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CIRCULAR TO CREDITORS AND NOTEHOLDERS

Our ref Circular to Creditors and
Noteholders

12 September 2016

Dear Sir/Madam

KBL Mining Limited (Administrators Appointed) **ACN: 129 954 365** **("the Company")**

I advise that Stephen Vaughan and I were appointed joint and several Voluntary Administrators of the Company on 8 September 2016 pursuant to a Resolution of the Directors and section 436A of the Corporations Act 2001 ("the Act").

The appointment followed a period of negotiation between the Company and key service providers, and a potential capital raising to alleviate pressure on the Company's short term cash flow requirements. Unfortunately, these initiatives were unable to be progressed to a stage that provided adequate certainty as to the ongoing solvency of the Company.

The Administrators are currently and will continue to work with the Company's senior management team, secured lenders, suppliers and offtake partners whilst a recapitalisation proposal is being developed, and will maintain regular contact with all key stakeholders throughout the process.

During this period, the Administrators intend to maintain operations on a business as usual basis.

As you will appreciate, at this early stage of the Administration, I am not currently in a position to provide creditors with an estimate of any returns that may be paid to them, nor am I able to provide an estimate of the timing of any potential returns.

First meeting of creditors

The first meeting of creditors will be held on Tuesday 20 September 2016 at 10:30am (Australian Eastern Standard Time). We have arranged meeting facilities at the following locations:

- Room Wilarra – Marra Level 2, The Grace Hotel, 77 York Street, NSW 2000; and
- The Railway Hotel, 46 Molong Street, Condobolin NSW 2877.

Meeting registration and sign in will commence from 10.00am and creditors are asked to arrive early to ensure the meeting commences promptly.

Accordingly, please find attached the following:

- Notice of Meeting of Creditors (Form 529A);
- Informal Proof of Debt for voting purposes only; and
- Appointment of a Proxy (Form 532).

Attendance in person

Creditors who wish to attend and/or vote at the meeting are required to lodge an Informal Proof of Debt and Proxy form with this office by no later than **4.00pm** (Australian Eastern Standard Time) on **Monday 19 September 2016**.

Forms may be posted, sent by facsimile marked to the attention of Matteo Valentini on (02) 9335 7001, or sent by email to AU-FM-KBL-Mining@kpmg.com.au.

Please be aware that in relation to forms submitted by facsimile, Corporations Regulation 5.6.36A requires the original Proxy form to be lodged at the Administrators' office within 72 hours after lodging the faxed copy.

Attendance by telephone

Creditors wishing to attend the meeting but are unable to attend in person may attend by telephone using the below teleconference facilities:

Telephone number: 1800 113 880

Conference ID: 3965785

Creditors attending by telephone will not be charged for the cost of utilising this facility.

If you intend to attend the meeting via telephone, please advise us at AU-FM-KBL-Mining@kpmg.com.au by **4pm on Monday 19 September 2016**.

Declaration by Administrators

Pursuant to section 436DA(2) and (3) of the Act and the Australian Restructuring, Insolvency and Turnaround Association ("ARITA") Code of Professional Practice, we enclose the Administrators' Declaration of Independence, Relevant Relationships and Indemnities.

For further information, the Australian Securities and Investments Commission ("ASIC") information sheet "INFO 84: Independence of external administrators: a guide for creditors" can be found at www.asic.gov.au/insolvencyinfosheets.

Administrators' 439A Report and second meeting

All creditors will receive a detailed report from us pursuant to Section 439A of the Act, detailing the Company's business, property, affairs and financial circumstances before the Second Meeting of Creditors. It is expected that this meeting will be held in approximately one month, and further correspondence to this effect and a copy of the report will be distributed in due course.

The purpose of this meeting will be to consider the report issued by us and for creditors to make a decision regarding the Company's future.

Administrators' Remuneration

With regard to the Administration, we propose that our remuneration be calculated on the basis of time spent by us, and our staff based upon the KPMG Restructuring Services guide to hourly rates. This ensures creditors are only charged for work performed.

Accordingly, please find attached Remuneration Advice to Creditors which includes the KPMG Restructuring Services Guide to Hourly Rates.

