

Mineral Hill – Operations Update And Funding Arrangements

KBL Mining Limited (ASX: “KBL” or “the Company”), advises that on the evening of Saturday 4 June 2016, during a severe weather event which occurred throughout much of Eastern Australia, cracking occurred beneath the haul access road in the Pearse Pit at Company’s Mineral Hill, NSW project. This cracking has resulted in loss of access to the current ore mining zone. Geotechnical advice has been received indicating that remedial mining work to re-establish the haul road is required. This design work has been completed; an additional 45kbcm of waste rock is to be excavated to allow the haul road to be redirected to enable ore mining at the base of the pit to resume. This remedial mining work has commenced.



Figure 1. The Pearse Open Pit looking northwest illustrating the slip and associated cracking in the haul road. This structure represents the termination of the main shear zone in the northern wall of the pit with remedial works to relocate the haul road to the north of its existing position. The area between the lines is where some 45 kbcm of material will have to be moved to enable redirection of the haul road.

KBL expects that this event will result in the cessation of ore being processed through the flotation section of the treatment plant for some 4 -5 weeks. Further, initial estimates of the cost of remediation will be up to approximately \$1 million. During the remediation period limited gold production from Mineral Hill Mine will continue through the treatment of oxide ore, and gold bearing tailings through the CIL section of the plant.

After a period where we have demonstrated major improvements to operations(as reported by the Company in its Quarterly Activities Report of 26 April 2016), this is a setback, however management advises that the event is not expected to materially impact mining the saleable 19,000 ozs of gold still left in the pit¹. These ounces represent approximately \$30 million in value (at a gold price of A\$1630/oz).

Despite this set-back, the Company remains satisfied that it will generate sufficient cash to enable the repayment of outstanding trade creditors from mining the high grade Pearse open cut orebody. The set-back has, however, presented a timing issue in the Company's cash flow, which has required the Company to agree a deferral of payment terms with its largest service providers and secured creditor, of \$6 million, which amount will become payable on the earlier of the receipt of the funds from the proposed capital raising discussed below or 29 July 2016.

As previously disclosed, including in the Company's half-year end results released 29 February 2016, the Company's cash flow forecast assumes an equity raise later this year.

The Company has engaged stock broker APP Securities Pty Ltd to advise and act for the Company to raise these funds. It is expected that that the Company will raise some \$6 million over the next six to eight weeks.

This will include an initial fundraising by the issue of 165 million shares under the Company's current share issue capacity expected to be finalised in the next week and a following options entitlement issue to all shareholders.

The remaining fundraising will be subject to shareholder approvals and details are anticipated to be announced shortly upon release of a Notice of General Meeting to approve any necessary issue of securities. The meeting is expected to be held late July 2016.

Although the Company has been successful in raising funds in the past, no absolute assurance can be given that the Company will be able to raise funds in the future. If the Company is unsuccessful in raising funds in the future, including the \$6 million mentioned above, and there is no other viable alternative available to the Company at the time there is real doubt about whether the Company would be able to meet its on-going obligations to creditors, working capital and project expenditure requirements. In such circumstances, the Company would be required to consider whether it is able to continue as a going concern.

At this point in time, after full consideration of all of the factors involved, the Company continues to believe that it has access to adequate financial resources in order to maintain itself as a going concern.

¹ The pre-mining/depletion Pearse Mineral Reserve estimate comprised 235kt at 6.9g/t Au & 71.7g/t Ag, inclusive of Proven and Probable Reserve categories (as released 20 October 2011 under JORC 2004). Production records indicate that approximately 161kt at 6.4g/t gold and 52g/t silver was mined up to April 30 2016.

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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