



KBL Mining Limited

ABN 38 129 954 365

Interim Report - 31 December 2012

KBL Mining Limited
Directors' Report
31 December 2012

The directors present their report, together with the financial statements, of KBL Mining Limited (referred to hereafter as the 'company') for the half-year ended 31 December 2012.

Directors

The following persons were directors of the company during the whole of the financial half-year and up to the date of this report, unless otherwise stated:

James Wall
Robert Besley
Stephen Lonergan
John Richards

Principal activities

During the financial half-year the principal continuing activities of the company consisted of mineral explorations, resource development and mining in Australia.

Review of operations

The loss for the company after providing for income tax amounted to \$5,914,325 (31 December 2011: \$2,669,120).

Mineral Hill Mine, NSW

KBL 100% Ownership

Mine and Mill Production

During the half year, production during September to November 2012 was negatively impacted by poor ore quality (high talc content) together with internal stope dilution which inhibited the grade of copper delivered to the mill and its recovery.

In August 2012, a new underground mining zone was discovered at Red Terror, with ongoing drilling to define a mining Reserve. Importantly, ore at Red Terror does not host similar deleterious impurities and has superior characteristics over Parkers Hill ore.

Development of Red Terror commenced in September 2012 to access the lodes, which are adjacent to mining operations at the Parkers Hill underground workings. Commercial production from Red Terror commenced during December 2012 delivering a material improvement in copper production performance. Ore from Red Terror is expected to contribute 50% of ore delivered to the Mineral Hill mill for the six months to 30 June 2013.

Table 1: Mineral Hill Production for half year ended 31 December 2012 and previous half year

Mineral Hill Performance					
		Dec 12 QTR	Sept 12 QTR	1HFY13	2HFY12
Ore Mined	t	72,057	63,180	135,237	124,552
Development metres	m	352	369	721	836
Ore Treated	t	71,228	63,320	134,548	120,746
Cu Grade	%	1.60	2.24	1.90	2.32
Recovery	%	72.4	75.9	74.0	75.3
Concentrate Production	DMT	4,556	4,598	9,154	9,612
Cu Grade	%	18.9	23.4	21.2	21.8
Au Grade	g/t	2.49	2.88	2.68	2.27
Ag Grade	g/t	187	375	281	236
Contained Metal					
Cu	t	861	1,076	1,937	2,095
Au	Oz	364	426	790	703
Ag	Oz	27,444	55,382	82,825	72,892

On-going exploration success, revised geological and geophysical interpretation and modelling have enabled the development of a comprehensive, medium term underground copper-gold strategy at Mineral Hill.

Underground production will now be focused on the higher margin copper-gold lodes, transitioning away from the start-up copper-lead-silver lodes at Parkers Hill.

