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Private and confidential
To the creditor as addressed

Our ref 32720704_20

18 May 2018

Contact Leah Diprose
(+61 2 9295 3877)

Available publically at
<http://www.kpmg.com/au/kbl-mining>

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

Report to creditors and remuneration approval report – supplement to circular to creditors and notice of meeting dated 18 May 2018 in accordance with s600G(4) of the *Corporations Act 2001*

I refer to our appointment as joint and several Deed Administrators of the Company on 2 May 2017, pursuant to a resolution of the creditors at a meeting held on 6 April 2017.

The purpose of this report is to update you on progress of the Deed of Company Arrangement (“DOCA” of “the Deed”), correspondence from Quintana Mineral Hill Streaming Company in relation to their position, details of the likely outcome for creditors in a liquidation, and our remuneration approval report, which provides detail of the remuneration we are seeking to be approved at the meeting of creditors convened for 1:30PM on Friday 22 June 2018.

This report is made publically available for creditors on the internet as notified in the circular to creditors and notice of meeting issued by post to all creditors on 18 May 2018 in accordance with s600G(4) of the *Corporations Act 2001*.

You should now:

- Read this report and remuneration approval report;
- Decide if you plan to attend the meeting; and, should you wish attend,
- Complete and return your informal proof of debt (if changed or not already provided), and if required, proxy form **by no later than 3:00pm (AEST) Wednesday 20 June 2018**.

You can access information which may assist you on the following websites:

- ARITA at www.arita.com.au/creditors
- ASIC at www.asic.gov.au (search for “insolvency information sheets”)
- For employees, Fair Entitlements Guarantee Scheme at <https://www.jobs.gov.au/fair-entitlements-guarantee-feg>

Should you have any queries in relation to this update, please contact us via email at kbl@kpmg.com.au.



To the creditor as addressed
*KBL Mining Limited (Subject to a Deed of
Company Arrangement) (Receivers and
Managers Appointed) ACN 129 954 365 ("the
Company" or "KBL")*

Yours faithfully

A handwritten signature in blue ink, appearing to read 'Matthew Woods'.

Matthew Woods
Joint & Several Deed Administrator

Encl.

- Report to creditors
- Remuneration approval report
- Copy of circular to creditors dated as mailed / posted to all known creditors of the Company on 18 May 2018
- Copy of Notice of meeting of creditors
- Copy of Appointment of proxy form
- Copy of Informal proof of debt form
- Copy of ASIC Information Sheet: listing of 11 insolvency information sheets available for directors, employees, creditors, and shareholders



Report to creditors

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

18 May 2018



To the creditor as addressed
*KBL Mining Limited (Subject to a Deed of
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B. Copy of Notice of meeting of creditors.	
C. Copy of Appointment of proxy form.	
D. Copy of Informal proof of debt form	
a. If you have previously submitted an informal proof of debt form there is no requirement to re-submit unless your debt has changed.	
E. Copy of ASIC Information Sheet: listing of 11 insolvency information sheets available for directors, employees, creditors, and shareholders.	
F. Remuneration approval report.	



To the creditor as addressed
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1. Update to creditors

As outlined in our prior updates to creditors, it became apparent in the weeks that followed our execution of the Deed of Company Arrangement (hereafter referred to as “the DOCA” or “the Deed”) on 2 May 2017 that the existing proponent had reneged on its proposal and refused to sign the Deed.

In accordance with the terms of the Deed, as Deed Administrators, if it became apparent that the objectives of the DOCA were no longer likely to be achieved, we were obligated to either convene a meeting to terminate the Deed or to consider alternate options for a DOCA. Given the forecast return to unsecured creditors under the DOCA exceeded that expected to be realised in a liquidation, we determined that it was in the creditors’ interests to consider alternate proposals for a DOCA.

We sought and received a number of enquiries from parties that were interested in proposing an alternate DOCA, which could be effected by a variation to the Deed. Since that time we have worked with three unrelated proponents in relation to alternate DOCA proposals for the consideration of creditors. Despite these endeavours, we have not been able to agree on final terms with any party in an appropriate timeframe to present creditors a variation of the DOCA for consideration.

As such, we are of the view that it is no longer practical or desirable to continue to implement or carry out the DOCA and we have provided notice of an upcoming meeting of creditors to consider resolutions with respect to terminating the DOCA and putting the Company into liquidation.

Progress of the Deed of Company Arrangement from 2 May 2017 to our circular to creditors dated 22 December 2017

We refer creditors to <http://www.kpmg.com/au/kbl-mining> for access to circulars to creditors dated 27 June 2017, 25 September 2017, and 22 December 2017, which set out events that have taken place since the date of our signing the DOCA (2 May 2017) through to 22 December 2017.

In summary, as set out in the circulars referred to above:

1. Subsequent to our signing the Deed on 2 May 2017, it became apparent to us that the Proponent of the DOCA was no longer interested in completing the DOCA in the form agreed by creditors at the Reconvened Second Meeting of Creditors on 6 April 2017.
2. On 30 May 2017 we formally wrote to the Proponent providing them with notification that two of the conditions precedent in the Deed had not been met and requested a response by Friday 2 June 2017, which was not forthcoming;
3. Between 2 May 2017 and 27 June 2017 we received interest from a number of parties interested in proposing alternative DOCAs for the consideration of creditors. One of those expressions of interest was documented by way of a draft term sheet;



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4. We paid the ASX Annual Listing fee to ensure that the Company remained listed on the ASX so that negotiations could continue with interested parties regarding a variation of the DOCA;
5. Between 25 September 2017 and 22 December 2017 we issued two draft term sheets to interested parties, each offering a return of 100 cents in the dollar for employees and between 1 and 5 cents for unsecured creditors. We negotiated terms with each Proponent. On 18 December 2017 we became aware that the price that would be required to acquire the Sorby Shares (a key component to each of the proposed Deed variations, being KBL’s 75% Joint Venture interest in the Sorby Hills asset, as defined in our prior updates to creditors) from the current owner (a Quintana Mineral Hill Streaming Company related party) would be higher than previously factored. Accordingly we went back to the proponents and advised them of this and set a deadline of 31 January 2018 for those proponents to submit amended final proposals.

**Quintana Mineral Hill Streaming Company (“Quintana”) 23 January 2018
response to our 22 December 2017 circular to creditors**

On 23 January 2018, in response to our 22 December 2017 circular to creditors, we received a letter from KBL’s secured creditor and owner of the Sorby Shares, Quintana, setting out their position in respect of the amended price for the Sorby Shares (“the Quintana Letter”).

In summary, Quintana requested we include the following excerpts from that letter in our next report to creditors.

1. *Quintana Letter point 1: “The purchase consideration offered to Quintana MH for the sale of the KBL Sorby shares has continually deteriorated since the Everblu Capital DOCA was approved by creditors, notwithstanding that the returns to all other stakeholders has remained constant. This is evidenced in the table below of the offers that you have submitted for consideration by Quintana MH:*

Proponent	Cash A\$m	Shares A\$m	Total A\$m	Net Smelter Royalty	Offer date
Everblu Capital	1.0	1.0	2.0	2%	2 May 2017
Proponent 1	1.5	0.5	2.0	1%	3 Oct 2017
Proponent 3	1.3	-	1.3	0%	5 Dec 2017

Note: This table does not include the Proponent 2 DOCA discussion, where it was proposed that Quintana receive upwards of A\$2m cash, A\$1m in shares, and a 2% Net Smelter Royalty”

2. *Quintana Letter point 2: “Although Quintana MH's most recent indication of price expectation of USD \$2.25m (AUD \$2.8m) and a 2% NSR appears substantial in comparison to the last offer that you presented to Quintana MH (being the Proponent 3 offer) it is only \$800k more than the price agreed between the Deed Administrators and Everblu Capital early last year and the previous offer presented by Proponent 1. In fact, what Quintana MH proposed was basically a different manner for receiving the same total consideration it has always expected - i.e., in lieu of receiving shares and their upside potential, Quintana MH now prefers more cash to account for no longer having the said upside potential. Certainly,*



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Quintana MH should not be criticised for revising how it chooses to receive its consideration, especially given the amount of time that has lapsed since the Everblu Capital DOCA was approved by creditors, during which time, by the way, base metal prices have increased significantly and Quintana MH has incurred substantial holding costs.”

