

QUARTERLY ACTIVITIES REPORT END 30 JUNE 2015

QUARTERLY PRODUCTION HIGHLIGHTS	
Copper Produced	
30 Jun 2015	386 t
31 Mar 2015	365 t
31 Dec 2014	407 t
30 Sept 2014	709 t
Gold Produced	
30 Jun 2015	1,279 oz
31 Mar 2015	844 oz
31 Dec 2014	1,053 oz
30 Sept 2014	768 oz
Silver Produced	
30 Jun 2015	29,352 oz
31 Mar 2015	17,289 oz
31 Dec 2014	17,970 oz
30 Sept 2014	24,822 oz
Lead Produced	
30 Jun 2015	778 t
31 Mar 2015	436 t
31 Dec 2014	372 t
30 Sept 2014	326 t
Zinc Produced	
30 Jun 2015	586 t
31 Mar 2015	289 t
31 Dec 2014	66 t
Total C1 Cu Cash Costs (After metal credits)	
30 Jun 2015	\$3.72/lb
31 Mar 2015	\$5.27/lb
31 Dec 2015	\$4.37/lb
30 Sept 2014	\$2.60/lb

LISTED SECURITIES	
As at 30 June 2015	
Ordinary Shares	495,765,509
Convertible Notes	28,954,516



KEY POINTS

Mineral Hill Mine

- The opening of lead/zinc resources on 40 level and the 20 level copper/gold in the Southern Ore Zone has resulted in improved metal production this quarter
 - Gold ounces up 51% from last quarter
 - Lead tonnes up 78% from last quarter
 - Zinc tonnes up 102% from last quarter
 - Silver ounces up 70% from last quarter
- Pearse open pit is well advanced with over 150,000 BCM moved at the date of the release of this quarterly. Oxide ore is being stockpiled and first production on target for late August
- First gold concentrate will be shipped in September and first Dore produced in November
- Underground development was at a record for KBL achieving 566 metres for the quarter focused on opening up reserves
- CIL Gold plant construction advancing on schedule for commissioning in November
- Process plant expansion and upgrades nearing complete with the improved lead circuit operational and the zinc thickener and flotation cells to be installed in the next quarter. Recoveries of lead have increased markedly
- Following approval at the General Meeting of shareholders in May KBL raised \$3 million in July for working capital and exploration. The Quintana funds raised in March are financing all major capital projects
- The judgement in relation to KBL/RIKID was handed down in the Supreme Court of NSW in favour of KBL. The \$3 million deposited as security was returned with interest and costs were awarded to KBL. Costs of \$275,000 were settled and paid by RIKID/Capri. This concludes all court actions regarding the Capri/RIKID matters other than the outstanding damages due by RIKID of \$36,670.40 ordered by the court as part of the judgment on 7 May
- The increased underground development has opened a substantial proportion of the G lode reserves for mining in 12 months' time. Grades in the G lode development are consistent with the published drill hole and resource grades

Sorby Hills Project

KBL's immediate priority is to secure profitability from the Mineral Hill operation. As we approach completion of development projects at Mineral Hill, including processing of open cut gold-silver ore, we will look to rework the technical and financial options for Sorby Hills.

MANAGING DIRECTOR'S OVERVIEW

I am pleased to confirm that KBL is moving forward in line with its plan presented to shareholders on 4 August 2014 to refinance the company and develop the Pearse Open Cut, build the CIL and use the time while operating on surface to develop the G lode and secure resources for the longer term economics of our Mineral Hill operation.

Open Cut Mining

During the last quarter we have moved the Mineral Hill operations forward significantly with MAAS contractors being appointed to mine the Pearse Open Cut and Westech International to build the CIL plant ("Carbon In Leach"). Both of these are game changing projects and are well advanced and on schedule for the first gold sulphide ore to be delivered to the process plant in late August for the production of high grade gold flotation concentrates. The CIL plant is due to come on line in November with first gold dore' poured at the end of November. During the period that ore is being fed through the plant before the CIL is operational, the tails will be compartmentalised for reclaim at a later date. This compartment in the tailings dam is well advanced and will be ready for production in August. The metallurgical test work indicates that approximately 70% to 75% gold recovery will be achieved in the flotation plant and a further 15% through the CIL plant.

