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## Market Update

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**KBL Mining Limited (ASX: “KBL” or “the Company”) is pleased to announce that the 2015 Share Purchase Plan (“SPP”) which closed on Friday 6 February, has raised in excess of two million dollars. Further to this, the Quintana transaction documents are in final negotiation for the funding of USD21 million in pre purchased metal arrangement, with a target for completion on the Capri Loan repayment date in mid-March.**

### Mineral Hill Mine

The December 2014 quarter saw excellent progress in underground development and, while ore tonnage produced was on target, ore grade and recovery was below expectations. A highlight for the quarter was a full plant trial campaigning lead and zinc ore through the process plant. The trial was successful but did show the circuit needs modifications, such as a zinc cleaner. The circuit changes have now been made using the existing plant equipment and a second campaign was processed in early February, with good quality saleable concentrates for both lead and zinc being produced from the A lode ore.

Even though the SPP was delayed and restructured as a consequence of the selling of large volumes of shares by a major shareholder, KBL has moved ahead with the development of the A lode, opening access both to the north and south on the 40 level and creating large mining blocks with up to 60 to 75 thousand tonnes of available stoping ore. This is the first time Mineral Hill has had significant tonnes per vertical metre in the life of the operation. The current process plant operates at 850 to 1,000 tonnes per day which highlights the significance of the A lode to production forecasts for the first quarter of 2015 and into the future. There continues to be some risk in areas of the A lode with infill drilling required to establish high confidence in lead and zinc grade. Part of the SPP funding will be deployed to carry out this drilling to assist in better defining the mining areas and improve mine planning.

During the first week of February the plant processed a further 6,854 tonnes of zinc- lead ore and with the zinc cleaning circuit in place it proved to be very successful delivering 410 tonnes of lead concentrate at approx. 50% lead and 245 tonnes zinc concentrate at approx. 54% zinc.

KBL will now move ahead with the part installation of a separate zinc circuit. This will involve the installation of a refurbished 8 metre zinc concentrate thickener and associated equipment. This will further streamline the process plant operations and eliminate the need to share the copper thickener for zinc concentrate.

## Copper-Gold

Over the last quarter KBL established the Southern Ore Zone (“SOZ”) decline to below 15RL which allowed access to the 20 level B and C lodes. Strong gold and copper mineralised zones within these lodes are to provide up to 45,000 tonnes of copper-gold stope ore. Site operations are currently in the process of blasting the first slots and sustainable levels of production will start from this area in early March 2015. This area is very encouraging as it has a high level of exploration drill holes and the development ore processed last month had an average copper grade of 1.5%, with up to 3g/t of gold.

The decline advancement to below the 20 level will also allow access to the first development level for G lode, with access development expected to commence early in April 2015. The development also provides drilling platforms for the extensions of the SOZ lodes, which a component of the SPP funds will cover.

Brian Wesson, Managing Director commented *“The company is on track with the strategic plan and underground development has increased t over the monthly budget plan, while the ore blocks being extracted from A lode - 40 level and B/C lodes - 20 level in SOZ are on plan.”*