3. *Quintana Letter point 3: “The financial capacity of the interested parties and their ability to complete the proposed transactions is also a relevant factor of which creditors should be aware. All interested parties’ offers were subject to capital raisings or third-party financing. As a consequence each of Proponent 1 and Proponent 3’s ability to complete was not without a high level of risk, and that level of risk was equal to or higher than the Everblu Capital proposal that was accepted by creditors.”*

Progress of the Deed of Company Arrangement since our 22 December 2017 circular to creditors and recommendation to terminate the Deed of Company Arrangement at forthcoming meeting of creditors

Since our circular to creditors dated 22 December 2017 we have kept creditors informed of progress in negotiations through the ‘Latest news’ section of the KPMG KBL Information Page (<http://www.kpmg.com/au/kbl-mining>). In summary, as outlined in those updates, since 22 December 2017 the following has taken place:

1. On 19 January 2018 we received confirmation that Proponent 1 and Proponent 2 were no longer interested in continuing negotiations in relation to their proposed variations to the DOCA and that they were exiting the process;
2. We continued to negotiate with Proponent 3 regarding their DOCA variation proposal in January. The proposal by Proponent 3 took into account the commercial requirements to acquire the Sorby Shares, provided 100 cents in the dollar to priority creditors (employees), and a return of approximately 4 cents in the dollar for unsecured creditors. Given the advanced nature of the negotiation, we provided this proponent an extension to 12 February 2018 to provide substantiation as to their financial capacity to complete the proposal in their proposed form and time, without exposing creditors to any capital raising risk. This date was then extended as negotiations progressed;
3. Negotiations continued with Proponent 3 during February and March 2018, including the drafting of a draft term sheet;
4. On Friday, 6 April 2018 we provided Proponent 3 a final deadline of 11 April 2018 to finalise the terms of the draft term sheet. That deadline was not met by Proponent 3.

There were two key items that we requested be satisfied by Proponent 3 that were critical to our being able to be in a position to recommend their DOCA variation to creditors. The two key items were:

- a. the provision of a non-recourse loan of \$75,000 to the Company to meet the Deed Administrators costs of convening the meeting of creditors and varying the DOCA. The loan was to be non-recourse to the Deed Administrators and only repayable by the Company post-successful completion of the DOCA and not repayable otherwise; and



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- b. evidence of committed capital to complete the proposed DOCA variation, meaning that creditors would face no capital raising risk. No evidence of committed capital (in the form of letters of intent or otherwise) had been received by us as at 11 April 2018.

On Thursday, 12 April 2018, we emailed Proponent 3 to advise them of our intention to convene a meeting of creditors to recommend that creditors terminate the DOCA and recommend liquidation as the only alternative.

2. Likely outcome for creditors and employees in Liquidation

We refer creditors to our reports dated 25 January 2017 (s439A Report to Creditors) and 28 March 2017 (Supplementary s439A Report to Creditors) (“the s439A Reports”) (both available at <http://www.kpmg.com/au/kbl-mining>) which set out our preliminary investigations into the affairs of the Company and our preliminary views regarding potential recoveries available for a liquidator to pursue in liquidation. The potential recoveries outlined in the s439A Reports are subject to further substantiation by a liquidator and would likely require litigation, which will only be possible if funding is made available to the liquidators to pursue these claims.

Following recoveries made by the secured creditor (being the sale of the Mineral Hill asset and the sale of the Sorby Shares), the only remaining asset held by the Company is the ASX-listed company shell. This asset is unable to be realised following the conclusion of the Deed and, as such, any recoveries for creditors is wholly dependent upon a recovery action or actions being brought by the liquidators.

Likely outcome for employees – 100 cents in the dollar through FEG

As previously advised, if the Company is placed into liquidation, former employees of the Company have a statutory priority for payment of unpaid entitlements such as wages, superannuation contributions, holiday pay and long service leave that accrued prior to the Company entering voluntary administration.

Directors and other related persons also have a statutory priority for payment for these entitlements. However, their priority is subject to a statutory “cap” of \$2,000 for wages and superannuation contributions and \$1,500 for holiday pay and long service leave entitlements.

Employee entitlements have a priority that ranks after the Administrators and Liquidators costs and remuneration but ahead of ordinary unsecured creditor claims.

Where a company has insufficient funds to pay employee entitlements from asset realisations, which is the case for this Company, employees will be eligible to apply for the Government’s Fair Entitlement Guarantee (“FEG”) scheme, which acts as a safety net for payment of certain employee entitlements, up to certain limits.

The Liquidators will liaise with FEG upon appointment to provide information relating to employee details and entitlements.

For further information regarding the FEG, including your eligibility to submit a claim, please visit its website at <https://www.jobs.gov.au/fair-entitlements-guarantee-feg> or contact the Department of Workplace and Employee Relations on 1300 135 040 or FEG@jobs.gov.au.



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The Liquidators will be in touch with employees within 5 business days following their appointment to advise next steps.

Likely outcome for unsecured creditors – 0 cents in the dollar to unknown

As previously mentioned, there are no assets remaining in the Company available to be realised on behalf of creditors by a liquidator.

A liquidator is granted powers to investigate fully the conduct of the Company, its directors, and related parties prior to the appointment of the Voluntary Administrators. Where a liquidator deems it appropriate to do so and where funding is available to do so, the liquidator may bring a number of actions in order to recover funds on behalf of unsecured creditors.

As outlined in the s439A Reports, our preliminary investigations determined that there may be potential causes of action of at least \$17.8m. We believe the following matters warrant further investigation by a liquidator (refer to section 9 and 9.4 of our 25 January 2017 s439A report to creditors, copy available at <http://www.kpmg.com/au/kbl-mining>):

- Insolvent trading;
- Unfair preferences;
- Uncommercial transactions; and
- Unreasonable director related transactions.

Creditors should be aware that as the liquidation of the Company is currently unfunded; there are no funds available in the Company to fund recovery actions (such as Liquidator fees and costs, any legal costs, or any other costs associated with bringing actions).

To pursue any claims the Liquidators will be reliant on the provision of external funding. Funding to bring actions may come in the form of a litigation funder who would share in the proceeds of any successful action; the Australian Securities and Investment Commission's Assetless Administration Fund; or an individual or group of creditors. If funding is advanced, the liquidator or funding party can apply to the court for the funder to be compensated for the risk involved in funding the liquidator's recovery action.

Our remuneration

To 11 May 2018, the Administrators and Deed Administrators have received \$200,000.00 in respect of fees approved by creditors totalling \$1,258,697.00. There are currently insufficient funds available to pay the shortfall on these fees.

At the 6 April 2017 meeting of creditors, we sought and obtained approval from creditors for fees as Deed Administrators totalling \$200,000. Our fees since appointment as Deed Administrators through to Friday 11 May 2018, total \$190,462.50. These fees remain outstanding and there are currently insufficient funds available to pay these fees.

At the meeting of creditors, we will seek approval from creditors for:

- fees in advance for the liquidation period totalling \$100,000 excl. GST; and



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- additional remuneration in respect of our actual fees for:
 - the period 18 March 2017 to 6 April 2017 totalling \$34,332.50 excl. GST; and
 - the period 7 April 2017 to 4 May 2017 totalling \$22,477.50 excl. GST.

Please refer to *Appendix F: Remuneration Report* which includes information as to our remuneration approved to date, and remuneration approvals being sought at the upcoming meeting.

We also refer creditors to *ASIC Information Sheet 85, Approving Fees – a guide for creditors* for guidance when reviewing our remuneration report available at www.asic.gov.au (search for “insolvency information sheets”).

