www.kglresources.com.au

30 January 2015

Quarterly Activities Report
Period Ended 31 December 2014

Jervois Copper Project

- **Pre-feasibility study confirms a viable multi-metal mine with strong upside potential**
- **High grade drill results continue to flow**
- **KGL commits to 2015 drilling and metallurgical program to maximise project value**
- **Drilling is planned to recommence in the first week of February with three drill rigs (one diamond & two RC)**

Overview

During the quarter, KGL Resources Limited (KGL or the Company) announced that the pre-feasibility study (PFS) of the Jervois copper project in the Northern Territory had shown Jervois as a technically and commercially feasible project with strong upside from additional planned drilling and metallurgical work.

Based on a resource containing 280,000 tonnes copper and 18 million ounces silver, the PFS forecast average annual production of the order of 21,000 tonnes copper and 1 million ounces silver in concentrate for an initial 7 years at a projected C1 cash cost of approximately US$1.51/lb.

Throughout the quarter, drilling to further define and upgrade resources at the planned open pit sites of Marshall-Reward, Green Parrot and Bellbird continued to deliver high grade, near surface intersections. The in-fill drilling at Reward recorded the highest ever silver grade at Jervois of 2,350 g/t.

The continuing flow of exploration results have pointed to the potential for a larger and more valuable asset through a potential upgrading and extension of the resource.

Given these very positive results the Company announced that an additional work program would be undertaken to further improve the Project's economic parameters. The program is targeting to deliver between $100M and $200M of additional free cash flow over the life of the project. The cost of the program is estimated at $2.7M and is being funded from existing cash reserves. The additional work programme is scheduled to be completed in the September quarter of 2015.
The Company maintains a strong cash position which was $***9,788,000*** at 31 December 2014.

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

Summary of Pre-Feasibility Study update
In December 2014, the Company announced an update of the PFS, a summary of which is as follows:

- Based on Resources of 25.3 million tonnes containing 280,000 tonnes copper, 18 million ounces silver, 120,000 tonnes lead/zinc and 113,000 ounces gold
- Throughput estimated at 2 million tonnes per year over an initial 7 year mine life (4.5 years open cut)
- Production of approximately 21,000 tonnes per year copper and 1 million ounces per year silver in concentrate plus gold, lead and zinc
- Initial Capex estimated at A$189M including A$22M in contingency
- Estimated C1 cash costs of US$1.51/lb (after by-product credits and using an exchange rate of A$/US$ 0.845 and silver price of US$20/oz).

There is a low level of geological confidence associated with inferred mineral resources and there is no certainty that further exploration work will result in the determination of indicated mineral resources or that the production target itself will be realised.

The PFS work to December 2014 showed that the development of a copper mine and concentrator is technically and commercially feasible. However the PFS only used exploration results received prior to July 2014 in the resource update. Since then, further high grade drill results have been received, including the highest silver grade recorded at Jervois (1m @ 2350 g/t silver from 19m in Hole JOC266 at Reward) and more gold intersections (including 28m @ 2.49 g/t gold from 2m in Hole JOC268 at Reward) within the proposed open pit at Reward.

Additional drilling and metallurgical work to add value
Studies highlighted that the Project's value can be increased greatly by further drilling and metallurgical work aimed at:

- Increasing high grade resources and mine life
- Increasing metallurgical recoveries
- Reducing operating costs, and
- Reducing capital costs.

Therefore, the Board approved a further work program following which the PFS will be updated to include all of the additional improvements identified.

The drilling program will include the following:

- Optimising the Marshall-Reward, Bellbird and Green Parrot open pits. The ore bodies remain open along strike and down dip in numerous areas, and further shallow drilling is likely to increase the size of the pits and increase the number of years that Jervois is an open pit only operation. It will also delay the capital spending required for the underground mine development;
- Drilling the southern end of the Marshall deposit and the gap between the Marshall and Green Parrot deposits to extend the resource;

- Drilling at Bellbird to add high grade copper stopes to the underground mine plan and to increase lead-zinc resources at Bellbird North; and
- At Marshall, further drilling to extend high grade stoping areas and increase silver-lead-zinc resources.

The metallurgical work programme will aim to improve recoveries of copper, silver and gold. Metallurgical work will also investigate the production of a bulk lead-zinc concentrate, rather than separate lead and zinc concentrates (as proposed in the PFS report completed in December 2014). The production of a bulk lead-zinc concentrate should result in both capital and operating cost savings when compared to the existing plan.