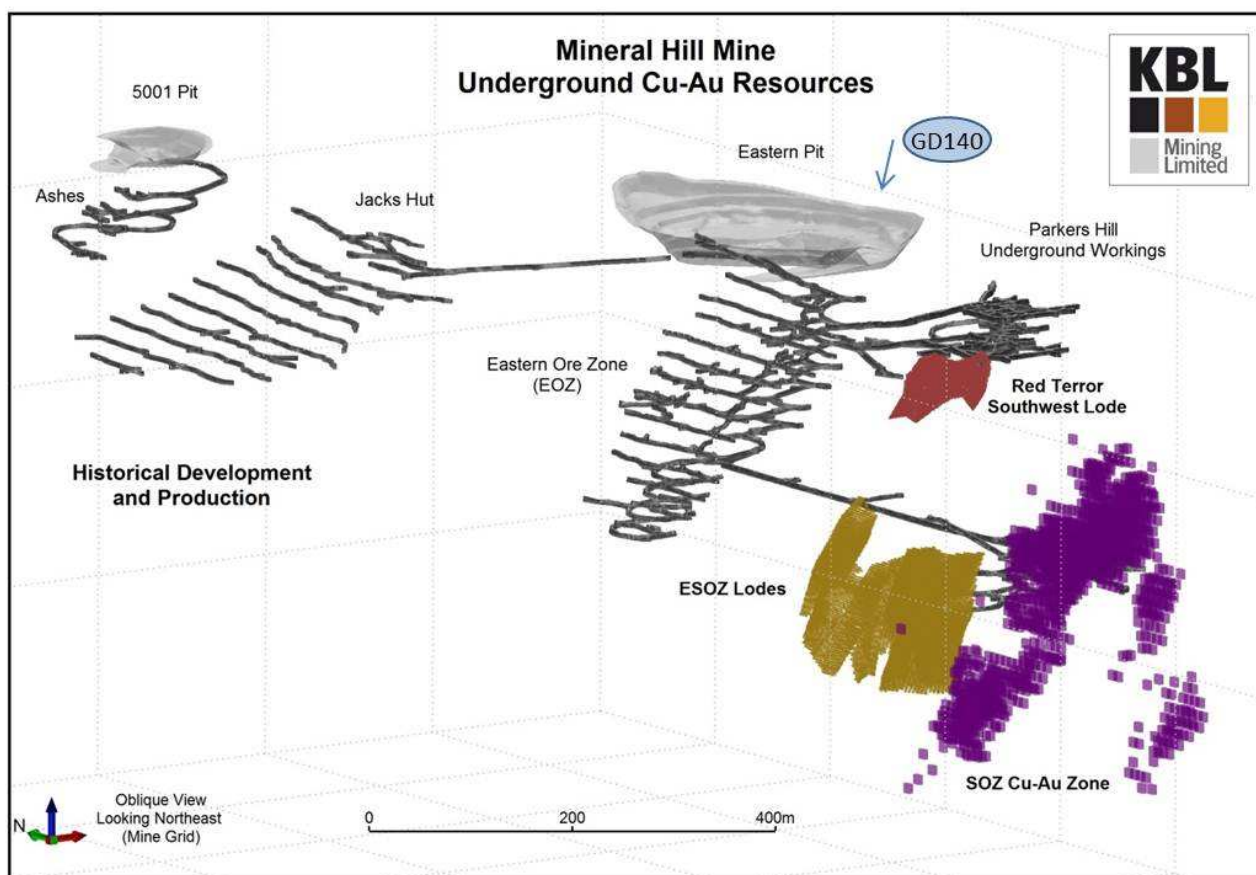


Figure 1: Isometric view of 3D model depicting current Mineral Hill underground Cu-Au resources.

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To date, copper-gold deposits identified included Red Terror, ESOZ and SOZ. Further exploration drilling and interpretation will focus on testing a number of additional, highly prospective targets adjacent to existing infrastructure including the historically mined EOZ (Eastern Ore Zone), GD140 and Missing Link. These are expected to add significant additional copper-gold Resources in the short term.

Table 2: Current Mineral Hill underground Cu-Au Resource inventory. Resource categories are available in the releases footnoted below.

Underground Zone	kt	Cu (%)	Au (g/t)	Ag (g/t)
Red Terror SW Lode ¹	90	3.4	0.8	7
ESOZ ²	315	1.9	4.6	8
SOZ Au ³	400	0.8	4.4	12
SOZ Cu-Au ⁴	326	1.7	1.3	19
Total	1,132	1.6	3.3	12
Contained Metal		17,926t	119,251oz	454,912 oz

1. See maiden Red Terror Southwest lode Resource released 9 November 2012
2. JORC-compliant Resource released 13 September 2011
3. JORC-compliant Resource released 1 November 2011.
4. JORC-compliant Resource released 1 November 2011. Cut-off of 2% Cu equivalent (Cu equivalent = Cu (%) + Au (g/t) × 0.66).

KBL is focused on identifying additional underground copper-gold Resources, while at the same time, improving the quality of its existing Resource inventory, by converting Resources to Reserves to extend the existing mine life of the Mineral Hill Mine.