3. Meeting of creditors

As you would be aware from our 18 May 2018 circular to creditors and enclosed notice of meeting, we have convened a meeting of creditors to be held on Friday, 22 June 2018 at 1:30PM (AEST) for creditors to vote on the future of the Company, with the only recommendation being that the DOCA be terminated and that the Company be placed into liquidation.

At the same meeting we will ask creditors to consider resolutions in respect of our remuneration as Administrators/Liquidators and in respect of the formation of a Committee of Inspection.

Please refer to Appendix B for a copy of the Notice of Meeting in respect of this meeting which contains all details for creditors to consider. We have also attached to this report a copy of the Proxy Form and Informal Proof of Debt form already provided to creditors.

4. Next steps in liquidation

The liquidators (if so appointed) must provide a report to creditors within three months after their appointment (in accordance with Insolvency Practice Rule 70-40) containing information about:

- the estimated amount of assets and liabilities of the company;
- inquiries undertaken and further inquiries that may need to be undertaken relating to the winding up of the company;
- what happened to the business of the company;
- the likelihood of creditors receiving a dividend before the affairs of the company are fully wound up; and
- possible recovery actions.

Other than for the above, there is no statutory requirement for the liquidator to provide further reports to creditors. However, a liquidator will often provide further reports to creditors updating them on the conduct of the liquidation. Creditors can request that the liquidator provide a report. The liquidator must comply with a reasonable request.



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Appendices



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Private and confidential
To the creditor as addressed

Our ref 32861216_8

18 May 2018

Contact Leah Diprose
(+61 2 9295 3877)

Dear Sir/Madam

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

Circular to creditors and notice of meeting of creditors to consider termination of Deed of Company Arrangement

I refer to our appointment as joint and several Deed Administrators of the Company on 2 May 2017 pursuant to a resolution of the creditors at a meeting held on 6 April 2017.

The purpose of this circular is:

1. **To provide you notice of a meeting of creditors** which will be held at 1:30PM on Friday 22 June 2018 for creditors to consider a resolution to terminate the Deed of Company Arrangement (“the DOCA” or “the Deed”) and to place the Company into liquidation, as well as to consider resolutions in respect of our past and future fees as Administrators and Liquidators. Please refer to Enclosure A, formal Notice of Meeting, for all information relating to this meeting.
2. **To seek your nomination for future electronic delivery of certain notices and documents** – we want to keep in touch with you in the most efficient way possible – if you are happy to receive future notices and documents via email rather than post, we ask that you nominate this to us as soon as practicable at: <http://www.kpmg.com/au/kbl-notify>.

Report to creditors and remuneration approval report available for download at <http://www.kpmg.com/au/kbl-mining>

We have issued a report to creditors and a remuneration approval report (“the Reports”), both of which are available for download publically on the internet in accordance with s600G(4) of the *Corporations Act 2001*. We recommend that creditors download and review the Reports prior to considering the resolutions for the meeting.

Creditors can access the Reports at the KPMG KBL Information Page at <http://www.kpmg.com/au/kbl-mining>.

The Reports include an update as to the progress of the Deed Administration, correspondence from Quintana Mineral Hill Streaming Company in relation to their position, details of the likely outcome for creditors in a liquidation, and our remuneration approval report, which provides detail of the remuneration we are seeking to be approved at the meeting.



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18 May 2018

In the event that you do not have access to the internet, or wish to have a copy of this report mailed to you, you may request a copy by emailing us at kbl@kpmg.com.au, or by contacting Shirley Song on +61 2 9335 7354. Please ensure that you include your full creditor name and full postal address with this request.

You should now:

1. Read our report to creditors, and the remuneration approval report, available publically on the internet at the KPMG KBL Information Page: <http://www.kpmg.com/au/kbl-mining> – if you do not have access to the internet, or wish to have the Reports mailed to you, you may request a copy by emailing us at kbl@kpmg.com.au, or by contacting Shirley Song on +61 2 9335 7354. Please include your full creditor name and postal address with this request;
2. If you are happy to receive future notices and documents via email rather than post, we ask that you nominate this to us as soon as practicable at: <http://www.kpmg.com/au/kbl-notify>;
3. Decide if you plan to attend the meeting; and, should you wish attend,
4. Complete and return your informal proof of debt (if changed or not already provided), and if required, proxy form **by no later than 3:00pm (AEST) Wednesday 20 June 2018**.

You can access further information which may assist you in understanding our circular, report, annexures, and next steps at the following websites:

- ARITA at www.arita.com.au/creditors
- ASIC at www.asic.gov.au (search for "insolvency information sheets")
- For employees, Fair Entitlements Guarantee Scheme at <https://www.jobs.gov.au/fair-entitlements-guarantee-feg>

Should you have any queries, please contact us via email at kbl@kpmg.com.au.

Yours faithfully

Matthew Woods

Joint & Several Deed Administrator

<http://www.kpmg.com/au/kbl-mining>

Encl.

- A. Notice of meeting of creditors.
- B. Appointment of proxy form.
- C. Informal proof of debt form - if you have previously submitted an informal proof of debt form there is no requirement to re-submit unless your debt has changed.
- D. ASIC Information Sheet: listing of 11 insolvency information sheets available for directors, employees, creditors, and shareholders.

*Insolvency Practice Rules 75-15 - 75-35
Corporations Act 2001*

NOTICE OF MEETING OF CREDITORS OF COMPANY

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

Notice is given that a meeting of the creditors of the Company will be held at **1:30PM on Friday 22 June 2018** at KPMG, Level 38, Tower Three, 300 Barangaroo Avenue, Sydney NSW 2000.

The purpose of the meeting is to:

- Consider and to resolve if appropriate the termination of the deed of company arrangement.
- Consider and to resolve if appropriate the appointment of Matthew Woods and Stephen Vaughan of KPMG Restructuring Services as Liquidators of the Company
- Consider and approve the Administrators’ retrospective remuneration and internal disbursements
- Consider and approve the Liquidators’ prospective remuneration
- Consider and determine:
 - Whether to appoint a committee of inspection;
 - if so, who are to be the committee's members; and
 - other resolutions appropriate to the establishment of a committee of inspection.

Attending and voting at the meeting

Creditors are invited to attend the meeting, however they are not entitled to participate and vote at a meeting unless:

- **Proof of debt:** They have lodged with the Administrators or Deed Administrators particulars of the debt or claim and the claim has been admitted, wholly or in part, by the Deed Administrators or Administrators for the purposes of voting at the meeting only. If an informal proof of debt has already been lodged, you do not need to do so again. Refer to Note 1 for further guidance on entitlement to vote.
- **Proxies or attendance:** They are either present in person or by electronic facilities or validly represented by proxy, attorney or an authorised person under s250D of the Corporations Act. If a corporate creditor is represented, a proxy form, power of attorney or evidence of appointment of a company representative pursuant to Section 250D of the Corporations Act 2001 (“the Act”) must be validly completed and provided to the Deed Administrators at or before the meeting].

A proxy is only valid for a particular meeting and will need to be resubmitted even if previously provided.

To enable sufficient time to review, proofs of debt and proxies (or documents authorising the representation) should be submitted to kbl@kpmg.com.au **by no later than 3:00PM (AEST) on Wednesday 20 June 2018**. If you choose to return these documents, please allow sufficient time for the documents to be received prior to the due date.

Electronic facilities

Electronic facilities will be made available at the meeting via conference telephone call. To access those facilities, you need to provide a statement by email to us at kbl@kpmg.com.au, not later than 2 business days before the meeting which sets out:

- **Name:** The name of the person and of the proxy or attorney (if any)
- **Address:** An address to which notices to the person, proxy or attorney may be sent
- **Contact:** The method of contacting the person, proxy or attorney for the purposes of the meeting.

On receipt of this statement, you will be provided with instructions on how to access the facilities for the meeting.

Queries should be directed to kbl@kpmg.com.au or alternatively, Shirley Song on +61 2 9335 7354.

