

22 October 2019

Quarterly Activities Report - Period Ended 30 September 2019

KGL's Jervois Copper Project progresses towards development

-) EPA recommended project approval to NT Government
-) Mineral resource further upgraded
-) More high grade copper intercepts at Reward and Bellbird
-) Targeted completion of mine plan driving way forward

Summary

1. The Northern Territory Environment Protection Authority recommended that the NT Government approve development of KGL's 100% owned Jervois Copper Project.

The EPA concluded that the project can proceed in an environmentally acceptable manner by implementing several recommendations. This was the last major regulatory step before final government approval of the Mine Management Plan for the development of the project.

2. Copper resources were significantly upgraded, strengthening confidence levels.

The Indicated Copper Resource category increased from 50% to 65% of the total copper resource at Jervois.

3. High grade copper results point to potential upgrading and expanding of resources at Reward and Bellbird.

Intersection of high grade mineralisation at the Reward deposit is expected to lead to upgrading of a previous low grade area. Drilling confirmed the growth potential around the entire Reward resource and Bellbird underground. Latest high grade results at Bellbird helped define an East Lode parallel to the Main Lode.

4. Work to complete the mine plan now is driving the Jervois Project towards development.

Preferred mining contractor Macmahon Contractors is now optimising the conceptual mine planning and mining sequence, continuing to target a 10-year mine plan, with the on-site drill rigs to support geotechnical assessment. Core Resources is finalising metallurgical process design.

KGL Chairman Denis Wood expressed satisfaction with progress made towards project development during the September quarter.

"The Mine Management Plan should be completed by the end of the first quarter of 2020. With the EPA recommending project approval to the NT Government and our increased confidence in the mineral resource, we are now focussed on clearing the way for mine construction to commence in the second quarter of 2020," Mr Wood said.

"The latest encouraging drilling results indicate the potential at Bellbird for resource expansion which we will pursue, although our drilling program in the immediate future is being constrained by the priority we are giving to optimising the mine plan and mining costs ahead of project development."

1. The Northern Territory Environment Protection Authority recommended that the NT Government approve development of Jervois

The Northern Territory Environment Protection Authority (NT EPA) advised KGL Resources (ASX:AGL) (KGL or the Company) that it had completed the environmental impact assessment of the Jervois Project and concluded that the project can proceed in an environmentally acceptable manner by implementing recommendations made in the assessment report. The NT EPA provided the report to the Minister for Environment and Natural Resources to guide the development of the conditions for the project's mining approval under the Mine Management Act.

The completion of the environmental impact assessment was the last major regulatory step before final government approval of the Mine Management Plan for the project's development. The recommendations of the NT EPA as conditions for the project to proceed have been anticipated by the Company and will be incorporated into the Mine Management Plan now being prepared.

2. Copper resources were significantly upgraded, strengthening confidence levels

KGL announced a significant upgrading of copper resources at Jervois during the quarter.

Confidence levels in the resource were strengthened by an increase in the Indicated Copper Resource category from 50% to 65% of total copper resources.

Total copper resources now stand at 26.6 million tonnes at 1.47% copper and 24.7 g/t silver, containing 390,600 tonnes copper and 21.1 million ounces silver, including Indicated Resources of 255,000 tonnes contained copper and 12.7 million ounces contained silver (see Figures 1 and 2).

The upgrade resulted from a highly successful infill drilling program at the Reward and Rockface deposits. The drilling achieved the objective of increasing the confidence levels in the underground mineral resources by converting resources from the Inferred to Indicated category. Indicated Resources of copper at Reward and Rockface were increased by 240% and 34% respectively.

The upgrade is an important step towards the establishment of a Mining Reserve, essential for project development.

