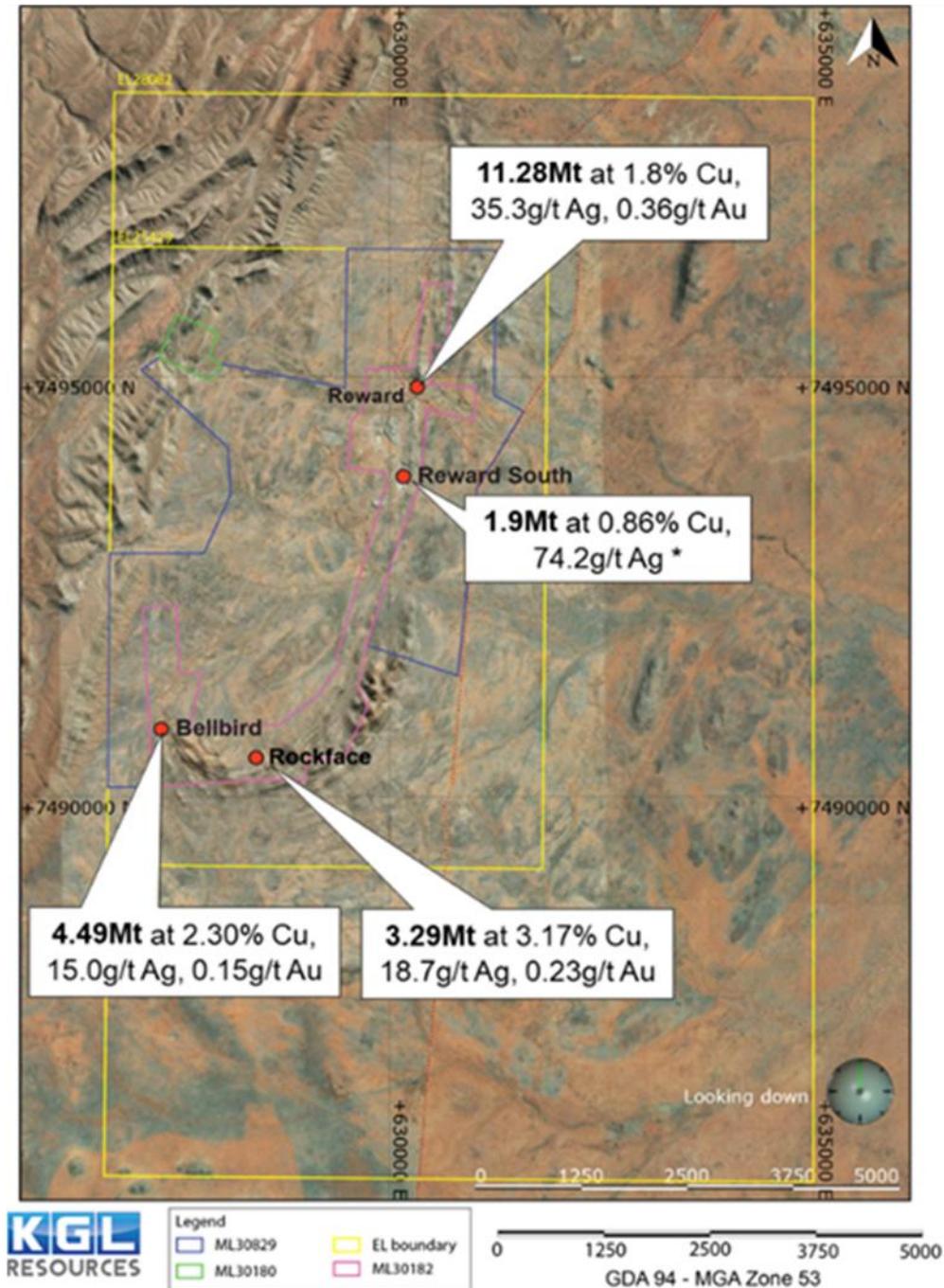


Figure 2 Jervois Project Resource Locations (*reported 2015 as Green Parrot)