Dated 18 May 2018



Signature of Matthew Woods
Joint and Several Deed Administrator

KPMG Restructuring Services
PO Box H67
Australia Square NSW 1213

Note 1: Entitlement to vote and completing proofs

IPR (Corp) 75 85 Entitlement to vote at meetings of creditors

- (1) A person other than a creditor (or the creditor's proxy or attorney) is not entitled to vote at a meeting of creditors.
- (2) Subject to subsections (3), (4) and (5), each creditor is entitled to vote and has one vote.
- (3) A person is not entitled to vote as a creditor at a meeting of creditors unless:
 - (a) his or her debt or claim has been admitted wholly or in part by the external administrator; or
 - (b) he or she has lodged, with the person presiding at the meeting, or with the person named in the notice convening the meeting as the person who may receive particulars of the debt or claim:
 - (i) those particulars; or
 - (ii) if required—a formal proof of the debt or claim.
- (4) A creditor must not vote in respect of:
 - (a) an unliquidated debt; or
 - (b) a contingent debt; or
 - (c) an unliquidated or a contingent claim; or
 - (d) a debt the value of which is not established; unless a just estimate of its value has been made.
- (5) A creditor must not vote in respect of a debt or a claim on or secured by a bill of exchange, a promissory note or any other negotiable instrument or security held by the creditor unless he or she is willing to do the following:
 - (a) treat the liability to him or her on the instrument or security of a person covered by subsection (6) as a security in his or her hands;
 - (b) estimate its value;
 - (c) for the purposes of voting (but not for the purposes of dividend), to deduct it from his or her debt or claim.
- (6) A person is covered by this subsection if:
 - (a) the person's liability is a debt or a claim on, or secured by, a bill of exchange, a promissory note or any other negotiable instrument or security held by the creditor; and
 - (b) the person is either liable to the company directly, or may be liable to the company on the default of another person with respect to the liability; and
 - (c) the person is not an insolvent under administration or a person against whom a winding up order is in force.

*Insolvency Practice Rules 75-25
Corporations Act 2001*

APPOINTMENT OF PROXY

KBL Mining Limited (Subject to a Deed of Company Arrangement) (Receivers and Managers Appointed) ACN 129 954 365 (the "Company")

*I/*We _____ (name of signatory) Of _____ (creditor name)

a creditor of the Company appoint _____ (name of proxy)

of _____ (address of proxy)

or in his or her absence _____ (details of alternate proxy)

as *my/*our *general/*special proxy to vote at the meeting of creditors to be held on Friday 22 June 2018 at 1:30PM, or at any adjournment of that meeting.

Note: A general proxy may use your vote at the meeting to vote however they see fit. Should you wish to dictate how your vote is cast at the meeting by your nominated proxy, you should nominate a special proxy and specify how you wish your proxy to vote for each of the resolutions. Any resolutions left blank will be taken to be a general proxy.

Resolutions

	For	Against	Abstain
1. That the Deed of Company Arrangement be terminated and the company be wound up (liquidation).			
2. That Matthew Woods and Stephen Vaughan of KPMG Restructuring Services be appointed as Liquidators of the Company.			
3. That a Committee of Inspection be established and that the existing Committee of Inspection transfer to the new Committee. In the event that any existing Committee member wishes to resign, that the Committee may still function with a minimum of 3 members and new members may be proposed at the meeting.			
4. That the actual remuneration of the Administrators of KBL Mining Limited (Administrators Appointed) (Receivers and Managers Appointed) for the period 18 March 2017 to 6 April 2017 be approved for an additional \$34,332.50, plus GST and disbursements, in a sum equal to the cost of the time spent by the Administrators and their staff, calculated at rates set under the KPMG Restructuring Services guide to hourly rates and the KBL engagement letter, and that such fees are authorised for payment from the assets of the Company, including recoveries obtained through liquidation.			

<p>5. That the actual remuneration of the Administrators of KBL Mining Limited (Administrators Appointed) (Receivers and Managers Appointed) for the period 7 April 2017 to 1 May 2017 be approved for an additional \$22,477.50, plus GST and disbursements, in a sum equal to the cost of the time spent by the Administrators and their staff, calculated at rates set under the KPMG Restructuring Services guide to hourly rates and the KBL engagement letter, and that such fees are authorised for payment from the assets of the Company, including recoveries obtained through liquidation.</p>			
<p>6. That the prospective remuneration of the Liquidators of KBL Mining Limited (Subject to a Deed of Company Arrangement) (Receivers and Managers Appointed) be approved up to \$100,000 plus GST and disbursements, in a sum equal to the cost of the time spent by the Administrators and their staff, calculated at rates set under the KPMG Restructuring Services guide to hourly rates and the KBL engagement letter, and that such fees are authorised for payment from the assets of the Company, including recoveries obtained through the liquidation.</p>			

*I/*We authorise *my/*our proxy to vote as a general proxy on resolutions other than those specified above (*delete if not required*)

Signature: _____

Dated: _____

*Omit if inapplicable

Submitting this form

For a person to be eligible to attend and vote at the meeting on your behalf, this form is to be completed and submitted **by no later than 3:00PM (AEST) on Wednesday 20 June 2018**, to:

Email (preferred): kbl@kpmg.com.au

By mail: KBL Mining Limited (Subject to Deed of Company Arrangement)(Receivers and Managers Appointed)
c/- KPMG Restructuring Services
PO Box H67
Australia Square NSW 1213

Fax: C/- KPMG Restructuring Services
+61 2 9335 7001

INFORMAL PROOF OF DEBT FORM

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

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 and/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:
.....
.....

Balance, if any, after deducting value of security (see note): \$.....

Signature of creditor (or person authorised by creditor)

* Strike out if applicable

Note:

A creditor is not entitled to vote at a meeting unless (Insolvency Practice Rules (Corporations) 2016, Section 75-85):

- a. his or her debt or claim has been admitted wholly or in part by the external administrator; or
- b. he or she has lodged, with the person presiding at the meeting, or with the person named in the notice convening the meeting as the person who may receive particulars of the debt or claim:
 - i. those particulars; or
 - ii. if required—a formal proof of the debt or claim.

A secured creditor may vote (Insolvency Practice Rules (Corporations) 2016, Section 75-87):

- a. A creditor is entitled to vote only in respect of the balance, if any, due to him or her after deducting the value of his or her security as estimated by him or her.
- b. If a secured creditor votes in respect of his or her whole debt or claim, the creditor must be taken to have surrendered his or her security unless the Court on application is satisfied that the omission to value the security has arisen from inadvertence.

Please return completed forms to:

Via email (preferred) to kbl@kpmg.com.au;or

Via post to: KBL Mining Limited (Subject to Deed of Company Arrangement) (Receivers And Managers Appointed)
C/- KPMG Restructuring Services
PO Box H67
Australia Square NSW 1213



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.



Remuneration approval report

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

18 May 2018

Remuneration Approval Report

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

This remuneration approval report provides you with the information you need to be able to make an informed decision regarding the approval of our remuneration for undertaking the Voluntary Administration, Deed Administration, and Liquidation (“the Appointments”) of the Company.

This report has the following information included:

- Part 1: Declaration 3
- Part 2: Executive Summary..... 3
- Part 3. Remuneration 5
 - 3.1 Remuneration claim resolutions..... 5
 - 3.3 Total remuneration reconciliation..... 7
 - 3.4 Likely impact on dividends 9
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- Part 4: Disbursements..... 10
- Part 6: Summary of Receipts and Payments 12
- Part 7: Queries 12
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- Schedule 1 – Resolution 4 Table of major tasks for remuneration 13
- Schedule 2 – Resolution 5 Table of major tasks for remuneration 14
- Schedule 3 – Resolution 6 Table of major tasks for remuneration 15

What do you need to do next?

You should read this report and the other documentation that we have sent you and then consider if you wish to attend the meeting of creditors in order to voice your opinion by casting your vote on the resolutions put to the meeting. The meeting will also give you an opportunity to ask any questions that you may have.

Alternatively, if you are unable to attend the meeting or prefer to nominate someone to attend the meeting on your behalf, you are also able to appoint a representative to attend on your behalf by lodging a proxy form. This person, your proxy, may also be the Chairperson of the meeting. Lodging a specific proxy form allows you to specify how your proxy must vote. Lodging a general proxy form allows your representative to choose how your vote is exercised.

