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29 January 2014

Quarterly Activities Report
Period Ended 31 December 2013

- **20,000m drilling program at Jervois Copper-Silver-Gold Project nearing completion**
  - **Massive sulphides intersected beneath existing main Resource at Marshall-Reward**
  - **New near-surface discoveries at Rockface and Morley**
- **Pre-feasibility study continuing**
- **Strong cash position to fund Jervois - strengthened by sale of Murchison Gold Project**

Overview

During the quarter, KGL Resources Limited (KGL or the Company) continued to focus on the proposed development of the Jervois Project in the Northern Territory. The Jervois Project is now seen as having the potential to be a large copper and multi-metal mining project.

The pre-feasibility study, including the current 20,000m drilling program, progressed well and is due for completion in the first half of 2014.

The drilling program which is aimed at increasing the global Resource base by extending the existing Resources and testing new targets intersected massive sulphides beneath the Marshall-Reward deposit where the largest Resource at Jervois is located. The intersection of an 18m high grade, lead and silver zone confirms the multi-metal nature of Jervois, with the assays also identifying zinc and gold, to give a copper equivalent grade of 11.3%*.

New near-surface discoveries were also made near existing Resources at Morley, near Marshall-Reward, and at Rockface, 6km away near the Bellbird Deposit.

The sale of the Murchison Gold Project for $15M was announced late in the quarter. As a result, when the transaction has completed, KGL will be in a strong financial position to fund the continuing work at Jervois.

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

During the quarter, KGL reported successful results of the drilling program being undertaken as part of the pre-feasibility study into the development of Jervois as a significant multi-metal mining project. The 20,000m RC and diamond drilling program commenced in September 2013, with up to three rigs engaged during the December quarter. A total of 14,138 metres has been completed and drilling is continuing in the current quarter.

Extending the existing Resource at Marshall-Reward

Diamond drilling at the Marshall-Reward deposit intersected an 18m wide zone of massive and semi-massive sulphide containing visible copper, lead and zinc sulphide mineralisation. The intersection sits in a previously untested zone approximately 70m below the existing Resource, thus supporting the continuation of the Resource at depth. Hole KJCD048 reported:

- 18m @ 0.88% copper, 19.63% lead, 3.77% zinc, 732.3 g/t silver and 0.61 g/t gold from 287m, including 9m @ 1.48% copper, 22.08% lead, 3.07% zinc, 740 g/t silver and 0.53 g/t gold from 291m.

This results in a copper equivalent interval of 18m @ 11.3%*.

The high grade zone remains open both at depth and along strike. This was confirmed when further massive and semi-massive sulphides were intersected in Hole KJCD045, 90m north along strike and 50m deeper than the KJCD048 intersection. The 8m wide zone contains visible copper, lead and zinc sulphide mineralisation.

Assay results for KJCD045 and for the remaining drilling in December and in the current quarter will be announced as they become available.