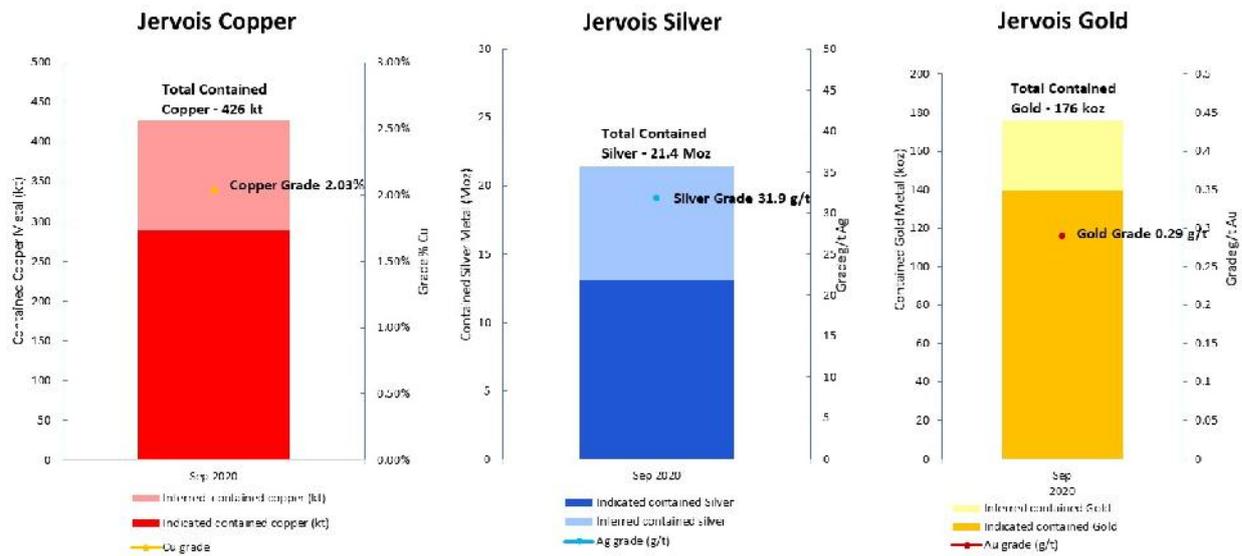


Figure 3 Jervois global contained copper, silver and gold metal and grade

2. Pre-feasibility study on track for completion in December quarter.

The Company progressed the PFS during the quarter and anticipates completing it in the current fourth quarter. Work has included optimisation of the mine design and updating processing and infrastructure plans.

Mine Design

The information gained from the 2019-20 resource drilling coupled with better understanding of geological controls resulted in improved confidence levels and higher copper grades in areas crucial to mine planning for both the open pit and underground resources. New resource block models were produced for Reward, Rockface and Bellbird. They showed coherent and tightly constrained lodes in the Indicated category.

During the quarter, optimisation of the Reward open pit and Reward underground mine design and associated mining schedules were completed by AMDAD.

Work started on optimising the Rockface underground mine design and associated mining schedule. Work also commenced on optimising the Bellbird open pit and Bellbird underground mine designs and schedules.

Once completed, the schedules will be combined to provide the optimised life-of-mine schedule for the Jervois PFS.

Process Plant

A peer review by Core Resources of metallurgical testing was undertaken during the quarter and the results are currently being incorporated into an update of the process plant and site infrastructure design, including capital and operating costs.

A review of long lead times and key deliverables, following six months of the effects of the COVID-19 restrictions, will also allow an update of the proposed project development schedule to be included in the PFS.

3. Continued progress on outstanding regulatory approvals

In October 2019, the Northern Territory Environmental Protection Authority (NT EPA) recommended that the Northern Territory Government approve the Jervois Project for development. This followed the NT EPA's review of the Company's environmental impact assessment (EIA), initially submitted in 2018, that concluded that the project can proceed in an environmentally acceptable manner by implementing recommendations made in their assessment report. The NT EPA provided their report to the Minister for Environment and Natural Resources to guide the development of the conditions for the projects mining approval under the Mining Management Act.

