

QUARTERLY ACTIVITIES REPORT END 31 DECEMBER 2014

PRODUCTION HIGHLIGHTS

Copper Produced

31 Dec 2014	407 t
30 Sept 2014	709 t
30 Jun 2014	1,111 t
31 Mar 2014	570 t

Gold Produced

31 Dec 2014	1,053 oz
30 Sept 2014	768 oz
30 Jun 2014	1,410 oz
31 Mar 2014	966 oz

Silver Produced

31 Dec 2014	17,970 oz
30 Sept 2014	24,822 oz
30 Jun 2014	48,716 oz
31 Mar 2014	18,480 oz

Lead Produced

31 Dec 2014	372 t
30 Sept 2014	326 t
30 Jun 2014	729 t
31 Mar 2014	216 t

Zinc Produced

31 Dec 2014	66 t
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Total C1 Cash Costs (After metal credits)

31 Dec 2014	\$4.37/lb
30 Sept 2014	\$2.60/lb
30 Jun 2014	\$1.65/lb
31 Mar 2014	\$2.73/lb

LISTED SECURITIES

As at 31 Dec 2014

Ordinary Shares	393,535,629
Convertible Notes	28,954,516

KEY POINTS

- USD 21 million funding from Quintana Minerals Corporation is in final technical, financial and legal confirmatory due diligence, target closing February 2015
- The Company is well advanced in the development of the revitalisation plan as communicated to shareholders on 17 July 2014
- 20 Level accessed, opening significant reserves on the D, C, and B lodes
- The well-delineated gold bearing G lode is now only 20 metres below the current decline elevation
- First independent zinc and lead concentrates successfully produced from the A lode on 40 level
- Strong Exploration drilling results reported during the quarter in the A and D lodes

Mineral Hill

- Key mine development increased by 56% against the previous quarter
- Exploration drilling on surface and underground totalled 1,359 metres for the quarter drilling in the Southern Ore Zone
- Construction of the gold plant is scheduled to commence immediately on completion of the Quintana funding

Sorby Hills Project

- As per the strategic plan, Sorby Hills will be advanced once the Mineral Hill project is refinanced and the plan under development



OVERVIEW

KBL have been focused on moving the Company forward in line with the plan announced to shareholders on 17 July 2014. (The 'Plan')

KBL announced on 23 December 2014, the Company signed a Term Sheet for a USD 21 million prepayment financing. The Company further announced on 30 January 2015 that Quintana is in the final stages of completing due diligence and negotiating contractual agreements. Completion is expected in February 2015. The funds will be used for the reinstallation of the CIL gold plant, repayment of the Capri debt, general capital and working capital.

Ore tonnes produced during the quarter were on budget while ore grades have been below expectations. Planned Development accessing additional ore bodies was achieved during the quarter.

Development has opened up the A lode on 40 level to the north and south which is proving to have strong structural and grade continuity of lead and zinc. Metallurgical tests have been carried out in the laboratory and a bulk sample has been processed, indicating the ore is amenable to delivering saleable concentrates of lead and zinc parcels.

The Southern Decline has accessed the 20 development level and was at the 15 level at the end of the quarter. (295 metres below surface) This now provides access to the deeper southerly plunge of the lodes where elevated gold and copper grades have been intersected in drilling. The access development into the B and C lodes on the 20 level is underway and development of the D lode will follow in February, from the main decline close to 15 level.

The decline will be further developed in the coming quarter to access the strong gold bearing G lode which was the primary focus of a 6,000+ metre Southern Ore Zone drilling programme completed in 2013-14. The decline will also provide access for continued drilling of the depth extension of the southerly plunging lodes.