Information about the meeting of creditors is provided in the formal notice of meeting provided to creditors by post on 18 May 2018 and included as an appendix to the same report to which this report is attached.

If you have any questions, please contact us via email on kbl@kpmg.com.au.

Part 1: Declaration

We, Matthew Woods and Stephen Vaughan, of KPMG have undertaken a proper assessment of this remuneration claim for our appointment as Voluntary Administrators, Deed Administrators, and Liquidators (prospective) of the Company ("the Appointments") in accordance with the law and applicable professional standards. We are satisfied that the remuneration claimed is in respect of necessary work, properly performed, or to be properly performed, in the conduct of the Appointments.

Part 2: Executive Summary

We currently estimate the total remuneration for the Appointments will be between \$1,405,969.25 and \$1,700,000.00, including the liquidation of the Company (if applicable). As at the date of issuing this report, we have received \$200,000.00 in respect of our approved remuneration for work completed in relation to this matter.

Remuneration

In our last remuneration report we sought and obtained prospective remuneration approval for the final period of the Voluntary Administration, as well remuneration for the Deed Administration, bringing the total estimated cost of those appointments to \$1,258,696.75. We now report that the total cost of those appointments has been \$1,305,969.25, an increase of \$47,272.50 compared to our previous estimate because of:

- Higher than expected negotiation and correspondence with the DOCA Proponent and their legal representatives during the period 18 March 2017 to 6 April 2017 (the lead up to the Reconvened Second Meeting of Creditors), bringing our remuneration for that period to be \$34,332.50 more than previously approved by creditors;
- Higher than expected ongoing negotiation and correspondence with the DOCA Proponent and their legal representatives, as well as drafting of the Deed in final form. This work consisted of the full 15 business day period for the signing of the DOCA, bringing our remuneration for that period to be \$22,477.50 more than previously approved by creditors;

- Lower than expected work required during the Deed Administration period than forecast. The work completed during this period was different in nature than expected at the date of the Reconvened Second Meeting of Creditors and was related to considering alternate DOCA proposals / variations under the direction of the Committee of Inspection. Our remuneration for the Deed Administration through to 27 April 2018 was \$9,537.50 less than previously approved by creditors. We expect that this remaining amount will be utilised through to the upcoming meeting of creditors. In the event that our work exceeds the remaining approval through to the meeting of creditors, we may seek future retrospective approval of those fees by creditors.

In accordance with the above and the details included in this report, at the meeting of creditors we will seek approval from creditors for:

- Additional remuneration for the period 18 March 2017 to 6 April 2017 for an amount of \$34,332.50 (ex GST);
- Additional remuneration for the period 7 April 2017 to 1 May 2017 for an amount of \$22,477.50 (ex GST); and
- Remuneration as Liquidators for the period following the meeting of creditors to be held on Friday 22 June 2018 totalling \$100,000.00 (ex GST).

Remuneration currently claimed and previously approved is summarised below:

Period	Remuneration claimed and approved \$ (ex GST)	Actual incurred \$ (ex GST)	Remuneration approval sought this period? \$ (ex GST)	Report ref
Past remuneration approved – Voluntary Administration				
Approved remuneration for the period 8 to 18 September 2016 approved by Committee of Creditors	288,331.50	288,331.50	No	
Approved remuneration for the period 19 September 2016 to 13 January 2017 approved at the Second Meeting	506,846.00	506,846.00	No	
Approved future remuneration for the period 14 January 2017 to 3 February 2017 (forecast at the time of resolution) approved at the Second Meeting	50,000.00	50,000.00	No	
Approved additional remuneration for the period 14 January 2017 to 3 February 2017	38,354.25	38,354.25	No	6
Approved remuneration for the period 4 February 2017 to 17 March 2017	70,915.00	70,915.00	No	
Approved forecast remuneration for the period 18 March 2017 to 6 April 2017 (date of the reconvened second meeting)*	64,175.00	98,507.50	Yes 34,332.50	Part 3.1 Resolution 4; Part 3.2; Schedule 1
Approved future remuneration for the period being the day following the Reconvened Second Meeting to signing of Deed of Company Arrangement (up to 15 business days) – 7 April 2017 to 1 May 2017	40,075.00	62,552.50	Yes 22,477.50	Part 3.1 Resolution 5; Part 3.2; Schedule 2
Total remuneration – Voluntary Administration	1,058,696.75	1,115,506.75	56,810.00	

Period	Remuneration claimed and approved \$ (ex GST)	Actual incurred \$ (ex GST)	Remuneration approval sought this period? \$ (ex GST)	Report ref
Past remuneration approved – Deed of Company Arrangement Approved future remuneration as Deed Administrators for the period from the date of execution of the Deed of Company arrangement to completion*	200,000.00	2 May 2018 to 11 May 2018 190,462.50	No	
Total remuneration – Deed Administration	200,000.00	190,462.50		
Total remuneration – Voluntary Administration and Deed Administration	1,258,696.75	1,305,969.25		
Liquidation* (if applicable) Remuneration as Liquidators for the period following their appointment as Liquidators	none	Yet to be incurred	Yes 100,000.00	Part 3.1 Resolution 6; Part 3.2; Schedule 3
Total remuneration (actual plus prospective)		1,405,969.25		
* Approval for the future remuneration sought is based on an estimate of the work necessary to the completion of the administration. Should additional work be necessary beyond what is contemplated, further approval may be sought from creditors.				

Please refer to the report section references detailed in the above table for full details of the calculation and composition of the remuneration approvals sought.

Disbursements

There are a total of \$39,189.59 in disbursements outstanding to be repaid to us, which have been paid by us on behalf of the Company during the period 6 September 2017 to 31 March 2018. At the date of writing this report, we have not been repaid any of these disbursements (expenses).

Please refer to Part 4 of this report for further detail in respect of disbursements.

Part 3. Remuneration

3.1 Remuneration claim resolutions

We will be seeking approval of the following resolutions to approve our remuneration. Details to support these resolutions are included in section 3.2 and in the attached Schedules.

Resolution 4 from 18 March 2017 to 6 April 2017 (Retrospective Voluntary Administration additional fees) – \$34,332.50

- *“That the actual remuneration of the Administrators of KBL Mining Limited (Administrators Appointed) (Receivers and Managers Appointed) for the period 18 March 2017 to 6 April 2017 be approved for an additional \$34,332.50, plus GST and disbursements, in a sum equal to the cost of the time spent by the Administrators and their staff, calculated at rates set under the KPMG Restructuring Services guide to hourly rates and the KBL engagement letter, and that such fees are authorised for payment from the assets of the Company, including recoveries obtained through liquidation.”*

Resolution 5 from 7 April 2017 to 1 May 2017 (Retrospective Voluntary Administration additional fees) – \$22,477.50

- “That the actual remuneration of the Administrators of KBL Mining Limited (Administrators Appointed) (Receivers and Managers Appointed) for the period 7 April 2017 to 1 May 2017 be approved for an additional \$22,477.50, plus GST and disbursements, in a sum equal to the cost of the time spent by the Administrators and their staff, calculated at rates set under the KPMG Restructuring Services guide to hourly rates and the KBL engagement letter, and that such fees are authorised for payment from the assets of the Company, including recoveries obtained through liquidation.”

Resolution 6 from 22 June 2018 to completion (Prospective Liquidation fees) – \$100,000.00

- “That the prospective remuneration of the Liquidators of KBL Mining Limited (Subject to a Deed of Company Arrangement) (Receivers and Managers Appointed) be approved up to \$100,000 plus GST and disbursements, in a sum equal to the cost of the time spent by the Administrators and their staff, calculated at rates set under the KPMG Restructuring Services guide to hourly rates and the KBL engagement letter, and that such fees are authorised for payment from the assets of the Company, including recoveries obtained through the liquidation.”

3.2 Details of remuneration

The basis of calculating the remuneration claims are summarised below and the details of the major tasks performed and the costs associated with each of those major tasks are contained in Schedules 1 to 3.