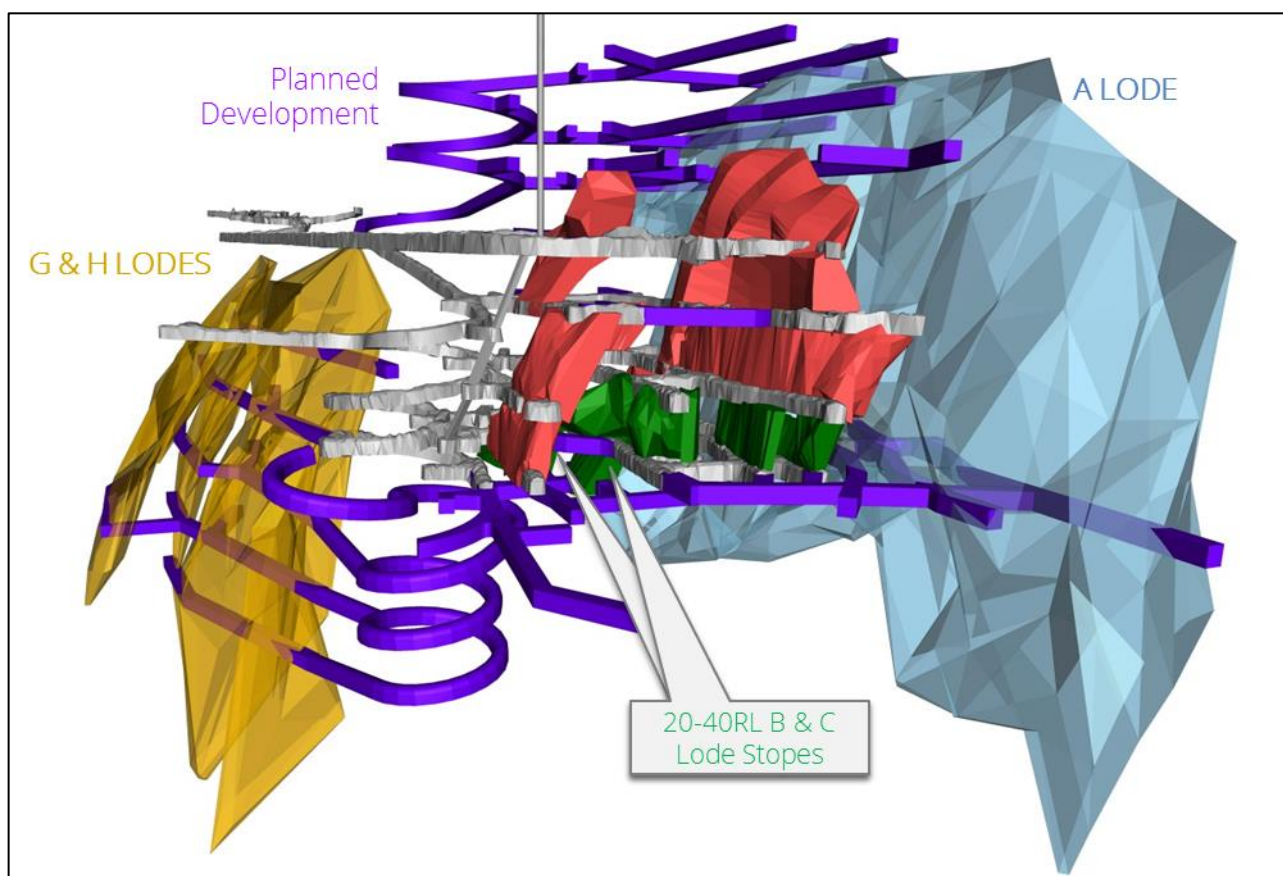


Figure 1. Southern Ore Zone oblique view looking northeast illustrating current and planned production stopes (green) relative to existing stope voids (red). The advancement of the decline below 20RL will allow access to the first level of G Lode (yellow), with level development expected to commence in April 2015. Note planned development is depicted in purple.

**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-gold concentrates and in 2013 commenced producing a separate lead-silver concentrate. Sorby Hills (KBL holds 75% with Henan Yuguang Gold & Lead Co. Ltd (HYG&L) holding 25%) is a large near surface undeveloped silver-lead deposit close to port infrastructure and a short distance from Asian markets. A PFS for stage 1 of the project (400,000tpa open cut ore processed) was released on 6 December 2012 Environmental approvals for stage 1 were granted in 2014. A BFS is in progress to be followed by project financing.*

*More information can be found on KBL's website at [www.kblmining.com.au](http://www.kblmining.com.au).*

### ***Competent Persons Statement***

*The information in this report that relates to drilling results is based on information compiled by Owen Thomas, BSc (Hons), who is a Member of the Australian 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.*