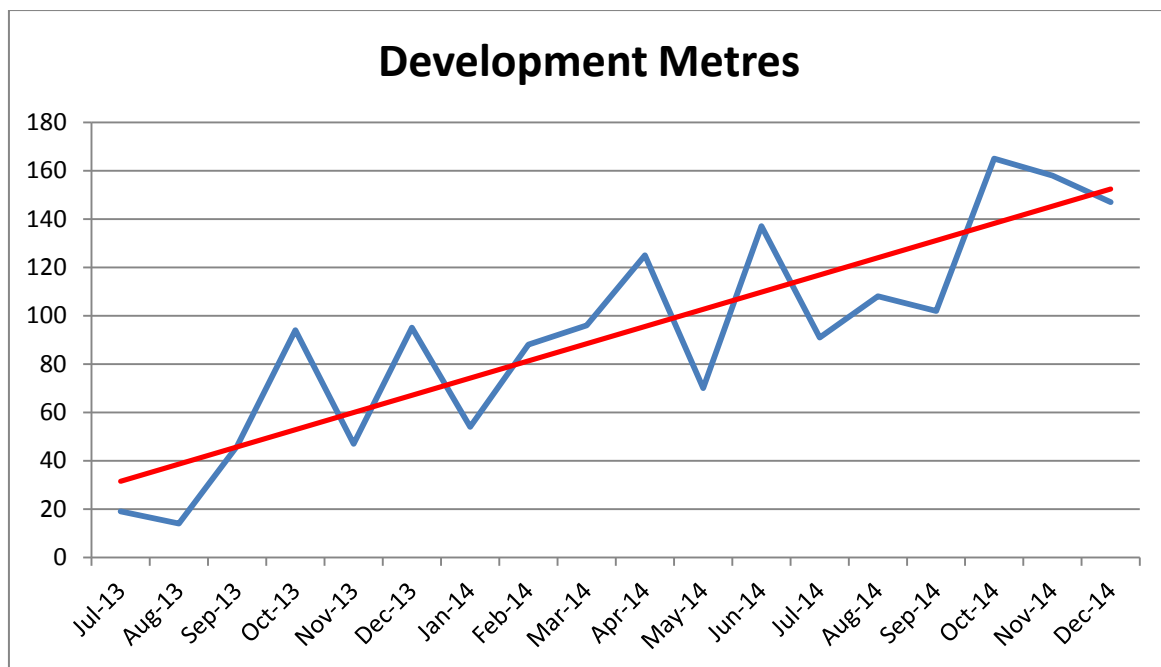
MINERAL HILL MINE, NEW SOUTH WALES (KBL 100%)

Mill and Mine Performance

Mineral Hill Performance						
	Quarter	Dec-14	Sep-14	Jun-14	Mar-14	Dec-13
Ore Mined	t	61569	56,550	54,415	64,501	52,614
Development metres	m	470	301	332	238	236
Ore Treated (Cu/Pb/Au)	t	53102	55,346	66,526	51,382	59,449
Cu Grade	%	0.97	1.51	1.99	1.40	1.47
Recovery	%	80.1	85.0	83.2	80.9	87.9
Au Grade	g/t	1.15	0.7	1.2	0.9	0.6
Recovery (by weight)	%	56.3	58.9	54.5	56.5	67.6
Ag Grade	g/t	14.81	20.0	35.0	22.3	10.9
Recovery (by weight)	%	56.7	68.5	65.0	51.8	68.0
Pb Grade	%	0.79	1.1	2.2	3.0	-
Recovery	%	47.6	52.8	50.9	41.0	-
Ore Treated (Pb/Zn)	t	6168.0	-	-	-	-
Pb Grade	%	3.4	-	-	-	-
Recovery	%	83.0	-	-	-	-
Zn Grade	%	2.1	-	-	-	-
Recovery	%	50.0	-	-	-	-
Au Grade	g/t	0.6	-	-	-	-
Recovery (by weight)	%	55.0	-	-	-	-
Ag Grade	g/t	24.0	-	-	-	-
Recovery (by weight)	%	65.0	-	-	-	-
Cu Concentrate Production	DMT	1478	2,559	3,957	2,176	3,082
Cu Grade	%	27.58	27.72	28.09	26.19	24.82
Au Grade	g/t	17.24	8.13	9.71	13.81	8.35
Ag Grade	g/t	212	201	230	264	140
Pb Concentrate Production	DMT	923	773	1,498	473	-
Pb Grade	%	40.31	42.06	43.52	45.60	-
Au Grade	g/t	7.89	4.00	3.35	2.20	-
Ag Grade	g/t	257	332	358	382	-
Zn Concentrate Production	DMT	177				
Zn Grade	%	37.30				
Ag Grade	g/t	54.00				
Contained Metal						
Cu	t	407	709	1,111	570	765
Pb	t	372	326	729	216	-
Zn	t	66				
Au	Oz	1,053	768	1,410	966	827
Ag	Oz	17,970	24,822	48,716	18,480	13,878