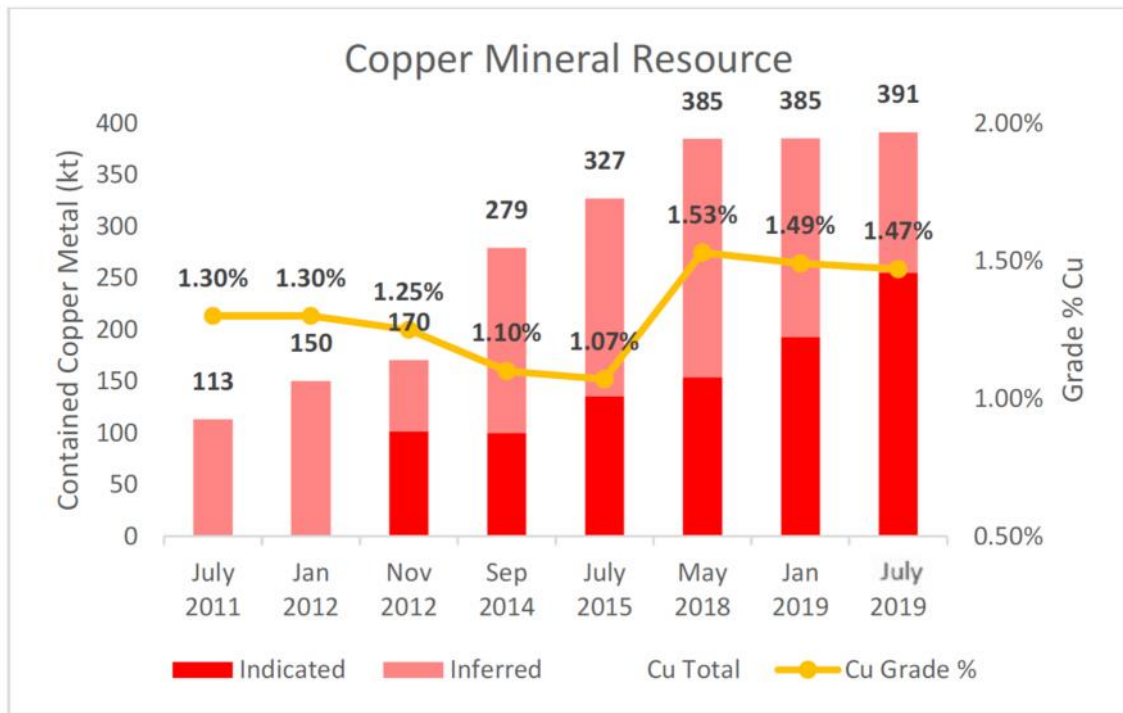


Figure 1 Copper Mineral Resource History at Jervois

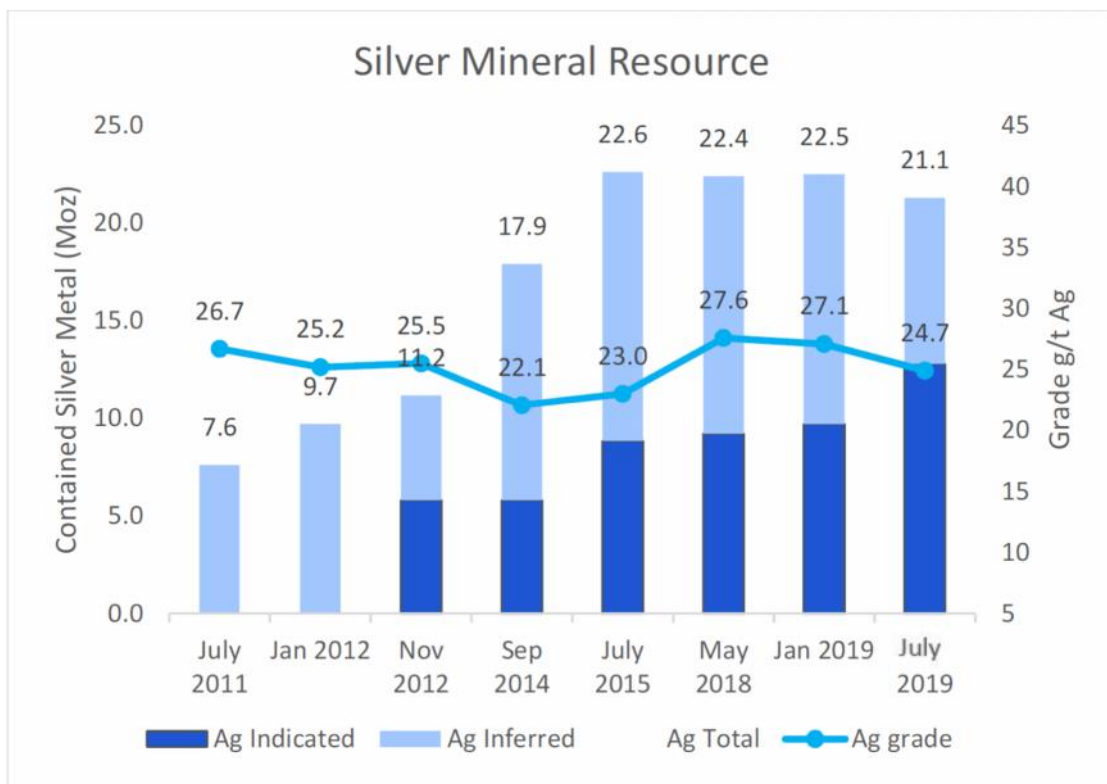


Figure 2 Silver Mineral Resource History at Jervois

3. High grade copper results point to potential upgrading and expanding of resources at Reward and Bellbird

The drilling program pursued during the quarter was designed to enhance resources ahead of mining, and results were positive. Drilling concentrated on increasing and upgrading the resources at the known deposits that are part of the mining plans. Results are confirming resource growth potential around the entire Reward resource and Bellbird underground.