Continuing high grade results from in-fill and resource definition drilling
The high grade results of the resource definition drilling announced during the quarter supported the Company's decision to proceed with the work program to increase the value of Jervois.

The results of the in-fill resource drilling at Marshall-Reward and Bellbird continued to confirm the shallow, high-grade mineralisation. The drilling was designed to upgrade the remaining Inferred resources within the optimised open pits to the Measured and Indicated categories and to test for potential extensions. The drilling has confirmed the continuity of high-grade copper within the transition zone and its extension to near surface.

Enrichment of copper and elevated silver and gold will have a positive impact on the economics of the open pits and the project as a whole. The gold intersections within the pit shell at Reward are particularly pleasing.

Drilling at Reward during the quarter included:

- 14m @ 4.17% copper, 77.1 g/t silver and 1.42 g/t gold from 18m (Hole JOC206)
- 16m @ 2.55% copper, 93.8 g/t silver and 0.49 g/t gold from 56m (JOC207)
- 8m @ 3.59% copper, 37.2 g/t silver and 0.28 g/t gold from 29m (JOC212)
- 4m @ 3.87% copper, 30.6 g/t silver and 0.66 g/t gold 10m (JOC265)
- 4m @ 3.24% copper, 0.83% lead, 1.17% zinc, 66 g/t silver and 0.36 g/t gold from 9m (JOC266)

Also in Hole JOC266 at Reward, the highest ever silver grade for Jervois was intercepted:

- 9m @ 0.59% copper, 0.83% lead, 1.17% zinc, 419.7 g/t silver and 0.5 g/t gold from 14m
    - including 1m @ 2.71% copper, 15.7% lead, 0.28% zinc, **2350 g/t silver** and 2.01 g/t gold from 19m

High copper, silver and gold grades were intersected at Reward over a broad interval with an exceptionally high grade gold zone discovered:

- 28m @ 1.55% copper, 0.14% lead, 0.13% zinc, 37.8 g/t silver and 2.49 g/t gold from 2m (JOC268)
    - including 2m @ 2.24% copper, 0.15% lead, 0.13% zinc, 24.2 g/t silver and **27.85 g/t gold** from 28m

At the southern end of Reward:

- 36m @ 2.08% copper, 0.15% lead, 0.36% zinc, 37.4 g/t silver and 0.9 g/t gold from 93m (JOC270)
- 13m @ 1.54% copper, 13.4 g/t silver and 0.66 g/t gold from 141m (also JOC270)

Drilling at Marshall included:

2m @ 4.5% copper, 2.01% lead, 3.54% zinc, 94 g/t silver and 0.38 g/t gold from 31m (JOC276)

4m @ 3.27% copper, 0.24% lead, 0.4% zinc, 46.7 g/t silver and 0.59 g/t gold from 169m (JOC274)

At Green Parrot, further shallow mineralisation was intersected:

at the northern end:

19m @ 0.9% copper, 0.52% lead, 0.66% zinc, 67 g/t silver and 0.08 g/t gold from 7m (JOC241)

and high grade zones:

2m @ 4.79% copper, 2.09% lead, 4.14% zinc, 125.4 g/t silver and 0.05 g/t gold from 68m (JOC221)

3m @ 2.31% copper, 8.61% lead, 1.72% zinc, 159.3 g/t silver and 0.05 g/t gold from 99m (JOC222)

1m @ 4.9% copper, 2.32% lead, 0.46% zinc, 387 g/t silver and 0.02 g/t gold from 127m (JOC223)

At Bellbird, high grades of copper and gold continued to be intercepted:

3m @ 1.52% copper, 9.7 g/t silver and 0.56 g/t gold from 20m (JOC287)

3m @ 6.05% copper, 24.7 g/t silver and 2.09 g/t gold from 24m (also JOC287)

5m @ 2.65% copper, 20.6 g/t silver and 0.57 g/t gold from 37m (JOC288)

7m @ 8.88% copper, 96.5 g/t silver and 0.29 g/t gold from 23m (JOC304)

15m @ 3.66% copper, 21.2 g/t silver and 0.5 g/t gold from 13m (JOC297)

9m @ 4.25% copper, 8 g/t silver and 0.29 g/t gold from 18m (JOC305)

16m @ 1.69% copper, 5.7 g/t silver and 0.07 g/t gold from 2m (JOC300)

11m @ 3.24% copper, 24.7 g/t silver and 0.26 g/t gold from 44m (JOC179)

9m @ 3.36% copper, 17.9 g/t silver and 0.16 g/t gold from 89m (JOC182).