Table 1: Mineral Hill – Detailed Mine and Mill Performance

During the quarter mining operations focussed on an intensive development phase (metres realised a 56% increase from the September quarter – Graph 1 includes historical development rates) to ensure the budgeted ore and production plans for 2015 are achieved. The future plan sees underground ore coming from the SOZ A, B, C and D lodes through to the commencement of the open cut Pearse pit in the second half of 2015. Both open cut and underground ore is then campaigned through the process plant to produce separate copper, lead, zinc and gold concentrates as well as gold bullion.



Graph 1: Increase in development to open up stoping areas for 2015 production

Development included:

1. Advancement of the main SOZ decline to below 20 level, along with ore level development – to allow access and stoping of high grade copper – gold ore that are the depth extensions of the B and C lodes. Stoping is planned for the February 2015
2. Access and ore level development into the A lode on 40 level – to allow access to high grade lead – zinc ore. The first A lode stope is being mined in January 2015
3. Drilling platforms on the 80, 40 and 20 levels for additional exploration works

Ore production was extracted from the copper-gold (Cu-Au), the polymetallic (Cu-Pb-Zn-Ag-Au) and lead-zinc (Pb-Zn) zones within the SOZ Lodes, along with copper-gold ore from the Parkers Hill North East lode (PHNE).

Mining operations in SOZ specifically accessed ore from the A, B, C and D Lodes. All production ore was consistently sourced from the 40 and 20 levels within the SOZ A, B, C and D Lodes. Ore grades were generally in line with expectations for both base and precious metals.

Mining operations in the PHNE lodes were significantly impacted by shear zone geometry and poor grade distribution within the ore body. Ore from the PHNE lodes did not meet grade expectations due to unplanned dilution and geological complexity. This resulted in low grades and low recoveries.

Concentrate production for both copper and lead, continued from the sequential flotation process. This process has continued to give the site the flexibility to process both the copper-gold and polymetallic zones within the SOZ and Mineral Hill deposits.

A full scale, plant trial was undertaken in December to campaign A lode ore through the existing process plant to produce both lead and zinc concentrates. The trial involved the existing copper circuit being changed to a zinc circuit for the first 12 days of December, hence copper production was purposely suspended. While impacting copper production this process allowed the A lode metallurgy to be better understood and for the A lode to be included in the near term mine plan.

From the success of the trial, future plans now include plant modifications to allow for copper, lead and zinc concentrates to be sequentially produced without the need for any particular product stoppages. Plans are currently well advanced, with final modifications expected to be undertaken in the first half of 2015.

The quarterly production reflected the position of the mine with regards to access development works, the plant trial and in line with the particular zone of the ore body being mined. Copper concentrate production was 1,478DMT, while a further 923DMT of lead concentrate and 177DMT of zinc concentrate were realised. Adding to this was significant gold (1,053 ounces) and silver (17,970 ounces) credits.

Process plant throughputs have continued to be pushed at 42-44 tonnes per hour. Recoveries have also been maximised depending on the ore being fed. Metal outputs for the quarter were above budget for lead, zinc and silver (lead +13%, Zinc +100%, Silver +48%), while copper and gold were down. (Copper -33%, Gold -28%)

The Mineral Hill operation has continued to maintain a focus on improving profitability. During the quarter, operating costs were reduced by 5% against budget

For 2015, the planned mine schedule continues to extract stopes from the SOZ B, D and C South Lodes between 40 and 20RL, along with lead and zinc ore from the SOZ A lodes. The mine plan for SOZ is expected to supply 18kt to 20kt of ore feed to the processing plant on a monthly basis, ramping up to 28kt towards the end of 2015.