Current Production

As previously discussed, during the quarter, management increased underground development substantially to open the lower extremities of the Southern Ore Zone ("SOZ") for access to lead-zinc ore on 40 level and copper-gold ores on 20 level. These areas have provided the main feed to the processing plant over the quarter. Lead-zinc grades were variable with A lode delivering between 5-9% combined lead-zinc. This has reinforced our decision to move to the Pearse Open Cut and give the technical staff time to open the numerous lodes underground and delineate a robust mine plan. The development into the G lode on 60 and 25 levels in ore has produced better than expected grades. Currently we have developed 90 metres into the lode with over 110 metres still to be developed. G lode is a high grade gold-copper lode. The current plan is to commence G lode production in 12 months, giving sufficient time to develop, drill and delineate a robust mine plan.

Exploration

KBL's exploration is focused on near future production potential with several areas being targeted over the quarter both on surface and underground. Eleven holes were drilled at Jacks Hut to assess the potential for a copper-gold sulphide open cut. Underground drilling continued at the A lode which demonstrates a dip extension of over 200 metres from 980RL to 1180RL and commenced testing, the down dip extension of the previously mined high grade Red Terror copper ore body.

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

Mill and Mine Performance

Mineral Hill Performance						
	Quarter	Jun-15	Mar-15	Dec-14	Sep-14	Jun-14
Ore Mined	t	73,892	59,460	61,569	56,550	54,415
Development metres	m	566	508	470	301	332
Ore Treated (Cu/Au)	t	42,809	42,636	53,102	55,346	66,526
Cu Grade	%	1.1	0.9	1.0	1.5	2.0
Recovery	%	85.2	87.8	80.1	85.0	83.2
Au Grade	g/t	0.9	0.7	1.1	0.7	1.2
Recovery (by weight)	%	52.8	63.1	56.3	58.9	54.5
Ag Grade	g/t	10.1	8.6	14.8	20.0	35.0
Recovery (by weight)	%	50.6	65.7	56.7	68.5	65.0
Ore Treated (Pb/Zn)	t	32,690	18,778	6,168	-	-
Pb Grade	%	2.7	2.3	3.4	-	-
Recovery	%	80.5	82.4	83.0	-	-
Zn Grade	%	2.8	2.3	2.1	-	-
Recovery	%	52.9	66.6	50.0	-	-
Au Grade	g/t	0.6	0.5	0.6	-	-
Recovery (by weight)	%	52.9	55.9	55.0	-	-
Ag Grade	g/t	27.6	20.8	24.0	-	-
Recovery (by weight)	%	76.6	76.9	65.0	-	-
Cu Concentrate Production	DMT	1,483	1,336	1,478	2,559	3,957
Cu Grade	%	25.9	25.5	27.6	27.7	28.1
Au Grade	g/t	21.6	14.1	17.2	8.1	9.7
Ag Grade	g/t	135	136	212	201	230
Pb Concentrate Production	DMT	1,690	1,049	923	773	1,498
Pb Grade	%	46.0	41.5	40.3	42.1	43.5
Au Grade	g/t	4.6	7.1	7.9	4.0	3.3
Ag Grade	g/t	378	310	257	332	358
Zn Concentrate Production	DMT	1,121	552	177		
Zn Grade	%	52.2	52.3	37.3		
Ag Grade	g/t	74	56	54		
Contained Metal						
Cu	t	386	365	407	709	1,111
Pb	t	778	436	372	326	729
Zn	t	586	289	66		
Au	Oz	1279	844	1,053	768	1,410
Ag	Oz	29,352	17,289	17,970	24,822	48,716

Table 1: Mineral Hill – Detailed Mine and Mill Performance

During the quarter mining operations continued to focus on maintaining ore supply from the developed underground deposits to ensure the budgeted ore and production plans for 2015 are achieved. Access development metres were maintained during the quarter, allowing an initial view of the G lode copper/gold mineralisation and the drilling platforms on levels from the 1080 down.