Sales Arrangements

KBL shipped approximately 8,100 dry metric tonnes of concentrate containing 1,900 tonnes of copper to Daye Non-Ferrous Metals, in Hubei, China during the half year.

During December 2012, KBL entered into a copper concentrate sales agreement for delivery of some 50% of planned copper concentrate production over the next four years. The arrangement provides for certain advances to be made by the counterparty to KBL and, as security, KBL has agreed to a PPSA security interest in respect of its assets at the Mineral Hill Mine.

Pearse Gold-Silver Project

A Technical Planning Study was completed during the December quarter. This provided an independent assessment of the development plan for Pearse.

Financial modelling results for stage 1 of a phased development provided confidence to progress the project to the funding and development phase. The gold circuit to be constructed to treat Pearse ore will also allow improved gold recoveries from underground copper-gold ores.

Sorby Hills, WA

KBL: 75% Ownership

Pre-Feasibility Study

A Pre-Feasibility Study (PFS) for Stage 1 development of the Sorby Hills projects was completed during the December quarter, with results released on 6 December 2012.

In summary, the results confirmed the robust economic viability of a shallow, open-pit mine to deliver 400,000 tonnes per annum (tpa) of ore over an initial 10 year mine life. Stage 1 covers 27% of the Sorby Hills Indicated and Inferred Resource, providing substantial scope to expand mine life and project scale.

Stage 1 key results include:

- Cash surplus of A\$201million with an internal rate of return (IRR) of 58% before tax
- 1.7 year payback period of an estimated CAPEX of A\$70million
- C1 Cash Costs of minus \$30.70 per ounce of silver after lead credits, generating an approximate site margin of \$60 per ounce of silver produced at a silver price of \$30 per ounce.
- Approximately 4 million ounces of silver and 100,000 tonnes of lead-in concentrate produced in first five years
- Waste-to-ore strip ratio of 3.6:1, to a maximum depth of 70 metres
- 87% silver and 91% lead recoveries

The positive PFS results have given further confidence in the Sorby Hills silver-lead project.

Approvals

In late December 2012, KBL submitted environmental approval documentation to the Department of Mines and Petroleum, the Environmental Protection Authority (EPA) of Western Australia and the Commonwealth Government under the EPBC legislation.

Approval has been received pursuant to the Commonwealth EPBC legislation, and the WA EPA assessed the project as requiring a review through the "Public Environmental Review" (PER) process. The PER process is progressing and a document outlining the project for public consultation and comment was released on 11 March 2013.

KBL anticipates that final approval for the commencement of development will be received late in the final quarter of the 2013 financial year. This should enable development to commence during the 2014 financial year.

Additional Information

Additional information in relation to the company's operations during the half year and the results of those operations are available on the company's website www.kblmining.com.au.

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Significant changes in the state of affairs

There were no significant changes in the state of affairs of the company during the financial half-year.

Events after the reporting period

On 7 March 2013 the company announced that it had entered into an agreement with Capri Trading Pty Limited, providing the company with a debt facility of \$10,000,000. Financial close of this agreement was on 14 March 2013.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on the following page.

This report is made in accordance with a resolution of directors, pursuant to section 306(3)(a) of the Corporations Act 2001.

On behalf of the directors



James Wall
Director

15 March 2013
Sydney

DECLARATION OF INDEPENDENCE BY TIM SYDENHAM TO THE DIRECTORS OF KBL MINING LIMITED

As lead auditor for the review of KBL Mining Limited for the half-year ended 31 December 2012, I declare that to the best of my knowledge and belief, there have been:

- 1) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- 2) no contraventions of any applicable code of professional conduct in relation to the review.



Tim Sydenham

Partner

BDO East Coast Partnership

Sydney, 15 March 2013

KBL Mining Limited
Financial report
31 December 2012

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General information

The financial report covers KBL Mining Limited as a company. The financial report is presented in Australian dollars, which is KBL Mining Limited's functional and presentation currency.