Following the NT EPA recommendations, the Company prepared and submitted its Mining Management Plan in April 2020 which took into account the recommendations from the NT EPA's

review. KGL received the Government's comments on the Mining Management Plan in August this year and worked diligently to submit the required updated documents in September 2020.

The Company anticipates the Government will consider these responses and further correspondence between the Government and KGL will occur during the current fourth quarter.

Water

The Company was granted a mineral lease covering the area of the Lucy Creek borefield required to supply water to the project. Applications for a ground water extraction licence at Lucy Creek and a surface water extraction licence for the Jervois Dam at the mine site were progressed during the quarter.

4. Improved geological understanding increased the exploration potential to extend resources.

The geological model that has resulted from the KGL geology team's work over the past four years was the basis for the 2020 resource update. This improved geological understanding has now widened opportunities to target higher grade extensions and repetitions adjacent to and within known deposits and in other known copper occurrences at Jervois and the surrounding Unca Creek tenement (see Figure 5). It is worth noting that less than 5% of the surface area at Jervois has been explored, and considerably less at depth.

Figure 4 below shows the Jervois and Unca Creek tenements and the location of known resources at Reward, Reward South, Bellbird and Rockface along the "J curve".

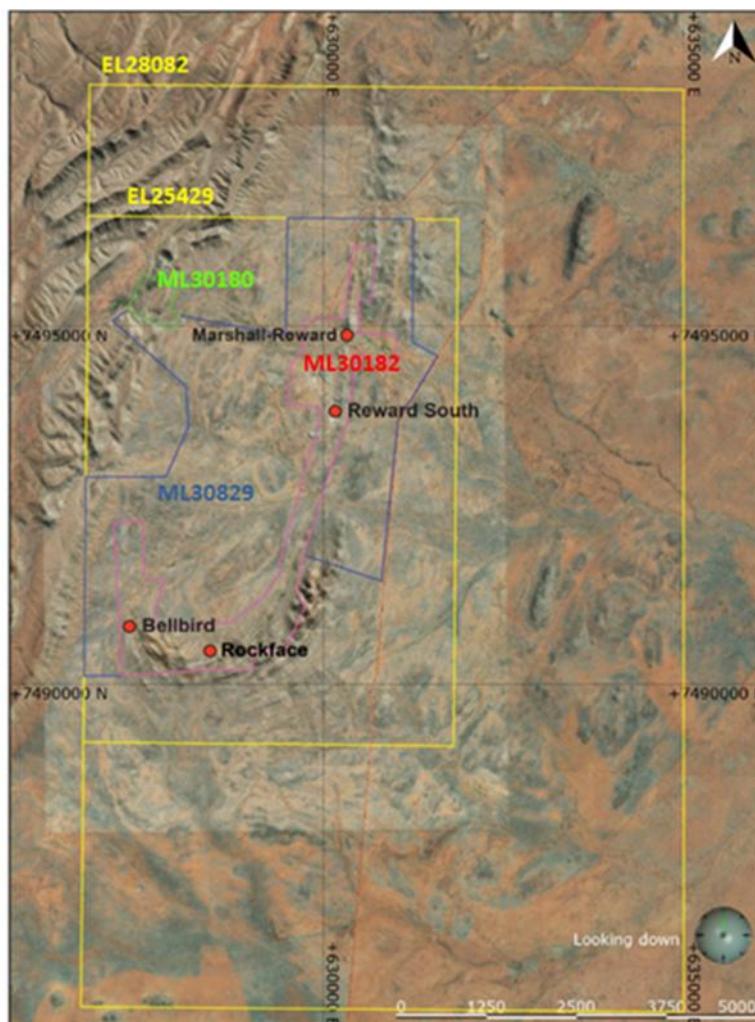


Figure 4 Location of Resources on Jervois and Unca Creek tenements

The well-known J-fold structure at Jervois is formed by outcropping ranges of silicified portions of the Bonya Metamorphics including the ironstones (see Figure 5). The iron-rich and magnetite altered metasandstones of the Bonya Metamorphics, termed the ironstones, are identified as the favourable host rocks for copper mineralisation.