Pursuant to section 449E of the Act, we will provide creditors with a detailed remuneration report in our report to creditors pursuant to section 439A of the Act, to be received prior to the Second Meeting of Creditors.

For further information, the Australian Securities and Investments Commission ("ASIC") information sheet "INFO 85 Approving fees: a guide for creditors" can be found at www.asic.gov.au/insolvencyinfosheets.

Previous circulars to stakeholders

On 8 September 2016 we dispatched a circular to employees and a circular to suppliers. If you are an employee or supplier and have not received that circular, please contact us at AU-FM-KBL-Mining@kpmg.com.au to obtain a copy.

For further information, the ASIC "Insolvency Information for directors, employees, creditors and shareholders – list of information sheets" is attached to this letter.

All queries in relation to this matter should be directed to AU-FM-KBL-Mining@kpmg.com.au.

Yours faithfully



Matthew Woods
Joint and Several Administrator

Enclosures

Notice of First Meeting of Creditors (Form 529A)
Declaration of Independence, Relevant Relationships and Indemnities (DIRRI)
Remuneration Advice to Creditors
ASIC "Insolvency Information for directors, employees, creditors and shareholders – list of information sheets"
Informal Proof of Debt form
Form 532 (Appointment of a proxy)

Form 529A

Paragraph 5.6.12(6)
Corporations Act

**NOTICE OF FIRST MEETING OF
CREDITORS OF A COMPANY UNDER ADMINISTRATION**

**KBL Mining Limited (Administrators Appointed)
(ACN 129 954 365) (“the Company”)**

1. Notice is given that on 8 September 2016, the Company under Section 436A of the Corporations Act 2001 appointed Stephen Vaughan and Matthew Woods of KPMG, Level 38 Tower Three, 300 Barangaroo Avenue, Sydney, NSW as the Joint and Several Administrators of the Company.
2. Notice is now given that a meeting of the creditors of the Company will be held on Tuesday 20 September 2016 at 10:30am (Australian Eastern Standard Time) at the following locations:
 - Room Wilarra – Marra Level 2, The Grace Hotel, 77 York Street, NSW 2000; and
 - The Railway Hotel, 46 Molong Street, Condobolin NSW 2877.
3. Creditors wishing to attend the meeting but are unable to attend in person may attend by telephone using the below teleconference facilities:

Telephone number: 1800 113 880

Conference ID: 3965785

Creditors attending by telephone will not be charged for the cost of utilising this facility.
4. The purpose of the meeting is to determine:
 - (a) whether to appoint a committee of creditors; and,
 - (b) if so, who are to be the committee's members.
5. At the meeting, creditors may also, by resolution:
 - (a) remove the Administrators from office; and,
 - (b) appoint someone else as Administrators of the Company.

Dated this 12th September 2016.



Matthew Woods
Joint and Several Administrator
KPMG
Level 38 Tower Three
300 Barangaroo Avenue

Declaration of Independence, Relevant Relationships and Indemnities

Section 436DA(5) of the Corporations Act 2001 (the "Act")

12 September 2016

KBL Mining Limited (Administrators Appointed) ACN: 129 954 365 ("the Company")

This document requires the Practitioners appointed to an insolvent entity to make declarations as to:

- A. their independence generally;
- B. relationships, including
 - i the circumstances of the appointment;
 - ii any relationships with the Company and others within the previous 24 months;
 - iii any prior professional services for the Company within the previous 24 months;
 - iv. that there are no other relationships to declare; and
- C. any indemnities given, or up-front payments made, to the Practitioner.

This declaration is made in respect of ourselves, our partners, KPMG Australia partnership and related parties covered by the extended definition of firm.

A. Independence

We, Matthew Woods and Stephen Vaughan of the KPMG Australia partnership ("KPMG Australia"), care of KPMG Level 38 Tower Three, 300 Barangaroo Avenue, Sydney New South Wales 2000 have undertaken a proper assessment of the risks to our independence prior to accepting the appointment as Joint and Several Administrators of the Company in accordance with the law and applicable professional standards. This assessment identified no real or potential risks to our independence. We are not aware of any reasons that would prevent us from accepting this appointment.