Resolution 4 from 18 March 2017 to 6 April 2017 (Retrospective Voluntary Administration additional fees) – \$34,332.50

The below table sets out time charged to each major task area by staff members working on the Voluntary Administration for the period 18 March 2017 to 6 April 2017 which is the basis of the Resolution 4 claim. More detailed descriptions of the tasks performed within each task area, matching the amounts below, are contained in Schedule 1.

KBL Mining Limited (Administrators Appointed) (Receivers and Managers Appointed) - Administrators' professional fees incurred											
For the period 18 March 2017 to 6 April 2017	\$ / Hour (Excl GST)	Total		Assets		Creditors		Employees		Administration	
		Hrs	\$	Hrs	\$	Hrs	\$	Hrs	\$	Hrs	\$
Matthew Woods	700.00	20.30	14,210.00	-	-	20.30	14,210.00	-	-	-	-
Stephen Vaughan	700.00	14.90	10,430.00	-	-	13.80	9,660.00	-	-	1.10	770.00
Ben Brokken	525.00	1.00	525.00	-	-	-	-	-	-	1.00	525.00
Darsun Naran	475.00	5.50	2,612.50	-	-	5.50	2,612.50	-	-	-	-
Leah Diprose	350.00	110.40	38,640.00	1.50	525.00	83.10	29,085.00	2.00	700.00	23.80	8,330.00
Olga Litosh	350.00	26.00	9,100.00	-	-	25.00	8,750.00	-	-	1.00	350.00
Matthew Turner	275.00	17.50	4,812.50	-	-	17.50	4,812.50	-	-	-	-
Neil Nguyen	275.00	50.60	13,915.00	-	-	37.70	10,367.50	-	-	12.90	3,547.50
Barbara Kekatos	275.00	15.50	4,262.50	-	-	15.50	4,262.50	-	-	-	-
Total excluding GST		261.70	98,507.50	1.50	525.00	218.40	83,760.00	2.00	700.00	39.80	13,522.50
GST			9,850.75								
Total including GST			108,358.25								
Average Hourly Rate			414.06		350.00		383.52		350.00		339.76
Percentage Split per Phase					0.53%		85.03%		0.71%		13.73%
Less fees already approved for period			(64,175.00)								
Remaining fees for period excl. GST			34,332.50								

Source: 29536813_2/Summary table – Employee task

Resolution 5 from 7 April 2017 to 1 May 2017 (Retrospective Voluntary Administration additional fees) – \$22,477.50

The below table sets out time charged to each major task area by staff members working on the Voluntary Administration for the period 7 April 2017 to 1 May 2017 which is the basis of the Resolution 5 claim. More detailed descriptions of the tasks performed within each task area, matching the amounts below, are contained in Schedule 2.

KBL Mining Limited (Administrators Appointed) (Receivers and Managers Appointed) - Administrators' professional fees incurred													
For the period 7 April 2017 to 1 May 2017		\$ / Hour (Excl GST)	Total		Assets		Creditors		Employees		Administration		
Employee	Position		Hrs	\$	Hrs	\$	Hrs	\$	Hrs	\$	Hrs	\$	
Matthew Woods	Appointee	700.00	12.80	8,960.00	10.60	7,420.00	1.70	1,190.00	-	-	0.50	350.00	
Stephen Vaughan	Appointee	700.00	1.00	700.00	-	-	-	-	-	-	1.00	700.00	
Ben Brokken	Associate Director	525.00	6.60	3,465.00	1.00	525.00	3.50	1,837.50	-	-	2.10	1,102.50	
Leah Diprose	Executive	350.00	79.30	27,755.00	-	-	61.20	21,420.00	0.40	140.00	17.70	6,195.00	
Olga Litosh	Executive	350.00	23.50	8,225.00	-	-	18.00	6,300.00	-	-	5.50	1,925.00	
Matthew Turner	Analyst	275.00	5.30	1,457.50	-	-	4.50	1,237.50	-	-	0.80	220.00	
Neil Nguyen	Analyst	275.00	27.60	7,590.00	-	-	11.30	3,107.50	-	-	16.30	4,482.50	
Barbara Kekatos	Analyst	275.00	16.00	4,400.00	-	-	16.00	4,400.00	-	-	-	-	
Total excluding GST			172.10	62,552.50	11.60	7,945.00	116.20	39,492.50	0.40	140.00	43.90	14,975.00	
GST				6,255.25									
Total including GST				68,807.75									
Average Hourly Rate				399.81		684.91		339.87		350.00		341.12	
Percentage Split per Phase				100.00%		12.70%		63.13%		0.22%		23.94%	
Less fees already approved for period				(40,075.00)									
Remaining fees for period excl. GST				22,477.50									

Source: 29536874_1/Summary Table – employee task

Resolution 6 from 22 June 2018 to completion (Prospective Liquidation fees) – \$100,000.00

The below table sets out the expected costs for the major tasks likely to be performed by the Liquidators and their staff for the period 22 June 2018 to completion which is the basis of the Resolution 6 claim. More detailed descriptions of the tasks likely to be performed within each task area, matching the amounts below, are contained in Schedule 3.

KBL Mining Limited (Administrators Appointed) (Receivers and Managers Appointed) - Liquidators' prospective remuneration from the date of appointment onwards															
Position	\$ / Hour (Excl GST)	Total		Assets		Creditors		Employees		Dividend		Investigation		Administration	
		Hrs	\$	Hrs	\$	Hrs	\$	Hrs	\$	Hrs	\$	Hrs	\$	Hrs	\$
Total excluding GST		236.13	100,000.00	23.61	10,000.00	47.23	20,000.00	23.61	10,000.00	11.81	5,000.00	118.07	50,000.00	11.81	5,000.00
GST			10,000.00												
Total including GST			110,000.00												
Percentage Split per Phase			100.00%		10.00%		20.00%		10.00%		5.00%		50.00%		5.00%

Source: 29044232_4/Summary Table Liquidation

3.3 Total remuneration reconciliation

We currently estimate the total remuneration for the Appointments will be between \$1,405,969.25 and \$1,700,000.00, including the liquidation of the Company (if applicable). This includes the current approval amount being sought.

This is subject to the following variables which may have a significant effect on this estimate and that we are as yet unable to determine:

- Any investigation during the liquidation that requires additional investigation to determine the potential for a successful action;
- Negotiation with funding providers in order to fund any action or actions of the Liquidators; and/or
- The pursuit of any or multiple actions following investigation into the affairs of the Company and its Directors during the liquidation, including the attendance at Court

As at the date of issuing this report, we have received \$200,000.00 in respect of our approved remuneration for work completed in relation to this matter.

Please refer to the summary table at Part 2: Executive Summary of this report for our total remuneration reconciliation table totalling \$1,405,969.25.

Resolutions sought at upcoming meeting in respect of additional remuneration for prospective remuneration already approved and reasons for differences

At the creditors meeting of 6 April 2017, creditors approved our prospective remuneration in respect of the following periods for which additional remuneration has been incurred. At the meeting of creditors we will seek approval for this additional remuneration. Provided below is a summary of those differences.

- **Additional remuneration of \$34,332.50 for the period 18 March 2017 to 6 April 2017** – on 6 April 2017 creditors approved prospective remuneration of \$64,175.00 for the period 18 March 2017 to 6 April 2017 being the period between the issuance of the 25 March 2017 report and the Reconvened Second Meeting of Creditors. Our remuneration for this period exceeded that amount by \$34,332.50 and we are now seeking approval of that amount. To date, we have drawn nil of this remuneration.

