

QUARTERLY ACTIVITIES REPORT END 30 JUNE 2016

QUARTERLY PRODUCTION HIGHLIGHTS	
Gold Produced	
30 June 2016	6,441 oz
31 Mar 2016	9,209 oz
31 Dec 2015	5,124 oz
30 Sept 2015	1,713 oz
Silver Produced	
30 June 2016	76,028 oz
31 Mar 2016	111,826 oz
31 Dec 2015	34,247 oz
30 Sept 2015	32,208 oz
Copper Produced	
30 June 2016	0 t
31 Mar 2016	0 t
31 Dec 2015	0 t
30 Sept 2015	143 t
Lead Produced	
30 June 2016	0 t
31 Mar 2016	0 t
31 Dec 2015	0 t
30 Sept 2015	709 t
Zinc Produced	
30 June 2016	0 t
31 Mar 2016	0 t
31 Dec 2015	0 t
30 Sept 2015	531 t

LISTED SECURITIES	
As at 30 June 2016	
Ordinary Shares	989,658,490
Convertible Notes	28,954,516

KEY POINTS

Mineral Hill - Transformed to Gold and Silver Producer

Gold and Silver Production

- 6,441oz of Gold and 76,028oz of Silver produced for the quarter, of which 5,682oz of Gold was produced in the months of April and May. Only 756oz of Gold was produced in June due to a major rain event in early June that caused cracking in the Pearse open cut haul road. It was announced on 13 July 2016 that the remedial work to the haul road had been completed and access to the Pearse ore had been re-established
- Bullion production of 1,338oz Au shipped from the CIL circuit was an improvement following commissioning in the March 2016 quarter
- The substantial rainfall in June resulted in interruption to the supply of open cut ore to the processing plant. In the interim lower grade stockpile material was directed to the plant. High grade sulphide ore supply from the pit recommenced in the third week of July
- Pearse open pit produced and delivered approximately 40,000 tonnes of ore to the plant and stockpiles for the Quarter. The open pit ore averaged 5.46 g/t Au and 89.77 g/t Ag
- Commissioning of the tails return circuit was completed within the quarter. Gold bearing tails are now fed directly to the CIL circuit
- Unit cost of production for the quarter was \$1,299/oz Au (including Ag credits and streaming costs). This is an increase of 18% from the March quarter (reported at \$1,097/oz). The increase in production costs are a direct result of the cracking in the Pearse haul road in early June which has now been rectified. The unit cost of production for the months of April and May averaged \$909/oz Au (including Ag credits and streaming costs), this is a decrease of 17% from the March quarter

Building to growth

- A maiden Ore Reserve for the Pearse North deposit was announced, with community and regulatory consultation well underway towards mining approvals
- An internal strategic review was completed, with mining options beyond the current Pearse Pit targeting A-Node underground and the Pearse North pit
- Damian Spring was announced as the new Chief Operating Officer based on site



MANAGING DIRECTOR'S OVERVIEW

KBL Mining has continued as a precious metal producer with another three shipments of gold concentrate delivered to overseas customers, and a record amount of bullion produced from the now fully operational CIL plant.

The first two months of the June quarter represented a period of solid production and an improvement on the previous quarter. However, extreme weather conditions from the beginning of June (the same event that battered the NSW east coast) resulted in the interruption of ore supply from the open pit to the mill while safe and permanent pit access was re-established.

Access is now completed and high grade sulphide ore supply to the mill recommenced in the third week of July.

During the quarter the Company released a maiden ore reserve for Pearse North located approximately 400m north of the Pearse open cut. An open pit mine design has been completed and approvals well advanced.



Photograph 1. Ore haulage from base of pit via re-established ramp.

