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7 July 2016

Dear Shareholders

You will have seen from recent Company announcements that the Company plans to raise further equity funds of \$6M. The need for further funding was flagged in our announcement of 22 February 2016.

Due to the negative market reaction to this announcement and despite performance of the Mineral Hill operation being at record profit levels, the amount to be raised now represents the market capitalisation of the Company.

The purpose of this raise is to;

- a. Provide working capital to enable payment of liabilities to creditors
- b. Provide for further drilling focused on the A Lode to establish that zone's mine plan for follow on after the planned mining of the Pearse North deposit

The amount of funds required is regrettable but necessary. In addition to the over budget 2015 CIL plant and the poor 2014/2015 underground mining performance, a major rain event in early June caused the loss of access to the Pearse pit and a significant delay to production. This has resulted in the proposed fundraising being critical.

The value of your Company can be justified as follows;

1. Current mining of the Pearse orebody should generate funds (after paying for costs of production) equivalent to the trade creditors which are outstanding. However a key need for the funding is that many creditors cannot wait for the completion of the processing of the Pearse orebody to receive their funds
2. Planning is advanced for mining the Pearse North deposit to follow completion of mining at the Pearse open cut. An application for an extension of the existing mining lease to cover Pearse North is well advanced
3. Recent analysis shows that the A Lode has the potential to provide polymetallic mill feed (Ag-Pb-Zn-Cu-Au) and the G and H lodes to provide gold/copper mill feed from the underground Southern Ore Zone when mining at Pearse and Pearse north is completed
4. The recent flotation and CIL processing plant upgrades means that there is over \$90M (\$30M Plant & Equipment, \$60M Mining Property) spent in infrastructure at Mineral Hill with a capability of processing some 350,000 tpa of ore

Details of the Company's strategy for development at Mineral Hill is contained in the recent announcement of 6 July 2016. I have attached a copy of this announcement for your further information.

Raising an amount the size of the Company's pre raising market capitalisation is not easy. Further, the raising is an important contributor with regard to the ongoing viability of the Company.

While the board considered a number of financing alternatives the Placement/Convertible Note/Option Entitlement approach was recommended by the Company's broker as the best alternative for raising the amount required. The concept and broker support of the capital raising gave comfort to the Company's major creditors to once again agree to defer repayment of amounts owing. In the case of the Company's open pit mining contractor, despite the pit access issues, they have continued to support the Company and assist all shareholders and creditors by working around the clock to regain access to the pit.

Your Company is also in the process of maximising value from its Sorby project having recently commissioned an International Corporate Advisor to review previous development studies and identify parties who can assist with the financing of the project.

Other than the recent rain event impacting access to the Pearse Open pit, since the March recommencement of the CIL plant and the upgrade of the flotation circuit, the Mineral Hill deposit has operated close to plan, has been profitable and cashflow positive resulting in a reduction of overall creditors of some \$3M since 31 December 2015 (a further \$3M in conversion of creditors amounts to equity has reduced the overall creditor balance by some \$6M). It is now anticipated that by December 2016 all creditors will be returned to normal terms.

While it would be preferable to have non-dilutive financing, given the necessity in raising the funds and given the size of the Company the planned financing as outlined in the Notice of Meeting released by the Company on 30 June 2016 is critical to the future for your Company.

For the above reasons your board of directors strongly recommend you vote in favour of all the resolutions.

Yours faithfully

A handwritten signature in black ink, appearing to be 'GS', with a small dot at the end.

Greg Starr
Managing Director

Mineral Hill Update

KBL Mining Limited (ASX: “KBL” or “the Company”) is pleased to outline the longer term development plan for the Mineral Hill Mine; targeting continued shallow open cut gold production through development of the Pearse North deposit, and underground production of gold-copper and base metal lodes in the Southern Ore Zone. The plan includes infill drilling, to delineate higher grade underground resources, and exploration drilling, aimed at the discovery of major new ore systems not previously tested.