At Morley, to the north-east of Reward, drill results included:

7m @ 1.24% copper, 27.1 g/t silver and 0.09 g/t gold from 46m (JOC195)

4m @ 1.64% copper, 12.7 g/t silver and 0.07 g/t gold from 59m (also JOC195)

2m @ 1.93% copper, 14.5 g/t silver and 0.03 g/t gold from 64m (JOC196).

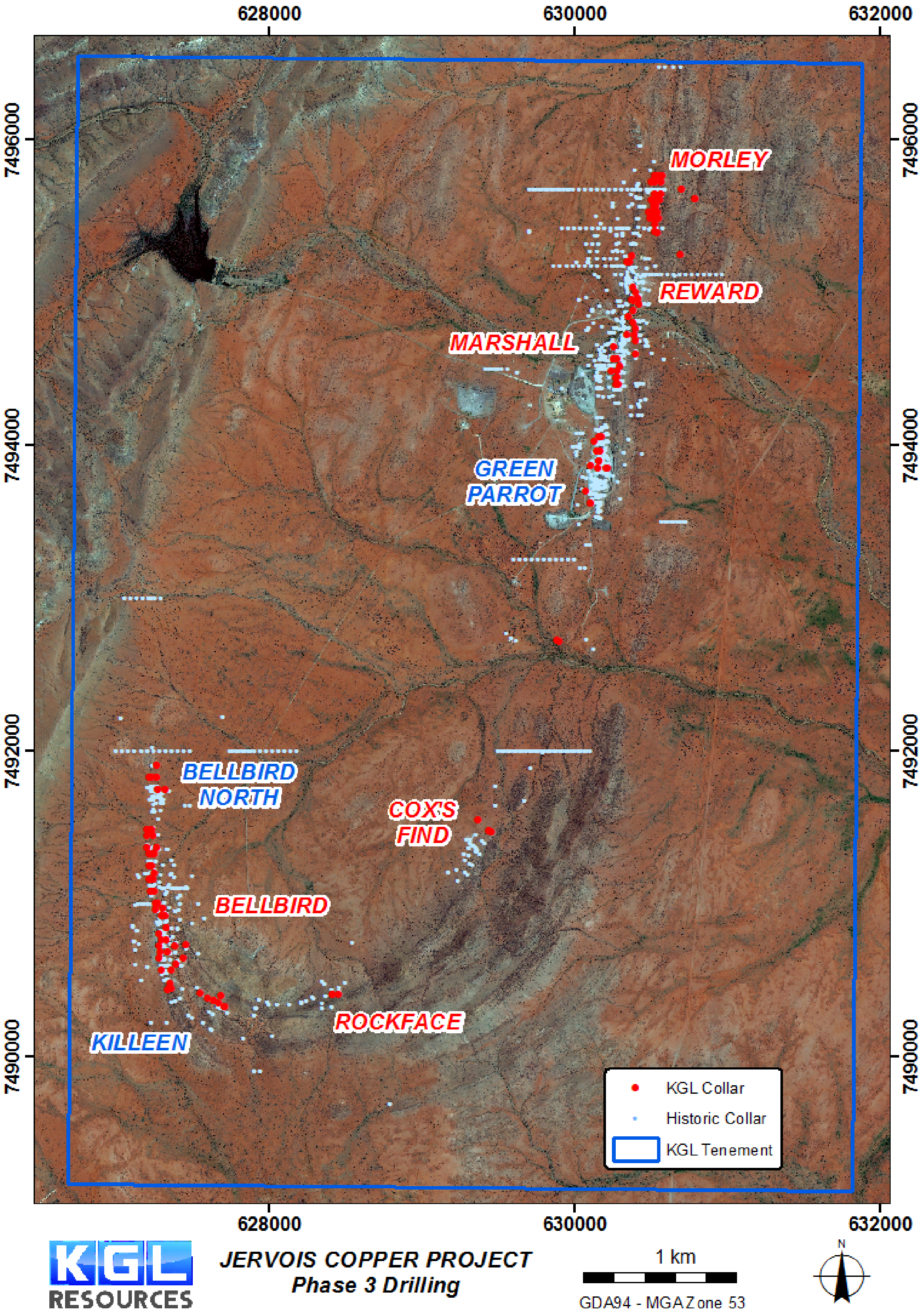

Figure 1 Phase 3 Drilling Locations overlain on satellite image

Deep Drill Hole Results
Deep drilling and electromagnetic survey results, announced in January 2015, indicate the potential for further significant high grade extensions to known mineralisation.