Works on the Pearse CIL design and implementation program were ongoing during the quarter. Construction is now expected to commence on the completion of the funding in early 2015.

Mineral Hill Exploration

First A Lode Access

First access to the A Lode was established during the quarter with the completion of a cross cut at 40RL, approximately 270 metres below surface. The exposure increased confidence in grade continuity and improved geological understanding in support of mine planning. Assay results from wall samples along the access drive were received with significant results presented below (as released 11 November 2014).

Table 1. Significant results from the recent 40RL cross cut through A Lode

Hole	Interval (m)	Cu %	Pb %	Zn %	Ag g/t	Au g/t	From (m)	Estimated True Thickness (m)
SOZ1040_290E_RWALL	17	0.4	7.4	3.5	56	0.6	5	11.5
<i>including</i>	6	0.8	16	4.9	89	1.1	5	4.05
SOZ1040_290E_LWALL	20	0.3	5.2	3	44	0.5	1	13.5
<i>including</i>	5	0.4	11.3	4.4	78	1.2	9	3.4

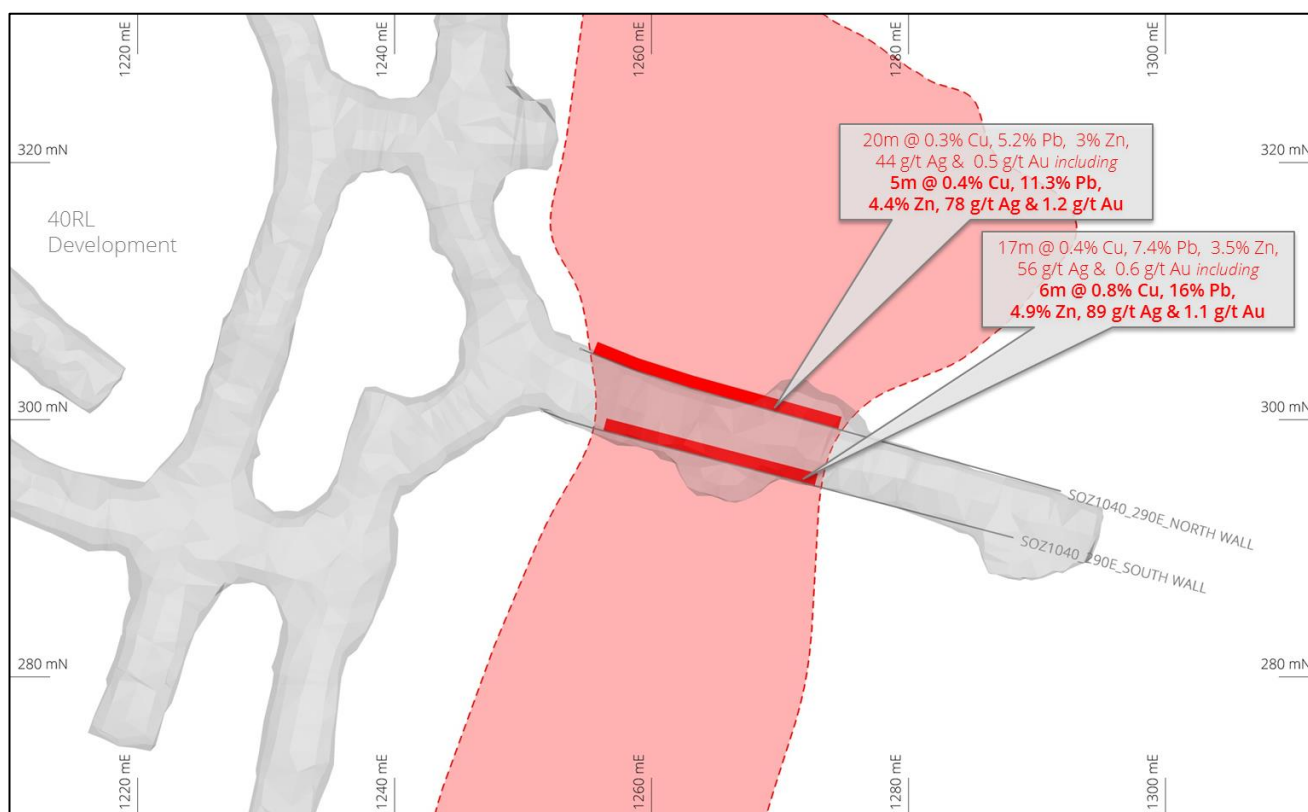


Figure 1. Schematic plan illustrating the 40RL level development and significant results from wall sampling of the cross cut

Southern Ore Zone (SOZ) Drilling

