

ENTITLEMENT OFFER OF OPTIONS

KBL Mining Limited ("**KBL**" or "**Company**") (ASX: KBL) refers to the ASX announcements on 14 and 21 June 2016 relating to the capital raising consisting of a Placement and a Rights Issue of options. The Company has advised that it has secured up to A\$0.825 million from institutional and sophisticated investors through share placements of up to 165 million shares issued at 0.5 cents per share.

The Company is now pleased to advise the details of 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**").

Entitlement Offer

Under the proposed Entitlement Offer, eligible shareholders will be invited to subscribe for one New Option for every Share held at 7.00pm on 6 July 2016 (**Record Date**) at an Offer Price of \$0.001 per New Option. The New Options will have an exercise price of \$0.005 each and will expire on 2 August 2018.

Based on the capital structure of the Company as at the date of this announcement, and assuming no current options in the Company (**Options**) are exercised prior to the Record Date a maximum of 989,658,490 New Options will be issued pursuant to the Entitlement Offer.

Persons who currently hold Options are only eligible to participate if they exercise their Options before 7.00pm (AEST) on the Record Date.

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

The Entitlement Offer will be made to Eligible Shareholders pursuant to a prospectus (**Prospectus**), which will include a personalised Entitlement and Acceptance Form. The Prospectus will provide further details on how to participate in the Entitlement Offer.

Funds raised from the issue and exercise of the options will be used to augment the Company's working capital and provide the opportunity for the Company to further explore some of the targets within the large Mineral Hill system.

The Prospectus, together with the Entitlement and Acceptance Form, will be mailed to all Eligible Shareholders from 11 July 2016.

Closing Date

The Entitlement and Acceptance Forms, together with payment, must be received by the Company's Share Registrar, Boardroom Pty Limited, by no later than 5:00pm AEST on 27 July 2016.

Payment for the subscriptions under the Entitlement Offer can be made by BPAY® or cheque.

Shortfall Offer

The Company, in its sole discretion, may conduct a shortfall offer in respect of any New Options not subscribed for pursuant to the Entitlement Offer (**Shortfall Offer**). In these circumstances, Eligible Shareholders may also apply for additional New Options under the Offer. The Company may also issue New Options under the Shortfall Offer to institutions and/or sophisticated and professional investors.

The Entitlement and Acceptance Form contains information on how to apply for additional New Options under the Offer.

Should the number of New Options applied for under the Shortfall Offer exceed the amount of New Options available for subscription, the allocation of New Options forming part of the Shortfall Offer will be determined at the sole discretion of the Company.

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*

An Appendix 3B for the proposed issue of the New Options is attached.

For further information, please contact:

Greg Starr

Managing Director

KBL Mining Limited

Ph: +61 2 9927 2000

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

Appendix 3B

New issue announcement, application for quotation of additional securities and agreement

Information or documents not available now must be given to ASX as soon as available. Information and documents given to ASX become ASX's property and may be made public.

Introduced 01/07/96 Origin: Appendix 5 Amended 01/07/98, 01/09/99, 01/07/00, 30/09/01, 11/03/02, 01/01/03, 24/10/05, 01/08/12

Name of entity

KBL MINING LIMITED

ABN

38 129 954 365

We (the entity) give ASX the following information.

Part 1 - All issues

You must complete the relevant sections (attach sheets if there is not enough space).

1	+Class of +securities issued or to be issued	Options expiring 2 August 2018
2	Number of +securities issued or to be issued (if known) or maximum number which may be issued	<p>Up to 989,658,490 options (Entitlement Options) are to be issued under a pro rata non-renounceable entitlement offer (Entitlement Offer) as detailed in the announcement and prospectus lodged with ASX today, 30 June 2016.</p> <p>The exact number of Entitlement Options under the Entitlement Offer is still to be finalised and is subject to the number of Entitlement Options subscribed for by eligible shareholders and to final reconciliation and rounding.</p>

+ See chapter 19 for defined terms.

<p>3 Principal terms of the +securities (eg, if options, exercise price and expiry date; if partly paid +securities, the amount outstanding and due dates for payment; if +convertible securities, the conversion price and dates for conversion)</p>	<p>The Entitlement Options are exercisable at a price of \$0.005 and will expire on 2 August 2018.</p> <p>The full terms and conditions are set out in the prospectus lodged with ASIC and ASX on 30 June 2016.</p>
<p>4 Do the +securities rank equally in all respects from the date of allotment with an existing +class of quoted +securities?</p> <p>If the additional securities do not rank equally, please state:</p> <ul style="list-style-type: none"> • the date from which they do • the extent to which they participate for the next dividend, (in the case of a trust, distribution) or interest payment • the extent to which they do not rank equally, other than in relation to the next dividend, distribution or interest payment 	<p>The Entitlement Options form part of a new class of options for which quotation is being sought.</p>
<p>5 Issue price or consideration</p>	<p>Consideration of \$0.001 for the issue of the Entitlement Options (the option exercise price is \$0.005)</p>
<p>6 Purpose of the issue (If issued as consideration for the acquisition of assets, clearly identify those assets)</p>	<p>Funds raised from the issue and exercise of the options will be used to augment the Company's working capital and provide the opportunity for the Company to further explore some of the targets within the large Mineral Hill system.</p>

