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28 March 2017

## CIRCULAR TO CREDITORS

Dear Sir/Madam

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

I refer to my appointment as joint and several Voluntary Administrator of the Company on 8 September 2016 pursuant to a resolution of the Directors and section 436A of the Corporations Act 2001 (“the Act”).

We have reconvened the second meeting of creditors to determine the Company’s future.

Accordingly, we enclose our supplementary Administrators’ report to creditors pursuant to section 439A(4)(a) of the Act, which includes:

- 1 Notice of concurrent meetings of creditors, being scheduled for 10:00AM Thursday, 6 April 2017, at:
  - The Grace Hotel, King Room, Level 1, 77 York Street, Sydney, NSW 2000; and
  - Railway Motel Condobolin, 46 Molong St, Condobolin NSW 2877.
- 2 Informal proof of debt or claim form for submission prior to 4:00PM (AEST) Wednesday, 6 April 2017 via email or delivered to our offices
- 3 Appointment of proxy form, for submission by 4:00PM (AEST) Wednesday, 6 April 2017

All queries, return informal proof of debt and/or proxy forms in relation to this matter should be directed to [AU-FM-KBL-Mining@kpmg.com.au](mailto:AU-FM-KBL-Mining@kpmg.com.au).

Yours faithfully

Matthew Woods

Joint and Several Administrator



# KBL Mining Limited

(Administrators Appointed)  
(Receivers and Managers Appointed)

ACN 129 954 365

## **Administrators' supplementary report to creditors**

**Section 439A of the Corporations Act 2001**

**28 March 2017**

Matthew Woods and  
Stephen Vaughan  
Joint and Several  
Administrators

KPMG  
Restructuring Services

**Creditor Enquiries**  
**E** [au-fm-kbl-mining@kpmg.com.au](mailto:au-fm-kbl-mining@kpmg.com.au)

# Glossary

10 October RATA	RATA submitted by directors dated 10 October 2016
28 September RATA	RATA submitted by directors dated 28 September 2016
ABN	Australian Business Number
ACN	Australian Company Number
Act	Corporations Act 2001 (Commonwealth)
Administrators	Matthew Woods and Stephen Vaughan of KPMG
AEDT	Australian Eastern Daylight Time
AEMR	Annual Environmental Management Review
AEST	Australian Eastern Standard Time
ARITA	Australian Restructuring, Insolvency and Turnaround Association
ASIC	Australian Securities and Investments Commission
ASX	Australian Securities Exchange
ATO	Australian Taxation Office
AWST	Australian Western Standard Time
BAS	Business Activity Statement
BDO	BDO East Coast Partnership
Capri	Capri Trading Pty Ltd
CBH	CBH Resources Group
CFO	Chief Financial Officer
CIL	Carbon-in-leach
CoC	Committee of Creditors
Company	KBL Mining Limited
Constance Range	Constance Range, QLD
Court	Supreme Court of Western Australia
Creditors Trust or Trust	refer to 'Creditors' Trust' in this glossary
Creditors' Trust	As discussed in Section 12 of the s439A Report
Directors	Remaining Directors and Resigned Directors
DIRRI	Declaration of Independence, Relevant Relationships and Indemnities
DOCA	refer to 'the Proposed DOCA' in this glossary
EOI	Expressions of Interest
ERV	Estimated Realisable Value
FEG	Fair Entitlements Guarantee Scheme
FY14	KBL's financial statements as at 30 June 2014
FY15	KBL's financial statements as at 30 June 2015
FY16	KBL's financial statements as at 30 June 2016
GST	Goods and services tax
IM	Information Memorandum