Aided by new and improved access, underground and surface drilling continued to infill and extend the polymetallic (Cu-Pb-Zn-Au-Ag) A Lode breccia zone, in the footwall of the SOZ system. The known extent of A Lode is now defined by drilling over a strike length of 350m, a vertical depth of 200m and a width of between 10 and 40m. Results from drilling during the quarter are presented below (as released 28 October 2014).

Table 2. Significant intersections from recent underground drilling at A Lode

Hole	Interval (m)	Cu %	Pb %	Zn %	Ag g/t	Au g/t	From (m)	Estimated True Thickness	
KUSOZ066	2	2.1	0.6	1.2	24	0.2	122.2	0.91	
	16.1	2.2	2.5	3.5	44	1.4	132.2	7.31	
	<i>including</i>	3.5	7.6	7.2	9.9	115	3.8	139	1.59
	<i>and</i>	3.8	0.7	2.2	4.2	36	1	144.5	1.74
	3.9	0.6	1.2	1.8	31	1.4	151	1.79	
	5	0.1	1.8	1.1	16	4	164	2.3	
KUSOZ067	0.65	0.3	1.5	4.1	28	0.2	60	0.19	
	0.7	2.2	6.4	1.5	149	0.3	111	0.2	

Table 3. Significant intersections from recent surface drilling at A Lode

Hole	Interval (m)	Cu %	Pb %	Zn %	Ag g/t	Au g/t	From (m)	Estimated True Thickness	
KMHDD021	1.9	1.4	7.5	3.6	61	2	156.6	1.77	
	<i>including</i>	1	2.3	14.3	6.7	113	1.9	157.5	0.93
	1	0.9	1.7	0.8	21	1.6	189	0.94	
KMHDD023	3	2	0.2	0.3	25	1	151	2.61	
	1	0.2	2.8	2.5	26	1.4	159	0.87	
	7.3	0.7	7.4	6.9	46	0.8	165.7	6.36	
	<i>including</i>	3.5	1.4	12.8	8.7	69	1	165.7	3.05
	1	0.1	2.4	5.1	14	0.2	175	0.87	
	2.4	0.6	4.6	2.7	25	0.5	179.6	2.1	
	4.45	1	2.6	0.3	48	1.2	197.55	3.9	
	<i>including</i>	2.6	1.2	3.6	0.3	73	1.6	199.4	2.28
	2	0.5	0	0.1	16	3.6	212	1.76	