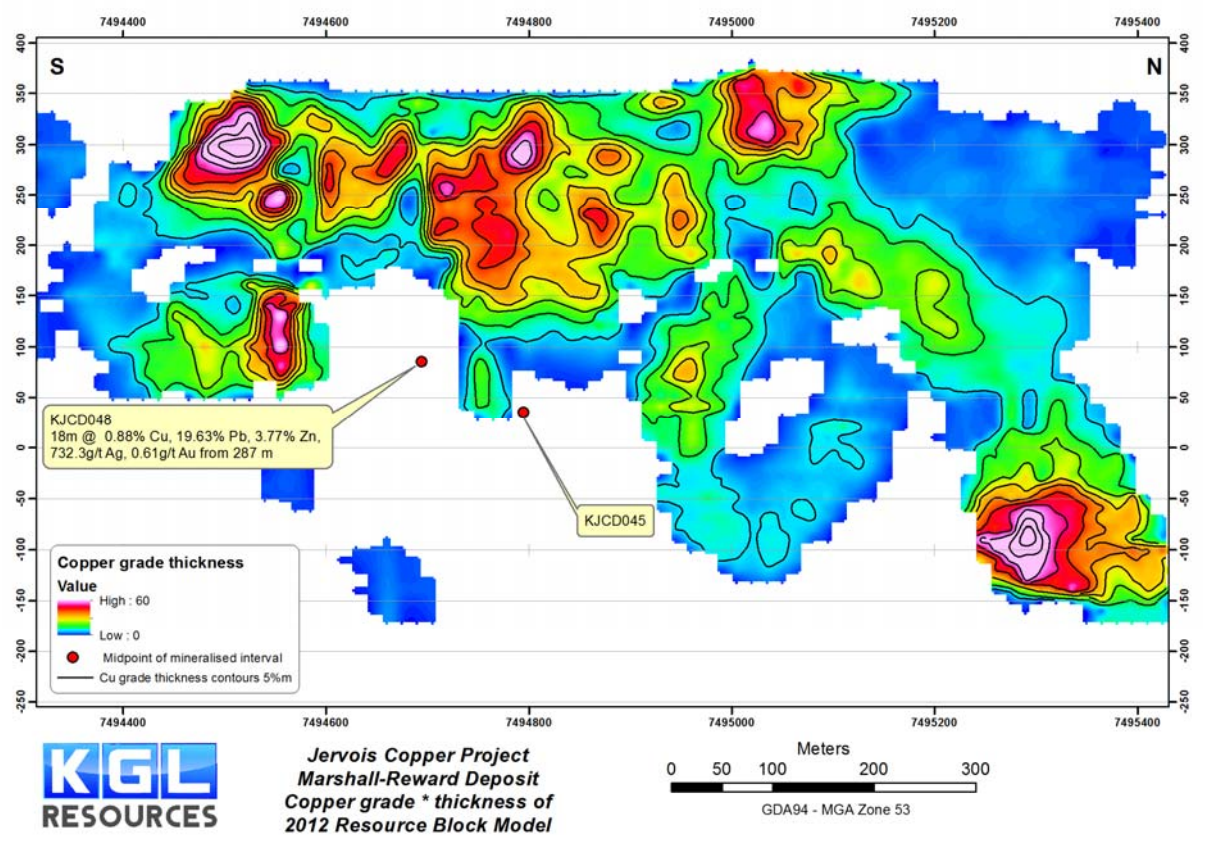

Figure 1 Marshall Reward Long section showing copper grade * thickness

New discoveries at Rockface and Morley

Drilling at Rockface and Morley was designed to test several recently identified targets that have potential to build on established Resources at Jervois.

The results at Rockface, near the existing Resource at the Bellbird deposit approximately 6km south of Marshall-Reward, are significant. The drilling produced high grade, near-surface intervals in a zone where mineralisation outcrops at the surface.

The two RC holes were drilled under a 6m wide zone of outcropping copper mineralisation (malachite) that lies 400m to the west and along strike from the Rockface prospect, with the resulting two intervals:

- 9m @ 1.21% copper, 4.1 g/t silver and 0.03 g/t gold from 105m (Hole KJC033)
- 24m @ 1.47% copper, 3.5 g/t silver and 0.04 g/t gold from 160m (Hole KJC035)

Consequently, a further drill program on the north side of Rockface was commenced.

The first of these holes returned a narrow zone of copper mineralisation

- 3m @ 1.29%Cu and 4.0g/t Ag (Hole KJD004)

