

KGL Resources Ltd. Quarterly Activities and Cashflow Report - 30 June 2015

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Brisbane, Australia (ABN Newswire) - [KGL Resources Ltd.](#) (ASX:KGL) announce the Quarterly Activities and Cashflow Report - 30 June 2015 with the following highlights:

- Resource at Jervois increased and upgraded
- High grade silver, lead and zinc assays increase polymetallic value
- Mine planning, metallurgical and operating costs reviewed to further improve economics
- Optimised Pre-Feasibility Study due in October

Overview

The Resource at the Jervois Copper-Silver-Gold Project in the Northern Territory was increased and upgraded during the quarter, and announced in July.

The global resource was increased by 21% to 30.5 million tonnes containing a total of 327,000 tonnes of copper and 22.6 million ounces of silver.

Total indicated resources were increased by 36%, upgrading confidence in the resource for the critical first few years of mine life.

A 59% increase in contained lead-zinc highlighted the polymetallic nature of Jervois.

The Resource Update followed continuing high grade drill results that increased the total resource and extended the high grade mineralisation.

The resource drilling, together with geo-technical, metallurgical and operating cost reviews during the quarter, contributed to the optimised pre-feasibility study which is due to be completed during October.

The PFS announced last December found Jervois to be a technically viable project with strong upside potential from additional drilling and metallurgical work.

The Company was motivated to seek to optimise the PFS by the continuing flow of good drill results pointing to a larger, more valuable asset.

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

Results of reverse circulation and diamond drilling during the quarter continued to extend high grade mineralisation at Jervois. The successful program has contributed to an increase in the mineral Resource for both open pit and underground access, the size of the open pit shells being planned for mining and the new mineralised trends being discovered.

Also adding value to the project's economics is the polymetallic nature of parts of Jervois featuring high grade copper, lead, zinc, silver and gold.

Resource Update

In July, the Company announced a Resource Update for Jervois, the highlights of which were:

- 21% increase in Total Resource to 30.5Mt
- 36% increase in Indicated Resources to 11.5Mt
- 17% increase in contained copper to 327,000 tonnes

- 26% increase in contained silver to 22.6Moz
- 59% increase in contained lead-zinc to 190,000 tonnes

The gold resource will be updated when gold assays from the 2015 drilling are validated.

The global resource was increased by 21% to 30.5 Mt @ 1.07% copper and 23.0 g/t silver for a total of 327,000 tonnes of contained copper at a cut off of 0.5% copper and 22.6 million ounces of contained silver. This includes 10.6 Mt @ 1.37% copper for 146,000 tonnes of contained copper at Marshall-Reward and 5.4 Mt @ 1.62% copper for 88,000 tonnes of contained copper at Bellbird at a cut off of 0.75% copper.

Lead-zinc mineralisation was also targeted by the drilling, recent metallurgical test work having confirmed that good recoveries could be achieved for lead and zinc at Jervois. The lead-zinc resources increased by 70% from 2.2 Mt to 3.8 Mt with the Green Parrot resource increasing from 1.1 Mt to 1.9 Mt and the high grade Reward lead-zinc resource increasing by 0.5 Mt.

The Resource Update follows the recent drilling program the latest results of which are described below. A specific objective of the drilling was to upgrade the resources within the proposed open pit boundaries to increase confidence in the material to be delivered to the mill in the early years of operation. This has been successfully achieved with a 36% increase in total Indicated Resources. Lead-zinc ore in the Indicated classification increased by 0.7Mt to 1Mt due mostly to infill drilling at the Green Parrot deposit.

A number of mineral occurrences parallel to and along strike from Marshall-Reward were tested, including Sykes and Johannsen. This near surface mineralisation has the potential to provide additional low cost, open cut mining material. The drilling program assessed several zones of shallow mineralisation at other new prospects with similar potential.

Exploration Potential

The new Exploration Potential of the larger deposits identified by H&S Consulting consists of areas peripheral to the current Inferred estimates within the interpreted mineral wireframes, unconstrained by depth. This is estimated to be a combined total for Marshall-Reward, Bellbird and Green Parrot of 4 to 8 Mt @ 0.8 to 1.2% copper and 7 to 15g/t silver at a 0.5% copper cut off (40,000 to 100,000 tonnes copper and 1.5 to 5 Moz silver). The resources are open at depth and there is additional potential along strike.

The potential quantity and grade of the Exploration Potential is conceptual in nature and there has been insufficient exploration to define a Mineral Resource. It is uncertain if further exploration will result in the determination of a Mineral Resource.

Drilling results

The 11,000-metre drilling program at the Bellbird, Marshall-Reward and Green Parrot deposits that was completed during the quarter targeted potential high grade areas within the proposed open pits or close to planned underground mine development.

At Green Parrot, drilling intersected two zones of mineralisation that have resulted in a resource extension and potential deepening of the pit. Particularly encouraging was the increase in gold grade and more than 200 g/t silver in both intervals at depth. The copper mineralisation remains open at depth. Results announced during the quarter included:

- 11m @ 1.93% copper, 2.61% lead, 1.25% zinc, 218.1 g/t silver and 0.25 g/t gold from 153 m (Hole KJC129)

including 4m @ 3.58% copper, 4.61% lead, 1.7% zinc, 393.8 g/t silver and 0.56 g/t gold from 160m

- 4m @ 3.44% copper, 2.95% lead, 0.74% zinc, 252.2 g/t silver and 1.76 g/t gold from 177m.

- 14m @ 1.49% copper, 0.64% lead, 0.3% zinc, 160.5 g/t silver and 0.09 g/t gold from 160m (Hole KJC159) including 3m @ 3.83% copper, 1.08% lead, 0.17% zinc, 404 g/t silver and 0.2 g/t gold from 170m.