Assays from the first deep diamond hole at Jervois drilled in September-October 2014 confirmed the continuation of mineralisation at Reward from surface outcrop to 860m depth where grades of up to 5.94% copper, 17.10% lead, 11.60% zinc and 663 g/t silver were recorded. These intersections are more than 330m below what was previously the deepest hole drilled to that date and clearly indicate the potential size of this already large mineralised system. This result also fits nicely with the current research that is suggesting Jervois may well be a SEDEX style deposit.

The deep diamond hole KJD010W1 intersected two intervals of predominantly lead mineralisation that are approximately 5m apart followed by a zone of copper rich mineralisation 18m to the east (Figure 2). Good zinc and silver grades were also recorded in both the copper and lead zones.

Copper zone
7m @ 2.07% Cu, 1.06% Pb, 2.41% Zn, 92.1g/t Ag, 0.18g/t Au from 1100m
Including
2m @ 4.75% Cu, 1.68% Pb, 1.94% Zn, 156.1g/t Ag, 0.25g/t Au from 1105m

Lead zone
2m @ 12.02% Pb, 0.40% Zn, 0.06% Cu, 473g/t Ag, 0.15g/t Au from 1062m
7m @, 4.25% Pb, 2.98% Zn, 0.60% Cu 53.4g/t Ag, 0.07g/t Au from 1070m