In the following table we compare, on a task basis, our estimate from our report of 25 March 2017 to our actual costs for that period and provide an explanation for the difference in cost:

Task	Estimate \$	Actual \$	Reasons for differences
Assets	6,417.50	525.00	Time in relation to DOCA negotiation allocated against Creditors time in this time rather than Assets.
Creditors	41,713.75	83,760.00	Higher than expected negotiation requirements for DOCA with Proponent and Proponent legal representatives. Higher than expected time to prepare for and administer Reconvened Second Meeting of Creditors.
Employees	3,208.75	700.00	Lower than expected enquiries from employees.
Trade On	3,208.75	-	Lower than expected trade-on effort required.
Investigation	-	-	-
Dividend	-	-	-
Administration	9,626.25	13,522.50	Higher than expected Administration due to negotiations with Proponent on the DOCA.
Total	64,175.00	98,507.50	Var: \$34,332.50

- **Additional remuneration of \$22,477.50 for the period 7 April 2017 to 1 May 2017** – on 6 April 2017 creditors approved prospective remuneration of \$40,075.00 for the period 7 April 2017 to 1 May 2017 being the period between the Reconvened Second Meeting of Creditors and the 15 business day period allowed to execute the Deed of Company Arrangement. Our remuneration for this period exceeded that amount by \$22,477.50 and we are now seeking approval of that amount. To date, we have drawn nil of this remuneration.

In the following table we compare, on a task basis, our estimate from our report of 25 March 2017 to our actual costs for that period and provide an explanation for the difference in cost:

Task	Estimate \$	Actual \$	Reasons for differences
Assets	24,045.00	7,945.00	Time in relation to DOCA negotiation allocated against Creditors time in this time rather than Assets.
Creditors	10,018.75	39,492.50	Higher than expected negotiation requirements for DOCA with Proponent and Proponent legal representatives. Full usage of 15 business day period to achieve signing of DOCA.
Employees	2,003.75	140.00	Lower than expected enquiries from employees.
Trade On	-	-	-
Investigation	-	-	-
Dividend	-	-	-
Administration	4,007.50	14,975.00	Higher than expected Administration due to negotiations with Proponent on the DOCA.
Total	40,075.00	62,552.50	Var: \$22,477.50

In preparing this remuneration approval report, we have made our best estimate as to what we believe the Liquidation will cost to be at least \$100,000.00. This assumes no protracted litigation or pursuit of claims. If no litigation is pursued, we do not anticipate that we will have to ask creditors to approve any further remuneration. If litigation is pursued, we will advise creditors and we may seek approval of further remuneration from creditors (or the Committee of Inspection on their behalf) and provide details on why the remuneration has changed. Matters that may affect the progress and the cost of the Liquidation, include:

- The pursuit of any or multiple actions following investigation into the affairs of the Company and its Directors during the Liquidation.

3.4 Likely impact on dividends

The Corporations Act sets the order for payment of claims against the company and it provides for remuneration of the Administrator, Deed Administrator, and Liquidator (“the Appointees”) to be paid in priority to other claims. This ensures that when there are sufficient funds, the Appointees receive payment for the work done to recover assets, investigate the company’s affairs, report to creditors and ASIC and distribute any available funds. Even if creditors approve our remuneration, this does not guarantee that we will be paid, as we are only paid if sufficient assets are recovered.

Any dividend to creditors will also be impacted by the amount of assets that we are able to recover and the amount of creditor claims that are admitted to participate in any dividend, including any claims by priority creditors such as employees.

We are unable to provide a dividend estimate of any certainty at this stage and provided that further investigations may be completed by a liquidator; however, in the event that no further recoveries are made during the liquidation of the Company, we do not anticipate any dividend will be paid to unsecured creditors. If we do declare a dividend, any creditor whose claim has not yet been admitted will be contacted and asked to submit a proof of debt.

3.5 Remuneration recovered from external sources

Administrators are entitled to be indemnified out of the company's property for debts and liabilities it has incurred as administrator, as well as its own remuneration. This right of indemnity is secured by a lien on the company's property and is applied during the period up to the appointment of Receivers and Managers.

In accordance with the above, the Administrators wrote to the Receivers and Managers to recover funding available to the Company in accordance with their statutory lien for the period 8 September 2016 to 18 September 2016 totalling \$288,331.50 (excl. GST) and disbursements. At the time of writing this report, this amount has been recovered in full. This funding was partially used to fund the payment of the Administrators' Remuneration in the amount of \$200,000.00 excl. GST, being the only amount paid to the Administrators since their appointment on 8 September 2016.

Part 4: Disbursements

Disbursements are divided into three types:

- **Externally provided professional services** - these are recovered at cost. An example of an externally provided professional service disbursement is legal fees.
- **Externally provided non-professional costs** - these are recovered at cost. Examples of externally provided non-professional costs are travel, accommodation and search fees.
- **Internal disbursements** such as photocopying, printing and postage. These 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 recovery of these costs must be on a reasonable commercial basis. Details of the basis of recovery of each of these costs is discussed below.

We have undertaken a proper assessment of disbursements claimed for the Company, in accordance with the law and applicable professional standards. We are satisfied that the disbursements claimed are necessary and proper.

There are a total of \$39,189.59 in disbursements outstanding to be repaid to us, which have been paid in respect of this engagement during the period 6 September 2017 to 31 March 2018. At the date of writing this report, we have not been repaid any of these disbursements (expenses).

We provide in the table below a summary of our disbursements for the period 6 September 2017 to 31 March 2018.

Disbursements for the period 8 September 2016 to 31 March 2018 (not yet reimbursed as at date of this report)

Summary of Administrators'/Deed Administrators' costs incurred - 8 Sep 2017 to 31 Mar 2018		
Item	Basis	\$'000
Travel and Airfares	At cost	15.3
Creditor meetings costs	At cost	3.9
Taxi costs	At cost	3.0
Creditor mailing costs	At cost	15.2
Other costs	At cost	1.8
Total disbursements paid and not yet reimbursed		39.2

Source: 32765760_1/Total expenses to date

Certain of the above-listed disbursements were incurred during the period 8 September 2016 to 18 September 2016 (the period which the Administrators traded the Company, prior to the appointment of Receivers and Managers). Accordingly, the Administrators submitted a claim to the Receivers and Managers for reimbursement of \$13,274.41 of the above costs, which was received on 30 March 2017. While this amount has been recovered but not yet reimbursed to the Administrators.

Future disbursements provided by our firm will be charged on the following basis:

Internal disbursements	Rate (Excl GST)
Advertising	At Cost
Binding	At Cost
Courier	At Cost
Faxes & Photocopies	At Cost
Postage	At Cost

Part 6: Summary of Receipts and Payments

Cash at bank in the Deed Administration bank account is \$64,382.49 as at 30 April 2018.

Provided below is a summary of receipts and payments to and from the Administration/Deed Administration bank account for the period 8 September 2016 to 30 April 2018.

KBL Mining Limited - receipts and payments - 8 Sep 16 to 30 Apr 18	
Item	\$
Receipts	
Transfer from pre-appointment bank accounts	108,658.88
Contributions from Receivers and Managers	261,483.91
GST refunds	28,574.11
Income from sale of dore	131,763.97
Total receipts	530,480.87
Payments	
Wages and salaries	(93,382.74)
Contractors	(6,731.26)
PAYG paid	(31,711.00)
Printing and mailing	(25,325.94)
ASX fees	(27,558.03)
Appointee fees	(220,000.00)
Disbursements - Legal	(61,377.41)
Other administrative costs	(12.00)
Total payments	(466,098.38)
Cash at bank	64,382.49

Source: 32766759_1/R&P

Part 7: Queries

If you have any queries in relation to the information in this report, please contact our staff:

Contact name: Shirley Song
Contact number: +61 2 9335 7354
Email: kbl@kpmg.com.au

You can also access information which may assist you in reviewing this document on the following websites:

- ARITA at www.arita.com.au/creditors
- ASIC at www.asic.gov.au (search for "insolvency information sheets").

Part 8: Approval of remuneration information

ASIC Information Sheet 85: 'Approving remuneration in an external administration' is available at www.asic.gov.au (search "insolvency information sheet") for your reference when reviewing this remuneration report. This information sheet provides general information in respect to assessing and approving remuneration in external administrations.

