
**ASX RELEASE** **26 April 2016**

# QUARTERLY ACTIVITIES REPORT END 31 MARCH 2016

| QUARTERLY PRODUCTION HIGHLIGHTS | |
|---|---|
| **Gold Produced** | |
| ***31 Mar 2016*** | ***9,209 oz*** |
| 31 Dec 2015 | 5,124 oz |
| 30 Sept 2015 | 1,713 oz |
| 30 June 2015 | 1,279 oz |
| **Silver Produced** | |
| ***31 Mar 2016*** | ***111,826 oz*** |
| 31 Dec 2015 | 34,247 oz |
| 30 Sept 2015 | 32,208 oz |
| 30 June 2015 | 29,352 oz |
| **Copper Produced** | |
| ***31 Mar 2016*** | ***0 t*** |
| 31 Dec 2015 | 0 t |
| 30 Sept 2015 | 143 t |
| 30 June 2015 | 386 t |
| **Lead Produced** | |
| ***31 Mar 2016*** | ***0 t*** |
| 31 Dec 2015 | 0 t |
| 30 Sept 2015 | 709 t |
| 30 June 2015 | 778 t |
| **Zinc Produced** | |
| ***31 Mar 2016*** | ***0 t*** |
| 31 Dec 2015 | 0 t |
| 30 Sept 2015 | 531 t |
| 30 June 2015 | 586 t |

| LISTED SECURITIES | |
|---|---|
| **As at 31 March 2016** | |
| Ordinary Shares | 739,299,422 |
| Convertible Notes | 28,954,516 |

## KEY POINTS

## Record Gold and Silver Production at Mineral Hill
## $4.9M Profit Turnaround

- 9,209oz of Gold and 111,826oz of Silver produced for the quarter
  - Gold production – 79% increase from last quarter
  - Silver production – 226% increase from last quarter
- Currently high grade sulphide ore from the Pearse open pit is being processed through the flotation and CIL circuits with average total gold and silver recoveries achieving 71.2% and 65.8% respectively
- Pearse open pit produced and delivered over 45,000 tonnes of ore to the plant and stockpiles. The open pit ore has averaged 6.64 g/t Au and 71.81 g/t Ag, which is above expectations
- Commissioning of the second concentrate filter and CIL carbon regeneration kiln were both completed during the quarter, with increased plant unit throughputs realised in March 2016
- Unit cost of production for the quarter is $1,097/oz Au (including Ag credits). This is a decrease of 22% from the December quarter (reported at $1,399/oz). This is higher than planned as it includes certain non-recurring plant commissioning costs
- The Company's EBITDA for the quarter was $2.8M. Net profit for the Company improved $4.9M with profit for the quarter of $0.8M compared to a loss in the previous quarter (December 2015) of $4.1M
- Share issue to creditors of $2.9M with a further decrease in trade creditors of $0.7M for a total decrease of $3.6M, current balance is $13.9M down from $17.5M at the end of December
- The cash balance is managed so as to reduce creditors as much as possible. At the end of the quarter it was $0.84M, up from $0.02M at the end of December

### Next Phase of Mining

- Additional infill and extension drilling at the Pearse North deposit commenced late in the quarter with results indicating higher than currently modelled gold and silver grades which will significantly lift the current resource estimate
- Programs and designs are well advanced on the potential incline development required to access the upper portions of the SOZ lodes, namely the A lode and B lode upper
- Within the Southern Ore Zone (SOZ) past underground development of the main and west G Lode lenses has provided entries and valuable drilling platforms to the G lode base metal tonnes while also gaining access to H lode and extensions to the B, C and D lodes. Drilling programs have been designed in readiness for re-entry as required

## MANAGING DIRECTOR'S OVERVIEW

The March 16 quarter was a further milestone in the evolution of the Company with operations performing at or near their nameplate design levels by the end of the quarter. This has resulted in the achievement of a major profit turnaround, improved overall creditors balance and record production of gold and silver.

While the delays and additional costs incurred in being able to reach this milestone have put the company's cash position under considerable pressure, the achievement is significant as it highlights the potential of the Mineral Hill operations in the future, together with highlighting the persistence of operational management in working through a number of technical challenges.

The challenge now is to generate or source cash at the rate satisfactory to be able to satisfy long outstanding and demanding creditors. What makes the operational milestones even more impressive is that they were achieved in an environment where some suppliers stopped supply while funds were generated or sourced to repay supplier outstanding amounts. The release of these results hopefully give them comfort to extend further patience to the Company in the future so it can limit its issue of new shares so as to avoid further pressure on the share price.

While unit costs decreased, they are higher than the expected recurring normalised levels due to the costs of fixing the floatation circuit filter and the delay in the CIL carbon regeneration kiln during the quarter. It is expected that normalised C1 cost levels below A$750/oz will be achieved in the June quarter.

The Company is currently working closely with the Convertible Note Trustee to best deal with the expiry of the $11.2M (issue value) in notes (ASX code KBLGA) in February 2017. Under the terms of the notes, they need to be repaid by this date, or alternatively, conversion is deemed to occur if a takeover occurs prior to the February expiry date. What this means is that under the terms of the notes, the 28.9M notes will be deemed to convert into 28.9M shares if an off-market bid, a market bid, scheme of arrangement, or offer or invitation is made to all holders of Ordinary Shares is made and the offeror has at least 50% of the voting power or the Directors issue a statement recommending that the bid, scheme or offer.

Without an alternative arrangement being made, given the current share price of the company, if a takeover was made and the above conditions were met, this could lead to a considerable loss by Noteholders. For this reason, the Company is working with the Trustee to identify ways in which to manage this situation to arrive at the best solution for both shareholders and noteholders.

Part of this solution for both shareholders and noteholders is to gain a better understanding of the long term prospects of the Company. Given the focus on correcting the operational difficulties at Mineral Hill over the past six months, this longer term planning has to date taken a secondary role. This is no longer the case and the Company is now focussed on planning production sources beyond the current Pearse deposit. This will include Pearse North which is only 200 metres from the Pearse orebody and is looking more exciting as more work is undertaken. A Mining Lease application was made on the Pearse North orebody during the quarter and all efforts will be made to assist the New South Wales authorities in granting the Mining Lease as soon as possible.

Further, subject to available cash, the Company will be drilling gold targets in the 200m between the Pearse and Pearse North orebodies to identify if the two deposits are linked. This drilling will be concurrent with the Southern Ore Zone A and B lode drilling which is also regarded as highly prospective and potentially a near term source of production. More speculative gold target drilling to identify a repeat of highly profitable Eastern Ore zone is also being planned – also subject to cash availability.

