www.kglresources.com.au

31 October 2016

Quarterly Activities Report

Period Ended 30 September 2016

- **High grade copper mineralisation increased and extended at Rockface in the Jervois Project**
  - **New broad zone confirmed**
  - **Grades rising with depth**
  - **Additional zones located and targeted with further drilling**
- **R & D Tax Incentive Refund of $922,305**

Overview

KGL Resources Limited (ASX:KGL) (KGL or the Company) continued to discover high grade copper at the Rockface prospect at the 100% owned Jervois Copper-Silver-Gold Project in the Northern Territory. A new broad zone was confirmed below previously discovered mineralisation, with intersections of high copper, silver and gold grades.

Down Hole Electromagnetic (DHEM) surveying is proving successful in locating high grade copper mineralisation, identifying conductor zones to which the Company is carefully targeting limited, cost effective drilling programs.

As a result, exploration during the quarter advanced the Company's strategy of increasing and upgrading the Jervois resource in order to achieve one of the world's lowest cost copper rankings before proceeding to development.

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

Copper-silver-gold mineralisation, that can been seen in outcrop at Rockface, was extended at depth during the quarter with KGL announcing further drilling results. They included a new broad zone containing intersections of considerably higher grade than previous intervals as the drilling went deeper.

The high grade copper mineralisation in magnetite/chalcopyrite continues to respond well to DHEM surveys which are being used to optimise the targeting of drilling. Hole KJCD183 was drilled to target the Conductor 3 anomaly that was detected from a DHEM survey of KJCD171, and from mid-2016 further drilling targeted Conductor 3.

Results in quarter

During the September quarter, the Company announced that hole KJCD195 had intersected two zones of significant mineralisation in the Conductor 3 and newly discovered Conductor 5 anomalies. The first zone (Conductor 3), comprising semi-massive and veined chalcopyrite-pyrite in a strongly altered garnet-magnetite host rock, included:

> 10.5m @ 8.76% Cu, 42.9g/t Ag and 0.51g/t Au from 478.4m.

The second zone (Conductor 5) comprised veins, stringer and disseminated chalcopyrite-pyrite sulphide that is also hosted within a strongly altered garnet-magnetite host rock, and included:

> 5.1m @ 2.66% Cu, 0.39% Zn, 13.8g/t Ag and 0.27g/t Au from 513.6m(*).

Further DHEM surveys identified several new conductors including the largest yet observed at Rockface, Conductor 5. Hole KJCD197 was drilled to test Conductors 3 and 5 and confirmed a broad zone of high-grade mineralisation at greater depth than the KJCD195 intersections including:

> 9.4m @ 11.53% Cu, 56.6g/t Ag and 0.87g/t Au from 535.4m – massive and semi-massive chalcopyrite-pyrite coinciding with the modelled location of Conductor 3 and consistent with an observed trend of increasing grade with depth
>
> 8.9m @ 1.00% Cu, 7.3g/t Ag and 0.09g/t Au from 544.8m
>
> 15m @ 7.11% Cu, 29.4g/t Ag and 0.89g/t Au from 558m – semi-massive, massive and veined chalcopyrite-pyrite mineralisation coinciding with Conductor 5. This interval recorded the highest gold grade yet at Rockface of 5.33g/t Au (567.5-568m). The interval is also substantially wider and of higher grade than the projected up dip extension to this mineralisation intersected in KJCD195 shown at the asterisk (*) above.

The three intersections of KJCD197 shown above, including an intervening 4.3m of low-grade mineralisation, give a combined intersection of:

> 37.6m @ 5.98% Cu, 27.9g/t Ag and 0.6g/t Au from 535.4m.

A DHEM survey of hole KJCD197 identified a new anomaly, Conductor 6.

Drilling commenced in September on two holes, with the first designed to intersect Conductor 6 and the second to the west and down dip of KJCD197 to test the increasing strike length of the mineralised zone.

Metallurgical testwork on Rockface mineralisation confirmed good recovery and concentrate grade. Samples of core from holes KJCD171, KJCD182 and KJCD183 were combined and the composite tested. The sample responded well to the flowsheet and reagent scheme developed as part of the prefeasibility study. The grade and recovery for copper were slightly better than expectations providing more than 95% recovery at 25% copper concentrate grade.

The Company received an **R & D Tax Incentive refund** of $922,305 during the quarter. The R&D Tax Incentive is an Australian Government program under which companies receive cash

refunds of 45% of eligible expenditure on research and development. The incentive refund results from expenditure on advancing the Company's Jervois project.

Outlook

The two additional holes commenced at Rockface during the quarter have been completed and the results will be announced shortly

Decisions on further drilling at Rockface will continue to be guided by the DHEM surveys identifying high grade mineralisation in the vicinity of the drill holes.

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 Jervois Exploration data in this report is based on information compiled by Rudy Lennartz, a member of the Australian Institute of Mining and Metallurgy and a full time employee of KGL Resources Limited. Mr. Lennartz has sufficient experience which is relevant to the style of the mineralisation and the type of deposit under consideration and to the activity to which he is undertaking, to qualify as a Competent Person as defined in the 2012 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. Mr. Lennartz has consented to the inclusion of this information in the form and context in which it appears in this report.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
KJCD195	02/08/2016	2012
KJCD197	19/09/2016	2012

+Rule 5.5

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	**Quarter ended ("current quarter")**
52 082 658 080	30 September 2016

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	(983)	(2,145)
	(b) development	-	-
	(c) production	-	-
	(d) staff costs	(164)	(617)
	(e) administration and corporate costs	(204)	(550)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	6	53
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Research and development refunds	827	827
1.8	Restructuring costs	(328)	(328)
1.9	**Net cash from / (used in) operating activities**	**(846)**	**(2,760)**

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	-	2,988
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	-	(147)
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**	**-**	**2,841**

4.	**Net increase / (decrease) in cash and cash equivalents for the period**		
4.1	Cash and cash equivalents at beginning of period	2,308	1,381
4.2	Net cash from / (used in) operating activities (item 1.9 above)	**(846)**	**(2,760)**
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)	**-**	**2,841**
4.5	Effect of movement in exchange rates on cash held	**-**	**-**
4.6	**Cash and cash equivalents at end of period**	**1,462**	**1,462**

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	146	152
5.2	Call deposits	1,316	2,156
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)**	**1,462**	**2,308**

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	24
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

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.

9.	**Estimated cash outflows for next quarter**	**$A'000**
9.1	Exploration and evaluation	420
9.2	Development	-
9.3	Production	-
9.4	Staff costs	121
9.5	Administration and corporate costs	106
9.6	Other (provide details if material)	-
9.7	**Total estimated cash outflows**	**647**

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: ....31/10/2016.....
(~~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 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.