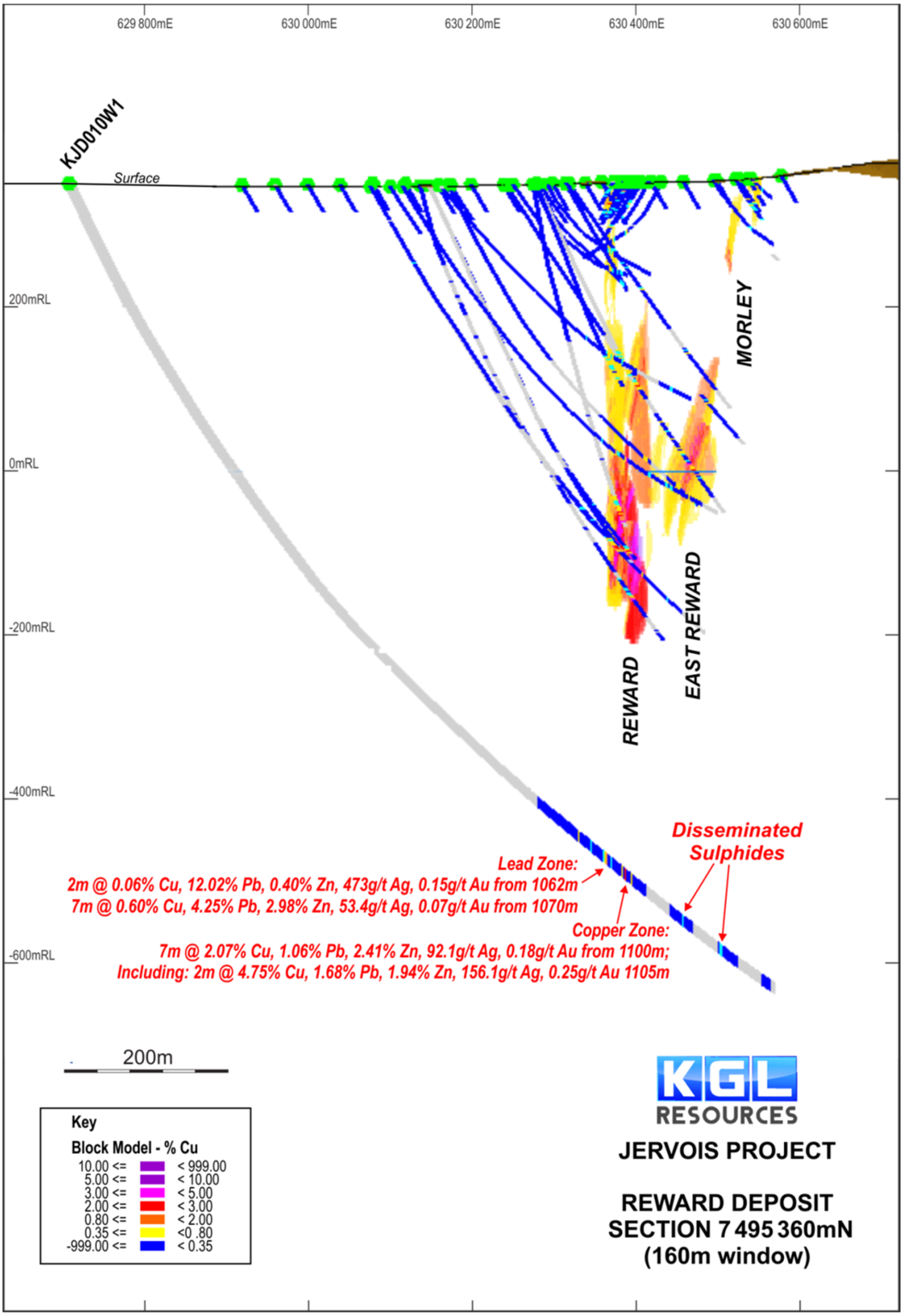

Figure 2. Deep Hole Assay Results

Downhole electromagnetic surveys (DHEM) on the deeper holes at Marshall-Reward have also located a large EM conductor extending downward 200m from the base of the resource towards the recently drilled deep hole (KJD010W1) (Figure 3.). This suggests that the mineralisation may be continuous between RJ169 (72m @ 3.27% copper, 51.33 g/t silver and 1.16 g/t gold from 414m: approx. 16m true width) and the new deep hole.

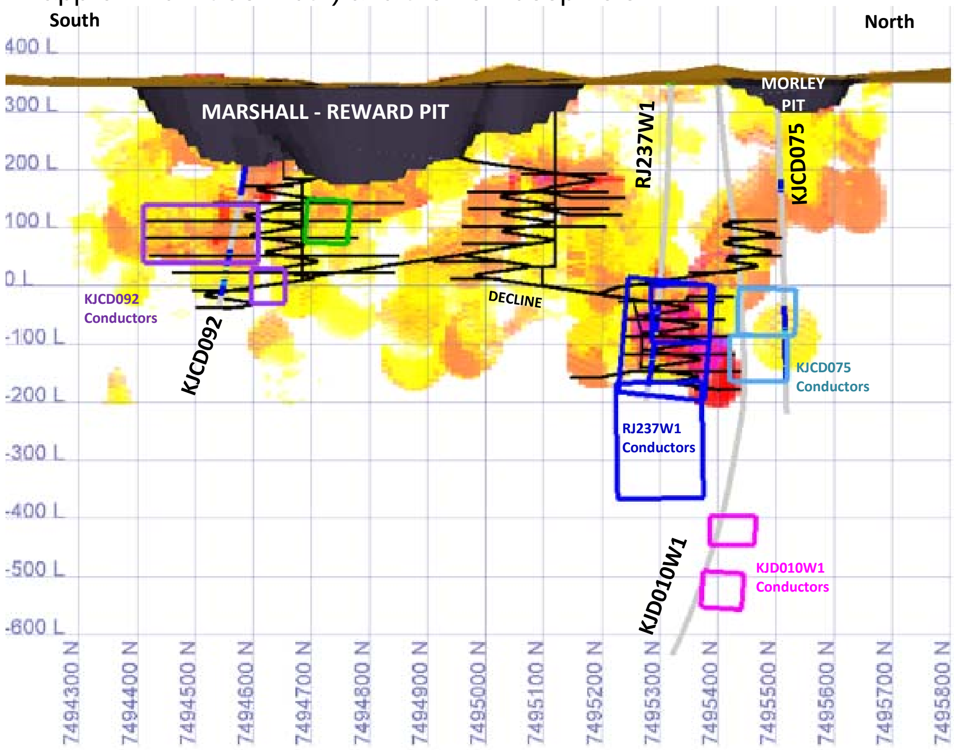

Figure 3. DHEM conductor plates overlain on the planned open pit and underground development at Marshall-Reward (Long Section)

Bashkol (KGL 80%)

Subsequent to the end of the quarter, Tengri notified that they are not planning to continue with the farm in at Bashkol. KGL will now seek an alternative farm in partner or sale of the project.

Savo (KGL 70%, GDY 30%)

Development consent has been obtained from the Solomon Islands Government for the exploration stage of the Savo Island Geothermal Power Project.
Geodynamics Limited (GDY) are funding and managing the work on the project. Work during the quarter focussed on obtaining a Power Purchasing Agreement. This is a pre-requisite of drilling taking place.

Corporate

At the end of December 2014 KGL had a cash balance of $9.8M.

The Company has appointed PWC to assist KGL in finding a partner to assist with the development of the Jervois Project. This process will commence when the current programme of work is competed in the third calendar quarter.