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

Mill and Mine Performance

Mineral Hill Performance						
		June16 QTR	Mar16 QTR	Dec15 QTR	Sep15 QTR	Jun15 QTR
Open Pit Ore Mined	t	40,704	45,726	62,407	30,339	-
Open Pit Movement	BCM	132,136	146,546	361,581	551,738	5,290
UG Ore Mined	t	-	-	2,362	64,801	73,892
Development Metres	m	-	-	130	500	566
Total Ore Mined	t	40,704	45,726	64,769	95,140	73,892
Total Ore Processed (Au/Ag)	t	61,018				
Oxide Ore Processed (Au/Ag)	t	13,694				
Au Grade	g/t	2.48	-	-	-	-
CLL Au Recovery	%	57.90	-	-	-	-
Ag Grade	g/t	21.40	-	-	-	-
CLL Ag Recovery	%	37.60	-	-	-	-
Sulfide Ore Processed (Au/Ag)	t	47,324	54,695	50,262	19,728	
Au Grade	g/t	5.87	7.79	6.68	6.05	-
Flotation Au Recovery	%	56.78	58.10	47.38	36.00	-
CLL Au Recovery	%	8.28	13.10	-	-	-
Total Au Recovery	%	65.05	71.20	47.38	36.00	-
Ag Grade	g/t	81.45	102.68	40.44	23.04	-
Flotation Ag Recovery	%	60.62	61.64	55.62	50.00	-
CLL Ag Recovery	%	0.48	4.20	-	-	-
Total Ag Recovery	%	61.10	65.84	55.62	50.00	-
Ore Processed (Cu/Pb/Au)	t	-	-	-	23,963	42,809
Cu Grade	%	-	-	-	0.87	1.03
Recovery	%	-	-	-	69.00	87.09
Au Grade	g/t	-	-	-	0.47	1.25
Recovery (by weight)	%	-	-	-	34.00	57.17
Ag Grade	g/t	-	-	-	16.15	9.10
Recovery (by weight)	%	-	-	-	34.00	51.37
Pb Grade	%	-	-	-	0.95	0.48
Recovery	%	-	-	-	37.00	2.44
Ore Processed (Pb/Zn)	t	-	-	-	27,878	32,690
Pb Grade	%	-	-	-	2.66	3.01
Recovery	%	-	-	-	83.40	78.46
Zn Grade	%	-	-	-	2.93	3.31
Recovery	%	-	-	-	64.50	54.27
Au Grade	g/t	-	-	-	0.43	0.55
Recovery (by weight)	%	-	-	-	48.40	41.17
Ag Grade	g/t	-	-	-	23.65	29.56
Recovery (by weight)	%	-	-	-	96.57	74.13
Au Concentrate Production	DMT	2,454.10	3,190.13	2,737.90	562.00	
Au Grade	g/t	64.67	77.40	58.21	75.90	-
Ag Grade	g/t	952.90	1,088.38	389.06	405.00	-
Cu Concentrate Production	DMT	-	-	-	580.00	1,483.00
Cu Grade	%	-	-	-	24.70	25.92
Au Grade	g/t	-	-	-	6.70	21.55
Ag Grade	g/t	-	-	-	227.40	134.90
Pb Concentrate Production	DMT	-	-	-	1,327.00	1,690.00
Pb Grade	%	-	-	-	47.02	45.98
Au Grade	g/t	-	-	-	4.29	4.60
Ag Grade	g/t	-	-	-	374.40	377.53
Zn Concentrate Production	DMT	-	-	-	1,010.00	1,121.00
Zn Grade	%	-	-	-	52.54	52.25
Ag Grade	g/t	-	-	-	64.54	73.70
Bullion Production						
Au	Oz	1,338	1,270	-	-	-
Ag	Oz	843	197	-	-	-
Contained Metal						
Cu	t	-	-	-	143	386
Pb	t	-	-	-	709	778
Zn	t	-	-	-	531	586
Au	Oz	6,441	9,209	5,124	1,713	1,279
Ag	Oz	76,028	111,826	34,247	32,208	29,352

Table 1: Mineral Hill – Detailed Mine and Mill Performance



Photograph 2. Mining Operations in the Pearse prior to the rain event

Processing of fresh sulphide ore through the upgraded flotation circuits continued on target through April and May with treatment rates in the range of 35-40 tonnes per hour. All tails were processed through the CIL plant for the onsite production of bullion.

Final plant modifications to allow the treatment of stockpiled gold bearing tails were completed in the quarter and retreatment commenced. This, along with the treatment of stockpiled oxide ore resulted in an uplift of 5% Gold recovered to doré and a 300% increase in Silver over the previous quarter.

A new concentrate filter press and carbon regeneration kiln had been commissioned towards the end of previous quarter. This equipment demonstrated a material improvement in plant performance.



Photograph 3. *Gold tails return pump commencing operation*

For the quarter, total actual gold and silver recoveries were 65.05% and 61.01% respectively. This was a reduction on the previous quarter reflecting the low grade material processed in the last month of the quarter. Recoveries are forecast to return to previous levels with the return to sulphide ore.

Ore production from Pearse for the quarter totalled 40,704 tonnes of ore grading 5.46 g/t Au and 89.77 g/t Ag. Ore production tonnes fell short of plan for the quarter due to the loss of access to the Pearse open cut.