Schedule 1 – Resolution 4 Table of major tasks for remuneration

The below table provides a description of the work undertaken in each major task area for the period 18 March 2017 to 6 April 2017:

Administrators' actual remuneration for the period 18 March 2017 to 6 April 2017		
Task area	General Description	Including:
Assets 1.50 hours \$525.00	Cash	Manage cash on hand and reconcile cash balances
	Other assets	Tasks associated with realising other assets
Creditors 218.40 hours \$83,760.00	Creditor enquiries	Liaise with Committee of Creditors Receive, respond to and follow up enquiries from creditors with regard to the Administration process and KBL's affairs Prepare and maintain creditors' claims and contact information
	DOCA	Liaise with the Receivers and DOCA proponent ongoing Finalise underwriting agreement and Administrators' loan
	Dealing with proofs of debt	Receive, process and file informal Proofs of Debt and Proxy forms for the reconvened second meeting Update KBL MYOB with all proofs and proxies received prior to reconvened meeting
	Meetings of Creditors	Prepare logistics for the reconvened second meeting of creditors Preparation of meeting file, including agenda, certificate of postage, attendance register, list of creditors, reports to creditors, advertisement of meeting and draft minutes of meeting Travel to Condobolin to hold and attend second meeting of creditors
	Creditor reports	Prepare this report in accordance with s439A of the Act and all supporting analysis including remuneration reporting Issue report to creditors and associated administration
	Committee of Creditors	Hold and lodge minutes for a committee of creditors meeting
	Shareholder enquiries	Liaise with shareholders regarding requests for information
Employees 2.0 hours \$700.00	Employee enquiries	Receive, respond to and follow up enquiries from employees with regard to the Administration process and KBL's affairs
Trade on 0.00 hours \$0.00	Nil	Nil
Administration 39.80 hours \$13,522.50	Correspondence	Attend to miscellaneous correspondence with stakeholders in the administration and KBL's affairs
	Document maintenance/file review/checklist	Maintain administration records including administration files and checklists
	Statutory	Prepare monthly Business Activity Statements Preparing and lodging ASIC forms including 524, 911, 5011
	Bank account administration	Prepare monthly bank reconciliation
	Ongoing planning and project management	Determine administration strategy and ongoing general review and oversight of the status and conduct of the administration
Total hours: 261.70		
Total \$ excl GST: 98,507.50		
Less: prospective fees approved for this period at the Reconvened Second Meeting of Creditors \$ excl GST: 64,175.00		
Total \$ excl GST for consideration: \$34,332.50		

Schedule 2 – Resolution 5 Table of major tasks for remuneration

The below table provides a description of the work undertaken in each major task area for the period 7 April 2017 to 1 May 2017:

Administrators' actual remuneration for the period 7 April 2017 to 1 May 2017		
Task area	General Description	Including:
Assets 11.60 hours \$7,945.00	DOCA	Work associated with effecting the DOCA Work associated with effecting the Administrators' loan from the Proponents Administration associated with the DOCA
Creditors 116.20 hours \$39,492.50	Creditor enquiries	Receive and follow up creditor enquiries via email and telephone Review and prepare correspondence to creditors and their representatives via facsimile, email and post
	Meetings of Creditors	Preparation and lodgement of minutes of meetings with ASIC Responding to stakeholder queries and questions immediately following meeting
	Committee of Inspection (if appointed)	Liaise with Committee as necessary
	Shareholder enquiries	Receive and follow up shareholder enquiries via email and telephone
Employees 0.40 hours \$140.00	Employee enquiries	Receive and follow up employee enquiries via email and telephone Review and prepare correspondence to creditors and their representatives via facsimile, email and post
Administration 43.90 hours \$14,975.00	Correspondence	Prepare stakeholder correspondence as required
	Document maintenance/file review/checklist	Maintain administration records including administration files and checklists
	Bank account administration	Prepared monthly bank reconciliations Requesting bank statements
	Statutory	Preparation and lodgement of BAS
	Ongoing planning and project management	Determine administration strategy and ongoing general review and oversight of the status and conduct of the administration, team planning meetings as required
Total hours: 172.10 Total \$ excl GST: 62,552.50 Less: prospective fees approved for this period at the Reconvened Second Meeting of Creditors \$ excl GST: 40,075.00 Total \$ excl GST: 22,477.50		

Schedule 3 – Resolution 6 Table of major tasks for remuneration

The below table provides a description of the work to be undertaken in each major task area for the period 22 June 2018 to liquidation completion (subject to details set out in this report):

Liquidators' prospective remuneration for the period from the Meeting of Creditors*		
Task area	General Description	Including, but not limited to:
Assets 23.61 hours \$10,000.00	Other assets	Tasks associated with realising assets for KBL through litigation
Creditors 47.23 hours \$20,000.00	Creditor correspondence	Liaise with Committee of Inspection (if appointed) Receive, respond to and follow up enquiries from creditors with regard to liquidation Prepare and maintain creditors' claims and contact information
	Processing of proofs of debt	Preparation of correspondence to potential creditors inviting lodgement of POD Receipt of POD Maintain POD register Adjudicating POD Request further information from claimants regarding POD Preparation of correspondence to claimant advising outcome of adjudication
Employees 23.61 hours \$10,000.00	Employee correspondence	Receive, respond to and follow up enquiries from employees with regard to the Administration process and KBL's affairs
	Calculation of entitlements	Calculating employee entitlements Reviewing employee files and company's books and records Reconciling superannuation accounts Reviewing awards Liaising with solicitors regarding entitlements
	Adjudication of claims	Write to creditors requesting formal proofs of debt Detailed adjudication of all employees' claims
	Fair Entitlements Guarantee Scheme (FEG)	Liaising with FEG regarding employee entitlements and claims
Dividend 11.81 hours \$5,000.00	Dividend procedures	Preparation of correspondence to creditors advising of intention to declare dividend Advertisement of intention to declare dividend Obtain clearance from ATO to allow distribution of company assets Calculate and pay dividend and all relevant taxes Preparation of distribution Preparation of dividend file Preparation of payment vouchers to pay dividend Preparation of correspondence to creditors enclosing payment of dividend
Investigations 118.0.7 hours \$50,000.00	Conducting investigation	Collection of company books and records Correspondence with ASIC to receive assistance in obtaining reconstruction of financial statements, company's books and records and Report as to Affairs Reviewing company's books and records Review and preparation of company nature and history Conducting and summarising statutory searches Preparation of comparative financial statements Preparation of deficiency statement Review of specific transactions and liaising with directors regarding certain transactions Liaising with directors regarding certain transactions

		Preparation of investigation file Lodgement of investigation with the ASIC Preparation and lodgement of supplementary report if required
	Examinations	Preparing brief to solicitor Liaising with solicitor(s) regarding examinations Attendance at examination Reviewing examination transcripts Liaising with solicitor(s) regarding outcome of examinations and further actions available
	Litigation / Recoveries	Internal meetings to discuss status of litigation Preparing brief to solicitors Liaising with solicitors regarding recovery actions Attending to negotiations Attending to settlement matters
	ASIC reporting	Preparing statutory investigation reports Preparing affidavits seeking non lodgements assistance Liaising with ASIC
Administration 11.81 hours \$5,000.00	Correspondence	Miscellaneous correspondence with stakeholders
	Document maintenance/file review/checklist	First month, then six monthly administration review Filing of documents File reviews Updating checklists
	Bank account administration	Preparing correspondence opening and closing accounts Requesting bank statements Bank account reconciliations Correspondence with bank regarding specific transfers
	ASIC Form 524 and other forms	Preparing and lodging ASIC forms including 505, 524, 911 etc Correspondence with ASIC regarding statutory forms
	ATO and other statutory reporting	Preparing BAS Completing group certificates
	Finalisation	Notifying ATO of finalisation Cancelling ABN / GST / PAYG registration Completing checklists Finalising WIP
	Planning / Review	Discussions regarding status of liquidation
Total hours: 236.13 Total \$ excl GST: 100,000 *Please note that these amounts are estimates only. Final costs depend heavily upon the eventual matters that may arise during the course of the engagement. If costs exceed the estimate, creditors and/or their representatives will be advised accordingly and further approval of remuneration may be sought in the future.		