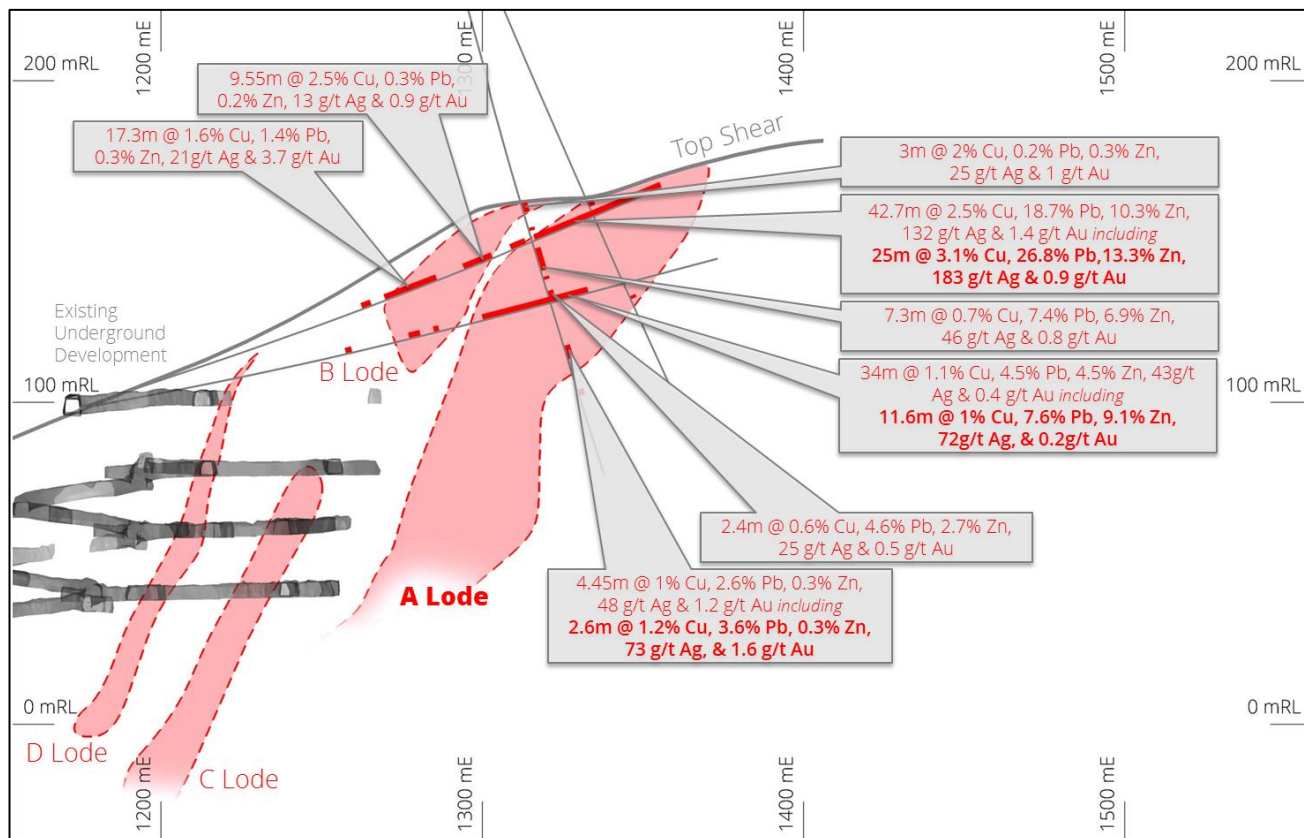


Figure 2. Schematic cross section through 410mN (±20m) illustrating the recent A Lode drilling intersections