A total of 2,454 dry metrics tonnes of concentrate was produced, dried and blended, packed in containers and transported in three shipment lots to Port Botany for export to overseas customers. A further 201 kilograms of bullion was also produced and sold, containing some 1,338 ounces of gold and 843 ounces of silver.

Mineral Hill Exploration

Following the completion of Pearse North infill drilling in the March 2016 quarter, an updated Mineral Resource estimate was undertaken. A maiden Pearse North Ore Reserve was estimated at **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.

The Pearse corridor (Figure 1) is highly prospective for discovery of further Pearse-style Au–Ag deposits and is the target of planned future exploration.

Table 2. 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

The quarter has seen extensive planning with the aim of moving numerous resource and exploration targets further down the pathway to future development.

Near mine infill and grade control drill programs from surface and underground have been designed to facilitate conversion of existing Mineral Resources to Ore Reserves at the Southern Ore Zone. This is expected to support continued production from underground from the polymetallic A Lode and the Au–Cu rich G and H lodes, as outlined in KBL’s long term development plan for Mineral Hill.

A Lode has a Mineral Resource estimate of 523kt at 0.9% copper, 3.6% lead, 3% zinc, 1.3g/t gold and 37g/t silver (at a cut-off of 1.5% copper equivalent)² with the best metal grades occurring in gently west-dipping (25–40°) massive sulphide lenses which overprint background low grade quartz-sulphide breccia mineralisation. The upper part of A Lode, which is yet to be mined, contains some of the highest polymetallic grades encountered in the Mineral Hill field. For example, underground drill hole KUSOZ53, drilled at a low angle to one sulphide lens, intersected 42.7m at 2.5% Cu, 18.7% Pb, 10.3% Zn, 132g/t Ag, & 1.4g/t Au. KMHDD023 drilled through upper A Lode from surface at a more favourable angle gave an intercept of 7.3m at 0.7% Cu, 7.2% Pb, 6.9% Zn, 46g/t Ag and 0.5g/t Au from 165.7 and is estimated to reflect the true thickness of that particular lens.

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 Proven and Probable Reserve categories. Please refer to Table 2 for a complete summary of reserve classification.

² As released 19 August 2012 under JORC 2012, the A Lode Mineral Resource estimate of 523kt at 0.9% copper, 3.6% lead, 3% zinc, 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. The SOZ Mineral Resource estimate has been depleted for mining up until 31 May 2014. Production records indicate that approximately 90k tonnes of A Lode material was subsequently mined on the 1040RL level during 2014–2015. A table of Mineral Hill resources depleted for mining to 30 June 2016 will be included in the 2016 KBL Annual Report.

New structural understanding suggests there is an opportunity, through infill drilling from surface, to define the very high grade lenses to support an updated A Lode resource estimate. In addition, with improved control on the distribution of high grade mineralisation, it may be possible to report the resource at a significantly higher cut-off grade than the 2014 global SOZ resource. This will help facilitate the conversion of resources to ore reserves at a cut-off grade better aligned with the updated plant configuration and current metal prices.

Additional to infill drilling at upper A Lode, a program of grade control drilling has been designed for G and H Lodes at the Southern Ore Zone. The G and H lodes comprise a combined Mineral Resource estimate of 443kt at 1.2% copper and 2g/t gold (at a cut-off of 1.5% copper equivalent)³. The proposed drilling will take place from existing development drives at the 1025RL and 1060RL working levels and will assist in the delineation of high grade gold shoots within the broader mineralised breccia. Successful definition of continuous high-grade gold shoots will support future Ore Reserve Estimation.

Table 1. 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

The Mineral Hill exploration strategy is aimed at making significant progress with a range of existing resource projects, while also developing and testing new conceptual exploration targets which could lead to the next major discovery in the field. The exploration program is expected to be executed on a campaign basis simultaneous with continuing mining operations.

³ 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 an average grade of 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. A table of Mineral Hill resources depleted for mining to 30 June 2016 will be included in the 2016 KBL Annual Report.