Such copper occurrences are consistently found along the J-fold structure, as well as in other F2 and F3 structures (see Figure 5 and Figure 6).

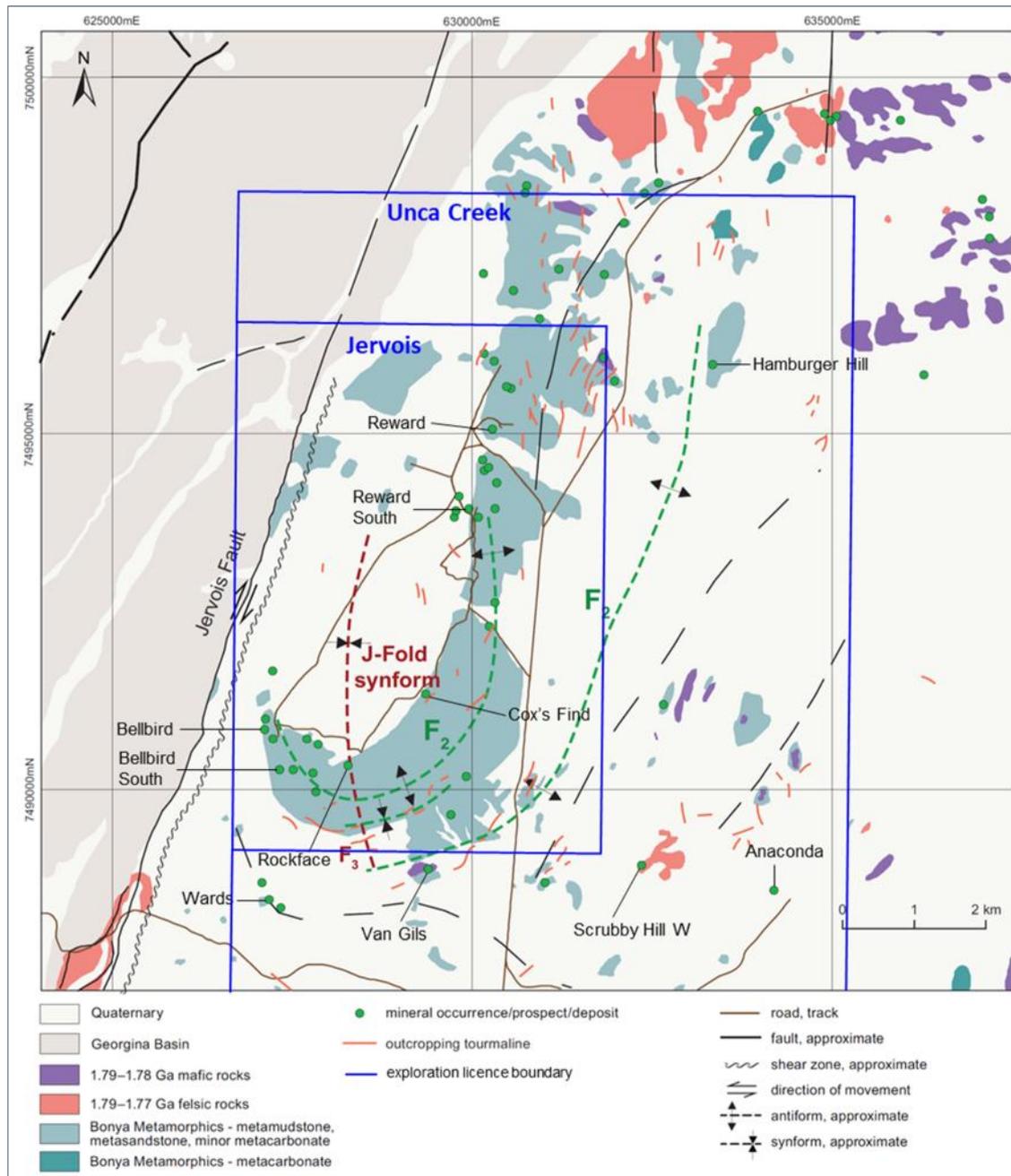


Figure 5 Simplified geological map of Jervois Range (the Jervois and Unca Creek tenements), highlighting several copper occurrences and prospects and significant structures, including the Jervois Fault, the J-fold synform, felsic and mafic intrusions and F2 and F3 folds; after Weisheit et al 2019.

Our understanding of Jervois provides confidence in discovering deposits under significant cover in the prospective host rocks and structures by applying proven geophysical techniques.

The simplified geological map in Figure 5 shows that the Bonya Metamorphics of the Jervois Ranges are largely covered by Quaternary sediments. Detailed ground gravity surveys, at 25 m and 50 m line spacing, were carried out in early 2017 to cover the entire Jervois and Unca Creek areas. Density inversion models show a good spatial correlation between the areas of higher densities and the location of the ironstones, both in outcrop and in drill core (see Figure 7).

Examples of areas that have not yet been properly drill tested for favourable host rocks are Bellbird North – Scarp Trend – Crowes Nest, Pioneer, Reward North, Reward Silver Strike, Eagle, Hamburger Hill, Eagle, Eastern Area (unnamed), Wards, Scrubby Hill W and Anaconda.

These prospects and copper occurrences are to be investigated further with follow-up work in 2021 to include detailed mapping where possible, soil sampling, geophysical surveys and drilling.