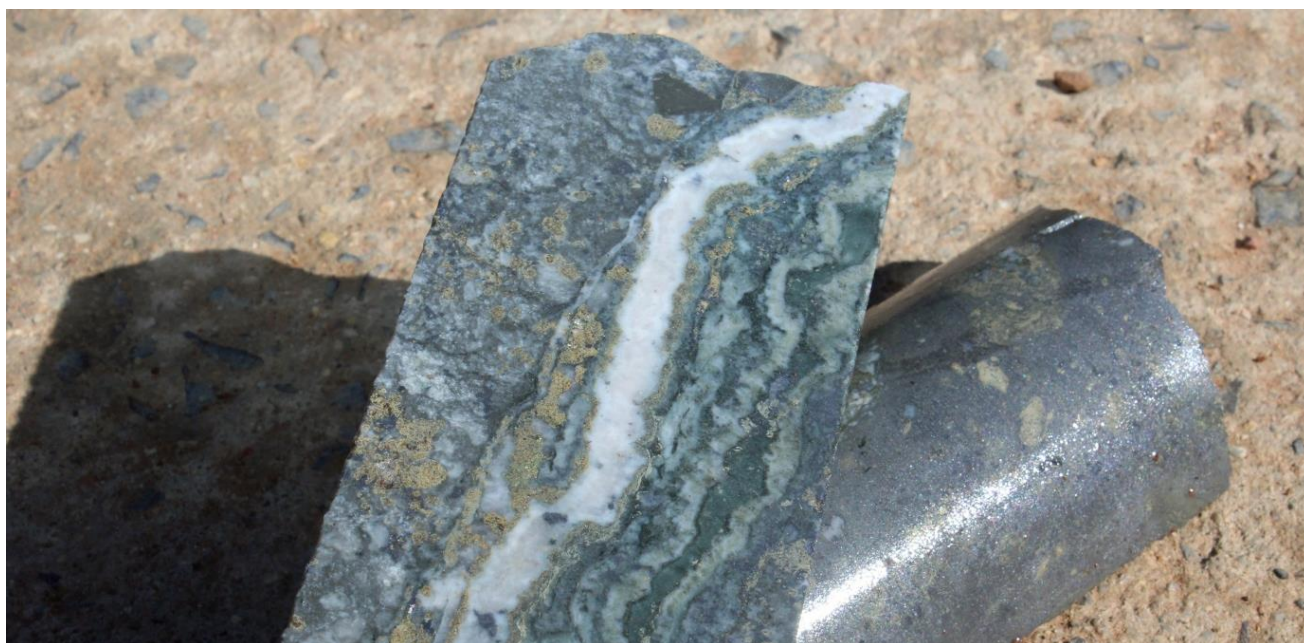


Figure 3. High grade polymetallic mineralisation intersected by surface drill hole KMHDD023, including massive galena (lead sulphide)

The SOZ system remains open down plunge to the south where potential extensions to mineralisation were most recently affirmed by the intersection of high grade gold-silver lenses within D Lode at 20RL (Figure 4). These results were released on 22 January 2015 and included:

- **29.3m at 1.1% Cu, 2% Pb, 0.5% Zn, 85 g/t Ag & 2.7 g/t Au including 11m at 2.1% Cu, 1.2% Pb, 0.2% Zn, 21 g/t Ag & 2.7 g/t Au and 7.4m at 267 g/t Ag & 3 g/t Au (KUSOZ072A)**