In conjunction with the underground operations, open cut activities at the Pearse deposit were rapidly implemented. During May, the Board of KBL approved an accelerated plan for the commencement of the Pearse pit, and in a period of 6 weeks the site was prepared for open cut operations. This included obtaining all necessary environmental sign offs, land owner notifications, clearing of the approved site, topsoil removal and stockpiling which was all followed by the normal mining sequence of drill/blast and material extraction from mid-June onwards.



Photograph 1. Mining Operations in the Pearse Open cut pit (Early July)

During the June quarter, ore production was extracted from the underground copper-gold (Cu–Au), polymetallic (Cu–Pb–Zn–Ag–Au) and lead-zinc (Pb–Zn) zones within the SOZ lodes.

Mining operations in SOZ specifically accessed ore from the A, B and C lodes. All stope production ore was sourced from the 40 and 20 levels within the SOZ polymetallic lodes. Development ore was from the G lode on 25 and 60 level. Ore grades were generally below expectations for both base and precious metals.

Production of separate copper, lead and zinc concentrates continued from the sequential flotation process on a campaign basis. This process has continued to give the site the flexibility to process both the copper-gold and polymetallic zones within the SOZ lodes.

Works are now well advanced to modify the process plant to allow for copper, lead and zinc concentrates to be sequentially produced without the need for any particular product stoppages. The lead circuit is complete and the zinc circuit should be commissioned in August.

The current mining plan has ore supply from the SOZ A, B, D and G lodes until the Pearse open cut supplies high value - gold/silver sulphide ore, which is expected in August 2015. At that point, the ore feed is planned to be predominantly from Pearse and the process plant will shift to the production of a gold /silver concentrate for approximately the next 10 to 12 months.

During the Pearse open cut production underground operations will continue with development access to future production sources, such as the G and A lodes. Exploration drilling programmes will also continue.

Recent plant modifications within the flotation circuit will enhance the gold flotation recoveries, which are expected to be around 70% for Pearse sulphide ore. In the short term, the Pearse flotation tailings will be separately stored for reclamation and further processing once the CIL plant is fully operational in November 2015. From this time gold bullion will be produced from Pearse oxide ore, Pearse sulphide tailings and underground ore flotation tailings as they are produced.

Work on the CIL plant continued during the quarter, with the concrete works nearing completion and the installation of the leach tanks and associated steelwork underway. Westech International has been engaged for the construction implementation.



Photograph 2. CIL construction (July)

Mineral Hill Exploration

Overview

Following extensive planning and development in the March Quarter, diamond drilling recommenced at the SOZ, aimed at near-term ore supply targets including AB Zone and A lode. HMR Drilling Services Pty Ltd has been engaged to undertake the Red Terror underground drilling which commenced in early July. A program of surface RC drilling took place at the Jacks Hut exploration target and assay results are expected in early August.

Drilling also occurred at the Pearse deposit to obtain sample for the fine-tuning the metallurgical process pathway and further investigating the potential for partial processing of oxide and transitional ores prior to commissioning of the CIL.

Pearse Metallurgical Drilling

Four diamond drill holes were completed at Pearse during the quarter for a total of 414.1 metres. The drill holes were designed for detailed geological and structural analysis and metallurgical test work at Australian Minmet Metallurgical Laboratory (AMML).

The aim of the test work is to optimise flotation slurry density, flotation time and reagent conditions and to test the oxide and transitional ore with the aim of being able to process some or all of this material by flotation ahead of completion of the CIL plant and processing of the flotation tailings.

The drilling encountered exceptional high grade Au–Ag mineralisation, confirming their presence within the deposit. Significant intersections from these drill holes are detailed in Table 1.