JV	Joint Venture
KBL	KBL Mining Limited
Kidman	Kidman Resources
MAAS	MAAS Group Holdings Pty Ltd
MD	Managing Director
MPA	Metal Purchase Agreement
MRI	MRI Trading AG
PAYG	Pay As You Go withholding tax
Pearse	Pearse Open Cut Pit located at Mineral Hill
PMSI	Purchase Money Security Interest
PPE	Property, plant and equipment
PPSA	Personal Property Securities Act 2009
PPSR	Personal Property Securities Register
Proponent	Everblu Capital Pty Ltd
Proposed DOCA / DOCA	the draft and non-binding Deed of Company Arrangement Proposal as attached in Appendices
Pybar	Pybar Holdings Pty Ltd
Quintana	Quintana Mineral Hill Streaming Company LLC
RATA	Report as to Affairs
Receivers	Receivers & Managers, Martin Jones, Andrew Smith and Ryan Eagle of Ferrier Hodgson
Reconvened Second Meeting	Second meeting of Creditors in accordance with s439A of the Act, reconvened at a date no more than 45 business days following the first day after the Second Meeting of Creditors
Report	Refer to the Supplementary s439A Report definition
s439A Report	Report to creditors pursuant to s439A of the Act dated 25 January 2017
Second Meeting	Meeting of Creditors convened in accordance with s439A of the Act on Friday 3 February 2017
Secured Party or Secured Parties	May be seller, owner, lessor, lender, consignor or financier who holds a legal interest in assets
Sorby	Project located in Sorby Hills, WA with KBL 75% ownership in a joint venture arrangement
SPA	Sale and Purchase Agreement
Supplementary s439A Report	this report to creditors pursuant to s439A of the Act, in supplement to the s439A Report
Underwriter	Anglo Menda Pty Ltd (ACN 608 554 052)
VA	Voluntary Administration
VA Trading Period	the period when the Administrator's traded the KBL business, 8 September and 18 September 2016
Yuguang	Henan Yuguang Gold and Lead, joint venture partner in Sorby

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# 1. Administrators update to creditors

## 1.1 Administration of KBL

Matthew Woods and Stephen Vaughan of KPMG were appointed as Joint and Several Administrators of KBL Mining Limited on Thursday 8 September 2016. This is the Administrators' supplementary report for creditors.

## 1.2 Purpose of this supplementary report

The Second Meeting of creditors on 3 February 2017 was adjourned to provide more time to address a number of items regarding a proposed restructure of KBL and a proposed Deed of Company Arrangement. The purpose of this report is to provide creditors with an update on subsequent events and supplementary information to assist in decisions regarding the future of KBL. This report should be read in conjunction with our report to creditors pursuant to s439A of the Act dated 25 January 2017, available here: <http://kpmg.com.au/newsletters/kbl-mining-ltd/16-2-5-1-KBL-Mining-Ltd-s439A-report-to-creditors.pdf>.

The Administrators are required give creditors an opinion as to whether it would be in their interest for the Company to:

- execute a Deed of Company Arrangement (DOCA);
- end the administration and return control to the directors; or
- be immediately wound up.

Included in this report is our updated opinion and recommendation to creditors. We consider it is in the interests of creditors to resolve to approve the Final DOCA Proposal.

## 1.3 Reconvened Second Meeting

The adjourned Second Meeting has been reconvened for 6 April 2017. The purpose of the Reconvened Second Meeting is:

- 1) for creditors to consider the Administrators' reports to creditors and recommendations; and
- 2) for creditors to decide on one of the options above.

Please find attached a formal notice of meeting at Annexure A. The meeting will be held concurrently in Sydney and Condobolin as follows:

Reconvened Second Meeting details	
Item	Details
Date	Thursday, 6 April 2017
Registration	9:30am (AEDT)
Meeting time	10:00am (AEDT)
Locations (concurrent)	The Grace Hotel, King Room, Level 1, 77 York Street, Sydney, NSW, 2000 Condobolin Railway Motel, 46 Molong St, Condobolin, NSW, 2877

Creditors who wish to participate/vote at the Reconvened Second Meeting must complete and submit the following forms to this office by no later than 4:00pm (AEDT) on Wednesday, 5 April 2017.

Forms required for participation/voting at the Reconvened Second Meeting	
Form	Comments
Informal Proof of Debt (Form 535)	Creditors must submit documentation to support the amount they are claiming as being owed to them. <i>Creditors who have already submitted an informal proof of debt are not required to resubmit a proof of debt form unless the amount claimed has changed.</i>
Appointment of proxy (Form 532)	If you represent a company, or a creditor other than yourself, the annexed proxy form should be completed by the creditor company in accordance with its constitution and the Act (refer s127 & 250A). <i>Otherwise you may not be entitled to vote.</i>  Proxy forms submitted for the Second Meeting are not valid for the Reconvened Second Meeting. Please ensure you complete and submit the new proxy form provided as an annexure to this report if you intend to vote at the Reconvened Meeting.