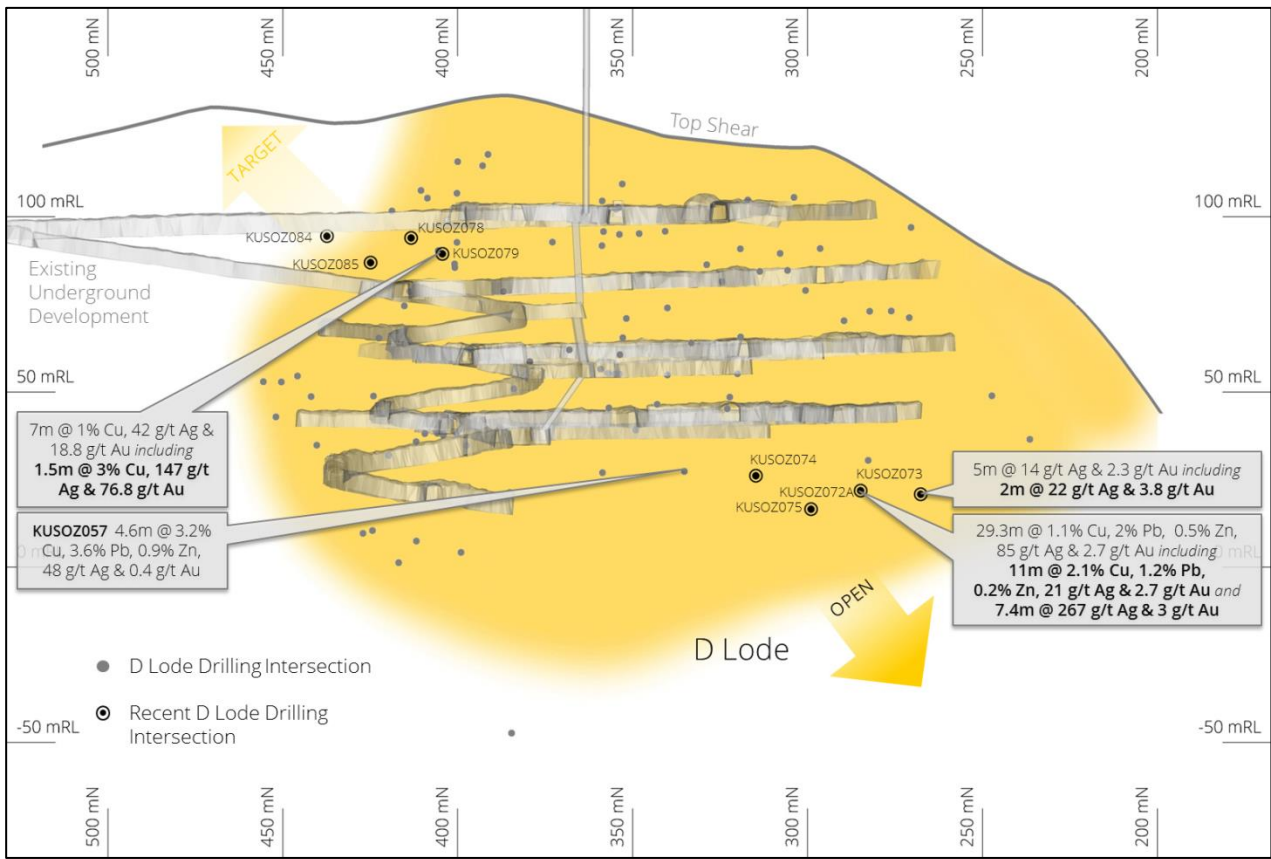


Figure 4. Schematic long section through D Lode, showing the most significant results of drilling during the December Qtr 2014 (assay results were released on 22 January 2015)

SORBY HILLS, WESTERN AUSTRALIA (KBL 75%)

During the quarter, KBL signed an “Agreement of Understanding” with the Western Australian Minister for Lands to create the framework for the Sorby project to move forward.

The agreement allows for access by The Proponent of the Ord River Stage 2 development and the Western Australian Government to construct irrigation channels and drainage control over the surface of the Mining tenement.

The Deed specifies that there will be no limitations of access to these areas required for future mining operations and costs will be the responsibility of the Company.

The Deed also formalises road access through the mining tenements by vehicular traffic.

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; listed on the Shanghai Stock Exchange in 2002 (exchange code: 600531), and is the biggest electrolyzed lead and silver producer in China.

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 Ag¹**, which has the potential to support a multi decade operation.

In late 2013, KBL announced a maiden Ore Reserve estimate for the Sorby Hills DE deposit. 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.

While the Company is focused on the Mineral Hill mine for short to medium term production the Sorby Hills project is the focus for development of new long life lead-silver production. A recent gap analysis indicated that there are no significant issues for the project to progress to a full feasibility study.

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 off take. 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.

The receipt of environmental approval for the project from the WA Minister for Environment; Heritage in April 2014 has opened the way for the completion of licensing and an accelerated development program.

¹ Resource Estimate released 22 December 2011

² Reserve estimate released 29 November 2013

³ Updated Resource estimate released 29 November 2013

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 Owen Thomas, BSc (Hons), who is a Member of the Australasian Institute of Mining and Metallurgy and is a full-time employee of the Company. Mr Thomas 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 Thomas consents to the inclusion in the announcement of the matters based on his information in the form and context that the information appears.