



21 April 2017

Quarterly Activities Report Period Ended 31 March 2017

-) More high grade copper discovered at Rockface in the Jervois Project
 - o confirmed at depth and in new zone to the east****
-) Share Purchase Plan raised \$2.48M from shareholders for further exploration**
-) Jervois Project area expanded with acquisition of highly prospective adjoining tenement**
-) Jervois awarded Major Project status by NT Government**

Overview

During the quarter, KGL Resources Limited (ASX:KGL) (KGL or the Company) achieved further exploration success at the Jervois Copper-Silver-Gold Project. At the Rockface prospect, wide high grade copper intersections confirmed increased mineralisation at depth and between previous discoveries, while more high-grade copper was intersected at newly discovered zones to the east.

A Share Purchase Plan offered to KGL shareholders raised \$2.48 million for further exploration. Following KGL's continuing success with the modern exploration technology, down hole electromagnetic (DHEM) surveying, a further nine-hole drilling program was commenced, with immediate positive results.

KGL almost trebled the Jervois Project area by acquiring the neighbouring tenement. Limited previous exploration has indicated the area is highly prospective and includes a northern strike extension from the established Marshall-Reward deposits. A \$1 million share placement funded the \$500,000 acquisition and future exploration on the tenement.

As KGL continued to pursue the strategy of upgrading Jervois to one of the world's lowest cost projects as a precondition to development, the Northern Territory Government awarded Major Project status to Jervois to facilitate approval processes in acknowledgement of the project's significance.

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

During the quarter, results were announced for three holes drilled at Rockface in response to the continuing process of DHEM surveying. The assay results for two confirmed further high grade copper mineralisation – one (KJCD201) at the greatest depth so far as the trend of grade increasing with depth continued, and the second (KJCD203) indicating broad high grade mineralisation between two previous high grade discoveries. The third (KJCD205) discovered high grade copper in the eastern zones that were located by DHEM surveying.

KJCD201 intersected high grade mineralisation associated with the DHEM-identified Conductor 5, assaying:

10.05m @ 8.99% Cu, 45.5g/t Ag, 0.6g/t Au from 645.65 m. (ETW 7.5m)

The interval was predominantly massive and semi-massive chalcopyrite-pyrite in an intensely magnetite altered host rock.

KJCD203 targeted Conductors 2, 3 and 4 in a 105m zone that lies between two previous high grade copper intersections by holes KJCD183 and KJCD195. KJCD203 assays include:

28m @ 5.08% Cu, 22.4g/t Ag, 0.22g/t Au from 435 m (ETW 23.2m)

including 14m @ 8.89% Cu, 38.5g/t Ag, 0.38g/t Au from 436 m (ETW 11.6m)

This interval was also predominantly massive and semi-massive chalcopyrite-pyrite in an intensely magnetite altered host rock.

KJCD205 was the first hole in a nine-hole 2017 drilling program designed to investigate the high potential conductor zones to the east, and also to facilitate with systematic infill drilling an updated JORC statement of resources.

A zone of 17.5m of massive/semi-massive chalcopyrite/ pyrite in a strongly altered magnetite host rock was intersected from 512.2m. This mineralised intersection correlates well with the modelled position of DHEM Conductor 6.

A second moderately mineralised zone of 6m was intersected from 535.8m. Disseminated chalcopyrite/ pyrite in this interval is hosted within a strongly altered garnet-magnetite zone and is close to the modelled position of Conductor 7.

Share Purchase Plan

During the quarter, the Company raised \$2.48 million in a capital raising by way of a Share Purchase Plan which offered shareholders the opportunity to increase their holdings in KGL. Shareholders were invited to purchase KGL shares at 27 cents per share up to a total investment of \$15,000. The proceeds are being used for further exploration at Jervois; the nine-hole drilling program that commenced in early March at Rockface is designed to extend known high grade mineralisation discovered by successful electromagnetic surveying and drilling over the previous 18 months, and to support a resource upgrade.

Acquisition of neighbouring tenement

KGL expanded the Jervois project area with the acquisition of the adjoining tenement, known as the Unka Creek Exploration Project (EL28082), for a consideration of \$500,000 cash. A \$1 million share placement, made at 37 cents per share to four parties including KGL's major shareholder KMP Investments, funded the acquisition and future exploration on the tenement. The acquisition is contingent on the transfer of the tenement to KGL by the Northern Territory Government and the funds are being held in escrow until this condition precedent is satisfied.

The acquisition almost trebles the project area from 37.9km² to 110.8km² and provides KGL with significant strategic value, having geological similarities to Jervois and being located in the highly prospective Bonya Metamorphics.

While the area is relatively under-explored, it offers multiple walk-up drill targets. Work undertaken by previous tenement holders has demonstrated the exploration potential. This includes the northern strike extension of the sequence of rocks that host the Marshall-Reward deposits that represent a substantial part of the current Resource at Jervois. Copper can be observed in outcrop and drilling has intersected mineralisation at several locations. The two-kilometre strike extension has the potential to host economic mineralisation that can be mined by open pit or underground mining methods. There is further potential in the southern area of EL28082.