As outlined in an announcement of 14 June 2016, KBL Mining Limited has engaged stock broker APP Securities Pty Ltd to act for and advise the Company in raising further capital to allow implementation of the long term mine development and exploration strategy detailed in the following.

Retaining a focus on gold production, KBL are targeting a continuance of open cut operations with the development of the Pearse North deposit by late 2016 (*subject to regulatory approvals*).

Pearse North, is just 200 metres northwest of the operating Pearse open cut gold mine and has an estimated Ore Reserve of **179kt at 2.5g/t gold and 21g/t silver** (*at a cut-off of 1g/t Au for Oxide & 1.5g/t for Transitional and Fresh*)¹.

Table 1. The maiden Ore Reserve estimate for the Pearse North deposit (at a cut-off of 1g/t Au for Oxide & 1.5g/t for Transitional and Fresh) detailed by Reserve category and oxidation state. Note small rounding errors may have occurred in the compilation of this table.

Classification	Tonnes (thousands)	Density	Grade				Contained Metal	
			Au (g/t)	Ag (g/t)	As ppm	Sb ppm	Au (oz)	Ag (oz)
Proved	55	2.54	2.3	17	2348	372	4,000	31,100
Probable	124	2.54	2.6	22	2122	402	10,500	87,100
Total	179	2.54	2.5	21	2192	393	14,500	118,200

Oxidation	Tonnes (thousands)	Density	Grade				Contained Metal	
			Au (g/t)	Ag (g/t)	As ppm	Sb ppm	Au (oz)	Ag (oz)
Oxide	80	2.45	1.9	11	2140	313	4,900	27,800
Transitional	43	2.57	3.5	27	2100	401	4,800	37,400
Fresh	57	2.65	2.6	29	2335	499	4,800	53,000
Total	179	2.54	2.5	21	2192	393	14,500	118,200

¹ As released 16 June 2016 under JORC 2012, the Pearse North Mineral Reserve estimate of 179kt at 2.5g/t gold and 21g/t silver (at a cut-off of 1g/t Au for Oxide & 1.5g/t for Transitional and Fresh) is inclusive of Proved and Probable Reserve categories. Please refer to Table 1 for a complete summary of reserve classification.

As indicated by mine scheduling completed during Ore Reserve estimation², production from the Pearse North open cut is expected to provide ore feed through to late 2017.

Concurrent with mining at Pearse North, underground development is planned to recommence to establish access to the upper portions of the A Lode high grade silver-lead-zinc lenses at the Southern Ore Zone, subject to the planned infill drilling and subsequent technical studies.

The A Lode has a global Mineral Resource estimate of 523kt at 3% zinc, 3.6% lead, 0.9% copper, 1.3g/t gold and 37g/t silver (at a cut-off of 1.5% copper equivalent)³. Recently improved geological understanding indicates that the best grades exist in a series of gently west-dipping (25-40°) massive sulphide lenses which overprint the background quartz-sulphide breccia mineralisation.

In consideration of this, scheduled infill drilling is expected to enhance data density and better delineate the high grade massive sulphide lenses which will be the focus of future Ore Reserve Estimation within the broader mineralised envelope (Figure 1).

Table 2. Estimated A Lode Mineral Resource detailed by resource category at a Copper Equivalent cut-off of 1.5%. (Small rounding errors may have occurred in the compilation of this table).

Lode	Class	Tonnes Kt	Zn %	Pb %	Cu %	Au g/t	Ag g/t
A	Measured	10	2.5	2.9	0.9	0.8	27
	Indicated	213	3.2	3.9	1.0	0.9	40
	Inferred	300	2.9	3.4	0.9	1.6	35
	TOTAL	523	3.0	3.6	0.9	1.3	37

The Company has also developed a strategic exploration plan which is to be executed on a campaign basis simultaneous with mine operations. This plan has identified numerous targets that form KBL's project development pipeline from conceptual targeting through to resource definition.