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

## *Mill and Mine Performance*

| Mineral Hill Performance | | | | | | |
|---|---|---|---|---|---|---|
| | | Mar16 QTR | Dec15 QTR | Sep15 QTR | Jun15 QTR | Mar15 QTR |
| Open Pit Ore Mined | t | 45,726 | 62,407 | 30,339 | - | - |
| Open Pit Movement | BCM | 146,546 | 361,581 | 551,738 | 5,290 | - |
| UG Ore Mined | t | - | 2,362 | 64,801 | 73,892 | 59,460 |
| Development Metres | m | - | 130 | 500 | 566 | 508 |
| Total Ore Mined | t | 45,726 | 64,769 | 95,140 | 73,892 | 59,460 |
| Ore Processed [Au/Ag) | t | 54,695 | 50,262 | 19,728 | - | - |
| Au Grade | g/t | 7.79 | 6.68 | 6.05 | - | - |
| Flotation Au Recovery | % | 58.10 | 47.38 | 36.00 | - | - |
| CIL Au Recovery | % | 13.10 | - | - | - | - |
| Total Au Recovery | % | 71.20 | 47.38 | 36.00 | - | - |
| Ag Grade | g/t | 102.68 | 40.44 | 23.04 | - | - |
| Flotation Ag Recovery | % | 61.64 | 55.62 | 50.00 | - | - |
| CIL Ag Recovery | % | 4.20 | - | - | - | - |
| Total Ag Recovery | % | 65.84 | 55.62 | 50.00 | - | - |
| Ore Processed (Cu/Pb/Au) | t | - | - | 23,963 | 42,809 | 42,636 |
| Cu Grade | % | - | - | 0.87 | 1.03 | 0.91 |
| Recovery | % | - | - | 69.00 | 87.09 | 87.75 |
| Au Grade | g/t | - | - | 0.47 | 1.25 | 0.73 |
| Recovery (by weight) | % | - | - | 34.00 | 57.17 | 63.06 |
| Ag Grade | g/t | - | - | 16.15 | 9.10 | 8.55 |
| Recovery (by weight) | % | - | - | 34.00 | 51.37 | 65.69 |
| Pb Grade | % | - | - | 0.95 | 0.48 | 0.55 |
| Recovery | % | - | - | 37.00 | 2.44 | 28.97 |
| Ore Processed (Pb/Zn) | t | - | - | 27,878 | 32,690 | 18,778 |
| Pb Grade | % | - | - | 2.66 | 3.01 | 2.27 |
| Recovery | % | - | - | 83.40 | 78.46 | 82.42 |
| Zn Grade | % | - | - | 2.93 | 3.31 | 2.32 |
| Recovery | % | - | - | 64.50 | 54.27 | 66.57 |
| Au Grade | g/t | - | - | 0.43 | 0.55 | 0.52 |
| Recovery (by weight) | % | - | - | 48.40 | 41.17 | 55.92 |
| Ag Grade | g/t | - | - | 23.65 | 29.56 | 20.80 |
| Recovery (by weight) | % | - | - | 96.57 | 74.13 | 76.89 |
| Au Concentrate Production | DMT | 3,190 | 2,738 | 562 | - | - |
| Au Grade | g/t | 77.40 | 58.21 | 75.90 | - | - |
| Ag Grade | g/t | 1,088.38 | 389.06 | 405.00 | - | - |
| Cu Concentrate Production | DMT | - | - | 580 | 1,483 | 1,336 |
| Cu Grade | % | - | - | 24.70 | 25.92 | 25.47 |
| Au Grade | g/t | - | - | 6.70 | 21.55 | 14.09 |
| Ag Grade | g/t | - | - | 227.40 | 134.90 | 136.23 |
| Pb Concentrate Production | DMT | - | - | 1,327 | 1,690 | 1,049 |
| Pb Grade | % | - | - | 47.02 | 45.98 | 41.52 |
| Au Grade | g/t | - | - | 4.29 | 4.60 | 7.07 |
| Ag Grade | g/t | - | - | 374.40 | 377.53 | 309.91 |
| Zn Concentrate Production | DMT | - | - | 1,010 | 1,121 | 552 |
| Zn Grade | % | - | - | 52.54 | 52.25 | 52.32 |
| Ag Grade | g/t | - | - | 64.54 | 73.70 | 56.03 |
| Bullion Production | Kg | 46 | - | - | - | - |
| Au | Oz | 1,270 | - | - | - | - |
| Ag | Oz | 197 | - | - | - | - |
| **Contained Metal** | | | | | | |
| Cu | t | - | - | 143 | 386 | 365 |
| Pb | t | - | - | 709 | 778 | 436 |
| Zn | t | - | - | 531 | 586 | 289 |
| Au | Oz | 9,209 | 5,124 | 1,713 | 1,279 | 844 |
| Ag | Oz | 111,826 | 34,247 | 32,208 | 29,352 | 17,289 |

***Table 1:*** *Mineral Hill – Detailed Mine and Mill Performance*

During the quarter, Mineral Hill produced record quantities of gold and silver for KBL.

Complementing the record metal production, low cost conventional mining operations continued in the higher grade Pearse open cut, with 100% of the ore feed being realised from the known gold and silver reserves.

***Photograph 2**. Mining Operations in the Pearse (1)*

Processing of fresh sulphide ore through the upgraded flotation circuits continued to operate well, while recoveries were optimised and increased during the quarter. Flotation tails, which had been redirected to the new CIL plant during December, continued to leach gold onto carbon. During January, the first carbon strips were undertaken, with gold bullion being produced shortly thereafter.

Final plant modifications associated with the installation of a second concentrate filter and repairs to the CIL plant carbon regeneration kiln during the quarter, have significantly contributed to the current increased plant operational performance.

The second filter essentially removes bottlenecks to increase plant flotation throughputs, while also improving moisture removal from the thickened metal concentrates. The filter was sourced in December 2015 and actual installation took place over a 4 week period in February. Final programming and commissioning was completed in early March.

The CIL plant carbon regeneration kiln was originally planned to be commissioned in December 2015 however the commissioning process was delayed due to contractor unavailability. As carbon is used to leach gold from ore feed, the purpose of the kiln is to regenerate carbon so the recovery of gold and silver is maximised. The kiln was fully operational in March.

***Photograph 3**. New second concentrate filter and CIL carbon regeneration kiln*

A balance of throughput and metal recovery has continued to be optimised with flotation throughputs being increased from 26 tonnes per hour up to 36 tonnes per hour being realised. The average recoveries in the flotation circuit for gold and silver were at 58.1% and 61.6% respectively for the quarter.

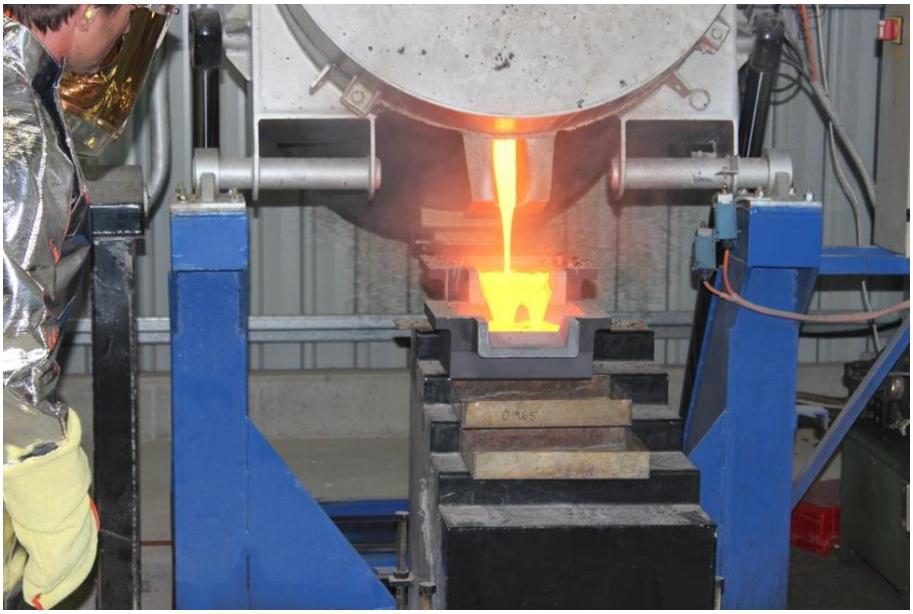
CIL operations easily handled the flotation tail feeds, with average recoveries for gold and silver being maintained up to 13.1% and 4.2% respectively for the month of March.

For the quarter, the combined circuits gave total gold and silver recoveries of 71.2% and 65.8% respectively when both circuits were in operation.

Ore production from Pearse for the quarter totalled 45,726 tonnes of ore grading 6.64 g/t Au and 71.81 g/t Ag delivered to the run of mine (ROM) and low grade stockpiles. Ore production tonnes and grades to date continue to exceed KBL's mine models and plans.

***Photograph 4.*** *Mining operations in the Pearse (2)*

A consistent mined feed of high grade sulphide ore assisted in meeting the production shipment quantities of gold and silver concentrate for the March quarter. A total 3,190 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 China. A further 46 kilograms of bullion was also produced and sold, containing some 1,270 ounces of gold and 197 ounces of silver.



***Photograph 5.*** *Gold pour at Mineral Hill.*

## Projects

A gold tailings return system was near completed during the quarter. The system will allow gold tailings which were generated during the construction of the new CIL plant and stored in a separate compartment within the existing tailings storage facility No 2, to be returned to the plant and combined with the flotation tails for further gold extraction processing through the CIL. The additional gold and silver feed source is expected to increase overall bullion production during the period of tailings return.