The financial report consists of the financial statements, notes to the financial statements and the directors' declaration.

KBL Mining Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business are:

Registered office and Principal place of business

Level 3, 2 Elizabeth Plaza
North Sydney
NSW 2060

A description of the nature of the company's operations and its principal activities are included in the directors' report, which is not part of the financial report.

The financial report was authorised for issue, in accordance with a resolution of directors, on 6 March 2013.

KBL Mining Limited
Statement of profit and loss and other comprehensive income
For the half-year ended 31 December 2012

	Note	31/12/2012 \$	31/12/2011 \$
Revenue	3	22,215,641	3,495,161
Share of profits of associates accounted for using the equity method		-	25,482
Expenses			
Cost of sales	4	(20,812,113)	(2,617,479)
Finance costs		(837,149)	(637,861)
Employee benefits expense		(3,960,591)	(1,852,102)
Depreciation and amortisation expense		(1,293,755)	(224,693)
General and administration costs		<u>(1,226,358)</u>	<u>(857,628)</u>
Loss before income tax expense		(5,914,325)	(2,669,120)
Income tax expense		<u>-</u>	<u>-</u>
Loss after income tax expense for the half-year		(5,914,325)	(2,669,120)
Other comprehensive income		<u>-</u>	<u>-</u>
Total comprehensive income for the half-year		<u><u>(5,914,325)</u></u>	<u><u>(2,669,120)</u></u>
		Cents	Cents
Basic loss per share		(2.05)	(1.42)
Diluted loss per share		(2.05)	(1.42)

The above Statement of profit and loss and other comprehensive income should be read in conjunction with accompanying notes.

KBL Mining Limited
Statement of financial position
As at 31 December 2012

	Note	31/12/2012 \$	30/06/2012 \$
Assets			
Current assets			
Cash and cash equivalents	5	2,915,737	11,904,571
Trade and other receivables	6	2,729,187	676,852
Inventories		3,489,260	3,439,325
Total current assets		<u>9,134,184</u>	<u>16,020,748</u>
Non-current assets			
Other financial assets		1,114,700	1,323,727
Property, plant and equipment		12,477,883	12,843,983
Mining property	7	20,177,230	15,249,230
Investment in joint venture		10,595,993	10,115,142
Exploration	8	5,724,382	3,704,169
Total non-current assets		<u>50,090,188</u>	<u>43,236,251</u>
Total assets		<u>59,224,372</u>	<u>59,256,999</u>
Liabilities			
Current liabilities			
Trade and other payables	9	9,315,173	7,591,095
Financial liabilities	10	4,882,591	1,868,205
Provisions		346,691	314,716
Total current liabilities		<u>14,544,455</u>	<u>9,774,016</u>
Non-current liabilities			
Financial liabilities		509,985	619,521
Provisions		525,546	525,546
Convertible notes		10,028,485	9,877,002
Total non-current liabilities		<u>11,064,015</u>	<u>11,022,069</u>
Total liabilities		<u>25,608,470</u>	<u>20,796,085</u>
Net assets		<u>33,615,902</u>	<u>38,460,914</u>
Equity			
Issued capital		64,744,734	63,716,920
Reserves		1,893,483	1,851,984
Accumulated losses		(33,022,315)	(27,107,990)
Total equity		<u>33,615,902</u>	<u>38,460,914</u>

The above Statement of financial position should be read in conjunction with accompanying notes.