Most notably, an increased exploration effort along the Pearse Corridor is planned to investigate potential repetition of cross cutting structural trends known to localise gold at the northern extent of Pearse and throughout the Pearse North deposit. Planning is underway for follow-up with shallow RAB drilling and geochemical sampling in an area of poor outcrop, between and to the east and south of the Pearse deposits (Figure 2).

In addition to infill drilling at upper A Lode, a grade control drilling program has been designed for G and H Lodes at the Southern Ore Zone that comprise a combined Mineral Resource estimate of 443kt at 1.2%

² As released 16 June 2016 under JORC 2012.

³ As released 19 August 2012 under JORC 2012, the A Lode Mineral Resource estimate of 523kt at 3% zinc, 3.6% lead, 0.9% copper, 1.3g/t gold and 37g/t silver (at a cut-off of 1.5% copper equivalent) is inclusive of Measured, Indicated and Inferred Resource categories. Please refer to Table 2 for a complete summary of resource classification. The SOZ Mineral Resource estimate has been depleted for mining up until 31 May 2014. Production records from 2014–15 indicate that approximately 274kt at 1.0% Cu, 1.3% Pb, 1.1% Zn, 18.3g/t Ag and 0.8g/t Au has been mined at the SOZ since estimation of the resource, predominantly from a mix of measured and indicated resource categories. The SOZ ore was periodically blended with Parkers Hill Northeast (PHNE) Lodes — however a relatively small amount of PHNE was mined and this is not regarded as material. For resource depletion purposes, total Mineral Hill production from the year is attributed to the SOZ. Depletion of the SOZ Mineral Resource by resource category for all recent mining will require the acquisition of accurate complete void surveys and is expected to be undertaken in FY2016 in conjunction with re-estimation of the Mineral Resource to incorporate new drilling.

copper and 2g/t gold (at a cut-off of 1.5% copper equivalent)⁴. This drilling will capitalise on existing development drives at the 25RL and 60RL working levels and is planned to assist the delineation of high grade gold shoots within the broader mineralised breccia that may support future Ore Reserve Estimation.

Table 3. Estimated G & H Lode Mineral Resources detailed by resource category at a Copper Equivalent cut-off of 1.5%. (Small rounding errors may have occurred in the compilation of this table).

Lode	Class	Tonnes Kt	Cu %	Pb %	Zn %	Au g/t	Ag g/t
G	Measured	78	0.9	0.03	0.04	2.9	4
	Indicated	99	0.8	0.03	0.04	2.4	4
	Inferred	161	1.8	0.01	0.02	1.5	4
	TOTAL	339	1.3	0.02	0.03	2.1	4
H	Measured	3	1.2	0.04	0.03	2.2	6
	Indicated	68	1.0	0.02	0.02	1.9	4
	Inferred	33	1.0	0.01	0.01	1.7	3
	TOTAL	104	1.0	0.02	0.01	1.8	4

