

ASX RELEASE

17 July 2014

KBL MINING (ASX - KBL) QUARTERLY ACTIVITIES REPORT END 31 JUNE 2014

OVERVIEW

KBL is moving into a new era with the appointment of Brian Wesson as Managing Director of the company. A new strategy and timeline is being finalised and will be released to the market in the coming weeks. We are focused on realising the significant value from the Mineral Hill project.

The Mineral Hill project performed exceptionally well during the quarter:

- Strong production - Copper and Gold production **increased by 95% and 46%** respectively, against the previous quarter.
- Lead concentrate - Modification to the floatation circuit resulted in the first saleable lead concentrate being produced.
- Exploration drilling in the Southern Ore Zone (SOZ) reported significant mineral intercepts during the quarter with the highlight being hole KUSOZ053 that reported an intersection of the A load at **42.5 metres (TW 18.7m) at 2.5% Cu, 18.7% Pb, 10.3% Zn, 132g/t Ag, & 1.4g/t Au (CuEq: 11%¹)**.

Mineral Hill Mine Operations, NSW

PRODUCTION

- **Sustainable SOZ quarterly production performance:**
The June 2014 quarter totals reflect the best 3 month production period KBL has experienced since the commencement of operations. The operations at SOZ in conjunction with the flexibility of the sequential flotation process, continues to produce consistent production results for all contained metals.
 - **Copper (Cu) production up 95% on last quarter:**
1,111 tonnes (t) of Cu in concentrate produced
 - **Gold (Au) production up 46% on last quarter:**
1,466 ounces (oz) of Au in concentrate produced
 - **Lead (Pb) production up 240% on last quarter:**
Record 729 tonnes (t) of Pb in concentrate produced from the newly installed sequential process
 - **Silver (Ag) production up 95% on last quarter:**
Record 48,716 ounces (oz) of Ag in concentrate produced
- **Low Site costs:**
C1 Copper production cost of 1.68\$/lb after credits

¹ CuEq = Copper equivalent calculations detailed at end of report

EXPLORATION

- **Discovery of a new high-grade polymetallic Lode (“A Lode”) from underground drilling at the SOZ**
 - Significant drilling results include:
 - **42.7m at 2.5% Cu, 18.7% Pb, 10.3% Zn, 132g/t Ag, & 1.4g/t Au (KUSOZ053)**
 - **7.05m at 1.5% Cu, 9.2% Pb, 7% Zn, 76g/t Ag, & 4.0g/t Au (KUSOZ060)**
- **Extension to Parkers Hill NE Lodes confirmed**
 - Significant drilling results include:
 - **9m at 1.5% Cu, 0.2% Pb, 0.1% Zn, 9g/t Ag, & 7.8g/t Au (KMHRC144)**
 - **8m at 3.1% Cu, 0.7% Pb, 0.8% Zn, 51g/t Ag, & 2.2g/t Au (KMHRC145)**

SALES

- Three shipments totalling 3,957 dry metric tonnes (DMT) of copper concentrates averaging 28% Cu, 9.7g/t Au and 240 g/t Ag.
- Two shipments totalling 1,498 dry metric tonnes (DMT) of lead concentrates averaging 44% Pb, 3.4g/t Au and 358 g/t Ag

Sorby Hills Silver-Lead Project, WA

The company is focused on the Mineral Hill mine in the short to medium term. Once Mineral Hill mine is producing consistent profits our attention will be focused on the Sorby Hills project as a recent gap analysis indicated that there is not a significant amount of work required to progress the feasibility study.

Given the WA Minister for Environment issuing environmental approval for the Project on 2 April 2014 has opened the way for the completion of licensing and an accelerated development program.

MINERAL HILL MINE, NEW SOUTH WALES (KBL 100%)