## Mineral Hill Exploration

### Overview

With the new CIL plant in operation, exploration activities during the quarter primarily focussed on the evaluation of near-surface oxide–sulphide gold targets.

A total of 16 drill holes were completed for 1663.3 metres comprising one diamond and 13 RC holes at Pearse North and two scoping diamond holes at the Eastern Ore Zone.

In the Southern Ore Zone, comprehensive geological mapping and underground sampling was undertaken to investigate the distribution of gold at G Lode.

### Pearse North

The Pearse North deposit, located just 200 metres northwest of the operating Pearse open cut gold mine, comprises shear-hosted epithermal gold–silver mineralisation of the same style as Pearse. The deposit has an Inferred Mineral Resource of 203kt @ 2.1g/t Au and 21.1g/t Ag[1].

A drilling program of three diamond and 13 RC holes, commenced in December 2105, was completed in the March quarter. The drilling was designed to provide improved geological understanding and increase the assay data density to inform a revised Mineral Resource estimate of the structurally controlled mineralisation which was previously undertaken on a loosely constrained basis.

The deposit is located on Exploration Lease EL1999 and an application for a Mining Lease over the deposit has been submitted (***Figure 1***; see ASX Release "Pearse North Mining Lease Application Lodged – Further Drilling Results Pending", 22 March 2016).

[1] Cut-off Grade 1g/t Au Oxide - Transitional & 2g/t Au Fresh (As released 25 July 13)

The best intercepts from the Pearse North drilling program include:

- **7 metres** at **6.7g/t Au** and **7.4g/t** Ag from 6m
  *including* **2 metres** at **14g/t Au** and **12.5g/t Ag**; *and*
  **35 metres** at **8.6g/t Au** and **133.5g/t Ag** from 18m
  *including* **15.6 metres** at **13.3g/t Au** and **114.4g/t Ag** (KMHDD030)
- **10.2 metres** at **3.3g/t Au** and **39.9g/t Ag** from 47m (KMHDD031)
- **13.1 metres** at **3.7g/t Au** and **43g/t Ag** from 54.25m,

  *including* **4.95 metres** at **6.5g/t** Au and **57g/t Ag** (KHMDD032);
- **5 metres** at **9.1g/t Au** and **57g/t Ag** from 35m; *and*

  **4 metres** at **4.4g/t Au** and **48g/t Ag** from 43m (KMHRC160);
- **17 metres** at **4.5g/t Au** and **9g/t Ag** from 4m

  *including* **8m** at **7.6g/t Au** and **12g/t Ag** (KMHRC161)
- **8 metres** at **2.9g/t Au** and **11g/t Ag** from 25m (KMHRC165)
- **8 metres at** 4.3g/t Au and 93.5g/t Ag from 27m (KMHRC167)
- **2 metres** at 3.8g/t Au and 14.6g/t Ag from 17m (KMHRC168)
- **5 metres** at 2.8g/t Au and 43g/t Au from 58m; *and*
  **3 metres** at 3.1g/t Au and 250g/t Ag from 65m (KMHRC171)

The complete significant assay results are presented in ***Table 2***; and the drill hole locations relative to the mineralisation outline are displayed in ***Figure 2*** and ***Figure 3***.

The first diamond hole, KMHDD030, encountered high grade gold mineralisation commencing only six metres from surface. The grades and apparent thickness of the intercepts in this hole are similar to those typically found in the Pearse deposit to the south. The results indicate that there is considerable potential to further define high-grade mineralised shear zones at Pearse North — similar pyritic shear zones strongly control the higher grades at the Pearse open cut where they are the focus of production.

Assay results from drilling in the far northern part of the deposit (KMHRC162–164), testing for extensions along strike, were in line with the historical drilling, with predominantly low-grade Au mineralisation encountered. However, in the centre of the deposit area, the identification of a major cross cutting shear zone in KMHDD032 combined with the stronger than expected results from KMHRC165 at the eastern extremity has potentially revealed a secondary mineralised trend that has not been adequately tested by the current drill pattern. A similar cross-cutting structural trend has been identified at the northern end of the Pearse open cut and planning is underway for follow-up with shallow RAB drilling and geochemical sampling in an area of poor outcrop between and to the east of the Pearse deposits (***Figure 4***).

Results from drilling in the southern and western parts of the deposit (KMHDD031; KMHRC166–172) were in line with the historical drilling, with predominantly low to moderate-grade Au mineralisation encountered. The best intercepts, in KMHDD031 and KMHRC167, are hosted by a steeply-dipping pyritic shear zone.

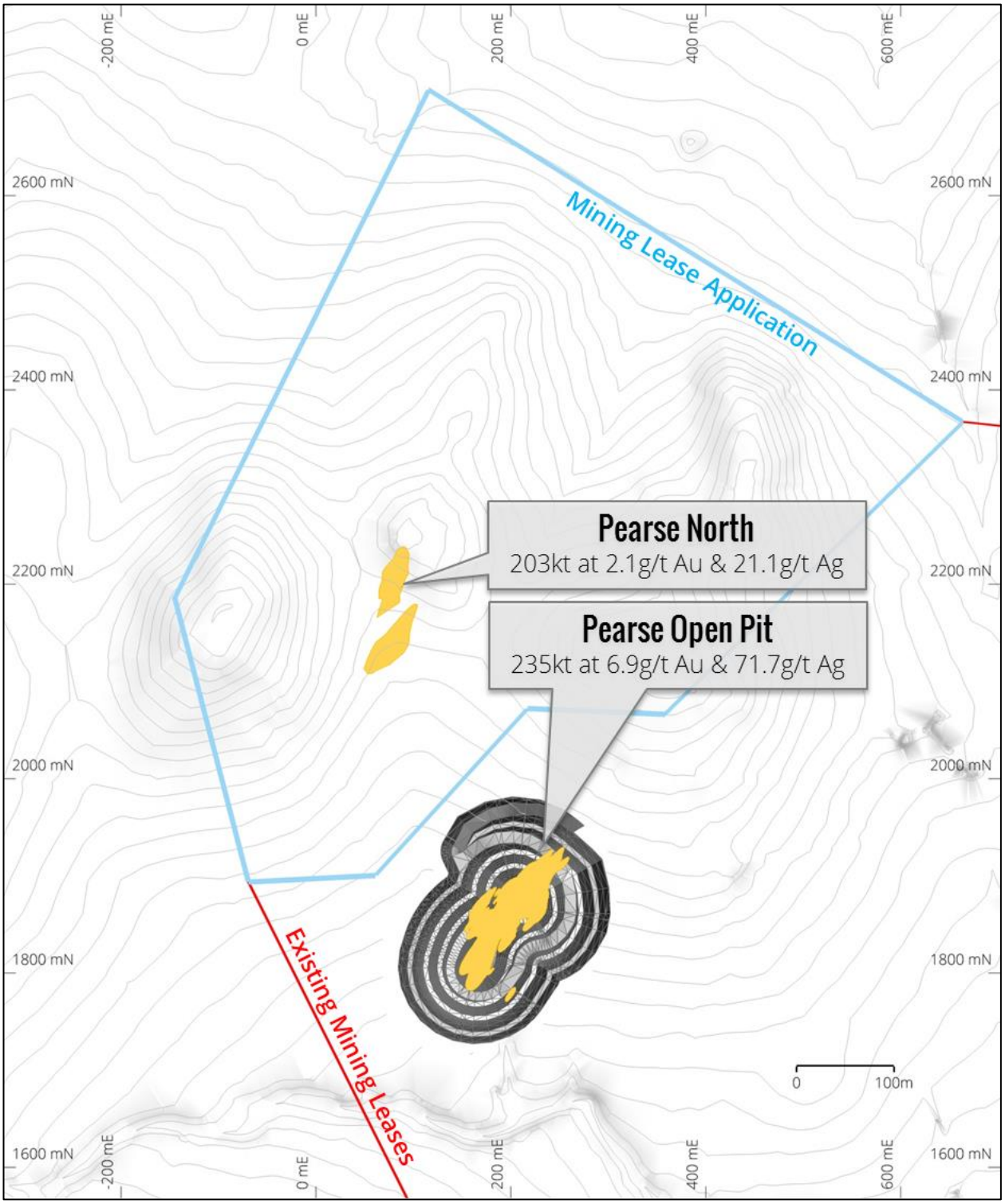



***Figure 1.*** *The Pearse North deposit is just 200 metres northwest of the operating Pearse[2] open cut gold mine with the MLA area outlined in blue.*