KBL Mining Limited
Statement of changes in equity
For the half-year ended 31 December 2012

	Issued capital \$	Reserves \$	Accumulated losses \$	Total equity \$
Balance at 1 July 2011	46,754,093	559,015	(4,249,563)	43,063,545
Profit after income tax expense for the half-year	-	-	(2,669,120)	(2,669,120)
Other comprehensive income for the half-year, net of tax	-	-	-	-
Total comprehensive income for the half-year	-	-	(2,669,120)	(2,669,120)
<i>Transactions with owners in their capacity as owners:</i>				
Ordinary shares issued	1,125,846	379,960	-	1,505,806
Convertible notes issued	-	916,827	-	916,827
Transaction costs	(625,077)	-	-	(625,077)
Share based payments	-	292,578	-	292,578
Balance at 31 December 2011	47,254,862	2,148,380	(6,918,683)	42,484,559

	Issued capital \$	Reserves \$	Accumulated losses \$	Total equity \$
Consolidated				
Balance at 1 July 2012	63,716,920	1,851,984	(27,107,990)	38,460,914
Loss after income tax expense for the half-year	-	-	(5,914,325)	(5,914,325)
Other comprehensive income for the half-year, net of tax	-	-	-	-
Total comprehensive income for the half-year	-	-	(5,914,325)	(5,914,325)
<i>Transactions with owners in their capacity as owners:</i>				
Ordinary shares issued	1,081,909	-	-	1,081,909
Transaction costs	(54,095)	-	-	(54,095)
Share based payments	-	41,499	-	41,499
Balance at 31 December 2012	64,744,734	1,893,483	(33,022,315)	33,615,902

The above Statement of changes in equity should be read in conjunction with accompanying notes.

KBL Mining Limited
Statement of cash flows
For the half-year ended 31 December 2012

	31/12/2012	31/12/2011
	\$	\$
Cash flows related to operating activities		
Receipts from customers	21,157,491	1,437,526
Payments to suppliers and employees (inclusive of GST)	<u>(25,427,400)</u>	<u>(1,219,051)</u>
	(4,269,909)	218,475
Interest received	58,585	203,874
Interest and other finance costs paid	(685,666)	(19,836)
Income taxes paid	<u>-</u>	<u>-</u>
Net cash (used in)/from operating activities	<u>(4,896,990)</u>	<u>402,513</u>
Cash flows related to investing activities		
Payments for development	(5,497,531)	(12,521,209)
Payments for property, plant and equipment	(358,125)	(4,768,159)
Payments for exploration and evaluation	(2,020,213)	(956,705)
Payments for other financial assets	<u>(480,851)</u>	<u>-</u>
Net cash used in investing activities	<u>(8,356,720)</u>	<u>(18,246,073)</u>
Cash flows related to financing activities		
Proceeds from issue of equity securities	1,069,314	643,593
Proceeds from issue of convertible notes	-	10,709,307
Proceeds from borrowings	3,743,478	285,962
Repayment of borrowings	<u>(547,916)</u>	<u>(81,100)</u>
Net cash from financing activities	<u>4,264,876</u>	<u>11,557,762</u>
Net decrease in cash and cash equivalents	(8,988,834)	(6,285,798)
Cash and cash equivalents at the beginning of the half-year	<u>11,904,571</u>	<u>8,359,829</u>
Cash and cash equivalents at the end of the half-year	<u><u>2,915,737</u></u>	<u><u>2,074,031</u></u>

The above Statement of cash flows should be read in conjunction with accompanying notes.

KBL Mining Limited
Notes to the financial statements
31 December 2012

Note 1. Significant accounting policies

These general purpose financial statements for the interim half-year reporting period ended 31 December 2012 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2012 and any public announcements made by the company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

New, revised or amending Accounting Standards and Interpretations adopted

The company has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Any significant impact on the accounting policies of the company from the adoption of these Accounting Standards and Interpretations are disclosed in the relevant accounting policy. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the company.

Going concern

These financial statements are prepared on a going concern basis. The company has incurred a net loss of after tax of \$5,914,325 (2011: \$2,669,120) for the half-year ended 31 December 2012 with cash outflows from operating and investing activities of \$13,253,710 (2011: \$17,843,560). As at 31 December 2012, the company had cash on hand of \$2,915,737 (2011: \$2,074,031).

On 7 March 2013 the company announced that it had entered into an agreement with Capri Trading Pty Limited, providing the company with a debt facility of \$10,000,000. Financial close of this agreement was on 14 March 2013.