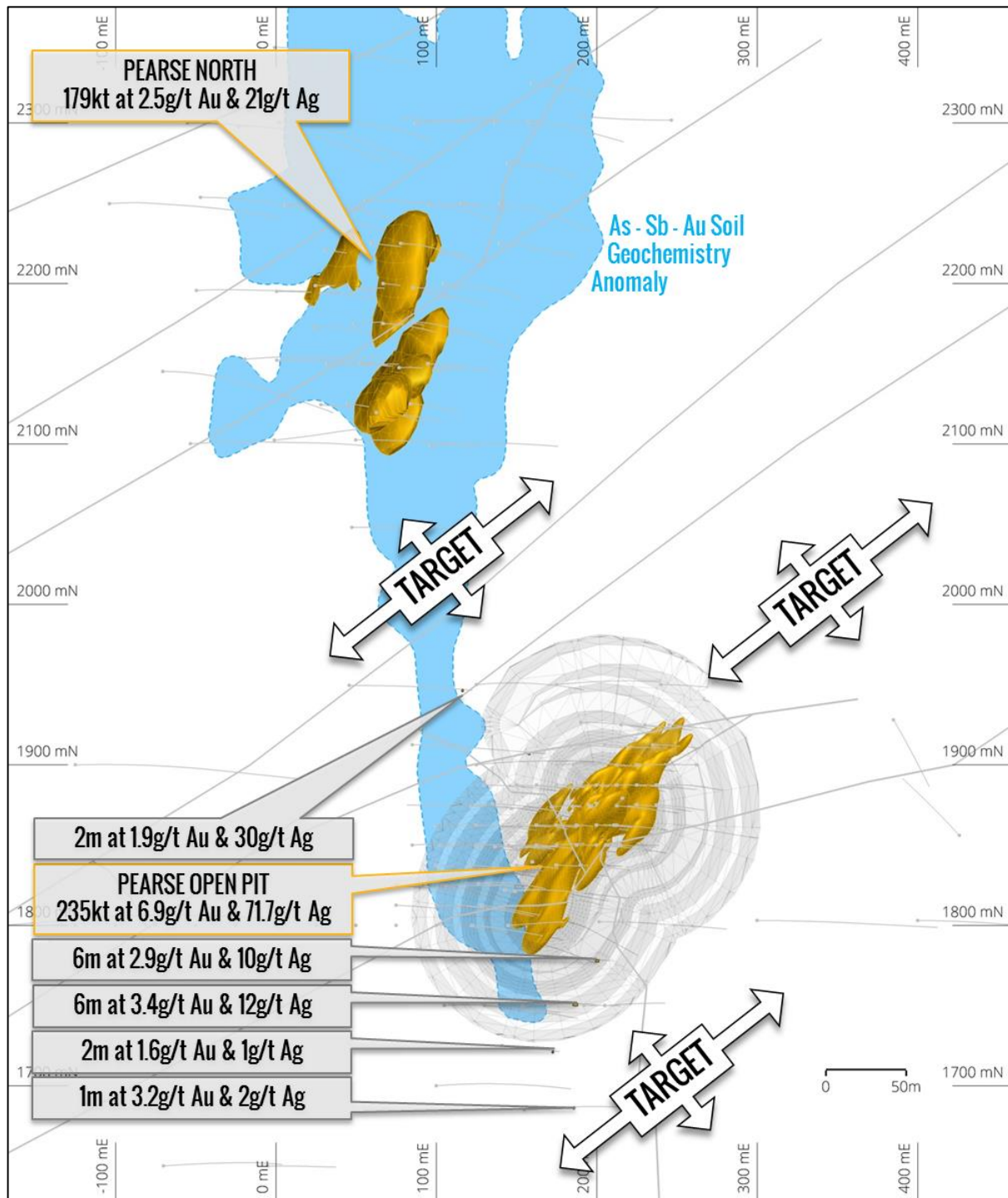


Figure 1. Pearse-Pearse North geochemical trend illustrating high priority exploration targets as defined by anomalous surface geochemistry through shallow cover. The Pearse Mineral Reserve estimate of 235kt at 6.9g/t Au & 71.7g/t Ag is inclusive of Proven and Probable Reserve categories and has not 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.

EL6064 Iron Duke

The offer of full renewal of EL6064 (five units) for a term of three years was accepted.

SORBY HILLS, WESTERN AUSTRALIA (KBL 75%)

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 **16.5 Mt at 4.7% Pb, 0.7% Zn and 53 g/t Ag⁴**, 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 silver⁵** (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 silver⁶** (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 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.

CORPORATE

During the quarter KBL was pleased to announce the appointment of Damian Spring to the position of Chief Operating Officer. Damian will take up the role in early August, and will be based at the Mineral Hill site to directly drive the continued improvement of plant and mining performance. He will also oversee the next phases of exploration and development of the Mineral Hill field.

⁴ Resource Estimate released 22 December 2011. Updated to incorporate 29 November 2013 DE Resource Estimate

⁵ Reserve estimate released 29 November 2013

⁶ Updated Resource estimate released 29 November 2013

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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 Exploration Results and Exploration Targets, Mineral Resources and Ore Reserves is 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.