Mill and Mine Performance

Mineral Hill Performance						
	Quarter	Jun-14	Mar-14	Dec-13	Sep-13	Jun-13
Ore Mined	t	54,415	64,501	52,614	66,379	78,280
Development metres	m	332	238	236	79	368
Ore Treated	t	66,526	51,382	59,449	62,596	80,141
Cu Grade	%	1.99	1.40	1.47	1.61	1.72
Cu Recovery	%	83.2	80.9	87.9	94.4	89.9
Au Grade	g/t	1.2	0.9	0.6	1.1	0.7
Au Recovery	%	54.5	56.5	67.6	73.5	-
Ag Grade	g/t	35.0	22.3	10.9	3.2	4.6
Ag Recovery	%	65.0	51.8	68.0	67.0	-
Pb Grade	%	2.2	3.0	-	-	-
Pb Recovery	%	50.9	41.0	-	-	-
Cu Concentrate Production	DMT	3,957	2,176	3,082	4,091	5,345
Cu Grade	%	28.09	26.19	24.82	23.17	23.43
Au Grade	g/t	9.71	13.81	8.35	12.70	5.37
Ag Grade	g/t	230	264	140	30	42
Pb Concentrate Production	DMT	1,498	473	-	-	-
Pb Grade	%	43.52	45.60	-	-	-
Au Grade	g/t	3.35	2.20	-	-	-
Ag Grade	g/t	358	382	-	-	-
Contained Metal						
Cu	t	1,111	570	765	948	1,252
Pb	t	729	216	-	-	-
Au	Oz	1,410	966	827	1,671	923
Ag	Oz	48,716	18,480	13,878	3,959	7,166

Table 1: Mineral Hill Mine and Mill Performance

During the quarter operations hit record sustainable productions levels at the recently developed SOZ deposit. The mining of ore from the accessed D and B Lodes was in line with, and in places exceeded the plan. All production ore was consistently sourced from the 60 to 40 level within the SOZ B and D Lodes, with grades for copper and gold being much improved from the March quarter results.

The ore was extracted from both the polymetallic (Cu-Pb-Zn-Ag-Au) and Copper-Gold (Cu-Au) zones within the SOZ Lodes. Stope ore was further supplemented with development ore produced to access stoping areas in line with forecast plans and costs. Table 2 outlines the ore tonnages from each zone during the quarter.

Mineral Hill Performance - June Qtr				
		Total	Copper-Gold	Polymetallic
Ore Treated	t	66526	10269	56257
Cu Grade	%	1.99	0.95	2.19
Recovery	%	83.24	85.48	82.83
Au Grade	g/t	1.16	2.57	0.90
Recovery	%	54.53	73.10	51.14
Ag Grade	g/t	35.02	11.38	39.34
Recovery	%	64.97	46.32	68.37
Pb Grade	%	2.16	0.63	2.43
Recovery	%	50.95	0.00	60.25
Cu Concentrate Production	DMT	3957	334	3623
Cu Grade	%	28.09	24.99	28.38
Au Grade	g/t	9.71	57.80	5.28
Ag Grade	g/t	230.24	162.00	236.53
Pb Concentrate Production	DMT	1498	0	1498
Pb Grade	%	43.52	-	43.52
Au Grade	g/t	3.35	-	3.35
Ag Grade	g/t	358.08	-	358.08
Contained Metal				
Cu	t	1,111	83	1,028
Pb	t	729	0	729
Au	Oz	1,410	620	790
Ag	Oz	48,716	1740	46,976

Table 2: Mineral Hill Mine and Mill Performance for the June Qtr – by ore types

Concentrate production continued without issue from the sequential flotation process implemented in February 2014. This process has continued to give the site great flexibility to process both the Copper-Gold and polymetallic zones within the SOZ and Mineral Hill deposits. Copper concentrate production was some 1800DMT higher than the prior quarter reflecting the consistent processing operations for the SOZ material. Adding to this was significant gold and silver credits along with 1,498DMT of lead concentrate. The quarterly totals reflect an 82% increase in copper concentrate and a further 216% increase for lead concentrate from the March quarter.

Process plant throughputs have ranged from 36tph to 44tph, while recoveries for copper and lead have increased to average 83% and 60% respectively. Gold recoveries have ranged between 51% and 73%, depending on the ore type being processed. Expectations are that the recoveries levels will be maintained, and in certain areas increased due to further process optimisation.

Metal outputs for the quarter were above planned forecasts and significantly elevated from the last quarter results, making the June quarter a record for the company (Copper +95%, Lead +240%, Gold +46% and Silver +164%).

The Mineral Hill operation has continued to maintain a positive focus on lowering operating costs. Operating costs were \$1.68/lb Cu after gold, silver and lead credits for the June quarter.

For the remainder of 2014, the current mine schedule continues to extract stopes from the SOZ B, D and C South Lodes between 80 and 40RL, along with ore from the newly developed Parkers Hill North East lodes. The mine plan for SOZ is expected to supply 18kt to 20kt of ore feed to the processing plant on a monthly basis.