B. Declaration of Relationships

i. Circumstances of appointment

This appointment was referred to us by the Company's solicitor, Macaire Bromley of DibbsBarker.

We believe that this referral does not result in a conflict of interest or duty because the referral was unconditional; and referrals from solicitors, business advisors and accountants are commonplace and do not impact on our independence in carrying out our duties as Administrators.

On the morning of 7 September 2016, Ms Bromley of DibbsBarker telephoned one of our partners, Mr Carl Gunther and advised that she had been asked by the Company to contact KPMG about a possible appointment of administrators and whether we would consider acting and consenting to an appointment.

We had a telephone conversation with Ms Bromley and a subsequent call with Ms Bromley and Mr Greg Starr, the managing director during which we were apprised of the circumstances facing the Company and we discussed a possible appointment. That afternoon we forwarded a written

consent to act. We did not provide any advice and did not receive any remuneration in relation to these telephone conversations.

On the morning of 8 September 2016 Ms Bromley called Mr Patrick Lynch of our staff and advised that, in light of further developments overnight, the board of directors intended to hold a meeting that morning to appoint us.

We attended the board meeting at 9.45am at the Company offices at North Sydney, Stephen Vaughan in person and Matthew Woods by telephone. During that meeting the board resolved to appoint us as administrators.

In our opinion, these discussions and the meeting do not affect our independence for the following reasons:

- A company will generally need to approach an insolvency practitioner for advice on the insolvency or likely insolvency of their company before the board resolves to appoint a Practitioner as administrator under s 436A of the Corporations Act
- The information provided during discussions and the meeting were restricted to:
 - the financial situation of the Company;
 - the solvency of the Company;
 - consequences of insolvency; and
 - alternative courses of action available to the Company in the case of insolvency.

We have provided no other information or advice to the Company and its advisors prior to our appointment beyond that outlined in this DIRRI.

ii. Relevant Relationships (excluding Professional Services to the Insolvent)

We, or a member of our firm, have, or have had within the preceding 24 months, have undertaken professional services engagements for secured creditors of the Companies. These engagements can be summarised as follows:

Name	Nature of relationship	Reasons
Secured creditors of the Company who have a registered security interest on the Personal Property Security Register (Refer the Schedule for list of creditors) ("PPSA Creditors")	<p>KPMG Australia has an ongoing business relationship and provides a number of services including Audit, Tax and Advisory to many of the PPSA Creditors or their international affiliates</p> <p>We specifically disclose that KPMG Australia has no ongoing business relationship with any creditor holding a registered security interest over all or substantially the whole of the Company's property.</p>	<p>I believe that this relationship does not result in a conflict of interest or duty because:</p> <ul style="list-style-type: none"> • Prior to our appointment KPMG Australia has not undertaken any work for any of the PPSA Creditors in respect of the Company. • Any engagements between KPMG Australia and the PPSA Creditors or their international affiliates (which includes audit, tax and advisory services) will not influence our ability to fully comply with the statutory and fiduciary obligations associated with the liquidation of the Companies in an objective and impartial manner.

iii. Prior Professional services to the Insolvent

Neither we, nor our firm, have provided any professional services to the Company in the previous 24 months.

iv. No other relevant relationships to disclose

There are no other known relevant relationships, including personal, business and professional relationships, from the previous 24 months with the Company, an associate of the Company, a former insolvency practitioner appointed to the Company or any person or entity that has security over the whole or substantially whole of the Company's property that should be disclosed.

C. Indemnities and up-front payments

We have not been indemnified in relation to this administration, other than any indemnities that we may be entitled to under statute and we have not received any up-front payments in respect of our remuneration or disbursements.

Dated: 12 September 2016



.....
Matthew Woods

.....
Stephen Vaughan

Note:

1. If circumstances change, or new information is identified, we are required under the Corporations Act 2001 and the ARITA Code of Professional Practice to update this Declaration and provide a copy to creditors with our next communication as well as table a copy of any replacement declaration at the next meeting of the insolvent's creditors.
2. Any relationships, indemnities or up-front payments disclosed in the DIRRI must not be such that the Practitioner is no longer independent. The purpose of components B and C of the DIRRI is to disclose relationships that, while they do not result in the Practitioner having a conflict of interest or duty, ensure that creditors are aware of those relationships and understand why the Practitioner nevertheless remains independent.