Outlook

During the current half year, the Company will continue with the program of drilling and metallurgical improvements detailed above, to increase and upgrade resources and optimise plans for mining and processing, and so maximise the value of Jervois for shareholders and potential partners in the project development.

Drilling at Jervois is due to commence in the first week in February 2015 with one diamond rig working on geo-technical drilling around the planned open pits and two large RC rigs working on a 9,000m RC resource extension programme.

For further information contact:

Mr Simon Milroy
Managing Director
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.

JORC Compliance Statement

The Jervois Resources information was first released to the market on 15 September 2014 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.

The Jervois Pre-Feasibility Results were first released to the market on 8 December 2014 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.

Hole		Date originally Reported	JORC Reported Under
JOC	179	24/10/2014	2012
	182	17/11/2014	2012
	195	17/11/2014	2012
	196	17/11/2014	2012
	206	24/10/2014	2012
	207	24/10/2014	2012
	212	24/10/2014	2012
	221	17/11/2014	2012
	222	17/11/2014	2012
	223	17/11/2014	2012
	241	24/11/2014	2012
	265	24/11/2014	2012
	266	24/11/2014	2012
	268	24/11/2014	2012
	270	24/11/2014	2012
	276	4/12/2014	2012
	274	4/12/2014	2012
	287	17/11/2014	2012
	288	17/11/2014	2012
	297	4/12/2014	2012
	300	4/12/2014	2012
	304	4/12/2014	2012
	305	4/12/2014	2012
KJD	010W1	15/01/2015	2012
RJ	169	07/09/2011	2004

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%

Mining Tenements Acquired and Disposed during the quarter.*	Location	Beneficial Holding
EL30242	Jervois NT	100%

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
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

52 082 658 080

Quarter ended ("current quarter")

31 Dec 2014

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	-	-
1.2	Payments for (a)exploration and evaluation	(2,309)	(9,923)
	(b) development	-	-
	(c) production	-	-
	(d) administration	(506)	(2,028)
	(d) office closure	(5)	(5)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	61	334
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Other – Settlements	(34)	(34)
	Foreign Exchange differences	-	-
	Net Operating Cash Flows	**(2,793)**	**(11,656)**
	Cash flows related to investing activities		
1.8	Payment for purchases of: (a)prospects		
	(b)equity investments	-	-
	(c) purchase options	-	-
	(c) other assets	(9)	(35)
	(d) disposal Costs	(130)	(172)
1.9	Proceeds from sale of: (a)prospects	-	-
	(b)equity investments		
	(c)other fixed assets	-	14,854
1.10	Loans to other entities	-	-
1.11	Loans repaid by other entities	-	-
1.12	Deed of Company Arrangement (KMWA)	-	(1,000)
	Net investing cash flows	(139)	13,647
1.13	Total operating and investing cash flows (carried forward)	(2,932)	1,991

+ See chapter 19 for defined terms.

1.13	Total operating and investing cash flows (brought forward)	(2,932)	1,991
	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	(22)	(22)
	Net financing cash flows	(22)	(22)
	Net increase (decrease) in cash held	(2,954)	1,969
1.20	Cash at beginning of quarter/year to date	**12,742**	**7,819**
1.21	Exchange rate adjustments to item 1.20	0	0
1.22	**Cash at end of quarter**	**9,788**	**9,788**

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	137
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

In the quarter Robust Resources invested $222,912 in CJSC Kentor re the Bashkol Joint Venture.

+ 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	(1,960)
4.2	Investment/Development	
4.2	Deed of Company Arrangement	
4.3	Deposit Interest	53
4.31	Operations Costs	
4.4	Admin	(602)
4.5	Asset Disposal	
4.6	Capex	(10)
	Total	**(2,519)**

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	246	685
5.2	Deposits at call	9,542	12,057
5.3	Bank overdraft		
5.4	Other (provide details)		
	Total: cash at end of quarter	**9,788**	**12,742**

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	Northern Territory EL30242	Granted Mineral Exploration licence 26/11/2014	0%	100%

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**	140,240,563	140,240,563		
7.4	Changes during quarter (a) Increases through issues (b) Decreases through share consolidation	200,000	200,000	nil	
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)*	4,099,842	Unlisted Options	Exercise price	Expiry date
7.8	Issued during quarter				
7.9	Exercised during quarter	200,000			
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: 30/01/2015.............
(~~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.

== == == == ==

+ See chapter 19 for defined terms.