Mineral Hill Exploration

Southern Ore Zone (SOZ) Drilling

As announced on 17 May 2014, a major new polymetallic (Cu-Pb-Zn-Ag-Au) lode ('A Lode') was discovered in the final stages of the SOZ underground drilling program after targeting the footwall zone of the high-grade B Lode where mining activities are currently focused.

The breccia zone hosting the mineralisation has a known strike length in excess of 150m with the best drilling intercepts falling between 115RL and 170RL (approximately 195m and 140m below surface, respectively). Within this zone, the mineralised breccia ranges from 10 to 30m in true thickness and remains open along strike and down dip (Figure 1). The new discovery highlights the exploration upside of the Mineral Hill system, with additional underground drilling currently underway to test this zone.

Results of the drilling include:

- **17.3m at 1.6% Cu, 1.4% Pb, 0.3% Zn, 21g/t Ag & 3.7g/t Au** from 99.7m (KUSOZ053)
including 5.35m at 3.6% Cu, 1.8% Pb, 0.3% Zn, 43g/t Ag & 9.3g/t Au from 101m
- **9.55m at 2.5% Cu, 0.3% Pb, 0.2% Zn, 13g/t Ag & 0.9g/t Au** from 126.1m (KUSOZ053)
- **42.7m at 2.5% Cu, 18.7% Pb, 10.3% Zn, 132g/t Ag & 1.4g/t Au** from 150m, (KUSOZ053)
including 25m at 3.1% Cu, 26.8% Pb, 13.3% Zn, 183g/t Ag & 0.9g/t Au from 152m
- **34m at 1.1% Cu, 4.5% Pb, 4.5% Zn, 43g/t Ag & 0.4g/t Au** from 128m (KUSOZ054)
including 11.6m at 1% Cu, 7.6% Pb, 9.1% Zn, 72g/t Ag & 0.2g/t Au from 128m,
and 1.7m at 8.8% Cu, 15.8% Pb, 4.6% Zn, 168g/t Ag & 0.2g/t Au from 151.15m
- **7.05m at 1.5% Cu, 9.2% Pb, 7.0% Zn, 76g/t Ag & 4.0g/t Au** from 154.1m (KUSOZ060)
- **4m at 0.4% Cu, 2.1% Pb, 2.0% Zn, 20g/t Ag & 2.4g/t Au** from 173m (KUSOZ060)
- **23.6m at 0.6% Cu, 4.8% Pb, 3.8% Zn, 40g/t Ag & 1.9g/t Au** from 144m (KUSOZ061)
including 5.2m at 0.7% Cu, 9.4% Pb, 7.7% Zn, 80g/t Ag & 0.5g/t Au from 144m,
and 6m at 1% Cu, 6.4% Pb, 4.8% Zn, 45g/t Ag & 1.1g/t Au from 151m,
and 10m at 0.3% Cu, 2.4% Pb, 1.4% Zn, 22g/t Ag & 3.4g/t Au from 157.6m