Hole	Interval (m)	Au g/t	Ag g/t	From (m)
KMHDD024	18.5	13	182	12.9
<i>including</i>	6.7	15.2	254	19
<i>and</i>	2.7	41.6	532	27.7
	32.1	6.4	131	46.5
<i>including</i>	3	21.8	0.9	48
<i>and</i>	2	16.8	0.1	53
KMHDD025	6.5	16.2	10.9	6.5
<i>including</i>	2	49.9	19.9	8.5
	37	13	98.9	16
<i>including</i>	11	25.4	234.6	19
	8	1.6	1	56
<i>including</i>	15.95	3.5	99.9	69.05
	2.6	9.1	481.9	71.4
KMHDD026	26	7	217.6	6
	10.1	11.2	172.1	43.4
	14.5	4.2	323.2	64.5
KHMDD027	27	9.3	158.3	42

Table 2. Significant assay intersections from the Pearse drilling

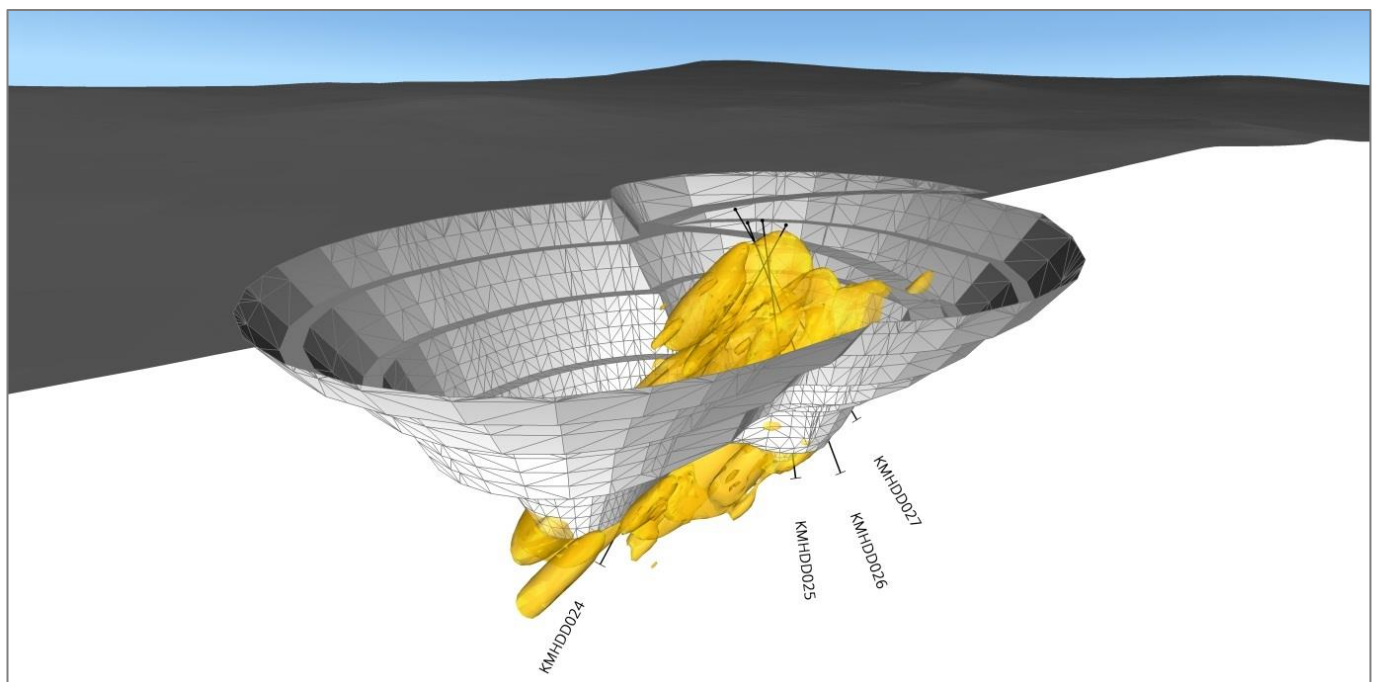


Figure 1. Pearse metallurgical drill holes looking northwest with a 0.8g/t Au grade shell and the optimised pit shown for context

Metallurgical testing of the Pearse primary gold ore being undertaken at AMML comprises grinding, flotation for a gold/silver concentrate and cyanide leaching of the flotation tailings. Consultant Metallurgist, Rodney Elvish commented *“Early results gave flotation recoveries of 70 to 75% for both gold and silver. Concentrate grades vary with the head grade from 45 g/t to over 100 g/t gold and typically contain 750 g/t silver. Significantly arsenic and antimony grades in these concentrates are consistently well below acceptable sales levels. Cyanide leaching of the flotation tailings takes overall gold and silver recoveries to well over 80% from this refractory gold ore.”* Work is progressing to optimise flotation conditions ahead of planned production from these ores in August.