Schedule

ALLIGHTSYKES PTY LTD
APPLIED INDUSTRIAL TECHNOLOGIES PTY LTD
ARRIUM LIMITED ONESTEEL TRADING PTY LIMITED
ONESTEEL REINFORCING PTY LIMITED ONESTEEL
COIL COATERS PTY LTD ONESTEEL RECYCLING PTY
LIMITED THE AUSTRALIAN STEEL COMPANY
(OPERATIONS) PTY LTD ONESTEEL MANUFACTURING
PTY LIMITED ONESTEEL WIRE PTY LIMITED
ONESTEEL NSW PTY LIMITED ONESTEEL
AUSTRALIAN TUBE MILLS PTY LIMITED
COMMONWEALTH STEEL COMPANY PTY LIMITED
LITESTEEL TECHNOLOGIES PTY LTD SOUTHERN
IRON PTY LTD CENTRAL IRON PTY LTD WHYALLA
PORTS PTY LTD
ATLAS COPCO AUSTRALIA PTY LTD
AUSTRALIAN GOLD REAGENTS PTY. LTD.
BOC LIMITED
BRADKEN RESOURCES PTY LIMITED
CAMNET FINANCE PTY LTD
CAPITAL FINANCE AUSTRALIA Limited
CAPS AUSTRALIA PTY LTD
CASTROL AUSTRALIA PTY. LIMITED
CATERPILLAR FINANCIAL AUSTRALIA LIMITED
CHEMICALS AUSTRALIA OPERATIONS PTY LTD
ORICA AUSTRALIA PTY LTD
CLARIANT (AUSTRALIA) PTY LIMITED
COATES HIRE OPERATIONS PTY LIMITED
COMPLETE BELTING SOLUTIONS PTY. LTD.
DYNAMICS G-EX PTY LTD
EMS GROUP PTY LTD
FUCHS LUBRICANTS (AUSTRALASIA) PTY LTD
IBM GLOBAL FINANCING AUSTRALIA LIMITED
J. BLACKWOOD & SON PTY LTD
JOHNSON HI-TECH (AUSTRALIA) Pty. Ltd.
JTMEC PTY LTD
KENNARDS HIRE PTY LIMITED
L&H Group
LAWVALE PTY. LTD. COREGAS PTY LTD J.
BLACKWOOD & SON PTY LTD MEREDITH
DISTRIBUTION PTY LTD BULLIVANTS PTY LIMITED
PROTECTOR ALSAFE PTY LTD
M & Q EQUIPMENT PTY LTD
MAAS PLANT HIRE PTY LIMITED
METAL MANUFACTURES LIMITED
METSO MINERALS (AUSTRALIA) LIMITED
MRI TRADING AG
PHOENIX STEEL SALES PTY LTD

PYBAR HOLDINGS PTY LIMITED
Quintana Mineral Hill Streaming Company LLC
REDOX PTY LTD
REMOTE CONTROL TECHNOLOGIES PTY LTD
SANDVIK MINING AND CONSTRUCTION AUSTRALIA
PTY LTD
SKF AUSTRALIA PTY. LTD.
ST. GEORGE FINANCE LIMITED
STORSACK PTY LTD LIONEL SAMSON GROUP PTY
LTD
The Trustee for XIBERRAS FAMILY TRUST
TOSHIBA INTERNATIONAL CORPORATION PTY LTD
WESTPAC BANKING CORPORATION

KBL Mining Limited (Administrators Appointed)
ACN: 129 954 365
("the Company")

Initial advice to creditors - remuneration

Remuneration Methods

There are four basic methods that can be used to calculate the remuneration charged by an insolvency practitioner. They are:

Time based / hourly rates

This is the most common method. The total fee charged is based on the hourly rate charged for each person who carried out the work multiplied by the number of hours spent by each person on each of the tasks performed.

Fixed Fee

The total fee charged is normally quoted at the commencement of the administration and is the total cost for the administration. Sometimes a practitioner will finalise an administration for a fixed fee.

Percentage

The total fee charged is based on a percentage of a particular variable, such as the gross proceeds of assets realisations.