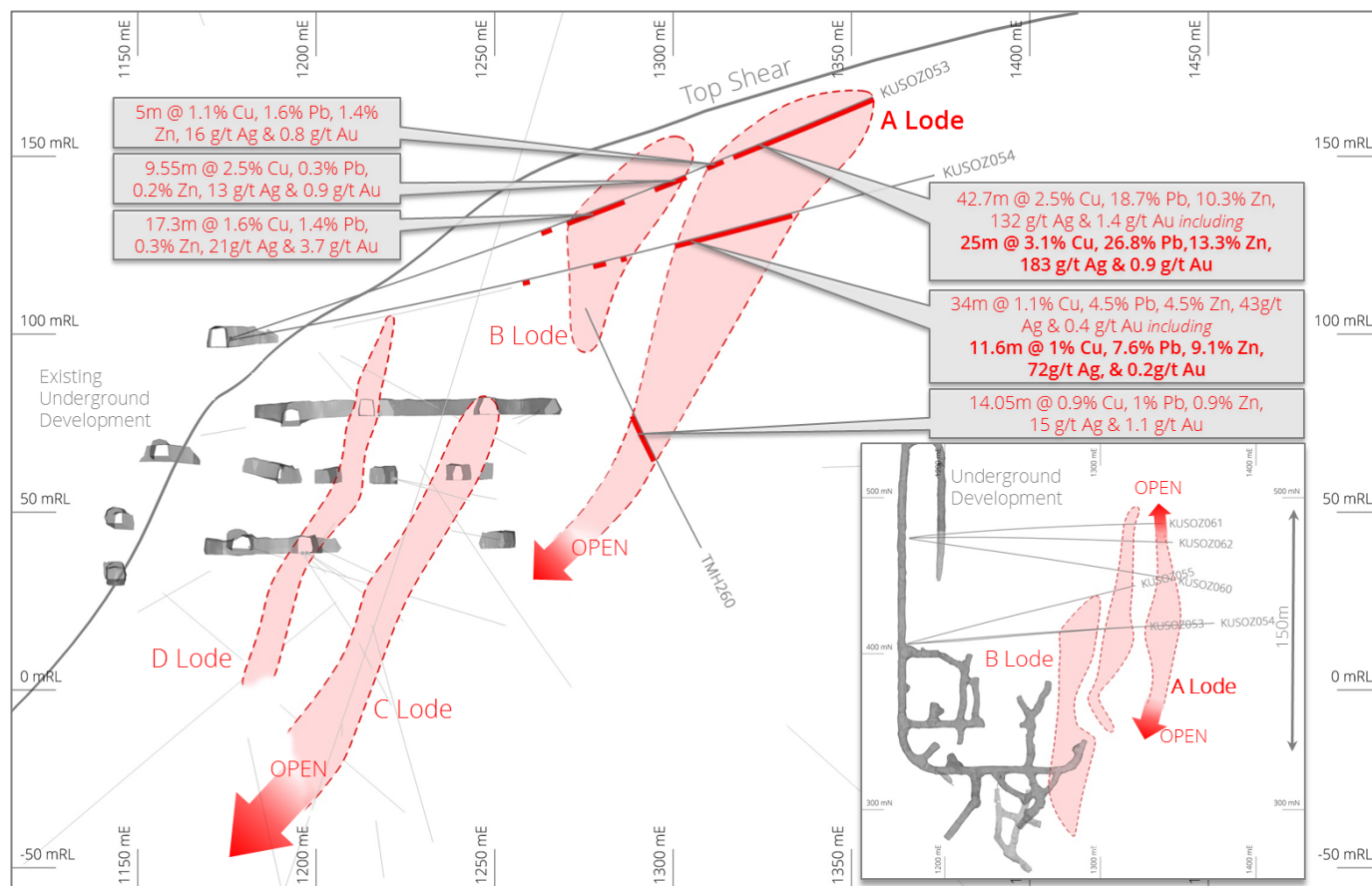


Figure 1. Cross section through 410mN illustrating drilling results from the recently discovered A Lode at SOZ. Inset: Plan illustrating A and B Lodes at 135mRL (Note: Drillholes and 100RL underground workings are projected for reference).

Parkers Hill North East Drilling

On 19 June 2014 the Company announced that surface drilling at Parkers Hill North East intersected high grade polymetallic mineralisation confirming a significant northeast extension to the Parkers Hill system. Defining an additional 80m strike length, drilling established continuity of the prominent structural corridor between 150RL and 220 RL (approximately 160 and 90m below surface, respectively), which remains open along strike and adjacent to existing underground development (Figure 2).

Results of the drilling include:

- **9m at 1.5% Cu, 0.2% Pb, 0.1% Zn, 9g/t Ag, & 7.8g/t Au** from 133m (KMHRC144)
- **8m at 3.1% Cu, 0.7% Pb, 0.8% Zn, 51g/t Ag, & 2.2g/t Au** from 135m (KMHRC145)
- **5m at 2.7% Cu, 1.3% Pb, 0.2% Zn, 30g/t Ag, & 0.2g/t Au** from 81m, and
- **7m at 2.3% Cu, 0.3% Pb, 0.6% Zn, 6g/t Ag, & 1.9g/t Au** from 124m (KMHRC148)

