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Circular to Creditors, Noteholders, and  
Employees

Our ref 31640578\_12

22 December 2017

Dear Sir / Madam

**KBL Mining Limited (Subject to Deed of Company Arrangement) (Receivers and Managers Appointed) ACN 129 954 365 (“the Company” or “KBL”)**

**Status of Deed Administration and next steps**

I refer to our appointment as Joint & Several Deed Administrators of the Company on 2 May 2017, and to our circular to creditors dated 25 September 2017.

The purpose of this circular is to update creditors as to events subsequent to our previous circular and advise you of next steps.

You will recall that a Deed of Company Arrangement was executed on 2 May 2017 however the proponent, Everblu Capital Pty Ltd did not sign the Deed and conditions precedent were not met. We worked over subsequent months with alternative parties interested in proposing an amended Deed in an effort to protect the interests of creditors.

**Current status**

Since our circular dated 25 September 2017 we have continued negotiations with interested parties and prepared and issued two draft term sheets to two of the parties who had provided alternative amended proposals, and requested a third interested party sign a confidentiality agreement prior to issuing them a draft term sheet.

Each of the three proposals envisages a return of 100 cents in the dollar for employees, and a return to unsecured creditors of between 1 and 5 cents (which has been the subject of our negotiations on behalf of creditors).

All DOCA proposals are contingent on the availability of the Sorby Shares. As creditors would be aware, the secured creditor, Quintana, exercised its rights and sold the Sorby Shares to a new entity controlled by Quintana (“the Owner”). All three of the DOCA proposals contemplate the purchase of the Sorby Shares from the Owner, and the development of that asset. Critical to the viability of each of the DOCA proposals is the price required by the Owner for the Sorby Shares.

On 18 December 2017 we were advised by the Owner’s representatives that the required price for the Sorby Shares is substantially greater than previously advised. As



*To the creditor as addressed*

*22 December 2017*

such, that price is substantially greater than the price considered in each of the three DOCA variation proposals.

**Next steps**

No action is required of creditors or shareholders at this stage.

We will now set a deadline of 31 January 2018 for the three new proponents to submit final revised DOCA proposals, taking into consideration the new information received in relation to the Sorby Shares.

We plan to report to creditors by the end of February 2018 regarding the outcome of these negotiations. We expect we will call a meeting of creditors to consider any variation to the Deed or alternatively to terminate the Deed and wind up the Company.

Should you have any queries regarding the above, please continue to refer to the KBL Information Page for all information relating to KBL ([kpmg.com/au/kbl-mining](http://kpmg.com/au/kbl-mining)) or alternatively contact us via email at [kbl@kpmg.com.au](mailto:kbl@kpmg.com.au). We will endeavour to respond to general enquiries within 10 business days.

Yours faithfully

Matthew Woods  
Joint & Several Deed Administrator