All forms should be scanned and emailed to [au-fm-kbl-mining@kpmg.com.au](mailto:au-fm-kbl-mining@kpmg.com.au) or sent by facsimile to the attention of KBL Mining Ltd c/- KPMG Restructuring Services to +61 2 9335 7001.

Alternatively, forms can be sent by post to c/- KPMG Restructuring Services, PO Box H67, Australia Square, NSW, 1213.

Teleconference facilities are available for creditors who are unable to attend in person. To obtain access please contact us by email at [au-fm-kbl-mining@kpmg.com.au](mailto:au-fm-kbl-mining@kpmg.com.au). Teleconference details will be provided the evening prior to the meeting to those creditors who register for access.

## 1.4 Administration Update

The report to creditors dated 25 January 2017 set out details of a proposal, by Everblu Capital Pty Ltd ("the Proponent"), for a restructure of KBL that included a capital raising as well as a compromise of creditor claims through a Deed of Company Arrangement and Creditors Trust.

At the time of the Second Meeting there remained a number of unresolved issues in relation to the proposal and creditors voted to adjourn the meeting to allow more time for these issues to be addressed. These issues included:

- the Administrators received an unsigned revised draft DOCA proposal on the evening of Thursday, 2 February 2017, and an executed final binding offer from the Proponents around five minutes before the Second Meeting;
- the new DOCA proposal received immediately prior to the Second Meeting included a proposed partial underwriting component, which was pivotal in the Administrators' ability to recommend the proposal to creditors (a non-binding underwriting commitment had been received at the time of the Second Meeting);
- the lack of funding available to the Administrators to meeting the costs of implementation of the Proposed DOCA; and
- the entering into a contract for sale by the Receivers of the Company's share in KBL Sorby Hills Pty Ltd on 3 February 2017, and the impact of that sale on the Proposed DOCA.

Since the Second Meeting our focus has been directed towards the following issues:

- 1) Negotiation of an agreement with the Proponent whereby the Proponent provides a loan to the Company to fund costs associated with administering the Proposed DOCA;
- 2) Obtaining and reviewing the Underwriting Agreement associated with the Proposed DOCA;

- 3) Obtaining information related to the sale of the Company's shares in KBL Sorby Hill Pty Ltd and the impact of that sale on the Proposed DOCA;
- 4) Understanding the final position of MRI AG with respect to their security over the Company's share in KBL Sorby Hill Pty Ltd; and
- 5) Obtaining an update generally from the Receivers and Managers regarding their sale process.

We provide an update in the following Sections in respect of these matters.

## 1.5 Agreement by Proponent to provide a loan to KBL to fund costs

In circumstances where the company in administration is unfunded, as is the case with KBL, an Administrator will often request that the Proponent provides a loan to the company to meet the costs of pursuing a DOCA from the Proponent.

On 16 March 2017, following discussion with the Proponent, the Administrators wrote to the Proponent and sought their approval of a loan to the Company to meet the costs of pursuing the Proposed DOCA that would be repayable out of the capital raising contemplated in the Proposed DOCA, but non-recourse to the Administrators personally.

The loan amount sought from the Proponent is \$0.5m to be used to fund costs related to the DOCA, namely costs related to:

- documenting the DOCA and establishing the Creditors Trust;
- making applications to the Court including an pursuant to s444GA of the Act for Court approval for the transfer of shares contemplated under the DOCA;
- liaising with the regulator;
- preparing notices for and holding the shareholders meeting to obtain the necessary resolution contemplated under the DOCA; and
- bringing the FY16 and H1FY17 accounts up to date and audited (as will be a requirement of ASX prior to them approving the notice of meeting for the shareholders meeting).

While legal costs are likely to be higher than the amount provided for in the loan, the balance will be payable out of the fund created under the Creditors Trust, and are thus reliant on the successful execution of the DOCA as proposed.