At Reward, where half of the current estimated resources at Jervois are located, encouraging drill results are expected to lead to upgrading of resources. The upper interval intersected by **Hole KJCD344** intercepted **9.7 m @ 3.0% Cu and 59.90 g/t Ag from 202.9 m** up-dip of the Reward Deeps Lode. The resource blocks around this intersection are currently classed as Inferred and of lower grade. The new result is expected to improve both confidence and grade in the surrounding resources. (see Figure 3). The subsequent intercepts in surrounding holes KJCD364 and KJD365, also up-dip from Reward Deeps, confirm that assumption:

-) **KJCD364 with 11.4 m @ 2.12% Cu, 45.8 g/t Ag and 0.97 g/t Au from 256.9 m**
-) **KJD365 intercepting 6.3 m @ 2.54% Cu, 68.1 g/t Ag and 0.93 g/t Au from 175.3 m**

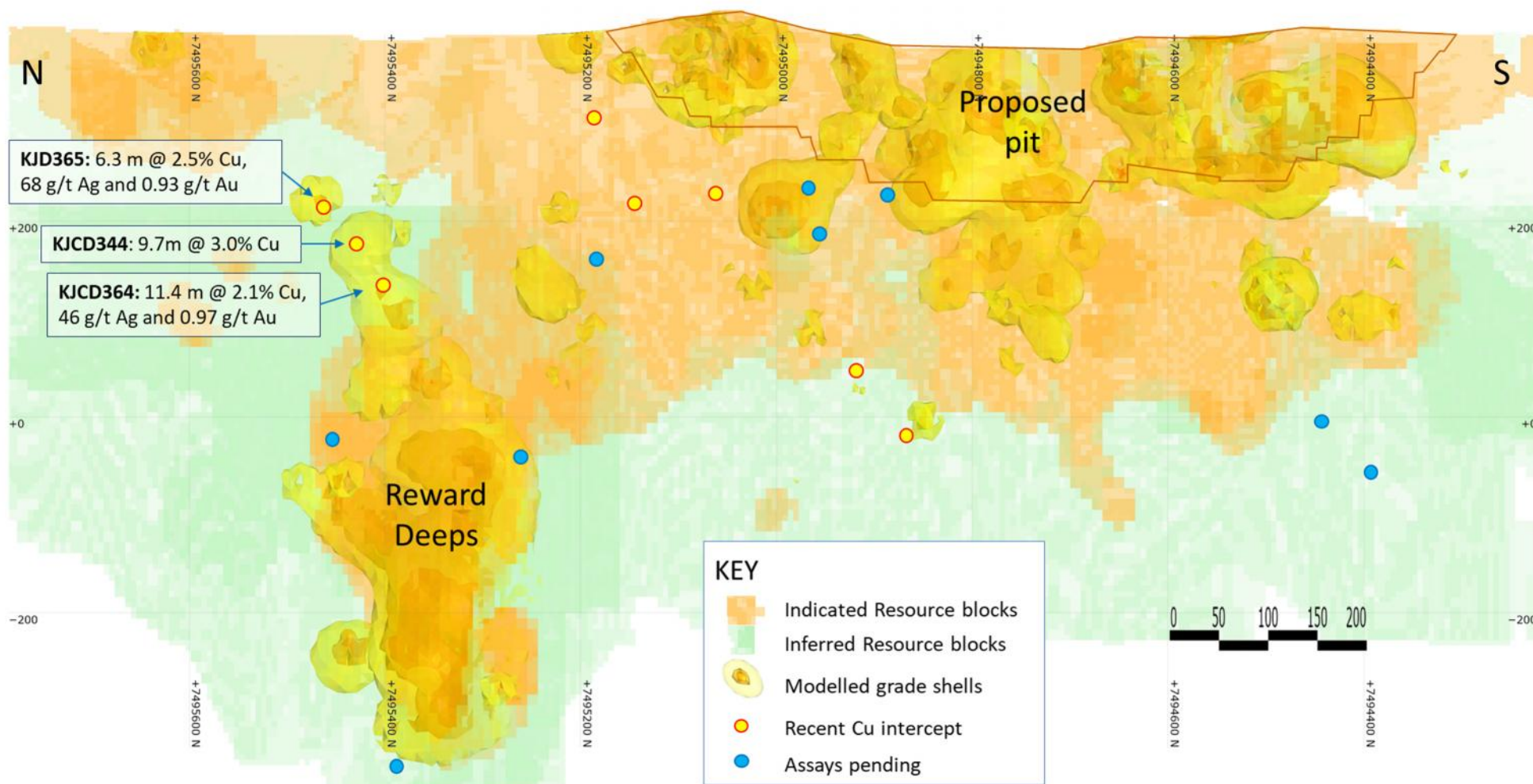


Figure 3 Longitudinal section highlighting recent assay results from Reward, showing the current resource block model and current Cu mineralisation model (decimals rounded for ease of presentation).

At Bellbird, both infill and exploration drilling extended high grade copper mineralisation trends. Confirming the continuity of the trends, the intercepts are expected to contribute to a future resource update. Among the best drill results were:

-) Hole **KJD350** intersecting **22.4 m @ 2.15% Cu and 13.90 g/t Ag from 162.4 m** including
 - o **5.2 m @ 6.98% Cu and 44.10 g/t Ag from 172.2 m**, and
-) Hole **KJD346W1** intersecting **4.4 m @ 6.07% Cu and 50.50 g/t Ag from 236.1 m**.

The most recent results of drilling in August at Bellbird, released on 17 October 2019, now strongly indicate the presence of the East Lode in close parallel proximity to the known Main Lode. The high grade results in the East Lode include the intersection by

-) Hole **KJCD358** of a 1 m wide sulphide vein, mostly consisting of bornite, assaying **1 m @ 34.27% Cu and 436g/t Ag from 358 m**, the highest grade ever achieved at Jervois.

At the same time the results also confirm the high grade nature of the Main Lode's central section where

-) Hole **KJCD354X** intersected **8 m @ 5.01% Cu and 13.6 g/t Ag from 437 m**, indicating the potential for high grade mineralisation to extend along the Main Lode's southerly projection.

These two high quality lodes are expected to intersect in the northern part of Bellbird (see Figure 4).