In the Directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable and therefore the financial statements have been prepared on a going concern basis.

KBL Mining Limited
Notes to the financial statements
31 December 2012

Note 2. Operating segments

Identification of reportable operating segments

The company operates mineral exploration, resource development and mining projects in Australia and is organised into three operating segments based on an operations and geographic perspective, they are: Mineral Hill, Sorby Hills and Other Exploration. These operating segments are based on the internal reports that are reviewed and used by the Board of Directors (who are identified as the Chief Operating Decision Makers ('CODM')) in assessing performance and in determining the allocation of resources. There is no aggregation of operating segments.

The CODM reviews performance in these segments separately. The accounting policies adopted for internal reporting to the CODM are consistent with those adopted in the financial statements.

The information reported to the CODM is on at least a monthly basis.

Intersegment transactions

There were no intersegment transactions during the half-year.

Operating segment information

	Mineral Hill \$	Sorby Hills \$	Other Exploration \$	Unallocated \$	Total \$
31/12/2012					
Revenue					
Sales to external customers	21,878,272	-	-	-	21,878,272
Total sales revenue	21,878,272	-	-	-	21,878,272
Share of profits from joint venture	-	-	-	-	-
Other revenue	-	-	-	278,785	278,785
Total revenue	21,878,272	-	-	278,785	22,157,057
EBITDA	(2,018,332)	-	-	(1,823,673)	(3,842,005)
Depreciation and amortisation	(1,293,755)	-	-	-	(1,293,755)
Interest revenue	-	-	-	58,584	58,584
Finance costs	-	-	-	(837,149)	(837,149)
Loss before income tax expense	(3,312,087)	-	-	(2,602,238)	(5,914,325)
Income tax expense	-	-	-	-	-
Loss after income tax expense	(3,312,087)	-	-	(2,602,238)	(5,914,325)
Assets					
Segment assets	38,873,560	10,595,993	5,724,382	4,030,437	59,224,372

KBL Mining Limited
Notes to the financial statements
31 December 2012

Note 2. Operating segments (continued)

31/12/2011	Mineral Hill \$	Sorby Hills \$	Other Exploration \$	Unallocated \$	Total \$
Revenue					
Sales to external customers	3,126,694	-	-	-	3,126,694
Total sales revenue	3,126,694	-	-	-	3,126,694
Share of profits of associates	-	25,482	-	-	25,482
Other revenue	-	-	-	218,395	218,395
Total revenue	3,126,694	25,482	-	218,395	3,370,571
EBITDA					
Depreciation and amortisation	29,706	25,482	-	(2,011,826)	(1,956,638)
Interest revenue	(220,867)	-	-	(3,826)	(224,693)
Finance costs	-	-	-	150,072	150,072
	-	-	-	(637,861)	(637,861)
Profit/(loss) before income tax expense	(191,161)	25,482	-	(2,503,441)	(2,669,120)
Income tax expense	-	-	-	-	-
Profit/(loss) after income tax expense	(191,161)	25,482	-	(2,503,441)	(2,669,120)
Assets					
Segment assets	44,624,130	9,501,154	2,905,143	5,682,565	62,712,992

Note 3. Revenue

	31/12/2012	31/12/2011
	\$	\$
<i>Sales revenue</i>		
Sale of concentrates	21,878,272	3,126,694
Interest	58,584	150,072
	<u>21,936,856</u>	<u>3,276,766</u>
<i>Other revenue</i>		
Gain from foreign exchange and hedging	274,785	218,395
Other	4,000	-
	<u>278,785</u>	<u>218,395</u>
Revenue	<u>22,215,641</u>	<u>3,495,161</u>

