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ACN 129 954 365

1 July 2016

Dear Optionholder

PARTICIPATION IN 2016 PRO RATA NON-RENOUNCEABLE ENTITLEMENT OFFER OF OPTIONS

As you may be aware, KBL Mining Limited ("**KBL**" or "**Company**") announced to ASX on 30 June 2016 that it is intending to undertake a pro-rata non-renounceable issue of new listed options ("**New Options**") at an offer price of \$0.001 ("**Offer Price**") per New Option. This offer is for one New Option for every fully paid ordinary share in the Company ("**Shares**") held by eligible shareholders ("**Entitlement Offer**").

Assuming no existing options on issue in the Company are exercised, the Entitlement Offer will result in the issue of up to 989,658,490¹ New Options and will raise up to \$0.989 million before expenses.

Eligible Shareholders

Only shareholders that have a registered address in Australia and New and Zealand and who are registered on the Company's share register at 7.00pm on 6 July 2016 (**Record Date**) will be entitled to participate in the Entitlement Offer (**Eligible Shareholders**). The Company has considered and decided that it is unreasonable to make offers under the Entitlement Offer to shareholders outside Australia and New Zealand, having regard to the small number of such shareholders, their holdings, and the compliance costs required to offer the New Shares under the Entitlement Offer to those shareholders.

Eligible Shareholders will also have the opportunity to apply for additional New Options in excess of their full entitlement.

Participation as an Optionholder

According to KBL's records, as at the date of this letter you hold options to acquire ordinary shares in KBL. Under the terms of the options you currently hold, there is no entitlement to participate in the Entitlement Offer unless you exercise your options, and are entered onto the register as a shareholder on or before the Record Date. The purpose of this letter is to give you notice prior to the Record Date of the Entitlement Offer and the opportunity to exercise your options should you wish to participate in the Entitlement Offer.

If you do not wish to participate in the Entitlement Offer in respect of your options, you do not need to take any action.

¹ Assuming no KBL Optionholders exercise any of their options to acquire ordinary shares in the Company before the Record Date so as to participate in the Entitlement Offer.

If you wish to participate in the Entitlement Offer, you are permitted to participate in the Entitlement Offer **only** in the event that you:

- (a) have a registered address in Australia or New Zealand; and
- (b) have exercised your options in time for the resulting shares to be issued to you before 7.00pm (Sydney time) on the Record Date.

To ensure that your Shares are issued in time, your notice of exercise of option (**Notice of Exercise**) together with your payment as cleared funds for the relevant exercise price must be received by KBL no later than **7.00pm (Sydney time) on Wednesday 6 July 2016**.

Any shares the subject of a Notice of Exercise that is received by KBL after this time cannot be assured of being issued to you before 7.00pm (Sydney time) on the Record Date.

Before deciding whether to exercise all or any of your options, you should consider the terms of the Entitlement Offer and the exercise price of your options and, if necessary, consult with your professional advisor.

The Entitlement Offer will be made to Eligible Shareholders pursuant to a prospectus in accordance with section 713 of the *Corporations Act 2001* (Cth) (**Corporations Act**) (**Prospectus**), which will include a personalised Entitlement and Acceptance Form. The Prospectus will provide further details on how to participate in the Entitlement Offer.

Indicative Timetable for Entitlement Offer

Event	Date
Lodgement of Prospectus with ASIC	Thursday 30 June 2016
Notice to Shareholders [and Optionholders+]	Friday 1 July 2016
Lodgement of Appendix 3B	Friday 1 July 2016
Shares quoted on an ex basis	Tuesday 5 July 2016
Record Date for determining Entitlements	Wednesday 6 July 2016
Opening date and despatch of Prospectus to Shareholders	Monday 11 July 2016
Closing Date of Entitlement Offer – 5.00pm AEST	Wednesday 27 July 2016
Notify ASX of under subscriptions	Monday 1 August 2016
Issue of Entitlement Options	Tuesday 2 August 2016
Despatch date	Wednesday 3 August 2016
Commencement of trading	Wednesday 3 August 2016

[+ Optionholders must be advised by this date of the Entitlements Offer and their inability to participate unless they exercise their Options.]

This timetable is indicative only and the Company reserves the right to vary it at any time without prior notice, subject to the ASX Listing Rules and the Corporations Act.

This letter is not an offer or invitation to acquire shares in KBL or to participate in the Entitlement Offer. If you are in doubt as to the action you should take in relation to this notice, you should consult your professional advisers.

Should you have any questions regarding the Entitlement Offer, you may contact the Company on +61 (02) 9927 2000 or consult your stockbroker or professional adviser.

Yours faithfully

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

Greg Starr
Managing Director