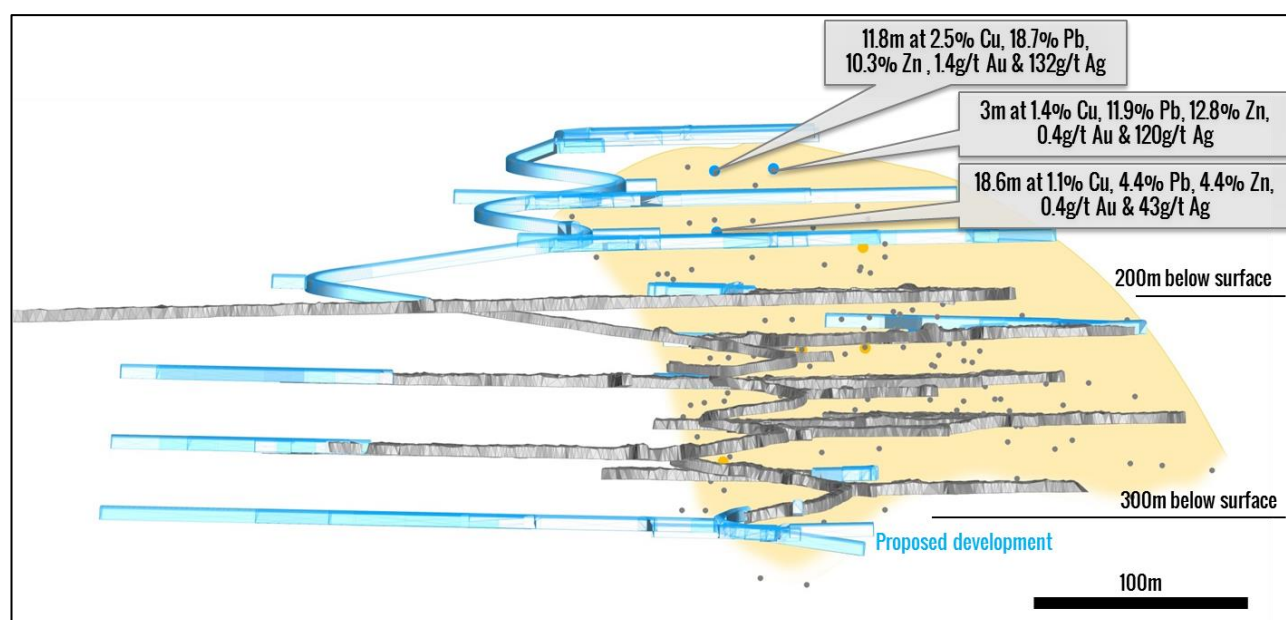


Figure 1. The A Lode mineralised envelope illustrating proposed development to access the upper portions and highlighting significant intersections which are to be qualified with further infill drilling to target future Ore Reserve estimation. The A Lode drilling results are as released 27 May 2014 with intersections reported using an estimated true thickness. These drill holes were included in the Southern Ore Zone Mineral Resource Estimation originally released 19 August 2014 under JORC2012. The complete Resource Report was later released on 31 October 2014.

⁴ As released 19 August 2012 under JORC 2012, the combined G & H Lode Mineral Resource estimates of 443kt at 1.2% copper and 2g/t gold (at a cut-off of 1.5% copper equivalent) is inclusive of Measured, Indicated and Inferred Resource categories. Please refer to Table 3 for a complete summary of resource classification. The SOZ Mineral Resource estimate has been depleted for mining up until 31 May 2014. Production records from 2014–15 indicate that approximately 274kt at 1.0% Cu, 1.3% Pb, 1.1% Zn, 18.3g/t Ag and 0.8g/t Au has been mined at the SOZ since estimation of the resource, predominantly from a mix of measured and indicated resource categories. The SOZ ore was periodically blended with Parkers Hill Northeast (PHNE) Lodes — however a relatively small amount of PHNE was mined and this is not regarded as material. For resource depletion purposes, total Mineral Hill production from the year is attributed to the SOZ. Depletion of the SOZ Mineral Resource by resource category for all recent mining will require the acquisition of accurate complete void surveys and is expected to be undertaken in FY2016 in conjunction with re-estimation of the Mineral Resource to incorporate new drilling