In order to support the process, the Administrators have not included any of their fees associated with the DOCA in the estimate for the non-recourse loan. Accordingly, in the event that creditors resolve that the Company should execute the Proposed DOCA, the Administrators fees as Deed Administrators are entirely reliant on the successful execution of the Proposed DOCA.



The key terms of the loan are as follows:

Key terms of non-recourse loan to the Company	
Item	Detail
Borrowers	KBL Mining Limited (Receivers and Managers Appointed)(Administrators Appointed) (KBL or the Company) (the Borrower) And Matthew Woods and Stephen Vaughan (the Administrators)
Lender	Everblu Capital Pty Ltd (Everblu or the Lender)
Loan	The Administrators have requested Everblu to provide a loan which will be an administrators' loan under section 443A of the Corporations Act 2001 (Act). The Loan is principal only and will not accrue interest.
Purpose and use of Funds	The Borrower must apply the funds provided under the Loan only for the purpose of attending to matters relevant for the execution and implementation of the terms of the DOCA including but not limited to: <ol style="list-style-type: none"> <li>1. Legal costs and expenses incurred in court applications associated with the Administrators' appointment, the recapitalisation and this funding arrangement, including implementing the s444GA application including the cost of the Independent Expert and Counsel fees, reviewing DOCA related documents, ASIC and ASIC correspondence</li> <li>2. Remuneration and expenses associated with procuring an audit of the Company to facilitate relisting</li> <li>3. Remuneration and expenses preparing for and holding an Annual General Meeting of members</li> <li>4. Operating expenses of the business as necessary for its trading during the implementation of the DOCA</li> </ol> The Borrower must notify the Lender of the required drawdown amounts, prior to any drawdown of the Loan, which amounts must be consistent with the budget provided to Everblu by the Administrators before the date of this terms sheet, except as otherwise agreed in writing by Everblu.
Loan Amount	Up to \$500,000, by way of a cash facility, to be drawn down for the purpose set out above
Repayment	The amount drawn down under the Loan is to be repaid within 15 business days from the day of the Loan Term Expiry out of the Capital Raising funds to be retained by the Company. Should the capital raising not complete, to the extent permitted by law, the Borrower agrees that the amount drawn down under the Loan will be a claim of Everblu against the Company which ranks pari passu to all other amounts in section 556(1)(c) of the Corporations Act.

Whilst the loan agreement is yet to be executed, it is sufficiently advanced to provide comfort that the loan will be forthcoming. The provision of the loan will be incorporated as a condition of the DOCA.

## 1.6 Underwriting agreement associated with the Proposed DOCA

One of the key considerations that we stated we needed in place in order to recommend the Proposed DOCA was agreed underwriting at the minimum capital raising subscription amount of \$3.6m. On Sunday 26 March 2017 the Administrators received a draft underwriting agreement from the Proponent's legal representative setting out the terms of the underwriting of \$3.6m in respect of the Proposed DOCA.

The underwriter listed in the draft underwriting agreement is Anglo Menda Pty Ltd, an Australian private company registered in Victoria in 2015.

Whilst the Underwriting Agreement is yet to be executed, it is sufficiently advanced to provide comfort that it is forthcoming. The execution of the Underwriting Agreement will be incorporated as a condition of the DOCA.

## 1.7 Sale of shares in KBL Sorby Hill Pty Ltd

The Company holds a 75% JV interest in the development of the Sorby Hills exploration development through shares held in KBL Sorby Hills Pty Ltd ("the Sorby Shares").

We refer creditors to discussion at the Second Meeting regarding the sale of the Sorby Shares by the Receivers and Managers on 3 February 2017, which the Administrators were advised of on the morning of the Second Meeting ("the Sorby Share Sale").

The Administrators are now in receipt of an executed Sale and Purchase Agreement ("SPA") dated 3 February 2017.

We are advised by the Receivers that the Sorby Share Sale followed a sales process undertaken by the Receivers to realise certain assets of the Company. The Receivers have advised us that offers for the Sorby Shares were insufficient to cover its debt owed to the Company, totalling c.\$12.5m ("the Intercompany Loan").

On that basis, on 3 February 2017, the Receivers and Managers agreed to sell the Sorby Shares to Quintana MH Holding Company LLC for \$1.0m, effectively providing an enterprise value for the JV interest of \$13.5m which we are advised exceeded any alternate bids for this asset.