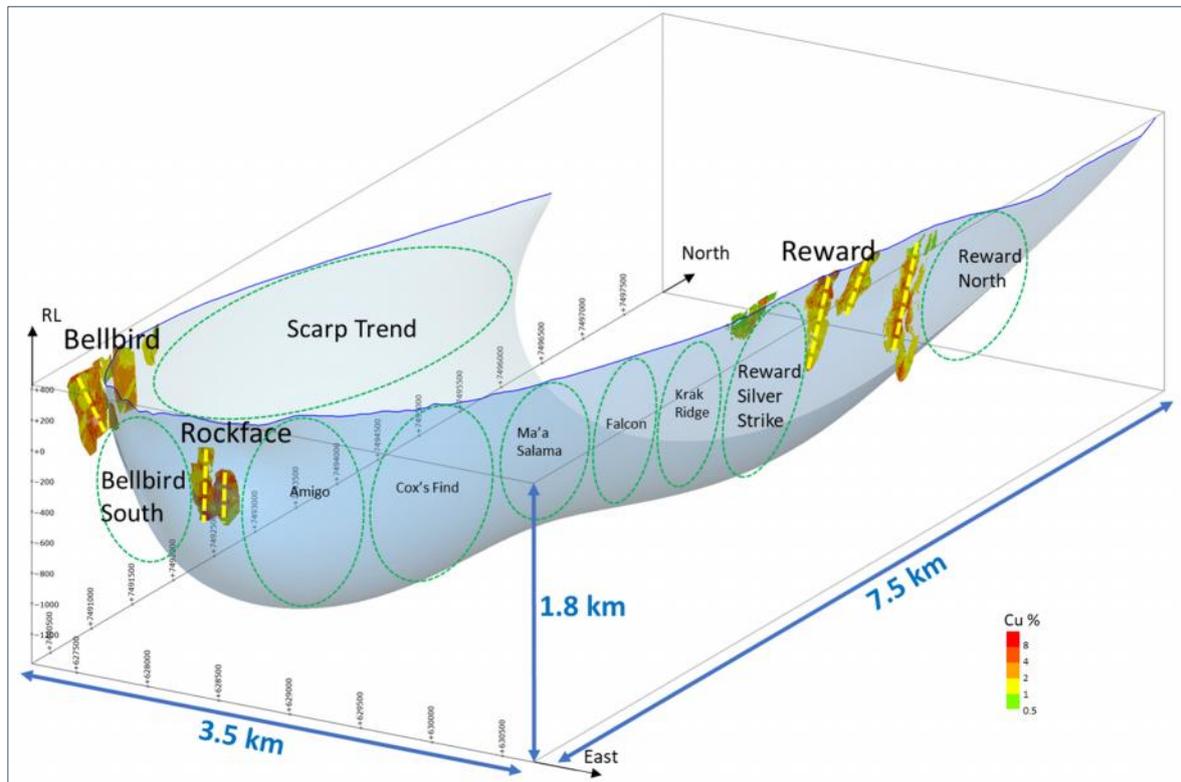


Figure 6 Jervois J-fold synform featuring Indicated + Inferred copper resources and prospects; yellow dashed lines mark the structural trends observed in the deposits; green dashed areas highlight exploration potential at depth from selected prospects and copper occurrences at surface along the 'J'.