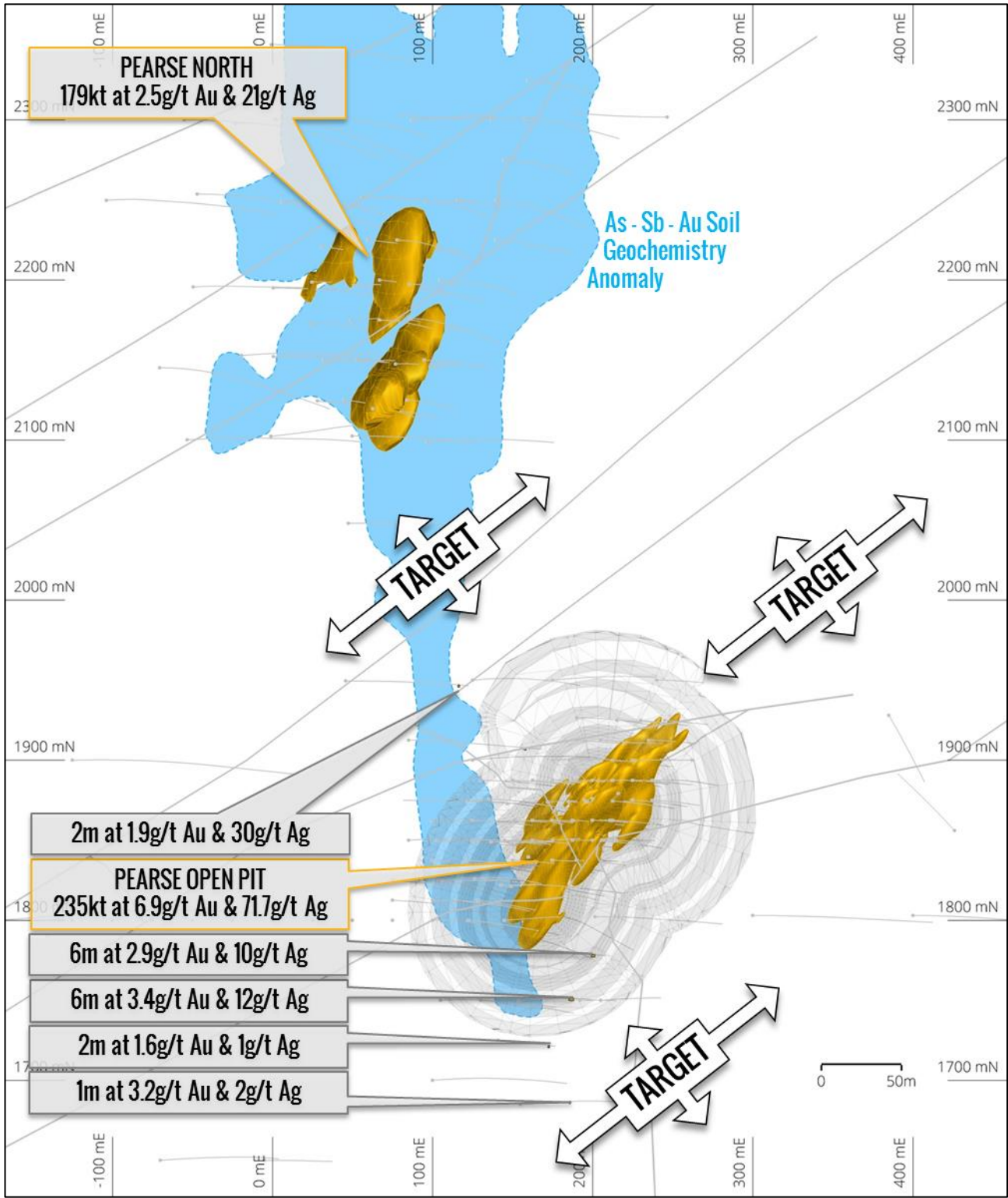


Figure 2. Pearse-Pearse North geochemical trend illustrating high priority exploration targets as defined by anomalous surface geochemistry through shallow cover. The Pearse Mineral Reserve estimate of 235kt at 6.9g/t Au & 71.7g/t Ag is inclusive of Proven and Probable Reserve categories and has not yet been depleted for mining activities. The Pearse Mineral Reserve estimate of 235kt at 6.9g/t Au & 71.7g/t Ag is inclusive of Proven and Probable Reserve categories and has not yet been depleted for mining activities. Production records indicate that approximately 185kt at 6.3g/t gold and 56g/t silver was mined up to May 31 2016.