### *The Sorby Shares and MRI AG security*

During the Company's trading, the Company provided to MRI AG security over the Sorby Shares as part of a minerals purchase agreement.

MRI AG has claimed to be a creditor of the Company for c.\$2.8m, with security over the Sorby Shares; however, as aforementioned, the Receivers have achieved a value for the Sorby Shares of c.\$1.0m which they advise was the best offer obtainable in the sale process.

Accordingly, as part of the DOCA proposal, the Proponent has offered MRI AG \$1.0m in satisfaction of their claim. As part of that offer, the Proponents have asked MRI AG to release their security charge from the Sorby Shares to allow the shares to be unencumbered going forward, as required under the DOCA, and further negotiation will persist.

MRI AG has thus far not agreed to release their security over the Sorby Shares.

## 1.8 Receivers and Managers sale process

In regard to the sale of Sorby Hill (the Sorby Shares) and Mineral Hill assets by way of Sale and Purchase Agreement ("SPA"), we are advised by the Receivers and Managers that, for both assets, contacts have been executed and that the purchasers are currently completing final legal and tax due diligence before obtaining executive committee approval to complete the transactions and confirm the purchase structure. It is not expected that FIRB approval will be required with either transaction.

In regard to the sale of the Mineral Hill asset, we are advised by the Receivers and Managers that they have drafted the various consent / mining transfer forms in preparation of confirming the above and will lodge those forms immediately thereafter. The Receivers and Managers continue to liaise with various secured parties to seek releases of their securities over certain assets of KBL at completion of the above.

The Receivers and Managers expect that the outcome of each SPA will be known within the next 30 to 45 days.

If the DOCA Proposal is approved by creditors, I understand that in relation to Sorby Hill, the Receivers and Managers and the Purchaser intend on cancelling the contract and allowing the Sorby Shares to remain with the Company. This will be a key condition of the DOCA.

## 1.9 DOCA Proposal

Set out in Section 12 of our s439A Report dated 25 January 2017 were details of the Proposed DOCA. In this report we provide additional information based on developments since the Second Meeting.

As stated above, at the date of the Second Meeting a binding executed DOCA proposed was received from Everblu Capital Pty Ltd (dated 2 February 2017), which was on substantially the same terms as contemplated in the s439A Report to creditors ("the Final Proposed DOCA"). We attach a copy of the Final Proposed DOCA for your reference at Annexure D.

As outlined in the s439A Report, the Proposed DOCA provides for a restructuring of the Company through raising additional equity and providing creditors with a combination of cash and shares to discharge pre-appointment debts.

The Final Proposed DOCA is substantially the same as the Proposed DOCA detailed in the s439A Report, with addition of:

- Underwriting totalling \$3.6m in respect of the minimum subscription of the capital raising from Anglo Menda Pty Ltd.

The inclusion of underwriting to the DOCA, along with the provision of the \$0.5m loan to the Company, provides comfort for KBL to incur additional costs associated with the DOCA.

### *Treatment of classes of creditors under the Final Proposed DOCA*

The Final Proposed DOCA, in the same way as the Proposed DOCA, outlined in the s439A Report, provides for each class of creditors separately, subject to a cascading waterfall of priorities as follows:

- Priority (employee) creditors are provided a return of 100c in the dollar return no matter what the share price of the Company is following re-listing.
- Noteholder unsecured creditors are provided an option to be treated as unsecured creditors, as provided by their current position or, alternatively, to be allocated shares in the capital raising in satisfaction of their claim by way of a debt for equity swap. Noteholder unsecured creditors who participate in a debt for equity swap are provided a return of between 0c and 20c depending on the share price of the Company following re-listing.
- Unsecured creditors (including trade creditors and noteholders who do not elect to participate in a debt for equity swap) are provided a return of between 0c and 11c depending on the share price of the Company following re-listing.

