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29 July 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 July 2016 made as of 29 July 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.

As disclosed by announcements made by the Company to the ASX during the quarter, the Company continued to manage significant short term cash flow issues brought about mainly by the severe weather event in June which resulted in a cracks in the haul road in the Pearse open pit. As previously disclosed, including in the Company’s half-year end results released 29 February 2016, the Company’s cash flow forecast assumed an equity raise later this year.

During the quarter the Company engaged stock broker APP Securities Pty Ltd to advise and act for the Company to raise those funds. It is expected that the Company will raise some \$6 million over the next few months.. This included an initial fundraising by the issue of 165 million shares under the Company’s existing share issue capacity which was finalised in July and an options entitlement issue to all shareholders announced on 30 June 2016 to raise up to approximately \$1 million.

On 28 July 2016 a number of resolutions were passed at a general meeting of shareholders to enable the the remaining fundraising to be completed.

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) other than for the cash flow issues referred to above, 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) other than for the cash flow issues referred to above, 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 \$127,625; and
- (ii) the total amount of money owing to the Borrower by KBLSH as of the end of the quarter was \$12,635,686. This amount is unsecured.

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