[2] *The Pearse Mineral Reserve estimate of 235kt at 6.9g/t Au & 71.7g/t Ag (at a cut-off of 1g/t Au for Oxide and 2g/t for Primary as released 20 October 2011 under JORC 2004) is inclusive of Proven and Probable Reserve categories (comprising a Probable Reserve Estimate of 47kt at 5.9g/t Au & 51.7g/t Ag and a Proven Reserve Estimate of 189kt at 7.2g/t Au & 77g/t Ag) and has not yet been depleted for mining activities. Production records indicate that approximately 60kt at 6.7g/t gold and 40.4g/t silver was mined up to December 31 2015. The Pearse North Inferred Mineral Resource estimate of 203kt at 2.1g/t Au & 21.1Ag is as released 25 July 2013 under JORC2004.*

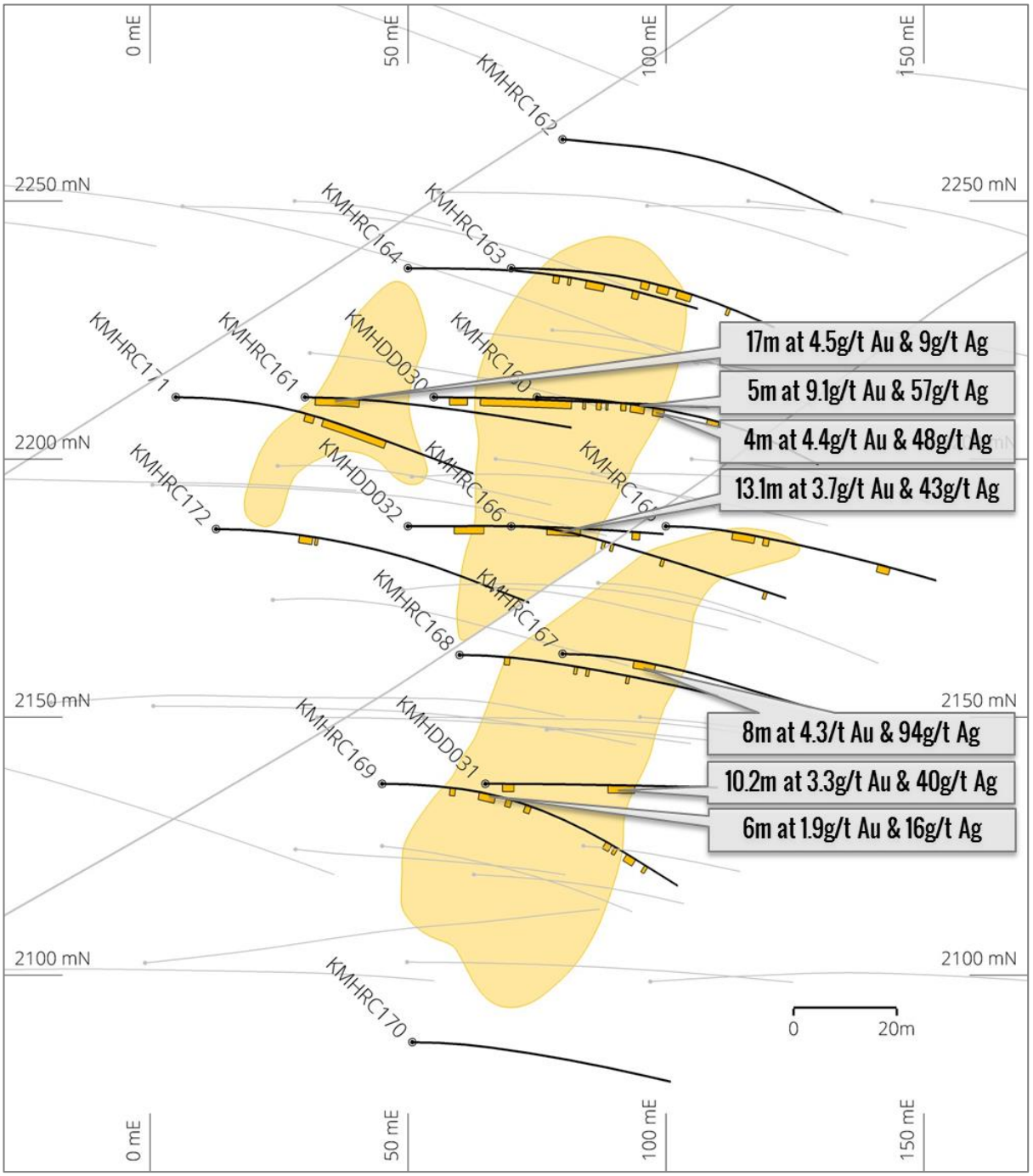



***Figure 2.*** *Pearse North schematic plan showing recently completed diamond drilling and selected intercepts in relation to historical drill holes and a general outline of the Au–Ag mineralisation. The plan is oriented relative to Mineral Hill mine grid.*