Jacks Hut Exploration Target

The current Jacks Hut project is aimed at assessing the remnant vein-style and stockwork mineralisation outside the high grade breccia core mined by Triako Resources Ltd in the 1990s. Historical production from the main Jacks Hut lode was 705,000t at 1.81% Cu and 4.75 g/t Au.

In June, eleven reverse circulation drill holes were completed at Jacks Hut for a total of 916 metres. The primary focus of the program was to better define the hanging wall mineralisation and test continuity between widely spaced drilling. Drilling to date has produced encouraging results with the intersection of broad zones of mineralisation comprising intermittent high grade lenses. The observed mineralisation is characterised by disseminated chalcopyrite ±pyrite grading to weak-moderately brecciated sulphide veining.

The total Jacks Hut conceptual exploration target comprises 2.5–3.5Mt at 0.8 to 1.0% Cu and 0.4 to 0.6g/t Au¹ (at a 0.5% Cu cut-off) of which a near-surface (<100m depth) exploration target has been estimated at 380–500kt @ 1.2–1.3% Cu & 0.20–0.25g/t Au². Assay results are expected in early August and further work will attempt to progress the target to Mineral Resource estimation. This will include geological review of selected historical core and sampling of unassayed core to avoid estimation difficulties associated with niche sampling of the historical drill holes.

¹ The potential quantity and grade of the target is conceptual in nature. There has been insufficient exploration to define a Mineral Resource and it is uncertain if further exploration will result in determination of a Mineral Resource.

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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 Ag³**, 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 silver⁴** (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 silver⁵** (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

Litigation Update

On 7th May 2015, the court proceedings between KBL and RIKID511 Pty Limited (RIKID), a Company controlled by Geoff Kinghorn, was decided in favour of KBL. The Supreme Court of New South Wales found, amongst other things, that RIKID had no right to claim an additional \$3.12 million in interest from KBL, on top of the \$12.6 million loan that KBL had repaid to RIKID on 16th March 2015. Pending this decision, KBL deposited more than \$3 million into its solicitors' controlled moneys account as security for RIKID's claim for additional interest. As RIKID had no right to make that claim, KBL was awarded \$36,670.40 in damages for having to pay that money into the controlled monies account. KBL was also awarded its costs of the proceedings, payment of which has now been settled.

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

In his decision, Justice White of the Supreme Court of NSW made the following statement:

"In my view RIKID has been guilty of such improper conduct as disentitles it from requiring KBL to pay any of its costs of the proceedings as a condition of its being entitled to redeem RIKID's security. RIKID caused the institution of the proceedings by its service of alleged notices of default and threats to exercise its security for which there was no proper basis. I am comfortably satisfied that the notices were issued as part of a campaign to seek to bring about a default so that RIKID, for the benefit of its then holding company, KDR, could acquire control of KBL's assets. It did not act in good faith. It is true that its claim to interest on the debt of \$12.6 million was a claim that, as a matter of contractual interpretation, was reasonably arguable. But I am satisfied that RIKID through its director, Mr Kinghorn, knew that if the agreement bore the construction for which RIKID contended, then that was not the true agreement that the parties had made. It was not reasonable for RIKID to advance that claim."

Funding Update

KBL held an extraordinary general meeting of shareholders on 8 May 2015 to request shareholders to approve, amongst other things, the placement of up to 74,364,826 new ordinary shares for working capital purposes. Repayment of the Capri/RIKID debt and KBL's exploration projects were fully funded by the USD23 million raised from Quintana in March. KBL announced on 20 July 2015 that it had secured a placement to institutional and high net worth investors that will raise \$3 million for the Company.

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 concentrates, lead concentrates and zinc concentrates. Sorby Hills (KBL holds 75% with Henan Yuguang Gold & Lead Co. Ltd (HYG&L) holding 25%) is one of the world's largest near surface undeveloped silver-lead deposits, close to port infrastructure and a short distance from Asian markets. The project received environmental approval on 2 April 2014 and the Joint Venturers are now progressing the Project to development

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 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.