6a	Is the entity an +eligible entity that has obtained security holder approval under rule 7.1A? If Yes, complete sections 6b – 6h in relation to the +securities the subject of this Appendix 3B, and comply with section 6i	Yes
6b	The date the security holder resolution under rule 7.1A was passed	17 November 2015
6c	Number of +securities issued without security holder approval under rule 7.1	Nil
6d	Number of +securities issued with security holder approval under rule 7.1A	Nil
6e	Number of +securities issued with security holder approval under rule 7.3, or another specific security holder approval (specify date of meeting)	Nil
6f	Number of securities issued under an exception in rule 7.2	Nil
6g	If securities issued under rule 7.1A, was issue price at least 75% of 15 day VWAP as calculated under rule 7.1A.3? Include the issue date and both values. Include the source of the VWAP calculation.	N/A
6h	If securities were issued under rule 7.1A for non-cash consideration, state date on which valuation of consideration was released to ASX Market Announcements	N/A
6i	Calculate the entity's remaining issue capacity under rule 7.1 and rule 7.1A – complete Annexure 1 and release to ASX Market Announcements	See Annexure 1

+ See chapter 19 for defined terms.

7	Dates of entering ⁺ securities into uncertificated holdings or despatch of certificates	2 August 2016
---	--	---------------

8	Number and ⁺ class of all ⁺ securities quoted on ASX (<i>including</i> the securities in section 2 if applicable)	Number	⁺ Class
		989,658,490	Ordinary fully paid shares (KBL)
		28,954,516	12% pa Convertible Notes exp 16 February 2017 (KBLGA)
		989,658,490 (Subject to final subscriptions, reconciliation and rounding)	Options exercisable at \$0.005 expiring on 2 August 2018. (Subject to quotation)

		Number	+Class
9	Number and +class of all +securities not quoted on ASX (including the securities in section 2 if applicable)	44,000,000 8,000,000 49,080,785 10,869,565 15,769,231 26,000,000 26,000,000 15,769,231 1 1 1	Opts exp 14 March 2020 ex 11 cents Opts exp 14 March 2020 ex 11 cents Opts exp 16 March 2018 ex price 2.47 cents Opts exp 4 March 2019 ex price 2.6 cents Opts exp 21 April 2019 ex price 1.6 cents Opts exp 6 May 2021 ex price 2.8 cents Opts exp 6 May 2021 ex price 3.25 cents Opts exp 16 May 2019 ex price 1.6 cents Unsecured Convertible Note – residual face value \$10,000 repayable 4 March 2017 Unsecured Convertible Note – residual face value \$130,000 repayable 7 April 2017 Unsecured Convertible Note – residual face value \$290,000 repayable 16 May 2017
10	Dividend policy (in the case of a trust, distribution policy) on the increased capital (interests)	Not applicable	

+ See chapter 19 for defined terms.

Part 2 - Bonus issue or pro rata issue

11	Is security holder approval required?	No
12	Is the issue renounceable or non-renounceable?	Non-renounceable
13	Ratio in which the ⁺ securities will be offered	Under the Entitlement Offer, one Entitlement Option for every existing share held at the Record Date
14	⁺ Class of ⁺ securities to which the offer relates	Options to acquire ordinary shares
15	⁺ Record date to determine entitlements	6 July 2016
16	Will holdings on different registers (or subregisters) be aggregated for calculating entitlements?	No
17	Policy for deciding entitlements in relation to fractions	Where fractions arise in the calculation of shareholders' entitlements under the Entitlement Offer they will be rounded down to the next whole number of Entitlement Options.
18	Names of countries in which the entity has ⁺ security holders who will not be sent new issue documents <small>Note: Security holders must be told how their entitlements are to be dealt with. Cross reference: rule 7.7.</small>	All countries other than Australia and New Zealand.
19	Closing date for receipt of acceptances or renunciations	5.00 pm AEST 27 July 2016
20	Names of any underwriters	N/A
21	Amount of any underwriting fee or commission	N/A
22	Names of any brokers to the issue	N/A – Stock Assist Pty Ltd is providing services in connection with the Entitlement Offer.