At Reward, drilling at the Johannsen prospect at the edge of the planned open pit intersected a zone of supergene enriched copper in a mineralised trend parallel to the main resource. The close proximity to Reward is likely to have a positive impact on the pit design. Drilling at the northern end of Reward intersected good mineralisation at depth, adjacent to existing designed underground development. Results at Johannsen included:

- 3m @ 4.1% copper, 0.82% lead, 0.3% zinc, 189.2 g/t silver and 0.29 g/t gold from 64m (Hole GTD004).

The drilling program has also successfully extended the polymetallic mineralisation at Marshall-Reward which contains several lenses of lead-zinc-copper sulphide within the larger copper resource. At the northern end of the planned Reward open pit, hole KJC123 intersected 19m (from 235m) with the consistently high silver grade averaging 104.2 g/t and a one-metre interval of 22.4% lead.

Shallow lead-zinc-silver zones beyond the northern wall of the proposed Marshall-Reward open pit were confirmed by the recent drilling and are likely to be captured in a new open pit. The best drill result was: - 3m @ 7.76% lead, 10.29% zinc, 86.6 g/t silver from 34m (Hole KJC138).

At Marshall, holes KJC121 and KJC122 intersected broad zones of polymetallic mineralisation.

A high grade zone within KJC122 of 5m @ 6.12% copper, 0.2% lead, 2.42% zinc, 31.4 silver and 0.48 g/t gold from 263m includes a best copper grade of 14.15%.

At Bellbird, drilling to test surface occurrences at the Bellbird East trend intersected more high grade copper-lead-zinc mineralisation, with grade appearing to improve with depth. Hole KJC161 includes 6m @ 1.36% copper, 2.72% lead, 6.92% zinc and 19.3 g/t silver from 65m. Bellbird East extends for several hundred metres and more drilling is needed to fully evaluate its potential.

Extending exploration for more mineralised zones at Jervois

Late in the quarter, following the drilling program, KGL commenced a 3D-Induced Polarisation (3DIP) and Magnetotelluric (MT) survey in the Bellbird region to search for additional zones of mineralisation in a poorly tested and yet highly prospective zone as indicated by an earlier survey using different equipment.

There is clearly the prospect of more discoveries at Jervois, and the now completed 3DIP survey has highlighted the potential for near surface mineralisation in new areas that have not previously been explored.

In addition to the 3DIP and MT, soil sampling continues over prospective areas and will ultimately provide systematic coverage of the entire Jervois tenement. Previous sampling confirmed known mineralisation and identified several new zones such as the Wren prospect that has narrow, continuous mineralisation for more than 1000 metres.

RAB (rotary air blast) drilling, an economical technique used for shallow depths, is being used to test prospective areas with a veneer of cover of up to 5m - at the northern extension of the Bellbird trend, the Little Jay prospect where a copper occurrence has been exposed by trenching, and the southern extension of Green Parrot that is obscured by alluvium. Geological mapping of the Jervois project area is well advanced and information from the RAB drilling will supplement this work. The results of the mapping will be used to further enhance the 3D geological model for Jervois that was recently developed by the CSIRO.

Metallurgical and operating cost reviews

Geotechnical drilling and studies have shown that the pit walls can be designed approximately 4 degrees steeper than previously assumed. This results in less waste having to be mined to access a similar amount of ore.

Recent metallurgical test work on the lead-zinc-silver ore has shown that it can be batch processed through the copper plant to produce a high grade mixed lead-zinc concentrate. This will reduce total project development capital required by eliminating construction of a separate lead zinc circuit in the third year of operation.

Updated budget pricing was received from open pit and underground mining contractors. Discussions are taking place with the Central Land Council regarding land access, future relationships with the local communities and benefits arising from the project including community development and commitments to local indigenous employment and contracting opportunities.

Yambah prospects, Northern Territory (KGL 100%)

Preliminary exploration work began on two exploration licences at Yambah, 50km north of Alice Springs in the Northern Territory. KGL announced in April 2015 that they had been acquired due to the close similarity of the mineralisation style and host rocks to Jervois.

The highly prospective tenements contain a base metal zone and copper occurrences that have not been

fully drill tested.

Bashkol (KGL 0%)

KGL has relinquished its shareholding in CJSC Kentor at the end of June which was the Company's sole remaining asset in the Kyrgyz Republic.

Corporate

On the 22nd May Mr Andrew Daley resigned as Chairman and director of the Company.

Managing Director Simon Milroy, on behalf of the Board, thanked Mr Daley for his service and his dedication to the advancement of KGL Resources. "Andrew leaves the company in a strong position with the Jervois project continuing to grow and the company in a sound financial position. We all wish Andrew the very best for the future."

Non-executive director, Mr Chris Bain, will act as company Chairman until a decision is made on Mr Daley's replacement.

On the 28th July Mr. Denis Wood joined the board as an independent non-executive director. Denis is a qualified metallurgist and geologist with over 45 years of experience in the mining industry. Chris Bain, the acting Chairman of the KGL welcomed Denis to the board saying "Denis' extensive experience in the development and operation of significant resource projects along with his background in financing and investment are a welcome addition to the board."

At the end of June 2015, KGL had a cash balance of \$4.78M.

Outlook

An updated pre-feasibility study encompassing the current optimisation work is due to be completed in October. The study is expected to show further improved economic parameters as KGL moves towards the development of Jervois as a significant copper, silver and multimetal mine.

Additional exploration drilling will be undertaken to test the targets generated by the recent 3DIP survey.

To view the full report, please visit:

<http://media.abnnewswire.net/media/en/docs/ASX-KGL-869961.pdf>

About KGL Resources Ltd:

[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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