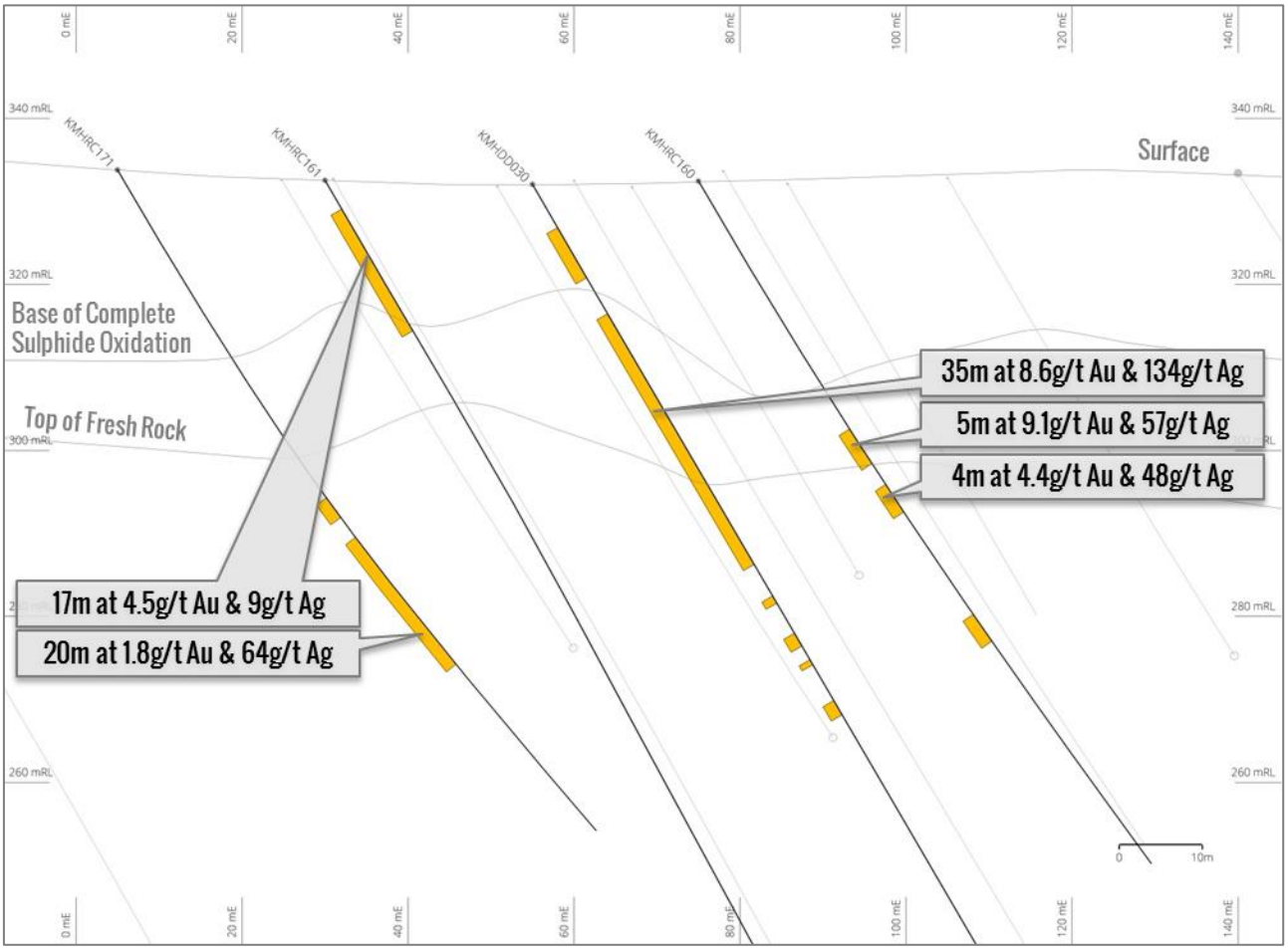



***Figure 3.*** *Schematic cross section (2210mN±15m) showing the position of KMHRC160, KMHRC161, and KMHRC171 in relation to KMHDD030 and historical drill holes. The section is oriented east–west relative to Mineral Hill mine grid.*

| Hole ID | Hole Type | Intercept (m) | Au (g/t) | Ag (g/t) | From | Reporting Cut-off | Oxidation | Estimated True Thickness (m) |
|---|---|---|---|---|---|---|---|---|
| KMHDD030 | DDH | 7 | 6.7 | 7 | 6 | 1g/t Au | Oxide | 3.5 |
| *Including* | | *2* | *14* | *13* | *10* | *5g/t Au* | *Oxide* | *1.0* |
| | | 35 | 8.6 | 134 | 18 | 1g/t Au | Transitional | 17.7 |
| *Including* | | *15.6* | *13.3* | *114* | *19* | *5g/t Au* | *Transitional* | *8.0* |
| | | 1 | 2.1 | 2 | 57.4 | 1g/t Au | Sulfide | 0.5 |
| | | 1.8 | 1.2 | 93 | 62.6 | 1g/t Au | Sulfide | 0.9 |
| | | 0.7 | 4.3 | 43 | 66.3 | 1g/t Au | Sulfide | 0.4 |
| | | 2 | 1.6 | 9 | 72 | 1g/t Au | Sulfide | 1.0 |
| KMHDD031 | DDH | 4.4 | 1.6 | 3 | 6.6 | 1g/t Au | Oxide | 2.2 |
| | | 10.2 | 3.3 | 40 | 47 | 1g/t Au | Sulfide | 5.2 |
| *Including* | | *2.1* | *8.2* | *116* | *56* | *5g/t Au* | *Sulfide* | *1.1* |
| KMHDD032 | DDH | 11.6 | 0.3 | 79 | 18 | 30g/t Ag | Oxide | 5.9 |
| | | 13.1 | 3.7 | 43 | 54.25 | 0.5g/t Au | Sulfide | 6.7 |
| *Including* | | *4.95* | *6.5* | *17* | *57.3* | *1g/t Au* | *Sulfide* | *2.5* |
| | | 3 | 0.8 | 10 | 87.6 | 0.5g/t Au | Sulfide | 1.5 |
| KMHRC160 | RC | 5 | 9.1 | 57 | 35 | 5g/t Au | Transitional | 2.6 |
| | | 4 | 4.4 | 48 | 43 | 1g/t Au | Sulfide | 2.0 |
| | | 4 | 1.4 | 7 | 62 | 1g/t Au | Sulfide | 2.0 |
| KMHRC161 | RC | 17 | 4.5 | 9 | 4 | 1g/t Au | Oxide | 8.7 |
| *Including* | | *8* | *7.6* | *12* | *11* | *5g/t Au* | *Oxide* | *4.1* |
| KMHRC162 | RC | *no significant intercepts* | | | | | | |
| KMHRC163 | RC | 3 | 0.8 | 2 | 49 | 0.5 g/t Au | Transitional | 1.5 |
| | | 4 | 0.8 | 7 | 55 | 0.5 g/t Au | Sulfide | 2.0 |
| | | 5 | 0.7 | 7 | 62 | 0.5g/t Au | Sulfide | 2.6 |
| | | 1 | 2.2 | 71 | 79 | 1 g/t Au | Sulfide | 0.5 |
| KMHRC164 | RC | 2 | 1.4 | 17 | 54 | 1 g/t Au | Sulfide | 1.0 |
| | | 1 | 1.5 | 9 | 59 | 1 g/t Au | Sulfide | 0.5 |
| | | 6 | 1.6 | 8 | 65 | 1 g/t Au | Sulfide | 3.1 |
| | | 2 | 3.6 | 26 | 80 | 1 g/t Au | Sulfide | 1.0 |
| KMHRC165 | RC | 8 | 2.9 | 11 | 25 | 1 g/t Au | Oxide | 4.1 |
| *Including* | | *1* | *9.8* | *8* | *32* | *5 g/t Au* | *Oxide* | *0.5* |
| | | 2 | 3.0 | 1 | 36 | 1 g/t Au | Oxide | 1.0 |
| | | 4 | 2.6 | 10 | 75 | 1 g/t Au | Sulfide | 2.0 |
| *Including* | | *1* | *8.1* | *18* | *75* | *5 g/t Au* | *Sulfide* | *0.5* |
| KMHRC166 | RC | 1 | 2.0 | 1 | 34 | 1 g/t Au | Transitional | 0.5 |
| | | 1 | 1.3 | 4 | 37 | 1 g/t Au | Transitional | 0.5 |
| | | 1 | 2.9 | 46 | 54 | 1 g/t Au | Sulfide | 0.5 |
| | | 1 | 1.3 | 2 | 87 | 1 g/t Au | Sulfide | 0.5 |
| KMHRC167 | RC | 8 | 4.3 | 94 | 27 | 1 g/t Au | Transitional/Sulfide | 4.1 |
| KMHRC168 | RC | 2 | 3.8 | 15 | 17 | 1 g/t Au | Oxide | 1.0 |
| | | 1 | 1.4 | 6 | 42 | 1 g/t Au | Sulfide | 0.5 |
| | | 1 | 1.6 | 5 | 46 | 1 g/t Au | Sulfide | 0.5 |
| | | 1 | 3.4 | 41 | 59 | 1 g/t Au | Sulfide | 0.5 |
| KMHRC169 | RC | 2 | 2.3 | 41 | 26 | 1 g/t Au | Oxide | 1.0 |
| | | 6 | 1.9 | 16 | 37 | 1 g/t Au | Transitional | 3.1 |
| | | 2 | 2.9 | 235 | 47 | 1 g/t Au | Sulfide | 1.0 |
| | | 2 | 2.2 | 35 | 54 | 1 g/t Au | Sulfide | 1.0 |
| | | 2 | 2.4 | 15 | 82 | 1 g/t Au | Sulfide | 1.0 |
| | | 1 | 1.1 | 0 | 85 | 1 g/t Au | Sulfide | 0.5 |
| | | 3 | 1.9 | 74 | 89 | 1 g/t Au | Sulfide | 1.5 |
| | | 1 | 1.3 | 0 | 95 | 1 g/t Au | Sulfide | 0.5 |
| KMHRC170 | RC | *no significant intercepts* | | | | | | |
| KMHRC171 | | 3 | 0.5 | 44 | 47 | 30 g/t Ag | Sulfide | 1.5 |
| | RC | 20 | 1.8 | 64 | 53 | 1 g/t Au | Sulfide | 10.2 |
| *Including* | | *5* | *2.8* | *43* | *58* | *1 g/t Au* | *Sulfide* | *2.6* |
| *And* | | *3* | *3.1* | *250* | *65* | *1 g/t Au* | *Sulfide* | *1.5* |
| KMHRC172 | RC | 5 | 0.5 | 115 | 32 | 30 g/t Ag | Transitional | 2.6 |
| | | 1 | 1.5 | 4 | 38 | 1 g/t Au | Sulfide | 0.5 |

***Table 2.*** *Significant intersections from recent drilling at Pearse North.*

Oriented drill core suggests that the main foliation of the host shear zone is steeply dipping to sub-vertical and strikes north to north northeast. The estimated true thicknesses of the intercepts are presented in ***Table 2***, on the basis that the shear zone controls the mineralisation.