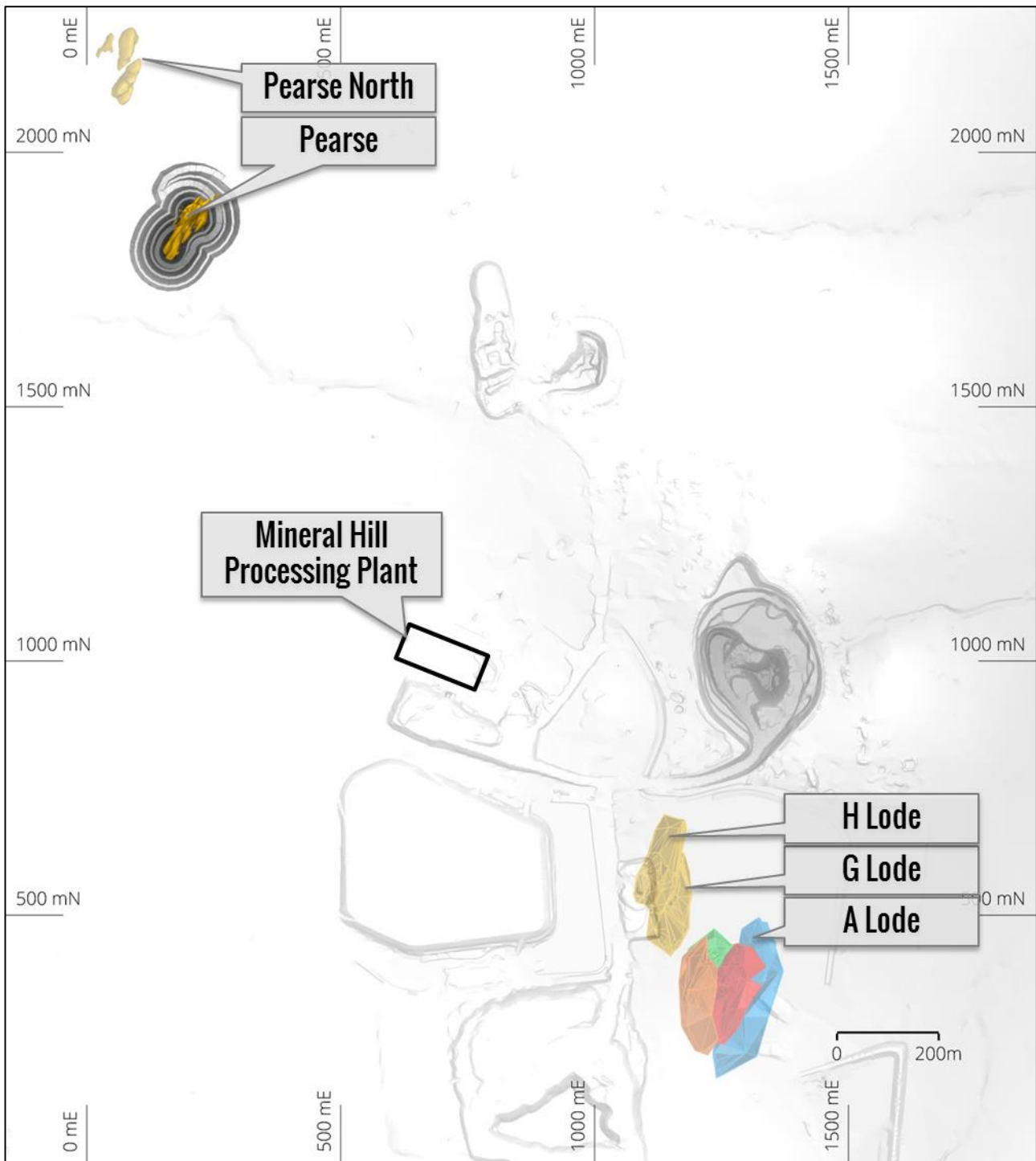


Figure 3. Schematic Mineral Hill plan illustrating the close proximity of deposits to the processing plant.

For further information, please contact:

Greg Starr

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About KBL Mining

KBL Mining is an Australian Resource Company listed on the ASX (KBL and KBLGA) with a current focus on producing precious 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 2015 commenced producing a gold-silver concentrate and bullion. KBL also holds 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.

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 drilling results and Mineral Resources 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 2004 & 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.