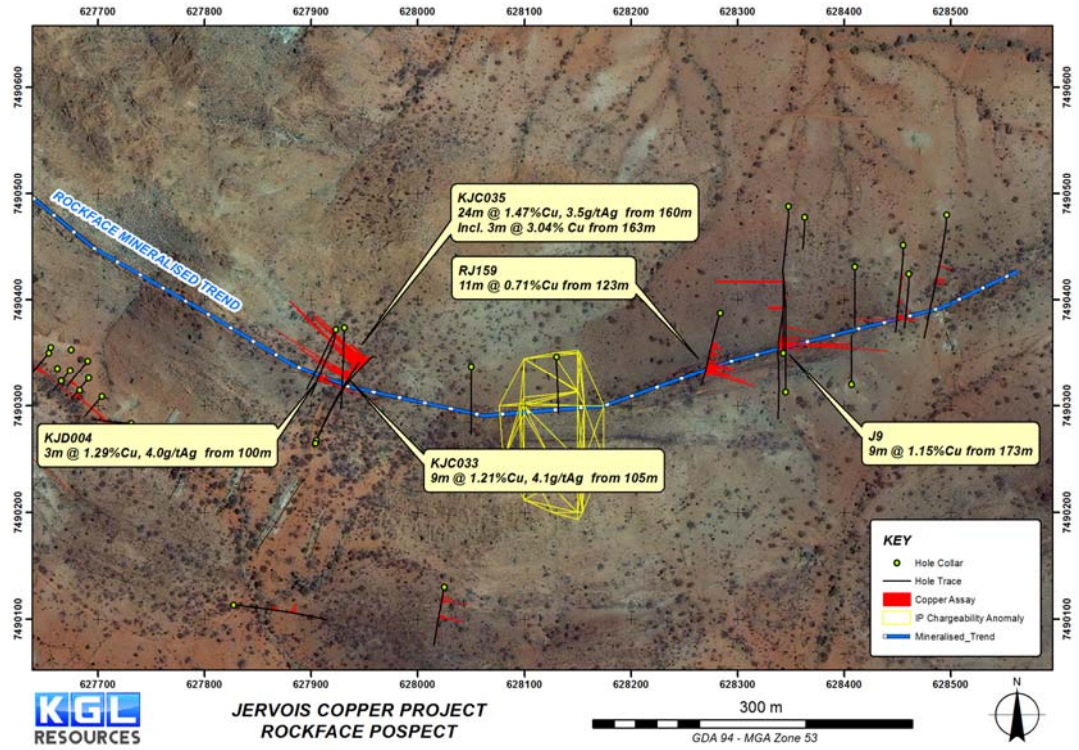

Figure 2 Plan of Rockface drilling

Drilling at Morley was undertaken to test for mineralisation associated with the recently identified 2km long IP anomaly east of the Marshall-Reward Resource. The drilling has confirmed a new zone of mineralisation that has the potential to host additional copper resources.

Results at Morley in holes spread over a distance of 800m along strike included:

- 8m @ 0.99% copper, 0.23% zinc, 10.2 g/t silver and 0.03 g/t gold from 115m (Hole KJC003)
- 5m @ 0.81% copper, 3.1 g/t silver and 0.04 g/t gold from 63m (Hole KJC004)
- 4m @ 0.86% copper, 0.18% zinc, 5.7 g/t silver and 0.04 g/t gold from 70m (Hole KJC004)
- 90m @ 0.16% Zn, 0.4g/t Ag from 16 m (Hole KJC006)

The broad zone of low grade zinc mineralisation intersected in KJC006 is hosted in a similar stratigraphy to the massive sulphide mineralisation intersected in KJCD048. This further upgrades the prospectivity along the 1.5km of strike between these holes.

