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28 July 2016

Quarterly Activities Report
Period Ended 30 June 2016

- **High grade copper mineralisation extended at Rockface in the Jervois Project**
- **Further copper mineralisation located below the high grade copper intersections**

Overview

KGL Resources Limited (ASX:KGL) (KGL or the Company) intersected more high grade copper at the Rockface prospect at the 100% owned Jervois Copper-Silver-Gold Project in the Northern Territory. Further mineralised zones were subsequently located below the high grade copper intersections using down-hole electromagnetics.

The discoveries resulted from limited, highly targeted drilling as the Company pursues a strategy of increasing and upgrading the total resource at Jervois. The aim is to place Jervois among the world's lowest cost copper projects before advancing to development.

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

Work continued during the quarter to increase and upgrade the resource at Rockface. Drilling resulted in additional high grade copper intersections and further mineralised zones at depth.

Background

Following an Orion 3D Induced Polarisation (3DIP) survey completed in July 2015, several anomalies including a strong coincident 3DIP chargeability/conductivity anomaly beneath Rockface were detected.

Drilling in 2015 at Rockface targeting the 3DIP anomaly intersected a broad interval of massive magnetite-chalcopyrite mineralisation, the results of drill hole KJCD171 including:

13m @ 2.14% Cu, 12.5g/t Ag and 0.10g/t Au from 255m, and
2m @ 2.83% Cu, 10.8g/t Ag and 0.05g/t Au from 278m.

A follow-up Down-Hole Electromagnetic (DHEM) survey of KJCD171 identified two strong off-hole conductors that were targeted by drilling in March/April 2016.

Results in quarter

Two holes reported in April and May 2016 intersected massive magnetite-chalcopyrite. Hole KJCD182 included :

9m @ 2.91% Cu, 17.6g/t Ag and 0.2g/t Au from 284m, and
6m @ 1.6% Cu, 9.3g/t Ag and 0.16g/t Au from 296m

Hole KJCD183 included:

16m @ 3.34% Cu, 16.7g/t Ag and 0.17g/t Au from 362m.

The mineralised intercept in KJCD183 appears to be a further extension of the massive magnetite-chalcopyrite mineralisation that was first intersected in KJCD171.

Hole KJCD183 was drilled to target the, Conductor 3 DHEM anomaly that was detected from a survey of KJCD171. Subsequent DHEM surveys that were conducted in KJCD183 and the other recent holes increased the size of Conductor 3 to 145m x 145m extending it a further 40m down dip than previously modelled with the bottom edge approximately 150m below the high-grade intersection in the deepest hole KJCD183.

A diamond drilling program was commenced in June with the aim of extending Rockface mineralisation both along strike and down dip. The first hole, KJCD195, again targeted the large Conductor 3 anomaly and intersected chalcopyrite in massive magnetite in the first of two mineralised zones that extended for 11m between 478.5m to 489.2m. The second zone of 10m from 513.5m to 523.1m comprised weaker mineralisation mostly disseminated pyrite /chalcopyrite with minor stringer chalcopyrite. Assay results will be reported when they become available. The style of mineralisation in the first zone of KJCD195 appears very similar to that observed in KJCD171 and KJCD182-3.

This copper mineralisation at Rockface is rapidly growing in size and significance to the Jervois Project. The latest hole, KJCD195, intersected mineralisation 105m below and 15m to the west of the nearest existing hole KJCD183.

The high grade copper mineralisation in the magnetite/chalcopyrite zone is responding very well to DHEM and surveys are being undertaken this month to assist in optimising the targeting of additional drilling into the highest grade mineralisation.

A detailed gravity survey at Jervois, completed in March 2016, has helped to better understand the geology and identify new exploration targets. Dense magnetite and garnet-altered rocks within and adjacent to mineralisation make good gravity targets. The presence of high density sulphide minerals can make the gravity response even larger. A high density gravity response has been observed coincident with zones of mineralisation in areas such as Marshall, Reward, Green Parrot, Bellbird and the Rockface “fold hinge”. This survey has also identified a number of additional targets displaying a similar response that remain to be tested..

Outlook

The drilling program is being completed at Rockface and a DHEM survey in the drill holes undertaken to guide future exploration. Armed with these results, the Company will plan further exploration to enhance the unit cost and scale of Jervois as a future mining project.