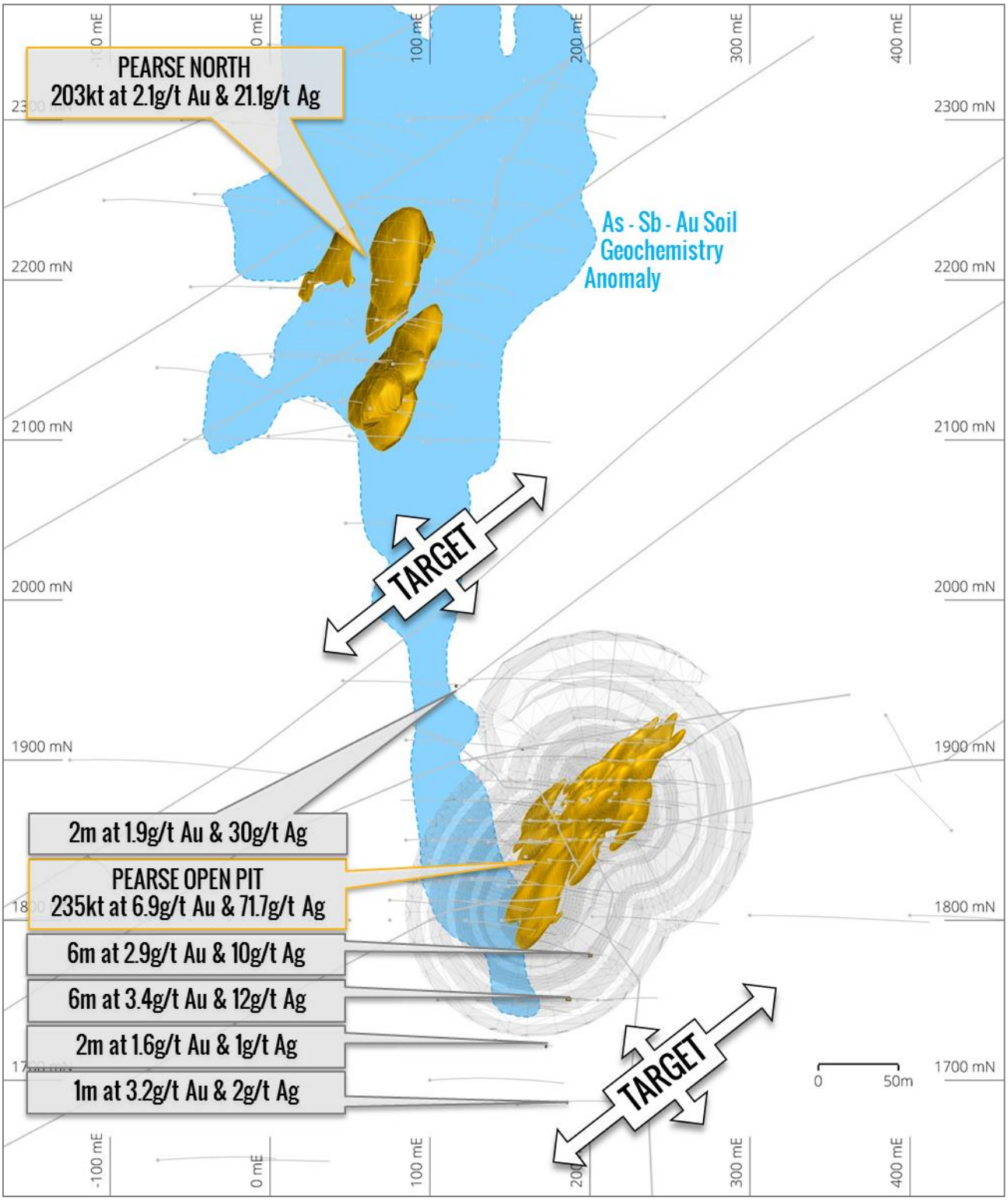



***Figure 4.*** *Pearse-Pearse North geochemical trend illustrating high priority exploration targets as defined by anomalous surface geochemistry through shallow cover. The Pearse Mineral Reserve estimate of 235kt at 6.9g/t Au & 71.7g/t Ag (at a cut-off of 1g/t Au for Oxide and 2g/t for Primary as released 20 October 2011 under JORC 2004) is inclusive of Proven and Probable Reserve categories (comprising a Probable Reserve Estimate of 47kt at 5.9g/t Au & 51.7g/t Ag and a Proven Reserve Estimate of 189kt at 7.2g/t Au & 77g/t Ag) and has not yet been depleted for mining activities. Production records indicate that approximately 60kt at 6.7g/t gold and 40.4g/t silver was mined up to December 31 2015. The Pearse North Inferred Mineral Resource estimate of 203kt at 2.1g/t Au & 21.1Ag is as released 25 July 2013 under JORC2004.*


***Photograph 6.*** *Pearse North Drilling*

**Eastern Ore Zone (EOZ)**

The northern part of the Eastern Ore Zone was identified as a near mine production opportunity. Two short diamond holes (KMHDD033 & KMHDD034) were drilled to follow up strong indications of oxide gold mineralisation present in historical RC drilling. The EOZ is a narrow, but very continuous, mineralised fault breccia that was mined by Triako Resources Ltd (predominantly from underground between 1998 and 2005). With subsidiary structures, the EOZ yielded an estimated 240k oz. gold. In the oxidised zone, gold is apparently hosted by both the parent EOZ structure and adjacent stockwork and is possibly accompanied by supergene metal enrichment in the transitional weathering zone. The northern part of the EOZ is relatively copper-poor and was selected as the oxide mineralisation is potentially amenable to CIL treatment. Significant assay results from the two holes are presented in ***Table 3***. Assessment of the mining potential of this area is ongoing.

| Hole | Interval (m) | Au | Cu | Ag | From (m) | Type |
|---|---|---|---|---|---|---|
| KMHDD033 | *2* | 2.0 | 0.0 | 1 | 6 | Oxide |
| | 1.9 | 11.9 | 0.9 | 11 | 13 | Oxide |
| KMHDD034 | 1 | 1.2 | 0.1 | 1.0 | 20 | Oxide |
| | 1.25 | 9.7 | 0.4 | 3.9 | 24.4 | Sulfide |

***Table 3.*** *Significant results from drilling at the EOZ*

Structural data suggest that multiple orientations of mineralisation are present. True thickness is therefore unable to be reliably estimated. The assumption that the true thickness of intercepts is less that the reported apparent thickness should be made.