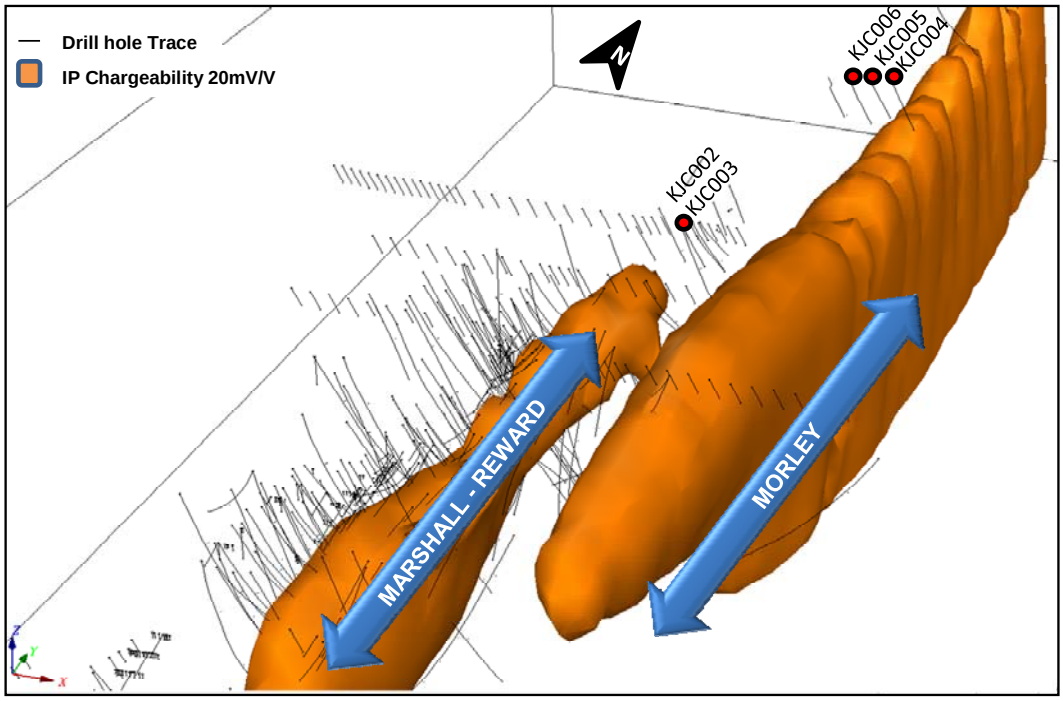

Figure 3 Marshall-Reward IP Chargeability isometric view

KGL resources is currently working with Newexco to design a surface and down hole electromagnetic survey to assist in targeting the recently discovered zones of massive sulphides and high grade copper. It is anticipated the survey will be completed during February and results will be used immediately to optimise the current drilling program.

Pre-Feasibility Study

During the quarter, bulk flotation tests and cleaner flotation tests were completed. The copper floats well to a high grade concentrate. Some of the copper concentrate contains high level of bismuth. The bismuth levels in the concentrate can be reduced by acid leaching of the concentrate. This was confirmed by test work during the quarter.

Metallurgical testwork is also currently examining the cementation of bismuth from the leachate and heap leaching of copper oxide.

Other work that commenced during the quarter included process design, power station, logistics and environmental studies.

Permitting of the project also commenced with the relevant Northern Territory agencies.

Bashkol Exploration Licence, Kyrgyz Republic (KGL 80%, diluting to 24%)

A 2,000m diamond drilling program at Bashkol, where high grade gold mineralisation has been discovered also commenced.

The program is being funded by Robust Resources Limited (Robust) under a farm-in agreement.

Savo Island geothermal energy project, Solomon Islands (KGL 75%, diluting to 30%)

During the quarter, joint venture partner Geodynamics Limited (Geodynamics) planned an exploration campaign as part of a continuing feasibility study into the development of a geothermal power project at Savo Island to supply electricity to Honiara, the Solomon Islands' capital city, and a nearby mine. The geothermal resource that has been identified has been estimated to be capable of supporting the total power requirement of Honiara and the Gold Ridge Mine.

Geodynamics proposes to conduct the initial program of four slim hole wells in the dry season of 2014. If successful, further production drilling will be undertaken, with potentially first power generation targeted for 2017.

Corporate

The position of the Company to fund the exploration and development of the Jervois project was strengthened with the announcement of the sale of the Murchison Gold Project late in the quarter. KGL executed an agreement to sell the Murchison Project to Monument Mining Limited for $15M cash.

At the end of December 2013, the Company had a cash balance of $7.8m.

The transaction is conditional on obtaining approval from the Foreign Investment Review Board and several other conditions which are normal for a transaction of this type.

Completion of the transaction is expected in February 2014.

During the quarter, Mr Brad Ellis was appointed as a Director of the Company. Mr Ellis, a metallurgist, was nominated by KMP Investments Pte Ltd, KGL's largest shareholder. He brings more than 30 years' experience in mining, with a focus on the design, commissioning and operation of mineral processing plants.

Outlook

The Company will continue to be focussed on the Jervois Project, encouraged by the recent drilling that is encountering additional mineralisation in the drilling program aimed at increasing and extending the total Resource.

The 20,000m drilling program that commenced last September will be completed during the current quarter of 2014 as part of the pre-feasibility study that is scheduled for completion before the middle of the year.

Regulatory approvals for the sale of the Murchison Gold Project for $15M cash are expected to be received within the next month, thus strengthening further KGL's position to fund the exploration and development of Jervois.

*Copper equivalent is based on the following parameters

Table 1 Copper equivalence parameters

	Recovery	Unit	Price
Pb	77%	US$/t	2,000
Zn	82%	US$/t	1,800
Ag	79%	US$/oz	19
Au	51%	US$/oz	1,200
Cu	93%	US$/t	7,000

Cu%+(Pb%*PbRec*Pb$/t+Zn%*ZnRec*Zn$/t+Agoz*AgRec*Ag$/oz+Auoz*AuRec*Au$/oz)/Cu$/t

Metallurgical recoveries assumed are based on results of metallurgical test work commissioned by KGL Resources on the Jervois deposits and metallurgical performance of similar deposits from the AMEC database.

