



ASX: KBL, KBLGA Level 3, 2 Elizabeth Plaza, Nth Sydney NSW 2060. PO Box 98, Nth Sydney NSW 2059

24 May 2013

ASX RELEASE

Operations and Strategy Update

The Directors of KBL Mining Limited (ASX:KBL) ("KBL" or the "Company") have undertaken a review of the Company's operations in light of recent volatility in metal prices, weakness in the capital and equity markets, and performance of the Mineral Hill Mine. Cost reductions have been implemented at the Mineral Hill operation and across the Company.

Arising out of this review the Board has recast the Company's strategy as outlined below.

Mineral Hill Mine

Since commissioning Mineral Hill some 12 months ago, production has gradually improved, however, planned targets have not been consistently achieved.

The shortfall has been mainly due to a combination of poor recoveries from the Parkers Hill ore, mined ore grades being below estimates and decline development delays (and associated costs) in gaining access to Red Terror stopes. Since access to the Red Terror ore, performance in the processing plant has been above budget. Currently mining is focussed on the Red Terror lodes and, we expect production to be cash flow positive over the next 3 months.

Drilling has continued to outline additional lodes in the Red Terror zone that are progressively gold-enriched as the lodes are traced to the north. Initial metallurgical testwork has indicated that gold recoveries exceeding 70% can be achieved by flotation while still retaining high copper recoveries (plus 85%). This process is now being trialled at the Mineral Hill plant with the expectation that gold-copper ores can be treated without requiring the introduction of a new separate gold recovery circuit and its associated capital cost.

Planning, design and costing work on bringing the Pearse gold silver open cut into production has been ongoing. In addition to a relatively small open pit pre-strip, this will require a CIL circuit to be added to the existing Mineral Hill processing plant. First production will be possible some 9 months after project commencement and capital cost is estimated to be \$7 million.

Significant higher grade copper gold Resources are located in ESOZ and SOZ lode systems in the southern portion of the mine. A pre-existing 700m access drive has now been dewatered, cleared and rehabilitated, providing access to these two lodes. A drill rig is now on site at ESOZ to obtain ore samples for metallurgical test work. Previous test work has again indicated that good gold recoveries can be achieved via flotation to a copper-gold concentrate using the existing plant configuration.

Further to the metallurgical drilling, the initial steps to advance ESOZ and SOZ include a required drilling programme totalling \$750,000, which is expected to upgrade part of the Resource classification into Indicated and Measured status for preparation of Reserve calculations. This will also finalise plans for the pre-production access development and initial stoping ore blocks. Pre-production development costs are estimated at \$2.5m.





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Sorby Hills Development

The project (KBL 75% and Henan Yuguang Gold & Lead Limited 25%; KBL JV Manager) has a global resource of 16.7 million tonnes grading 4.5% Pb and 52g/t Ag that is contained in a mineralised trend extending over a 10km strike length. Stage 1 of the project development has been designed on the DE and C deposits accounting for 1.5km of the mineralised trend or 27% of the global Resource. An upgrade Resource and Reserve statement is in the final stages of preparation. A Public Environmental Review (PER) has recently been completed and we expect environmental approvals in 2 to 3 months.

KBL has completed a Pre-Feasibility Study for Stage 1 of the Sorby Hills project, based on a conventional open cut mine and flotation concentrator operation, which generates very robust financial returns. The project has well established infrastructure with sealed road access to the regional centre of Kununurra (50 km) and established port facilities at Wyndham (160 km). The Joint Venture is now progressing the Feasibility Study in preparation for project financing.

The project development parameters from the Pre-Feasibility Study for Stage 1 of the Project are:

PFS Modelling Results	
Production Rate:	400,000 tpa ore
Mine Life Stage 1:	10 years
Strip Ratio:	3.6:1
Ore Grade Years 1 to 5	5.6% Pb, 70g/t Ag
Ore Grade Years 6 to 10	4.2% Pb, 50g/t Ag
Metallurgical Recovery	91% Pb, 87% Ag
Start-up Capital Cost	\$70M
Average Lead Produced	20,000 tpa
Average Silver Produced	800,000 ozpa

Cost Reduction and Funding

The inconsistent performance at Mineral Hill has adversely impacted KBL's working capital position. Available cash and cash equivalents (concentrate inventory) currently stand at \$3.2 million. Starting during the March 2013 quarter, a cost reduction program has been ongoing at both the Mineral Hill Mine and the Company's North Sydney office with the following key changes.

- A restructure of operations at the Mineral Hill Mine that will see the number of people on site employed by both KBL and contractors reduced from 99 to 54.
- The first step in this process was completed at the beginning of March with a 16% workforce reduction and 18% cost savings implemented. The second step to be implemented in mid-July involves moving the mining operation to a one equivalent shift basis that will achieve an overall site cost reduction of 34%.
- Underground mining contractor Pybar Mining Services Pty Ltd will reduce to a one equivalent shift basis that will achieve a mining cost reduction of some 50%.
- In addition, shifts at the Mineral Hill processing plant will be reduced to operate on a 5 days per week basis. Production of ore treated will be reduced from 25,000 tonnes per month to 17,000 tonnes per month (a 28% reduction) but combined copper and gold production) is not expected to be reduced significantly due to planned higher mining grades.





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- Company wide, the number of employees including contractors will have reduced from 115 to 65 after final implementation in July.
- Executive management agreed to a 20% reduction in remuneration.
- The Chairman (Jim Wall) moved to a non-executive role from the 1 March with his remuneration reduced and Mr Besley's consulting role has ceased.
- Non-executive Director John Richards has retired from the Board, announced earlier this week.
- On an annualised basis, Directors' remuneration will now be some 30% of Directors' 2012 financial year remuneration.
- The Company has also elected not to continue earning an interest in the Manbarrum tenements adjoining the Sorby Hills project area on the basis that KBL's limited professional and financial resources are now better utilised on the Sorby Hills Project.

Review of Corporate Strategy and Funding

The imminent completion of the Sorby Hills environmental approval process means that KBL has two attractive projects, each of which requires significant capital to realise its full potential. , It is beyond the Company's financial capacity to meet the full capital requirements of each project and, as a consequence of this and against a background of approaches from third parties interested in acquiring all or part of the Mineral Hill Mine, the Board is now actively considering both the sale of a minority interest in Sorby Hills (KBL's current ownership position is 75%) and the sale of part or all of Mineral Hill. The anticipated improved performance of the Mineral Hill operation over coming months should ensure that this process is undertaken from a sound base.

In the event of a full or partial sale of Mineral Hill, KBL would look to apply funds to the early repayment of the 2 year term loan recently provided by Capri Trading Pty Ltd and, subject to ASX requirements, may look to periodically buy back on market some or all of its convertible notes (ASX Code KBLGA) for cancellation.

The Directors and Senior Management believe that the initiatives already taken by the Company and implementation of the strategy outlined above will secure the future growth of 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 precious and base metals. KBL's main assets include the Mineral Hill copper-gold-silver-lead-zinc project near Condobolin in New South Wales and Sorby Hills lead-silver-zinc deposit in Western Australia. The Company has been operating the refurbished processing plant at Mineral Hill since October 2011 to produce copper 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. Environmental approvals are currently being sought for development of the Sorby Hills deposit and the PFS results were released on 6 December 2012.





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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 Mineral Resources is based on information compiled by Anthony Johnston, MSc (Hons), who is a Member of the Australasian Institute of Mining and Metallurgy and is a full-time employee of the Company. Anthony Johnston 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 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves.' Mr Johnston consents to the inclusion in the announcement of the matters based on his information in the form and context that the information appears.