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Circular to Creditors, Noteholders, and Employees

Our ref 29496182\_4

27 June 2017

Dear Sir/Madam

**KBL Mining Limited (Subject to Deed of Company Arrangement) (Receivers and Managers Appointed) ACN 129 954 365 (“the Company”)**  
**RE: Deed of Company Arrangement execution and next steps**

I refer to our appointment as Joint & Several Administrators of the Company on 8 September 2016 and to our circular to creditors dated 11 April 2017 (“the 11 April Circular”) notifying creditors of the outcome of the Reconvened Second Meeting of Creditors, held on 6 April 2017, where creditors resolved that the Company should execute the Proposed Deed of Company Arrangement in substantially the same terms as outlined in our s439A Report to Creditors, and supplementary report.

As outlined in our 11 April Circular, the legislation provides for 15 business days for an Administrator to execute a deed as voted by creditors, in this circumstance meaning by close of business Tuesday, 2 May 2017.

The purpose of this circular is to advise creditors of the status of Deed execution and next steps.

*Deed executed by Deed Administrators and the Company on Tuesday, 2 May 2017*

Since the Reconvened Second Meeting of Creditors we worked with the Proponent and their legal representatives to draft Deed of Company Arrangement in final form for execution and, following that negotiation, on 2 May 2017 the Administrators signed that Deed on behalf of the Company and in their capacity as Deed Administrators. To that effect, notices regarding our resignation as Administrators and commencement as Deed Administrators were lodged the following business day with the Australian Securities and Investment Commission (ASIC).

*Proponent yet to execute Deed*

We wish to advise creditors that the Proponent is yet to sign the Deed and that, to that effect, in the weeks following our execution of the Deed we took steps to determine the Proponents’ intentions in respect of signing their proposed Deed.

Despite numerous attempts to contact the Proponent following our signing of the Deed on 2 May 2017, on 30 May 2017 we formally wrote to the Proponent to advise them that two of the conditions precedent in the Deed had now not been met and that, unless we received a response by Friday 2 June 2017, we are left with no option other than to convene a meeting of creditors in accordance with the Deed for the purpose of passing a resolution to terminate the Deed and consider the best way forward for the Company.

*Next steps*

Given the current status of the Deed, we have taken steps to consider potential options for the Company and creditors and have been liaising with 3 parties regarding their interest in proposing an amended Deed of Company Arrangement. On Friday 9 June 2017 we received a new Deed of Company Arrangement Proposal from one of those parties which is currently under consideration.

Given the need to protect the interests of creditors, and specifically the timeline of a distribution to employees, the Deed Administrators are reluctant to contemplate a new Deed of Company Arrangement that will complete at a later date than the Deed approved by creditors and currently in force.

We will provide creditors with a further update as to our progress in considering the options available for the Company and creditors in due course, and will shortly convene a meeting of creditors to consider the options available.

We have now launched a website for creditors of the Company which contains links to our reports, circulars, and other relevant information. You can access the website via this link: [kpmg.com/au/kbl-mining](http://kpmg.com/au/kbl-mining)

Should you have any queries regarding the above, please contact us via email at [AU-FM-kbl-mining@kpmg.com.au](mailto:AU-FM-kbl-mining@kpmg.com.au) or [kbl@kpmg.com.au](mailto:kbl@kpmg.com.au) (same email abbreviated).

Yours faithfully



Matthew Woods  
Joint and Several Administrator

Corporations Act (2001)

**NOTICE TO CREDITORS OF EXECUTION OF A  
DEED OF COMPANY ARRANGEMENT**

KBL Mining Ltd (Subject to Deed of Company Arrangement)  
("the Company")  
ACN 129 954 365

1. Notice is given under section 450B that the Company executed a Deed of Company Arrangement on 2 May 2017.
2. A copy of the deed may be inspected at KPMG, Tower 3, International Towers Sydney, 300 Barangaroo Avenue, Sydney NSW 2000.

Dated Tuesday, 27 June 2017.



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For **MATTHEW WOODS**  
**JOINT & SEVERAL DEED ADMINISTRATOR**

Please refer to circular dated 27 June 2017 for further information regarding the status of the deed.