Metallurgical test work to date has demonstrated that a 93% recovery of copper to a 26% copper concentrate is achievable though in the calculation of copper equivalent 100% of the contained copper is used.

It is the company's opinion that all of the elements included in the metal equivalent calculation have a reasonable potential to be recovered and sold.

For further information contact:

Mr Simon Milroy
Managing Director
Phone: (07) 3071 9003

Competent Person

The Jervois Exploration data in this report is based on information compiled by Martin Bennett, who is a member of the Australian Institute of Geoscientists and a full time employee of Kentor Gold Limited.

Mr. Bennett 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 2004 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. Mr. Bennett has consented to the inclusion of this information in the form and context in which it appears in this report.

Tenements

Mining Tenements Held at the end of the quarter	Location	Beneficial Holding
EL 25429	Jervois, Northern Territory	100%
MLS10	Jervois, Northern Territory	100%
MLS16	Jervois, Northern Territory	100%
MLS17	Jervois, Northern Territory	100%
MLS23	Jervois, Northern Territory	100%
MLS51	Jervois, Northern Territory	100%
MLS52	Jervois, Northern Territory	100%
MLS53	Jervois, Northern Territory	100%
MLS54	Jervois, Northern Territory	100%
MLS55	Jervois, Northern Territory	100%
MLS56	Jervois, Northern Territory	100%
MLS57	Jervois, Northern Territory	100%
MLS61	Jervois, Northern Territory	100%
MLS62	Jervois, Northern Territory	100%
MLS90	Jervois, Northern Territory	100%
MCS13	Jervois, Northern Territory	100%
MCS14	Jervois, Northern Territory	100%
MCS15	Jervois, Northern Territory	100%
MCS16	Jervois, Northern Territory	100%
MCS17	Jervois, Northern Territory	100%
MCS18	Jervois, Northern Territory	100%
MCS19	Jervois, Northern Territory	100%
MCS20	Jervois, Northern Territory	100%
MCS21	Jervois, Northern Territory	100%
MCS22	Jervois, Northern Territory	100%
MCS23	Jervois, Northern Territory	100%
MCS24	Jervois, Northern Territory	100%
MCS25	Jervois, Northern Territory	100%
MCS26	Jervois, Northern Territory	100%
MCS27	Jervois, Northern Territory	100%
MCS28	Jervois, Northern Territory	100%
HLDS19	Jervois, Northern Territory	100%
HLDS20	Jervois, Northern Territory	100%

Mining Tenements Acquired and Disposed during the quarter.*	Location	Beneficial Holding
E51/1562(A)	Murchison, WA	100%
E51/1063	Murchison, WA	100%
E51/1618(A)	Murchison, WA	100%
M51/116	Murchison, WA	100%
M51/117	Murchison, WA	100%
M51/177	Murchison, WA	100%
M51/178	Murchison, WA	100%
M51/478	Murchison, WA	100%
M51/252	Murchison, WA	100%
P51/2796(A)	Murchison, WA	100%
P51/2797(A)	Murchison, WA	100%
P51/2793(A)	Murchison, WA	100%
P51/2794(A)	Murchison, WA	100%
P51/2795(A)	Murchison, WA	100%
P20/2156	Murchison, WA	100%
P20/2157	Murchison, WA	100%
P51/2438	Murchison, WA	100%
P51/2661	Murchison, WA	100%
P51/2690	Murchison, WA	100%
P51/2691	Murchison, WA	100%
P51/2439	Murchison, WA	100%
P51/2692	Murchison, WA	100%
P51/2332	Murchison, WA	100%
M51/836	Murchison, WA	100%
M51/868(A)	Murchison, WA	100%
P51/2600	Murchison, WA	100%
P51/2601(A)	Murchison, WA	100%
P51/2602	Murchison, WA	100%
P51/2656	Murchison, WA	100%
P51/2662	Murchison, WA	100%
P51/2663	Murchison, WA	100%
P51/2694	Murchison, WA	100%
P51/2695	Murchison, WA	100%
P51/2513	Murchison, WA	100%
P51/2523	Murchison, WA	100%
P51/2700	Murchison, WA	100%
E51/1444	Murchison, WA	100%
E51/1415	Murchison, WA	100%
E51/1030	Murchison, WA	100%

