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Company Announcements Office
Australian Securities Exchange
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Letter to Shareholders and Noteholders

Attached is a copy of a letter which is being dispatched today to all shareholders and noteholders.

A handwritten signature in black ink, appearing to read 'Ivo Polovineo'.

Ivo Polovineo
Company Secretary

1 April 2015

Dear Shareholder/Noteholder

On 4 August 2014 I wrote to you to introduce myself as your new Managing Director and I articulated my strategy to move KBL Mining Limited (“KBL” or “the Company”) forward, despite the challenges faced by KBL and its shareholders in the past. I am pleased to write to you today to let you know that we have implemented that plan and have, in my view, positioned your Company for a sound future. I stated in my letter that my focus is, and always will be, the creation of shareholder value and I believe that over the past few months we have equipped KBL with the tools necessary to unlock that value.

I would like to take this opportunity to welcome the 3 nominees of the Quintana Minerals Corporation Group (“Quintana”) to the KBL Board. The 3 new Directors bring a wealth of experience and contemporary knowledge to KBL and we look forward to a long and prosperous relationship. We appreciate the support of Quintana during the last tumultuous 4 months, and their demonstrated confidence in the future and assets of your Company.

As of the 16 March 2015 your Company:

- Has repaired the balance sheet which was both a risk to KBL’s business and restrained KBL from investing capital expenditure in its projects
- Has removed the Capri/Kidman issue from preventing KBL’s refinancing
- Has secured finance for considerable upgrades to the Mineral Hill operation

Capital Structure

When I first wrote to you, KBL was burdened by significant debt that risked the continued viability of the Company and restricted the Company from investing in its assets to unlock the value thereof. The most pressing issues were funding the Capri/ Kidman loan repayment and arranging finance for Mineral Hill for ongoing enhancements such as the CIL Plant. We have repaid Capri and have unlocked funding for these enhancements. This was achieved through the execution of a non-dilutive Metals Purchase Agreement (“MPA”, commonly known as Streaming) with Quintana as announced on 10 March 2015. The MPA is distinct and in addition to the Company’s current off take arrangements.

The Quintana MPA

The Quintana MPA enables two major events, the repayment of the Capri \$12.6 M debt (which if unpaid would have resulted in a total loss of shareholder value) and the building of the CIL plant (which enables the mining of the high grade gold Pearse open cut). The profits from the Pearse open cut gold mine will underpin the development of the copper gold and lead zinc reserves and resources on the Southern Ore Zone. It is the additional funds from Quintana that have given the Company the opportunity to unlock significant value at Mineral Hill.

Financial analysis cannot demonstrate the strategic value of closing an agreement at the turbulent time the Quintana MPA was closed.

Under the MPA, Quintana is buying at a discount price metals representing 24.1% of the Mineral Hill production for some 4 years based on the current production profile, and then 12.1% for the remaining life of the mine.

In return for this, Quintana will pay KBL an aggregate prepayment/deposit of USD 23 million (of which USD 13.6 million has been drawn to date).

Fundamentally a streaming transaction works in this way:

1. The streaming company (Quintana) makes a large, tax-deferred upfront deposit payment in return for the right a fixed percentage of a mine's future production at a fixed discounted price
2. After a mine owner receives payment for the sale of its payable metal to the off taker of its choosing, it purchases the agreed fixed streamed amount from a secondary source and delivers it to the streaming company by giving it the right to take physical possession of the metal
3. The streaming company then makes an additional delivery payment to the mine owner

A streaming transaction has the following benefits:

- It monetises the value of future production, resulting in a positive effect to a mine's NPV
- The sale of a metal stream is a strong independent endorsement of the mining project, particularly given the extensive due diligence that Quintana performed
- Non-dilutive to the Company's shareholders while releasing the funds to accelerate production
- More flexibility and less covenants than loans as they do not have any forced interest or principal payments
- Doesn't require the Company to hedge

Capri/Kidman and the Litigation

Unfortunately, shortly after writing to you in August of last year the relationship with Capri deteriorated, specifically with the effective assignment of the loan and sale of Capri's KBL shareholding to Kidman and subsequent return of the loan to Capri.

It is important to note that KBL has repaid the \$12.6 million Capri/ Kidman loan, Capri/Kidman has released security over KBL's assets, and Capri/Kidman no longer appear on our top 20 shareholders list.

We have one remaining Court date until all disputes with Capri are resolved. This is scheduled for 8 April 2015. The case was brought by KBL to resolve claims, all of which we adamantly deny, that some \$3.12 million of interest is due under the now repaid Capri/ Kidman loan together with other expenses claimed by the previous mortgagee. Litigation in the Victorian Supreme Court, initiated by Kidman in relation to changes to the Trust Deed for KBL's convertible notes, remains ongoing.

Mineral Hill Upgrades

The Quintana MPA has released significant funds for the upgrade of the operations at Mineral Hill including:

- The installation of a 43 tonne per hour CIL plant to treat the Pearse ore and gold bearing flotation tails. The preparatory work for this is being finalised and we expect to be operational by November 2015
- The development of the Pearse Open Cut to feed the CIL Plant
- The installation of a lead cleaner circuit to complement the lead flotation circuit announced last year
- The installation of a zinc circuit allowing copper and zinc to be treated concurrently providing for the efficient treatment of zinc and recovery of the copper from the A lode
- Upgrade of the crushing circuit throughput to 330,000 tonnes per annum

Concurrently, we will be increasing exploration and development of our ore bodies. We will be accessing new areas in the A, D, C, B and G lodes. Exploration drilling will commence to delineate new resources both underground and on surface. The first underground drill rig will start work before the end of March with a second to follow in April.

Conclusion

I am proud of the achievements we have made over a relatively short period of time. The last few months have presented their fair share of challenges however we have overcome these as a Company.

It is certainly an exciting time to be involved in or invested in KBL - we are well equipped, fully financed and are now well within the next stage of our development. Over the next few months we will perform upgrades to the Mineral Hill operations that will unlock your assets significant value.

Finally, and most importantly, I must thank all the Company's shareholders. It was great to see the confidence of our shareholders in the SPP and the active participation of our shareholders over the last few months. At the end of the day it is your Company and I thank you for your confidence and support.

Sincerely

A handwritten signature in dark ink, appearing to read 'Brian Wesson', with a stylized flourish at the end.

Brian Wesson
Managing Director