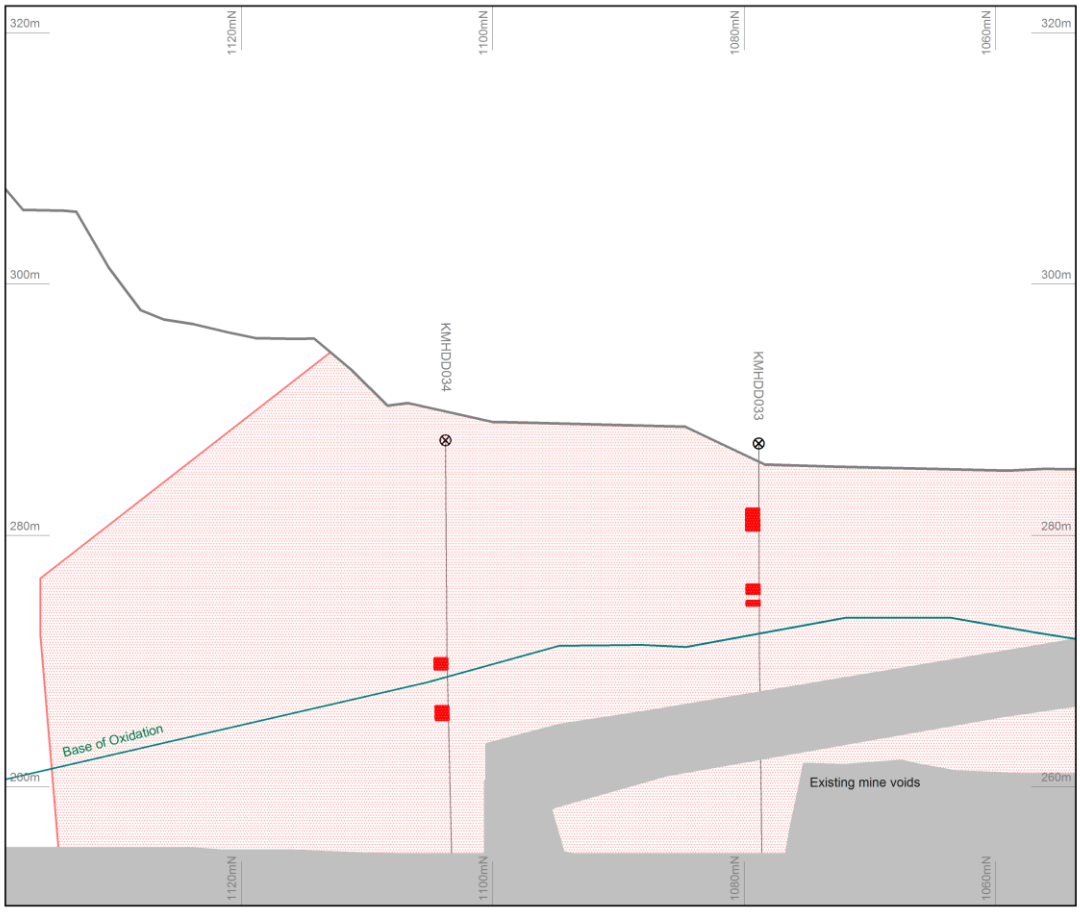



***Figure 5.*** *Long section of the northern part of the Eastern Pit at Mineral Hill projected to 1350mE showing the significant intercepts relative to the interpreted base of oxidation surface and the inferred remnant EOZ.*

**Southern Ore Zone (SOZ)**

G Lode is an important future source of underground gold/copper production at the Southern Ore Zone, Mineral Hill. As reported in a drilling update released 2 July 2013, the G Lode contains very high-grade intersections of Au–Cu mineralisation, including **26m** at **3.6 g/t Au** and **0.9% Cu** from **59.5m;** and **10m** at **60.6 g/t Au** and **2.2% Cu** from **112m** in underground drill hole **KUSOZ001**.

Presenting the historical results at a cut-off of 3g/t Gold Equivalent gives the following intercepts which better reflect the tenor of the mineralisation in KUSOZ001:

- **5.9m** at **4.9g/t Au**, **1.1% Cu** and **5g/t Ag** from 67.1m;
- **6.5m** at **6.7g/t Au**, **1.0% Cu** and **7g/t Ag** from 79m; and
- **5.6m** at **108.5g/t Au**, **3.8% Cu** and **18g/t Ag** from 113.7

[true widths are less than the reported drill intersections as the hole was drilled at a low angle to the dip of the mineralisation]

KBL commenced development on G Lode in 2015 at the 1025mRL level (approximately 300m below surface) This has provided the first access for underground mapping and sampling of the G Lode mineralisation. Wall sampling of the exposed breccia zones contained highly elevated gold, with individual one metre intervals yielding gold grades up to **81.8g/t** (***Figure 6***)

The gold mineralisation is associated with a distinctive pyrite-rich quartz breccia near the western margin of G Lode (***Photograph 7***). The G Lode also hosts a more copper-rich breccia zone along the eastern footwall side. This zone contains several packages of strong Cu–Au mineralisation up to approximately 5m thick over a strike length of approximately 180m.

G Lode breccia intervals with highly elevated gold grades, have been recognised in drilling for about 60m along strike, and over 50m below the current development level (***Figure 7***). A grade control drilling program is planned to determine the boundaries of potential mining blocks and establish internal grade continuity between the 1025mRL and the 990mRL development levels.

***Photograph 7:*** *Gold-bearing pyrite–chalcopyrite–quartz breccia near the western margin of G lode exposed in underground development*

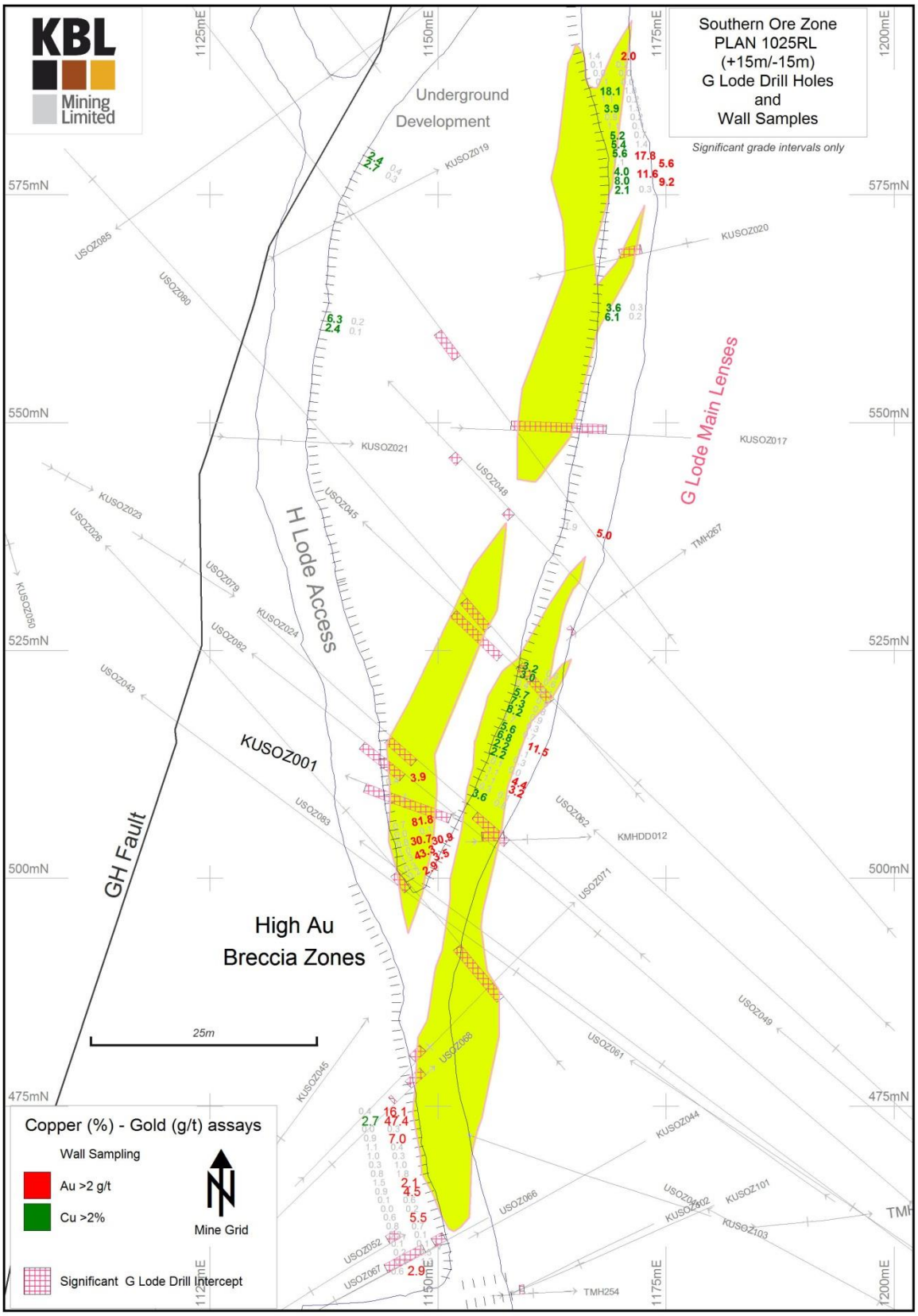



***Figure 6.*** *1025RL plan of part of the G Lode with assay results from wall sampling and significant historical drill intercepts. An interpretation of the several mineralised breccia lenses is also presented (yellow)*