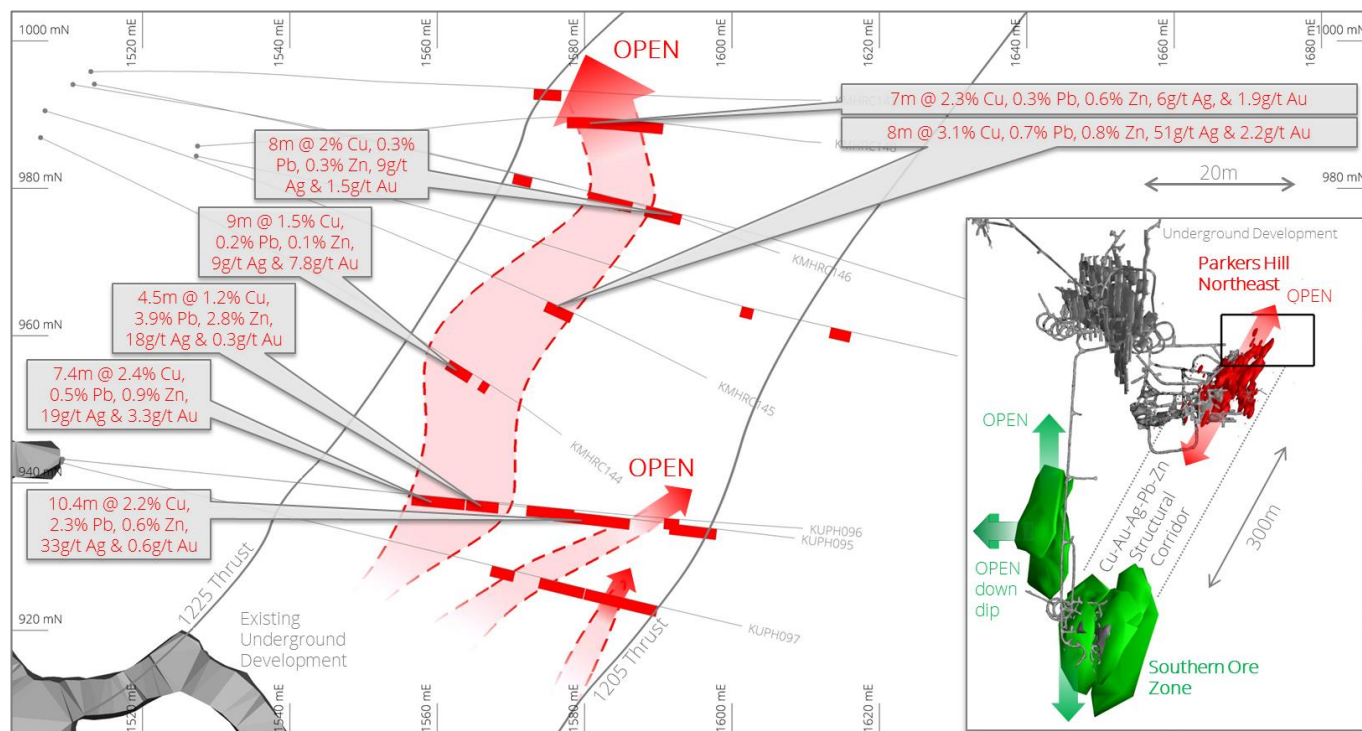


Figure 2. Schematic plan through 185RL $\pm 20\text{m}$ (approximately 125m below surface) illustrating results from recent surface & underground drilling (intersections reported as down hole thickness). Inset: Mineral Hill Plan illustrating the interpreted Cu-Au-Ag-Pb-Zn structural corridor between Parkers Hill and SOZ.

SORBY HILLS, WESTERN AUSTRALIA (KBL 75%)

Project and Approvals

The Sorby Hills Project, located in the East Kimberley Region of Western Australia, is a joint venture between KBL 75% (Manager) and Henan Yuguang Gold & Lead Co., Limited 25% (Yuguang). Yuguang was established in 1957 and is the biggest electrolyzed lead and silver producer in China and was listed on the Shanghai Stock Exchange (exchange code: 600531) in 2002.

The Project consists of nine shallow high grade deposits within a linear north-south mineralised trend extending over a 10 kilometre strike length. To date, the total Resource of the trend as defined by KBL stands at **16.7 Mt at 4.5% Pb, 0.7% Zn and 52 g/t Ag**, which is sufficient to support a multi decade operation.

