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6 September 2016

Corporate Update

KBL Mining Limited (**KBL** or the **Company**) provides the following operational and corporate update consequent on and following its voluntary trading halt that was implemented last Friday, 2 September 2016.

Following record wet weather which caused the access issue at the Pearse open cut in mid June 2016, KBL has taken immediate steps to remediate the site and recommence production. Regular updates have been provided to the market as this process took place. Production recommenced at the Pearse open cut in mid July 2016, however has been slower than anticipated, due to ongoing rain, placing pressure on the Company's cashflow. The rainfall has been unseasonally high from July 2016 to early September, being 45% above the long term average. This included 44mm that fell on Friday 2 September 2016, that rainfall event being in excess of the long term average for the entire month of September. The high rainfall has affected the pit operations due to reduced haulage on wet roads and increased pumping requirements in a reducing area of the pit floor as the pit deepens, focussing the effects of any water ingress from rainfall.

As a result, the Company has been undertaking discussions with service providers in order to ensure ongoing delivery of services. During these discussions, a key supplier withdrew services on Friday 2 September 2016, until a revised payment arrangement is agreed. The key service provider has agreed to re-commence site on works on a rescheduled payment arrangement.

As a result of the various arrangements with key service providers, the Company is negotiating agreements that alleviates pressure on the Company's cashflow. These discussions, although not complete, are progressing well. Although these discussions are not complete, the Board is confident that a satisfactory outcome will be achieved.

In parallel, the Company has been advancing capital raising initiatives. Discussions are well advanced towards the underwriting of a significant capital raising. Funds so raised are intended to be directed primarily towards ongoing service provider payments who are involved in the development of Pearse North and other areas, beyond the current mining area.

The Company has commenced discussions with representatives of the KBLGA class of convertible note holders (due 16 February 2017) with a view to negotiating a restructuring of the convertible notes. Relevant approvals to undertake an agreed restructuring (including in particular a KBL shareholder's meeting) are expected to be initiated in the next few months. Again, although these discussions are not complete, they are progressing well and the Board is confident that a satisfactory outcome will be achieved.



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The key purpose of the negotiations with service providers and restructuring of the convertible notes is to create the platform to ensure future arrangements are primarily directed towards the development of Mineral Hill and the Sorby project.

A handwritten signature in black ink, appearing to be 'G B Starr'.

G B Starr
Managing Director