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29 January 2016

Securities Team
Corporate Trust Perpetual
Angel Place
Level 13, 123 Pitt Street
Sydney NSW 2000

Convertible Note Trust Deed between Kimberley Metals Limited now KBL Mining Limited (“the Borrower”) and The Trust Company (Australia) Limited (“the Trustee”) dated 21 July 2011 as amended and restated on 1 August 2011 (“Trust Deed”) in respect of Convertible Notes (ASX code: KBLGA). (“the Notes”)

As required by Section 283BF of the Corporations Act 2001 (“the Act”), we provide below the report for the quarter ended 31 December 2015 made as of 29 January 2016 in respect of the Notes issued by the Borrower. It is noted that there is no guarantor in respect of the obligations of the Borrower under the Notes and that no security or charge is created by the Notes or the Trust Deed.

The Borrower reports that:

- (a) there has been no failure by the Borrower to comply with the terms of the Notes or the provisions of the Trust Deed or Chapter 2L of the Act during the quarter.
- (b) no event has happened during the quarter that has caused, or could cause, one or more of the following:
 - (i) any amount deposited or lent under the Notes to become immediately payable;
 - (ii) the Notes to become immediately enforceable;
 - (iii) any other right or remedy under the terms of the Notes or provisions of the Trust Deed to become immediately enforceable.
- (c) no circumstances have occurred during the quarter that materially prejudice the Borrower or any of its subsidiaries.
- (d) no substantial change in the nature of the business of the Borrower or any of its subsidiaries has occurred during the quarter..
- (e) none of the following events has happened in the quarter:
 - (i) the appointment of a guarantor;
 - (ii) the cessation of liability of a guarantor body for the payment of the whole or part of the money for which it was liable under the guarantee;

- (iii) a change of name of a guarantor;
- (f) the Borrower has not created a charge where:
 - (i) the total amount to be advanced on the security of the charge is indeterminate; and
 - (ii) the advances are merged in a current account with bankers, trade creditors or anyone else.
- (g) there are no other matters that may materially prejudice the interests of the holders of the Notes.
- (h) the Borrower lends money on an unsecured basis to a related body corporate, KBL Sorby Hills Pty Ltd (KBLSH), to fund contributions of KBLSH to the Sorby Hills Joint Venture.
 - (i) the total amount so lent to KBLSH during the quarter was \$121,000; and
 - (ii) the total amount of money owing to the Borrower by KBLSH as of the end of the quarter was \$12,436,561. This amount is unsecured.

The Borrower notes that its Report dated 28 April 2015 to the Trustee advised that the Borrower had created a mortgage over its shares in KBLSH in favour of Quintana Mineral Hill Streaming Company LLC (Quintana). During the quarter, a Priority Deed arrangement was entered into whereby this security is now shared between Quintana and MRI Trading AG.

For and on behalf of



KBL Mining Limited

Ivo Polovineo
Company Secretary
In accordance with a Resolution of the Directors

cc Australian Securities and Investments Commission