Contingency

The practitioner's fee is structured to be contingent on a particular outcome being achieved.

Method chosen

Given the nature of this administration we propose that our remuneration be calculated on time basis. This is because:

- We will only be paid for work done, subject to sufficient realisations of the Company's assets.
- It ensures creditors are only charged for work that is performed. Our time is recorded and charged in six minute increments and staff are allocated to duties according to their relevant experience and qualifications.
- We are required to perform a number of tasks which do not relate to the realisation of assets, for example responding to creditor enquiries, reporting to the ASIC, distributing funds in accordance with the provisions of the Corporations Act 2001.
- We are unable to estimate with certainty the total amount of time necessary to complete all tasks required in this administration.

Explanation of Hourly Rates

The rates for our remuneration calculation are set out in the following table together with a general guide showing the qualifications and experience of staff engaged in the administration and the role they take in the administration. The hourly rates charged encompass the total cost of providing professional services and should not be compared to an hourly wage.

KPMG Restructuring Services Guide to Hourly Rates		
Title	Description	Hourly Rate (excl. GST)
Appointee / Partner	Registered Liquidator. Appointee bringing his or her specialist skills to the administration or insolvency task.	\$700
Director	Minimum of twelve years insolvency experience, at least five years at manager level, qualified accountant and capable of controlling all aspects of an administration. May be appropriately qualified to take appointments in his/her own right.	\$595
Associate Director	More than 7 years insolvency experience, more than 3 years as a manager, qualified accountant. Answerable to the appointee but otherwise responsible for all aspects of administration. Experienced at all levels and considered very competent. Control staff and their training.	\$525
Manager	6-7 years, qualified accountant, with well-developed technical and commercial skills. Should be constantly alert to opportunities to meet clients' needs and to improve the clients' future operation either by revenue enhancement or by reducing costs and improving efficiency. Controls 2-4 staff.	\$475
Executive	2-4 years. Post graduate qualification (or equivalent) would normally be completed within this period. Assists planning and control of small to medium sized jobs as well as performing some of the more difficult work on larger jobs.	\$350
Analyst	0-2 years. Completed an undergraduate degree. Post graduate qualification (or equivalent) will be commenced in this period. Assists senior staff members on aspects of the administration and completes administrative and statutory tasks independently.	\$275
Team Administrator	Appropriately experienced and undertakes support activities.	\$140

Whilst we cannot estimate with certainty the total amount of fees necessary to complete all tasks required, based on the information available we estimate that our remuneration for the conduct of the administration up until the first meeting of creditors will be approximately \$250,000 (excluding GST and disbursements).

This estimate may change as a result of further information coming to our attention of which we are currently unaware. Should additional work be necessary beyond what is contemplated, further approval shall be sought from creditors.

Disbursements

Disbursements are divided into three types: A, B1, B2.

- A** disbursements are all externally provided professional services. These are recovered at cost. An example of an A disbursement is legal fees.
- B1** disbursements are externally provided non-professional costs such as travel, accommodation and search fees. B1 disbursements are recovered at cost.
- B2** disbursements are internally provided non-professional costs such as photocopying, printing and postage. B2 disbursements, if charged to the Administration, would generally be charged at cost; though some expenses such as telephone calls, photocopying and printing may be charged at a rate which recoups both variable and fixed costs.

The rates for disbursements are set out as follows:

Disbursements	Charge (Excluding GST)
Postage	At cost
Mobile phone calls	At cost
Telephone Fixed-Line non-local calls	At cost
Facsimiles	\$0.50 per page
Photocopying	\$0.50 per page
Mileage reimbursement	\$0.69 cents per kilometre
Travel and accommodation	At cost

We are not required to seek creditor approval for disbursements, but, provide a full summary account of disbursements.

Creditors have the right to question disbursements incurred and can challenge disbursements in court.

Dated this 12th day of September 2016



Matthew Woods

Joint and Several Administrator



ASIC

Australian Securities & Investments Commission

Insolvency information for directors, employees, creditors and shareholders

ASIC has 11 insolvency information sheets to assist you if you're affected by a company's insolvency and have little or no knowledge of what's involved.