23	Fee or commission payable to the broker to the issue	Stock Assist Pty Ltd will receive \$6,000 for services in connection with the Entitlement Offer.
24	Amount of any handling fee payable to brokers who lodge acceptances or renunciations on behalf of ⁺ security holders	Nil
25	If the issue is contingent on ⁺ security holders' approval, the date of the meeting	N/A
26	Date entitlement and acceptance form and prospectus or Product Disclosure Statement will be sent to persons entitled	11 July 2016
27	If the entity has issued options, and the terms entitle option holders to participate on exercise, the date on which notices will be sent to option holders	1 July 2016
28	Date rights trading will begin (if applicable)	N/A
29	Date rights trading will end (if applicable)	N/A
30	How do ⁺ security holders sell their entitlements <i>in full</i> through a broker?	N/A
31	How do ⁺ security holders sell <i>part</i> of their entitlements through a broker and accept for the balance?	N/A
32	How do ⁺ security holders dispose of their entitlements (except by sale through a broker)?	N/A
33	⁺ Despatch date	3 August 2016

⁺ See chapter 19 for defined terms.

Part 3 - Quotation of securities

You need only complete this section if you are applying for quotation of securities

34 Type of securities
(tick one)

(a) ☒ Securities described in Part 1

(b) ☐ All other securities

Example: restricted securities at the end of the escrowed period, partly paid securities that become fully paid, employee incentive share securities when restriction ends, securities issued on expiry or conversion of convertible securities

Entities that have ticked box 34(a)

Additional securities forming a new class of securities

The Entitlement Options will form a new class of security and the details below will be provided at the time of issue.

Tick to indicate you are providing the information or documents

35 ☐ If the +securities are +equity securities, the names of the 20 largest holders of the additional +securities, and the number and percentage of additional +securities held by those holders

36 ☐ If the +securities are +equity securities, a distribution schedule of the additional +securities setting out the number of holders in the categories
1 - 1,000
1,001 - 5,000
5,001 - 10,000
10,001 - 100,000
100,001 and over

37 ☐ A copy of any trust deed for the additional +securities

Entities that have ticked box 34(b)

38 Number of securities for which
+quotation is sought

39 Class of +securities for which
quotation is sought

<p>40 Do the ⁺securities rank equally in all respects from the date of allotment with an existing ⁺class of quoted ⁺securities?</p> <p>If the additional securities do not rank equally, please state:</p> <ul style="list-style-type: none"> • the date from which they do • the extent to which they participate for the next dividend, (in the case of a trust, distribution) or interest payment • the extent to which they do not rank equally, other than in relation to the next dividend, distribution or interest payment 	
--	--

<p>41 Reason for request for quotation now</p> <p>Example: In the case of restricted securities, end of restriction period</p> <p>(if issued upon conversion of another security, clearly identify that other security)</p>	
---	--

42	Number and ⁺ class of all ⁺ securities quoted on ASX (including the securities in clause 38)	Number	⁺ Class

Quotation agreement

- 1 ⁺Quotation of our additional ⁺securities is in ASX's absolute discretion. ASX may quote the ⁺securities on any conditions it decides.
- 2 We warrant the following to ASX.
 - The issue of the ⁺securities to be quoted complies with the law and is not for an illegal purpose.
 - There is no reason why those ⁺securities should not be granted ⁺quotation.
 - An offer of the ⁺securities for sale within 12 months after their issue will not require disclosure under section 707(3) or section 1012C(6) of the Corporations Act.

⁺ See chapter 19 for defined terms.

Note: An entity may need to obtain appropriate warranties from subscribers for the securities in order to be able to give this warranty

- Section 724 or section 1016E of the Corporations Act does not apply to any applications received by us in relation to any +securities to be quoted and that no-one has any right to return any +securities to be quoted under sections 737, 738 or 1016F of the Corporations Act at the time that we request that the +securities be quoted.
 - If we are a trust, we warrant that no person has the right to return the +securities to be quoted under section 1019B of the Corporations Act at the time that we request that the +securities be quoted.
- 3 We will indemnify ASX to the fullest extent permitted by law in respect of any claim, action or expense arising from or connected with any breach of the warranties in this agreement.
- 4 We give ASX the information and documents required by this form. If any information or document not available now, will give it to ASX before +quotation of the +securities begins. We acknowledge that ASX is relying on the information and documents. We warrant that they are (will be) true and complete.



