

KGL Resources Ltd.: Chairman's Address to Shareholders and Presentation

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Brisbane, Australia (ABN Newswire) - [KGL Resources](#) (ASX:KGL) releases the Chairman's and Managing Director's addresses to be given at today's Annual General Meeting.

2015 AGM Chairman's Address - Ladies and gentlemen, the last 12 months has been one of significant achievement for KGL's Jervois project in the Northern Territory, despite volatile global markets and an uncertain commodity outlook.

At the last AGM we reported that we were well advanced with the Pre-Feasibility Study for Jervois. Let me remind you that we had embarked on the PFS in early 2014 following completion of an encouraging initial Scoping Study. That Study had suggested that the Project could produce around 20,000 tonnes of copper in a copper/silver concentrate or equivalent per year, and commence with a modest open cut mining operation followed by a move to underground workings.

Whilst the primary product would be a copper sulphide concentrate, after a few years of operation the process plant would be modified to also produce lead and zinc concentrates.

As part of the PFS we undertook an extended drilling program to upgrade and increase the Project's resource base as well as an extensive metallurgical test program together with geotechnical studies and plant design. Today I am pleased to be able to say that in just about every aspect of the PFS that we commenced 17 months ago, we have exceeded our goals and expectations.

In particular:

- The drilling program up until the end of June 2014, when we began the revised calculation of the Project's resources base, was more successful than we had expected. The new resource estimate, announced last September, increased copper resources by 64% to 280,000t contained copper, silver resources by 61% to 18 million ounces, lead resources by 225% to 84,000 contained lead and zinc by 63% to 36,000 tonnes contained zinc.

- Downhole EM surveys identified potential additional mineralisation at depth. The Project's Exploration Target Range was increased to an additional 50- 150,000 tonnes of contained copper tonnes further enhancing the Projects potential mine life.

- The metallurgical test program was also very successful in three areas:

1. The transition material responded so well to the test work that we were able to abandon the concept of a heap leach operation and include that material in plant feed;

2. Projected copper recoveries of primary ore material exceeded our expectations; and

3. Probably the major breakthrough, was realising that and the Project would be able to produce a marketable lead/zinc bulk concentrate without the need for a separate mill circuit.

The impact of all of these developments was, that by late November last year, when the initial PFS work was completed we concluded that the project was viable and there were no "show stoppers". Indeed, it was clear that because of the positive exploration and metallurgical results a rethink was required.

- the scheduling of the proposed mining development needed to include much larger open cut mines;

- the design of the processing plant circuit could be simplified to include the ability to produce a mixed concentrate from day one, but not through a separate circuit; and

- a further drilling program would be needed to upgrade the resource base by following up newly discovered extensions to mineralisation.

So last December, just prior to the end of our FY, Management and the Board decided that the best way forward would be for us to extend the PFS to incorporate the new information and revise the Project development schedule. Simon will tell you later, in more detail, what we have been and are doing, but essentially that is where we are today.

We expect that a further upgraded estimate of the Project's resource base will be completed in July 2015. This will be fed into a revised mining and processing schedule and along with updated capital and operating cost estimates, the latest material and construction costs and current exchange rates, we anticipate that the final results of all of this work will be available in the fourth quarter of this year.

By any measure we believe we have had a very successful year. We have managed to complete all of this work and will be able to deliver the revised PFS later this year with the funds we currently have available.

Of course, once we have completed this revised PFS, we will have to decide what our next steps will be and how indeed we are going to fund them.

And that, quite neatly brings me to the subject of the global economy and world commodity prices.

Whereas internally, we have been extremely pleased with project developments, the same cannot be said of the global marketplace in which we operate.

Slowing growth rates in China, continuing weakness of the Eurozone sector, the strength of the US dollar, the fall in Australian interest rates, iron ore prices recently dipping below US\$50/tonne and WTI oil prices below US\$50/bbl. I could go on, but they all result in market volatility and a loss of confidence in the resource sector and have an impact on KGL. The simple fact is, that it is currently a very difficult world in which to make long term business plans.

Having said that, I can tell you that we have had preliminary discussions with a number of potential Project partners. However, In order to achieve the best possible outcome for shareholders, we have held off progressing the search for a partner until the revised PFS information is available.

So in summary. KGL's Jervois Project is in very good shape and on track to deliver a successful revised PFS towards the end of this year. We do have the funds to complete all of our current scheduled PFS work at Jervois but will need funding for the next stage of the Project's development. Although the investment market for resource companies in Australia remains uncertain. Jervois is an outstanding project and I am confident that it is on track to be developed into an operating mine.

In closing I would like to thank Simon and his team and my fellow directors for their support and hope that you as shareholders share our excitement about the future of the Jervois Project and our Company.

To view the presentation, please visit:
<http://media.abnnewswire.net/media/en/docs/ASX-KGL-860265.pdf>

About KGL Resources Limited:

[KGL Resources Ltd.](#) (ASX:KGL) 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.

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