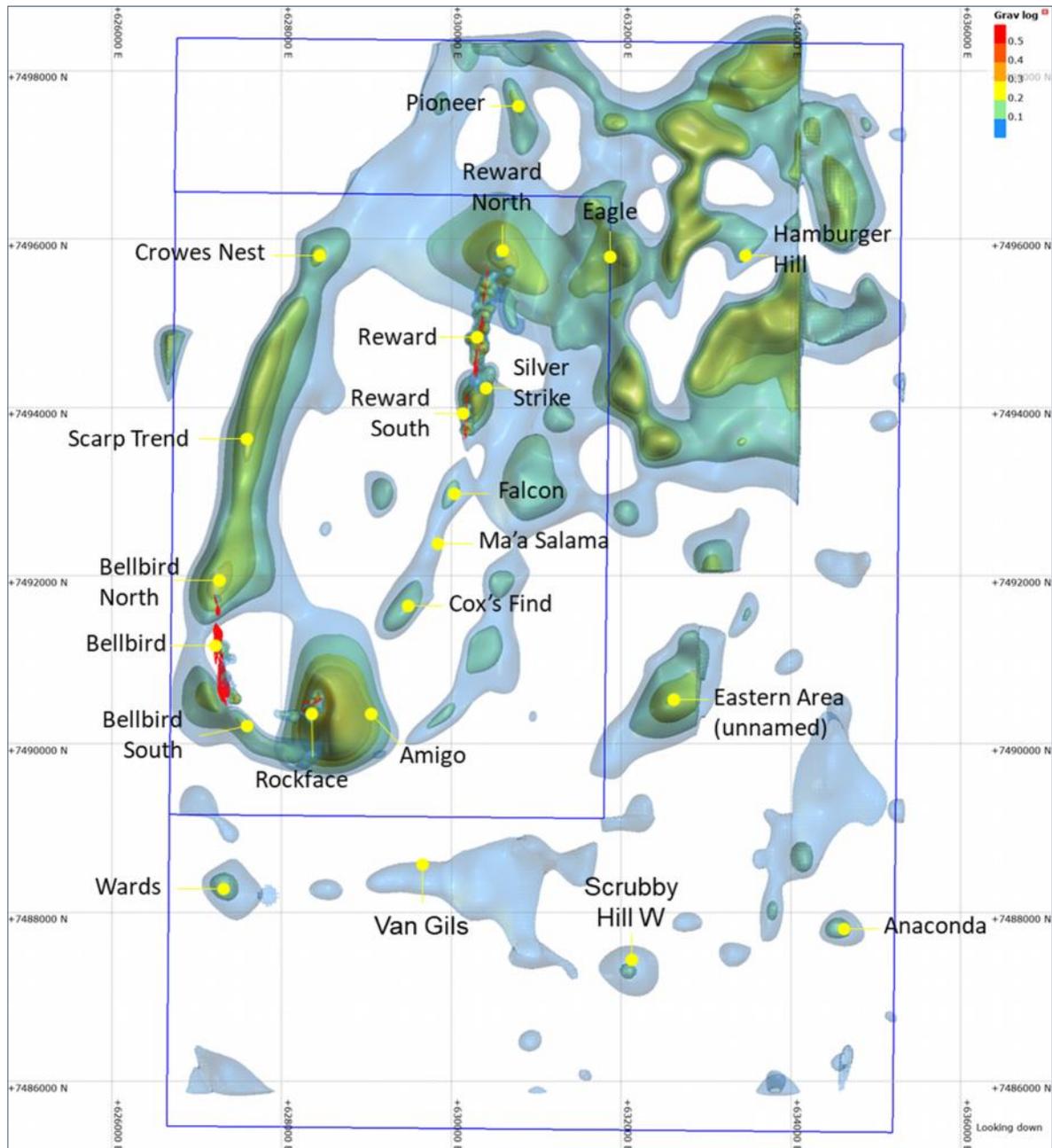


Figure 7 Residual Gravity inversion model covering the Jervis and Unca Creek tenements (blue boxes), featuring current Indicated + Inferred copper resources (in red), and selected prospects and copper occurrences (yellow dots).

Capital raising

A 2 for 25 non-renounceable entitlement offer to shareholders during the quarter at an offer price of 0.16 cents per share raised \$3.83 million (before costs).

The proceeds are being directed to completing pre-development modelling and costings for the Jervis Project and to sustain KGL through to the project financing stage.

Outlook

The PFS for the Jervis Project now being prepared is expected to be completed and released during the current fourth quarter. The Mining Management Plan is expected to receive the final approval of the Northern Territory Government in the final quarter of 2020.

In anticipation of favourable outcomes from the PFS and Mining Management Plan process, the Company is also starting to assess development and financing options for the Jervis Project.

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%
E28340	Yambah, Northern Territory	100%
E28271	Yambah, Northern Territory	100%
EL28082	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
ML 32277	Lucy Creek Borefield, NT	100%

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		

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, \$4k paid to Core Resources for metallurgical consulting services provided on an arm's length basis.

Approved for release by the Board of KGL Resources Limited.

JORC Compliance Statement

The Jervois Resources information were first released to the market on 15/09/20 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.

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 2020

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	47	305
1.2 Payments for		
(a) exploration & evaluation	-	-
(b) development	-	-
(c) production	-	-
(d) staff costs	(137)	(433)
(e) administration and corporate costs	(211)	(822)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	4	28
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives – Cash flow boost	175	175
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(122)	(747)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) tenements	-	-
(c) property, plant and equipment	(4)	(21)
(d) exploration & evaluation	(775)	(3,687)
(e) investments	-	-
(f) other non-current assets	-	-

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
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	-	366
2.6	Net cash from / (used in) investing activities	(779)	(3,342)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	3,829	3,829
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	(85)	(112)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings – lease payments	(28)	(81)
3.7	Transaction costs related to loans and borrowings – lease interest	(2)	(6)
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	3,714	3,630

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	3,453	6,725
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(122)	(747)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(779)	(3,342)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	3,714	3,630

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	6,266	6,266

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	762	950
5.2	Call deposits	5,504	2,503
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)	6,266	3,453

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	4

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	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
<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>		
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)	(122)
8.2 (Payments for exploration & evaluation classified as investing activities) (item 2.1(d))	(775)
8.3 Total relevant outgoings (item 8.1 + item 8.2)	(897)
8.4 Cash and cash equivalents at quarter end (item 4.6)	6,266
8.5 Unused finance facilities available at quarter end (item 7.5)	-
8.6 Total available funding (item 8.4 + item 8.5)	6,266
8.7 Estimated quarters of funding available (item 8.6 divided by item 8.3)	7.0
<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: 13 October 2020.....

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.