- *Contract signed for disposal in Dec 2013*

Tenements subject to farm-in or farm-out agreements	Location	Beneficial Holding
AP1602	Bashkol, Kyrgyz Republic	80%
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

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

52 082 658 080

Quarter ended ("current quarter")

31 December 2013

Consolidated statement of cash flows

		Current Quarter $A'000	Year to date (12 months) $A'000
Cash flows related to operating activities			
1.1	Receipts from product sales and related debtors	0	5,036
1.2	Payments for (a)exploration and evaluation	(2,311)	(4,641)
	(b) development	-	(1,963)
	(c) production	(0)	(7,559)
	(d) administration	(577)	(3,584)
	(d) office closure	(58)	(58)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	43	124
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Other – R&D Refund	-	450
	Foreign Exchange differences	-	-
	Net Operating Cash Flows	**(2,903)**	**(12,195)**
	Cash flows related to investing activities		
1.8	Payment for purchases of: (a)prospects		
	(b)equity investments	-	-
	(c) purchase options	-	-
	(c) other fixed assets	-	(136)
	(d) disposal Costs	(80)	(80)
1.9	Proceeds from sale of: (a)prospects	-	-
	(b)equity investments		
	(c)other fixed assets	250	14,986
1.10	Loans to other entities	-	-
1.11	Loans repaid by other entities	-	-
1.12	Other (KMWA in Administration)	(93)	(3,093)
	Net investing cash flows	77	11,677
1.13	Total operating and investing cash flows (carried forward)	(2,826)	(518)

+ See chapter 19 for defined terms.

1.13	Total operating and investing cash flows (brought forward)	(2,826)	(518)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	-	-
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other (Capital raising costs)	-	-
	Net financing cash flows	-	-
	Net increase (decrease) in cash held	(2,826)	(518)
1.20	Cash at beginning of quarter/year to date	**10,645**	**8,333**
1.21	Exchange rate adjustments to item 1.20	0	4
1.22	**Cash at end of quarter**	**7,819**	**7,819**

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	141
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

In December 2013 KGL Resources agreed to sell the Murchison project, $250,000 was received as a non-refundable deposit. The balance is due in the first quarter 2014 subject to various conditions precedents being satisfied.

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

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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	(1,764)
4.2	Investment/Development	
4.2	Deed of Company Arrangement	
4.3	Operations Revenue	
4.31	Operations Costs	
4.4	Admin	(580)
4.5	Asset Disposal	15,000
4.6	Other	
	Total	**12,656**

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	409	1,036
5.2	Deposits at call	7,410	9,609
5.3	Bank overdraft		
5.4	Other (provide details)		
	Total: cash at end of quarter	**7,819**	**10,645**

+ 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	E51/1562(A) E51/1553(A) E51/1063 E51/1618(A) M51/116 M51/117 M51/177 M51/178 M51/478 M51/252 P51/2796(A) P51/2797(A) P51/2793(A) P51/2794(A) P51/2795(A) P20/2156 P20/2157 P51/2438 P51/2661 P51/2690 P51/2691 P51/2439 P51/2692 P51/2332 M51/836 M51/868(A) P51/2600 P51/2601(A) P51/2602 P51/2656 P51/2662 P51/2663 P51/2693 P51/2694 P51/2695 P51/2513 P51/2523 P51/2700 E51/1444 E51/1415 E51/1030	Sold to Monument Mining resulting from entering into a binding agreement	100%	100%
6.2	Interests in mining tenements acquired or increased				

+ See chapter 19 for defined terms.

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**	140,040,563			
7.4	Changes during quarter (a) Increases through issues (b) Decreases through share consolidation				
7.5	**+Convertible debt securities** (*description)*				
7.6	Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7	**Options** *(description and conversion factor)*	2,599,842	Unlisted Options	Exercise price	Expiry date
7.8	Issued during quarter				
7.9	Expired during quarter	(2,105,000)	Various	Various	Various
7.10	Decrease through consolidation				
7.11	**Debentures** *(totals only)*				
7.12	**Unsecured notes** *(totals only)*				

+ See chapter 19 for defined terms.

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: 29/01/2014.....
(~~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.

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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+ See chapter 19 for defined terms.