In November 2013, KBL announced a maiden Ore Reserve estimate for the Sorby Hills DE deposit, one of several deposits contained within the 10km long trend. The Probable Ore Reserve of **2.4 Mt @ 5% lead and 54g/t silver²** (applying a cut off of 2% lead), underpins the plan for an initial 10 year open cut operation, processing over 400ktpa. In conjunction with the Reserve, a new Mineral Resource estimate for DE Deposit totalled **5.8 Mt @ 3.5% lead, 0.4% zinc and 41g/t silver³** (applying a cut off of 1% lead). The Mineral Resource is inclusive of the Ore Reserve and consists of both Indicated and Inferred Mineral Resources.

Following the environmental approval, announced on 3 April 2014, the Joint Venturers are aiming to commence Stage 1 development activities targeting a 400,000 tonne per annum open pit mining operation

² Reserve estimate released 29 November 2013

³ Updated Resource estimate released 29 November 2013

producing 20,000t lead and 710,000oz silver in concentrates per annum over a 10 year mine life. This is based on the C and DE Deposits which will only utilise 27% of the global resource base.

KBL Mining completed a pre-feasibility study ('PFS') for Stage 1 development in late 2012, based on a conventional open cut mine and sulphide flotation concentrator operation which confirmed the economic viability of the project. Based on the pre-feasibility modelling the pre-tax net present value ('NPV') of Sorby Hills Stage 1 is \$132 million.

The study revealed a low capital cost estimate of \$70 million (excluding mobile plant and equipment) which is due largely to the close proximity of crucial infrastructure requirements. Furthermore, limited initial overburden stripping is required to expose first ore for production and the convention plant size and design is readily available.

A low operating cost of an expected A\$0.21/lb (net of silver credits) is supported by low cost open cut mining, low crushing and grinding costs for the carbonated hosted ore, high metallurgical recoveries and well developed infrastructure including a Kununurra based workforce.

During 2014, the Joint Venturers are progressing the Bankable Feasibility Study and applying for mining permits and operational licences in preparation for financing, construction and operations.

KBL expects a range of funding options will be available for its share of the development costs due to the robust project economics, the low risk of development and operating parameters, well developed infrastructure, proximity to port, and strong international demand for the offtake. The development task will be assisted by the Company's operating experience and expertise already in place with the Mineral Hill operation and the support of its 25% Joint Venture partner, Yuguang with its large lead, zinc and copper smelting facilities in China.

For further information, please contact:

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About KBL Mining

KBL Mining is an Australian resource company listed on the ASX (KBL and KBLGA) with a focus on producing precious and base metals. KBL's main assets include the Mineral Hill copper-gold-silver-lead-zinc mine near Condobolin in New South Wales and Sorby Hills lead-silver-zinc project in Western Australia. The Company has been operating the refurbished processing plant at Mineral Hill since October 2011 to produce copper concentrates. Sorby Hills (KBL holds 75% with Henan Yuguang Gold & Lead Co. Ltd (HYG&L) holding 25%) is one of the world's largest near surface undeveloped silver-lead deposits, close to port infrastructure and a short distance from Asian markets. The project received environmental approval on 2 April 2014 and the Joint Venturers are now progressing the Project to development

More information can be found on KBL's website at www.kblmining.com.au.

Competent Persons Statement

The information in this report that relates to Exploration Results and Exploration Targets, Mineral Resources and Ore Reserves based on information compiled by Anthony Johnston, MSc (Hons), who is a Member of the Australasian Institute of Mining and Metallurgy and is a full-time employee of the Company. Anthony Johnston has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity 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 Johnston consents to the inclusion in the announcement of the matters based on his information in the form and context that the information appears.

Copper Equivalent Calculation:

This release makes a number of references to metal equivalents. It is the Company's opinion that all elements included in the metal equivalent calculation have a reasonable potential to be recovered based on metallurgical testwork and operational experience from the Southern Ore Zone (SOZ).

Cu Equivalent (CuEq%) = Cu% + 0.25*Pb% + 0.24*Zn + 0.007*Ag g/t + 0.44*Au g/t

The following metal prices, exchange rates, metal recoveries and payabilities were used in the estimation of "net payable ore value per tonne" and for the calculation of a copper equivalent.

Metal	Unit	Recovery	Payability	Price US\$
Cu	t	85%	96%	7,130
Pb	t	70%	95%	2,180
Zn	t	70%	85%	2,300
Ag	oz	70%	90%	21
Au	oz	65%	93%	1,300
Exchange Rate				0.93