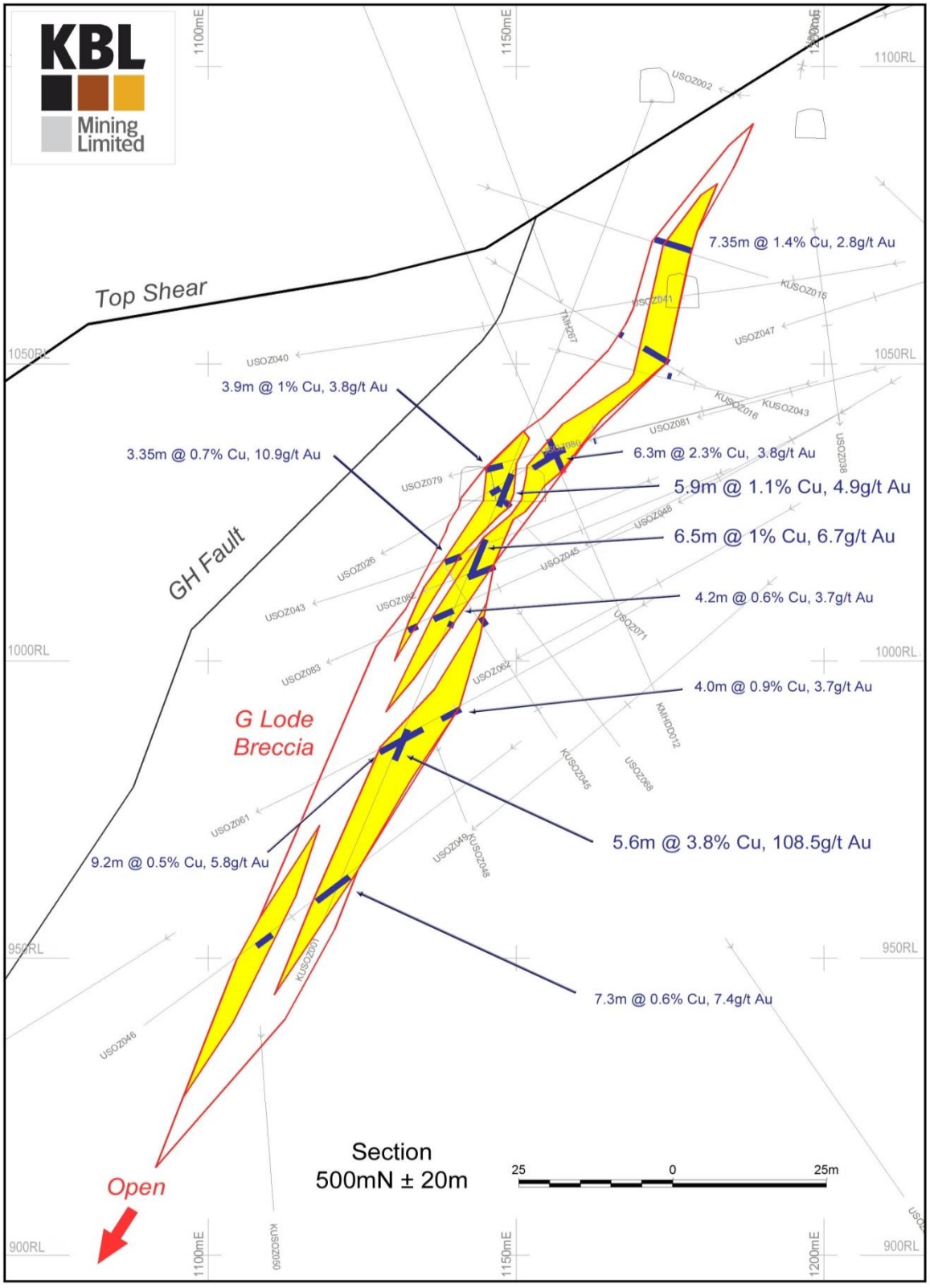



***Figure 7**. 500N section of G Lode with selected significant historical drill intercepts including those quoted from KUSOZ001. An interpretation of the several mineralised breccia lenses is also presented (yellow)*

For complete documentation of drilling and sampling techniques required by JORC code 2012 edition, refer to the appendixes of the following ASX releases:

- 9 February 2016 'High Grade Gold Assays from Pearse North - Drilling Continues';
- 10 March 2016 'G Lode Underground Sampling Confirms High Grade Gold at Mineral Hill, NSW';
- 7 April 2016 ' Pearse North — More High Grade Gold Results';
- 21 April 2016 'Pearse North Infill Drilling Complete — New Gold Assays'

## 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 Ag**[3], 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 silver**[4] (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 silver**[5] (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 recent 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

On 22 February 2016 the Company announced that it had entered into revised payment arrangements with four of its largest service providers. The revised arrangements agreed with the four key suppliers involved a restructure of the Company's repayment profile for their outstanding amounts. It was agreed with certain suppliers that they would accept a portion of their outstanding amount as being satisfied via payment in shares.

To further assist in raising cash to assist in reducing smaller outstanding supplier balances, during the quarter the company entered in certain convertible security arrangements. On 1March 2016 the Company issued a total of 57,365,503 ordinary shares pursuant to those arrangements with a further 93,274,334 shares issued on 18 April 2016 following shareholders' approval at the General Meeting held on 15 April 2016.

During the quarter the Company also issued 7,275,132 shares in satisfaction of amounts due to other service providers.

[3] Resource Estimate released 22 December 2011. Updated to incorporate 29 November 2013 DE Resource Estimate
[4] Reserve estimate released 29 November 2013
[5] Updated Resource estimate released 29 November 2013

As announced on 4 March 2016, KBL entered into a convertible arrangement with a professional investor under which it received $450,000 upon closing in return for the issue of a convertible security with a face value of $500,000 expiring on 4 March 2017. Fees in respect of the arrangement were paid by the allotment of 1,500,000 KBL on drawdown. In addition, 10,869,565, three year options were issued, each exercisable at 2.6 cents, subject to certain adjustments. The Company also issued 10 million KBL shares as collateral in respect of its obligations under these arrangements.

By end of the quarter the Company had issued a total of 26,457,767 shares as repayments amounting to $380,000 of the convertible security. Subsequent to the end of quarter the Company has issued a further 10,000,000 shares for a face value of $110,000.

On 7 April 2016 the Company, pursuant to the terms of the convertible note arrangement above, agreed terms for an additional convertible note under which the Company received $360,000 in return for the issue of a convertible security with a face value of $410,000 expiring on 7 April 2016. Fees in respect of this convertible note were paid by the allotment of 341,667 KBL shares at drawdown. In addition, 15,769,231 three year options were subsequently issued on 21 April 2016 each exercisable at 1.6 cents, subject to certain adjustments. The Company also issued an additional 2 million KBL shares as collateral in respect of its obligations under the arrangement.

By 21 April 2016 the Company had issued 25,454,546 shares as repayments amounting $280,000 of the additional convertible security.

As mentioned above the Company held a General Meeting of shareholders on 15 April 2016 at which all resolutions as set out in the notice of meeting were passed on a show of hands.

**For further information, please contact:**

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***About KBL Mining***

*KBL Mining is an Australian Resource Company listed on the ASX (KBL and KBLGA) with a focus on producing precious and base 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 2013 commenced producing a separate lead-silver concentrate. In 2015 it commenced production of a gold concentrate and in January 2016 poured its first gold dore at Mineral Hill. 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. A PFS for stage 1 of the project (400,000tpa open cut ore processed) was released on 6 December 2012 Environmental approvals for stage 1 were granted in 2014. A BFS is in progress to be followed by project financing.*

*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.*