KBL Mining Limited
Notes to the financial statements
31 December 2012

Note 4. Expenses

	31/12/2012	31/12/2011
	\$	\$
Loss before income tax includes the following specific expenses:		
<i>Cost of sales</i>		
Cost of sales including freight	20,862,048	2,972,075
Change in inventory	(49,935)	(354,596)
Cost of sales	<u>20,812,113</u>	<u>2,617,479</u>
<i>Finance costs</i>		
Interest and finance charges paid/payable	<u>685,666</u>	<u>457,475</u>
<i>Employee benefits</i>		
Wages and salaries	<u>3,656,905</u>	<u>1,675,564</u>

Note 5. Cash and cash equivalents

	31/12/2012	30/06/2012
	\$	\$
Cash at bank and in hand	<u>2,915,737</u>	<u>11,904,571</u>

Note 6. Trade and other receivables

	31/12/2012	30/06/2012
	\$	\$
Trade receivables	1,161,436	107,774
Other receivables	476,054	176,837
Staff advance	209,027	-
GST receivable	815,603	168,421
Financial instruments QP hedge	67,067	223,820
Trade and other receivables	<u>2,729,187</u>	<u>676,852</u>

KBL Mining Limited
Notes to the financial statements
31 December 2012

Note 7. Mining property

	31/12/2012	30/06/2012
	\$	\$
Cost	36,481,807	30,984,276
Impairment	(14,920,080)	(14,920,080)
Accumulated amortisation	(1,384,497)	(814,966)
Carrying amount at end of the half-year	<u>20,177,230</u>	<u>15,249,230</u>

Note 8. Exploration

	31/12/2012	30/06/2012
	\$	\$
Balance at beginning of the half-year	3,704,169	1,948,437
Additions	2,020,213	1,755,732
Carrying amount at end of the half-year	<u>5,724,382</u>	<u>3,704,169</u>

Note 9. Trade and other payables

	31/12/2012	30/06/2012
	\$	\$
Trade payables	7,711,699	6,073,304
Sundry payables and accrued expenses	1,603,474	1,517,791
Trade and other payables	<u>9,315,173</u>	<u>7,591,095</u>

Note 10. Financial liabilities - current

	31/12/2012	30/06/2012
	\$	\$
Amount due to Triako Resources Pty Ltd	1,437,955	1,662,060
Amount due to insurance premium funding	327,517	60,851
Amount due on HP facilities	224,996	145,294
Amount due on facility with offtake counterparty	2,892,123	-
Financial liabilities - current	<u>4,882,591</u>	<u>1,868,205</u>

In December 2012 the company entered into an offtake agreement, as part of the agreement certain advances are to be made by the offtake party. Advances outstanding at any time will not exceed US\$3,000,000.

KBL Mining Limited
Notes to the financial statements
31 December 2012

Note 11. Events after the reporting period

On 7 March 2013 the company announced that it had entered into an agreement with Capri Trading Pty Limited, providing the company with a debt facility of \$10,000,000. Financial close of this agreement was on 14 March 2013.

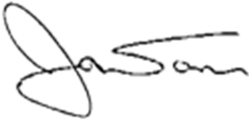
KBL Mining Limited
Directors' declaration

In the directors' opinion:

- the attached financial statements and notes thereto comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes thereto give a true and fair view of the company's financial position as at 31 December 2012 and of its performance for the financial half-year ended on that date; and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors made pursuant to section 303(5) of the Corporations Act 2001.

On behalf of the directors



James Wall
Director

15 March 2013
Sydney

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of KBL Mining Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of KBL Mining Limited, which comprises the statement of financial position as at 31 December 2012, and the statement of profit and loss and other comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Directors' Responsibility for the Half-Year Financial Report

The directors of the disclosing entity are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the disclosing entity's financial position as at 31 December 2012 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of KBL Mining Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of KBL Mining Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of KBL Mining Limited is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the disclosing entity's financial position as at 31 December 2012 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

BDO East Coast Partnership

A handwritten signature in black ink, appearing to be 'Tim Sydenham', written over a faint, larger 'BDO' watermark.

Tim Sydenham

Partner

Sydney, 15 March 2013