These plain language information sheets give directors, employees, creditors and shareholders a basic understanding of the three most common company insolvency procedures—liquidation, voluntary administration and receivership. There is an information sheet on the independence of external administrators and one that explains the process for approving the fees of external administrators. A glossary of commonly used insolvency terms is also provided.

The Insolvency Practitioners Association (IPA), the leading professional organisation in Australia for insolvency practitioners, endorses these publications and encourages its members to make their availability known to affected people.

List of information sheets

- INFO 41 *Insolvency: a glossary of terms*
- INFO 74 *Voluntary administration: a guide for creditors*
- INFO 75 *Voluntary administration: a guide for employees*
- INFO 45 *Liquidation: a guide for creditors*
- INFO 46 *Liquidation: a guide for employees*
- INFO 54 *Receivership: a guide for creditors*
- INFO 55 *Receivership: a guide for employees*
- INFO 43 *Insolvency: a guide for shareholders*
- *INFO 42 Insolvency: a guide for directors*
- *INFO 84 Independence of external administrators: a guide for creditors*
- *INFO 85 Approving fees: a guide for creditors*

Getting copies of the information sheets

To get copies of the information sheets, visit ASIC's website at www.asic.gov.au/insolvencyinfosheets. The information sheets are also available from the IPA website at www.ipaa.com.au. The IPA website also contains the IPA's Code of Professional Practice for Insolvency Professionals, which applies to IPA members.

Important note: The information sheets contain a summary of basic information on the topic. It is not a substitute for legal advice. Some provisions of the law referred to may have important exceptions or qualifications. These documents may not contain all of the information about the law or the exceptions and qualifications that are relevant to your circumstances. You will need a qualified professional adviser to take into account your particular circumstances and to tell you how the law applies to you.

INFORMAL PROOF OF DEBT FORM

Regulation 5.6.47

**KBL MINING LIMITED (ADMINISTRATORS APPOINTED)
(ACN 129 954 365)**

Name of creditor:

Address of creditor:
.....

Email of creditor:

ABN:

Telephone number:

Amount of debt claimed: \$.....(including GST \$)

Consideration for debt (i.e. the nature of goods or services supplied and the period during which they were supplied):

.....
.....

Is the debt secured? YES/NO

If secured, give details of security including dates, etc:

.....
.....

Other information:

.....

Signature of Creditor
(or person authorised by creditor)

* Strike out if applicable

Please return completed forms to:

KPMG Restructuring Services

Level 38 Tower Three

Barangaroo Avenue

Sydney NSW 2000

or via email to AU-FM-KBL-Mining@kpmg.com.au

FORM 532
CORPORATIONS ACT 2001

Regulation 5.6.29

APPOINTMENT OF PROXY
CREDITORS MEETING

KBL Mining Limited (Administrators Appointed)
ACN: 1129 954 365
("the Company")

*I/*We (1)

.....
of.....

a creditor of(2), appoint (3)

.....
or in his or her absence

as *my/our *general/special proxy to vote at the meeting of creditors to be held on Tuesday 20 September 2016 at 10:30am (Australian Eastern Standard Time) or at any adjournment of that meeting. (4)

DATED this day of 2016

.....
Signature

I will attend the meeting in person
I will attend the meeting by telephone

CERTIFICATE OF WITNESS

This certificate is to be completed only if the person giving the proxy is blind or incapable of writing. The signature of the creditor, contributory, debenture holder or member must not be witnessed by the person nominated as proxy.

I, of
certify that the above instrument appointing a proxy was completed by me in the presence of and at the request of the person appointing the proxy and read to him or her before he or she signed or marked the instrument.

Dated:

Signature of Witness:

Description:

Place of Residence:

* Strike out if inapplicable

- (1) If a firm, strike out "I" and set out the full name of the firm.
- (2) Insert the name of the company of which you are a creditor.
- (3) Insert the name, address and description of the person appointed.
- (4) If a special proxy add the words "to vote for" or the words "to vote against" and specify the particular resolution.

<p>The appointment of a proxy via the above instrument is applicable to the Meeting of Creditors for the Company, which is to be held on Tuesday 20 September 2016 at 10:30am (Australian Eastern Standard Time).</p>
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