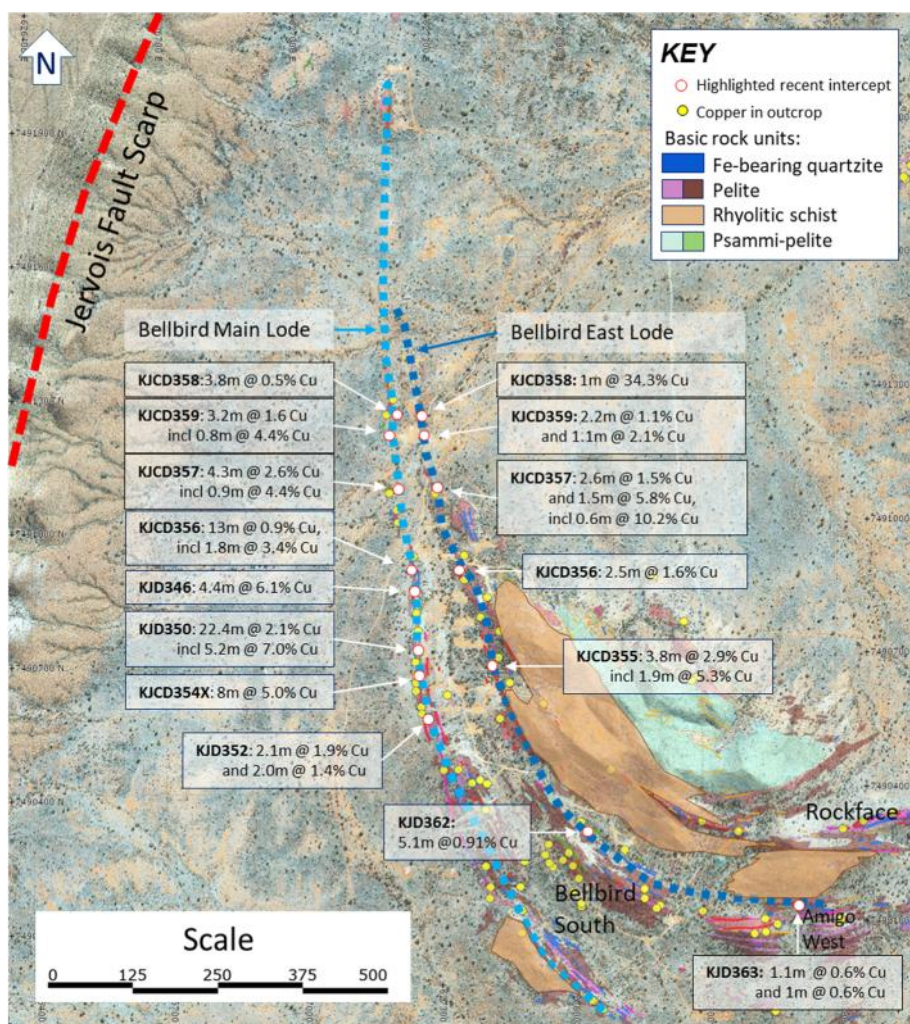


Figure 4 Projected surface trace of the Main and East Lodes at Bellbird with recent drill hole results projected on to topography and geology map (decimals rounded for ease of presentation).

4. Work to complete the mine plan now is driving Jervois Project towards development

Progress at Jervois has given the Company's board the confidence to advance to the mine planning stage of the project approval process.

The Company signed a contract with Macmahon Contractors (Macmahon) to prepare a mine plan for Jervois. The contract designates Macmahon as the preferred mining contractor for the Jervois Project.

The mine plan will form the basis of the Mine Management Plan that requires Northern Territory Government approval for the project to proceed.

Macmahon were engaged to optimise the conceptual mine planning that has been undertaken for Jervois. A 10-year mine plan will continue to be targeted. The two drilling rigs at Jervois are now having their short term focus diverted from exploration to the geotechnical assessment required for the mine planning.

Outlook

The timetable to enable mine construction to start in the second quarter of 2020 is now driving company activity.

Intensive drilling is continuing in a program designed to increase and upgrade resources ahead of mining, and to support Macmahon Contractors with optimising the design, scheduling and costing of the mine.

The mine plan now being prepared is the basis of the Mine Management Plan which requires NT Government approval for the Jervois project to proceed.

In parallel with the mine plan, Core Resources will complete the design of the metallurgical process for the mineral process plant.

Other site planning under way includes the provision of power, the water pipeline and the mine accommodation camp.

Recent drilling at Reward will be the subject of a further announcement expected shortly as assays are received.

JORC Compliance Statement

The Jervois Resources information were first released to the market on 22/08/19 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	344	09/09/19	2012
KJCD	364	17/10/2019	2012
KJD	365	17/10/2019	2012
KJD	350	09/09/19	2012
KJD	346W1	09/09/19	2012
KJCD	358	17/10/2019	2012
KJCD	354X	17/10/2019	2012
KJCD	359	17/10/2019	2012