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 Project in the Northern Territory and developing it into a multi-metal mine.

JORC 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
KJCD171	22/10/2015	2012
KJCD182	9/05/2016	2012
KJCD183	26/04/2016	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%
PL 01/12	Savo Island, Solomon Islands	75%

Mining Tenements Acquired and Disposed during the quarter.*	Location	Beneficial Holding
		0%

Tenements subject to farm-in or farm-out agreements	Location	Beneficial Holding
PL-01/12	Savo Island, Solomon Is	75%

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

Rule 5.3

Appendix 5B

Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001.

Name of entity

KGL Resources

ABN	Quarter ended ("current quarter")
52 082 658 080	30 June 2016

Consolidated statement of cash flows

		Current Quarter $A'000	Year to date (6 months) $A'000
Cash flows related to operating activities			
1.1	Receipts from product sales and related debtors	-	-
1.2	Payments for (a)exploration and evaluation	(574)	(1,162)
	(b) development	-	-
	(c) production	-	-
	(d) administration	(380)	(799)
	(d) office closure	-	-
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	41	47
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Other – Settlements	-	-
	Net Operating Cash Flows	**(913)**	**(1,914)**
	Cash flows related to investing activities		
1.8	Payment for purchases of: (a)prospects		
	(b)equity investments	-	-
	(c) purchase options	-	-
	(c) other assets	-	-
	(d) disposal Costs	-	-
1.9	Proceeds from sale of: (a)prospects	-	-
	(b)equity investments		
	(c)other fixed assets	-	-
1.10	Loans to other entities	-	-
1.11	Loans repaid by other entities	-	-
1.12		-	-
	Net investing cash flows	-	-
1.13	Total operating and investing cash flows (carried forward)	**(913)**	**(1,914)**

+ See chapter 19 for defined terms.

1.13	Total operating and investing cash flows (brought forward)	**(913)**	**(1,914)**
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	-	2,988
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Less issue costs	-	(147)
	Net financing cash flows	-	2,841
	Net increase (decrease) in cash held	(913)	927
1.20	Cash at beginning of quarter/year to date	**3,221**	**1,381**
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	**Cash at end of quarter**	**2,308**	**2,308**

Payments to directors of the entity and associates of the directors
Payments to related entities of the entity and associates of the related entities

		Current Quarter $A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	25
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

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

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

+ See chapter 19 for defined terms.

Financing facilities available

Add notes as necessary for an understanding of the position.

		Amount available $A'000	Amount used $A'000
3.1	Loan facilities	-	-
3.2	Credit standby arrangements	-	-

Estimated cash inflow/(outflow) for next quarter

		$A'000
4.1	Exploration and evaluation	(667)
4.2	Investment/Development	
4.3	Deposit Interest	5
4.31	Operations Costs	
4.4	Admin	(276)
4.5	Redundancy Payments	(371)
4.6	Capex	-
	Total	**1,314**

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.		Current Quarter $A'000	Previous Quarter $A'000
5.1	Cash on hand and at bank	152	164
5.2	Deposits at call	2,156	3,057
5.3	Bank overdraft		
5.4	Other (provide details)		
	Total: cash at end of quarter	**2,308**	**3,221**

+ See chapter 19 for defined terms.

Changes in interests in mining tenements

		Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements relinquished, reduced or lapsed				
6.2	Interests in mining tenements acquired or increased				

Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

		Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1	**Preference +securities** *(description)*				
7.2	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3	**+Ordinary securities**	172,990,858	172,990,858		
7.4	Changes during quarter (a) Increases through issues (b) Decreases through share consolidation				
7.5	**+Convertible debt securities** (*description)*				

+ See chapter 19 for defined terms.

7.6	Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7	**Options** *(description and conversion factor)*	625,000	Unlisted Options	Exercise price	Expiry date
7.8	Expired during quarter	1,850,000			
7.9	Exercised during quarter				
7.10	Decrease through consolidation				
7.11	**Debentures** *(totals only)*				
7.12	**Unsecured notes** *(totals only)*				

Compliance statement

1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 4).

2 This statement does /~~does not~~* *(delete one)* give a true and fair view of the matters disclosed.

Sign here: ..... Date: 28/07/2016.....
(~~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 wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.

+ See chapter 19 for defined terms.

2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.

3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.

4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.

5 **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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