Sign here:

Date: 30 June 2016

Company Secretary

Print name:

Ivo J Polovineo

Appendix 3B – Annexure 1

Calculation of placement capacity under rule 7.1 and rule 7.1A for +eligible entities

Introduced 01/08/12

Part 1

Rule 7.1 – Issues exceeding 15% of capital	
Step 1: Calculate “A”, the base figure from which the placement capacity is calculated	
Insert number of fully paid ordinary securities on issue 12 months before date of issue or agreement to issue	495,765,509
Add the following: <ul style="list-style-type: none"> Number of fully paid ordinary securities issued in that 12 month period under an exception in rule 7.2 Number of fully paid ordinary securities issued in that 12 month period with shareholder approval Number of partly paid ordinary securities that became fully paid in that 12 month period <p><i>Note:</i></p> <ul style="list-style-type: none"> Include only ordinary securities here – other classes of equity securities cannot be added Include here (if applicable) the securities the subject of the Appendix 3B to which this form is annexed It may be useful to set out issues of securities on different dates as separate line items 	11,450,000 – issued on 31 July 2015 74,364,826 – issued on 20 July 2015 16,781,008 – issued on 20 July 2015 # 22,569,440 – issued on 30 July 2015 # 15,779,237 – issued on 4 December 2015 # # approved at AGM held on 17 November 2015 45,506,503 - issued on 1 March 2016 * 11,850,000 - issued on 1 March 2016 * 11,500,000 – issued on 4 March 2016 * 93,274,334 – issued on 18 April 2016 100,000,000 – issue on 24 June 2016* * approved at General Meeting held on 15 April 2016 -
Subtract the number of fully paid ordinary securities cancelled during that 12 month period	-
“A”	898,840,857

+ See chapter 19 for defined terms.

Step 2: Calculate 15% of “A”	
“B”	0.15 <i>[Note: this value cannot be changed]</i>
Multiply “A” by 0.15	134,826,128
Step 3: Calculate “C”, the amount of placement capacity under rule 7.1 that has already been used	
<p>Insert number of equity securities issued or agreed to be issued in that 12 month period <i>not counting</i> those issued:</p> <ul style="list-style-type: none"> Under an exception in rule 7.2 Under rule 7.1A With security holder approval under rule 7.1 or rule 7.4 <p><i>Note:</i></p> <ul style="list-style-type: none"> <i>This applies to equity securities, unless specifically excluded – not just ordinary securities</i> <i>Include here (if applicable) the securities the subject of the Appendix 3B to which this form is annexed</i> <i>It may be useful to set out issues of securities on different dates as separate line items</i> 	6,470,588 – issued on 10 March 2016 8,000,000 – issued on 18 March 2016 6,153,846 –issued on 24 March 2016 5,833,333 – issued 31 March 2016 2,341,667 – issued 7 April 2016 10,000,000 – issued 12 April 2016 14,545,455 –issued 18 April 2016 15,769,231 – options issued 21 April 2016 10,909,091 – issued 22 April 2016 341,667 - shares issued 16 May 2016 15,769,231 - options issued 16 May 2016 12,000,000 – issued on 18 May 2016
“C”	108,134,109
Step 4: Subtract “C” from [“A” x “B”] to calculate remaining placement capacity under rule 7.1	
“A” x 0.15 <i>Note: number must be same as shown in Step 2</i>	134,826,128
Subtract “C” <i>Note: number must be same as shown in Step 3</i>	108,134,109
Total [“A” x 0.15] – “C”	26,692,019 <i>[Note: this is the remaining placement capacity under rule 7.1]</i>

Part 2

Rule 7.1A – Additional placement capacity for eligible entities	
Step 1: Calculate “A”, the base figure from which the placement capacity is calculated	
“A” <i>Note: number must be same as shown in Step 1 of Part 1</i>	898,840,857
Step 2: Calculate 10% of “A”	
“D”	0.10 <i>Note: this value cannot be changed</i>
Multiply “A” by 0.10	89,884,085
Step 3: Calculate “E”, the amount of placement capacity under rule 7.1A that has already been used	
Insert number of equity securities issued or agreed to be issued in that 12 month period under rule 7.1A Notes: <ul style="list-style-type: none"> • <i>This applies to equity securities – not just ordinary securities</i> • <i>Include here – if applicable – the securities the subject of the Appendix 3B to which this form is annexed</i> • <i>Do not include equity securities issued under rule 7.1 (they must be dealt with in Part 1), or for which specific security holder approval has been obtained</i> • <i>It may be useful to set out issues of securities on different dates as separate line items</i> 	7,275,132 – issued on 10 March 2016 6,946,854 – issued on 20 April 2016
“E”	14,221,986

+ See chapter 19 for defined terms.

Step 4: Subtract “E” from [“A” x “D”] to calculate remaining placement capacity under rule 7.1A	
“A” x 0.10 <i>Note: number must be same as shown in Step 2</i>	89,884,085
Subtract “E” <i>Note: number must be same as shown in Step 3</i>	14,221,986
Total [“A” x 0.10] – “E”	75,662,099