KJCD	357	17/10/2019	2012
KJD	346	09/09/19	2012
KJD	352	09/09/19	2012
KJCD	356	17/10/2019	2012
KJCD	355	17/10/2019	2012
KJD	362	17/10/2019	2012
KJD	363	17/10/2019	2012

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	Unka Creek, Northern Territory	100%

Mining Tenements Acquired and Disposed during the quarter*	Location	Beneficial Holding

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")

30 Sept 2019

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		
1.2 Payments for		
(a) exploration & evaluation	(4,486)	(9,781)
(b) development	-	-
(c) production	-	-
(d) staff costs	(104)	(335)
(e) administration and corporate costs	(300)	(628)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	63	181
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	(4,827)	(10,563)

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 (9 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	-	6,500
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	-	6,500

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	11,479	10,715
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(4,827)	(10,563)
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)	-	6,500
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	6,652	6,652

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	391	630
5.2 Call deposits	6,261	10,849
5.3 Trust	-	-
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)	6,652	11,479

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	81
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 executive and non-executive directors for the quarter(\$49K) and Core Metallurgical (\$32K) a related company to a non-executive director.

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

Add notes as necessary for an understanding of the position

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 / (inflows for next quarter)	\$A'000
9.0 Equity Raising	-
9.1 Exploration and evaluation	1,650
9.2 Development (Jervois Project)	861
9.3 Production	-
9.4 Staff costs	169
9.5 Administration and corporate costs	165
9.6 Fixed Assets	15
9.7 Total estimated cash outflows / (inflows)	2,860

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				

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:22/10/2019.....
(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.