Jervois awarded Major Project status by Northern Territory Government

In March, the Northern Territory Government awarded Major Project status to the Jervois Project. In a joint announcement of the Project Facilitation Agreement (PFA) between the Government and the Company, the Northern Territory Minister for Primary Industry and Resources, the Hon Ken Vowles MLA, said that the Government recognised the significance and potential that the project could provide for the Northern Territory.

The PFA requires the Government and the Company to work together to progress the project through the required approvals processes.

Outlook

The nine-hole drilling program at Rockface will continue during the current quarter, the drill targets guided by the results of the DHEM surveys, with the aim of bringing Rockface into a Resource update at Jervois.

For further information, contact:

Ms Kylie Anderson
Company Secretary
Phone: 07 3071 9003

About KGL Resources

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

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
KJCD201	09/02/2017	2012
KJCD203	09/02/2017	2012
KJCD205	22/03/2017	2012

Tenements

Tenement Number	Location	Beneficial Holding
ML 30180	Jervois Project, Northern Territory	100%
ML 30182	Jervois Project, Northern Territory	100%
EL 25429	Jervois Project, Northern Territory	100%
EL 30242	Jervois Project, Northern Territory	100%
E28340	Yambah, Northern Territory	100%
E28271	Yambah, Northern Territory	100%
EL28082	Unka Creek, Northern Territory	Transfer pending

Mining Tenements Acquired and Disposed during the quarter.*	Location	Beneficial Holding
EL28082	Northern Territory	Settlement pending the transfer of the tenement by the NT Government

Tenements subject to farm-in or farm-out agreements	Location	Beneficial Holding

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

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10, 01/05/13, 01/09/16

Name of entity

KGL Resources

ABN

52 082 658 080

Quarter ended ("current quarter")

31 March 2017

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
1. Cash flows from operating activities	-	-
1.1 Receipts from customers		
1.2 Payments for		
(a) exploration & evaluation	(575)	(575)
(b) development	-	-
(c) production	-	-
(d) staff costs	(132)	(132)
(e) administration and corporate costs	(109)	(109)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	4	4
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Research and development refunds	-	-
1.8 Restructuring costs	-	-
1.9 Net cash from / (used in) operating activities	(812)	(812)

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	-	-
(b) tenements (see item 10)	-	-
(c) investments	-	-
(d) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
2.2	Proceeds from the disposal of:		
	(a) property, plant and equipment	-	-
	(b) tenements (see item 10)	-	-
	(c) investments	-	-
	(d) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	Net cash from / (used in) investing activities	-	-

3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares	3,481	3,481
3.2	Proceeds from issue of convertible notes	-	-
3.3	Proceeds from exercise of share options	-	-
3.4	Transaction costs related to issues of shares, convertible notes or options	-	-
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
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	3,481	3,481

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	2,561	2,561
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(812)	(812)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-	-
4.4	Net cash from / (used in) financing activities (item 3.10 above)	3,481	3,481
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	5,230	5,230

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	88	432
5.2 Call deposits	4,642	2,129
5.3 Trust (pending settlement of purchase of EL28082)	500	-
5.4 Bank overdrafts		
5.5 Other (provide details)		
5.6 Cash and cash equivalents at end of quarter (should equal item 4.6 above)	5,230	2,561

6. Payments to directors of the entity and their associates

- | | Current quarter
\$A'000 |
|--|------------------------------------|
| 6.1 Aggregate amount of payments to these parties included in item 1.2 | 41 |
| 6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3 | - |
| 6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2 | |

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

7. Payments to related entities of the entity and their associates

- | | Current quarter
\$A'000 |
|--|------------------------------------|
| 7.1 Aggregate amount of payments to these parties included in item 1.2 | - |
| 7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3 | - |
| 7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2 | |

Mining exploration entity and oil and gas exploration entity quarterly report

8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1 Loan facilities	-	-
8.2 Credit standby arrangements	-	-
8.3 Other (please specify)	-	-
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

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9. Estimated cash outflows for next quarter	\$A'000
9.1 Exploration and evaluation	930
9.2 Development	-
9.3 Production	-
9.4 Staff costs	121
9.5 Administration and corporate costs	112
9.6 Tenement Acquisition	500
9.7 Total estimated cash outflows	1,663

10. Changes in tenements (items 2.1(b) and 2.2(b) above)	Tenement reference and location	Nature of interest	Interest at beginning of quarter	Interest at end of quarter
10.1 Interests in mining tenements and petroleum tenements lapsed, relinquished or reduced				
10.2 Interests in mining tenements and petroleum tenements acquired or increased	EL28082	Contracts have been executed with settlement awaiting final approval from the NT Department of Primary Industry and Resources	0%	0%

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.

Sign here:  Date:21 April 2017.....
(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 that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly 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 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.