### *Estimated outcome of the Proposed DOCA*

As outlined in the s439A Report, the financial outcomes for creditors are principally dictated by the share price of KBL after the capital raising, and also the quantum of noteholders who elect to participate in the debt for equity swap rather than remaining as creditors of the deed fund, details are set out below:

Estimated outcome for creditors for the DOCA are dependent on the share price after re-listing			
Returns based on KBL share price following re-listing			
Creditor class	0 cents	20 cents	40 cents
Secured creditor	Not disclosed	Not disclosed	Not disclosed
Priority creditors (employees)	100c	100c	100c
Noteholders (debt for equity swap participants)	0c	10c	20c
Unsecured creditors (trade creditors and noteholders who do not participate in debt for equity swap)	0c	6c	11c

Further details of the Proposed DOCA are provided in Section 12 of the s439A Report, a copy of which can be found at <http://kpmg.com.au/newsletters/kbl-mining-ltd/16-2-5-1-KBL-Mining-Ltd-s439A-report-to-creditors.pdf>.

Should creditors resolve that KBL execute the Proposed DOCA, the company will have 15 business days to execute a DOCA in substantially the same terms as detailed in this report. Failure to do so may result in KBL being wound up.

#### *Further information for creditors to consider regarding entering into a DOCA*

Creditors should seek their own advice as to their rights and the effect on their position in entering into a DOCA.

Creditors can obtain further information from the ASIC website at [www.asic.gov.au](http://www.asic.gov.au) under Regulatory Resources > Insolvency > For Creditors: <http://www.asic.gov.au/regulatory-resources/insolvency/insolvency-for-creditors/>.

## 1.10 Recap of investigations and potential recoveries

Set out in our s439A Report dated 25 January 2017 were findings from our preliminary investigations. We concluded that the issues contributing to the failure of KBL began well before the company was placed in Administration and that KBL became increasingly undercapitalised over time as a consequence of trading losses, delays in commissioning a new Carbon-in-leach ("CIL") plant, and ongoing capital expenditure requirements.

We formed the view that KBL may have been insolvent from as early as January 2016 and that there may be a number of avenues for actions by a liquidator, if KBL is wound up, to pursue on behalf of creditors, including a claim for insolvent trading against the directors as well as recovery of various voidable transactions including unfair preferences.

The findings from our preliminary investigations are set out in Section 9 of the s439A Report.

## 1.11 Return to creditors – considerations for creditors

Estimates of possible returns to creditors under various scenarios were set out in the s439A Report.

Creditors should refer to the s439A Report Section 11 for liquidation (estimated returns from Liquidation), Section 12 for the Proposed DOCA (estimated returns for creditors), as well as appendices K.1. and K.2 for detailed estimated outcomes statements.

Some key considerations for creditors are discussed below.

**If creditors resolve to place the Company into liquidation**, the only possible return to unsecured creditors will be through any successful liquidator recoveries, possibly via litigation. Recovery processes can be complex and may take a number of years and outcomes are inherently uncertain.

In liquidation, priority (employee) creditors are provided access to the Australian Government's Fair Entitlements Guarantee Fund ("FEG") to cover certain employee entitlements as detailed in Section 10 of the s439A Report. Further detail regarding the FEG scheme is available on its website: <https://www.employment.gov.au/fair-entitlements-guarantee-feg>. Accordingly, we believe that the outcomes for employees is likely to be neutral across liquidation or DOCA.

We provide a summary table in this section under 'Comparison of returns' which summarises the estimated return to creditors in a liquidation, contrasted with the estimated return provided by the Final Proposed DOCA.

**If creditors resolve that the Company should accept the Final Proposed DOCA**, potential returns are provided by way of a capital raising, partially underwritten, with an allocation of shares provided to creditors through a deed fund / creditors trust, which are then sold-down over time, to provide a pool of funds for creditors.

Under the Final Proposed DOCA priority (employee) creditors have been offered 100c in the dollar on their claims, up to an amount approximately equal to a FEG claimable amount.

Depending on the share price of a newly relisted KBL, we estimate the potential returns for unsecured creditors to range between 0c and 11c in the dollar. For noteholders who elect to participate in the optional debt for equity swap, we estimate potential returns to range between 0c and 20c in the dollar.

Full details of the functioning of the Proposed DOCA, including timing of returns, can be reviewed in the s439A Report under Section 12.

### Comparison of returns

Set out below is a summary of estimated potential returns to creditors in both liquidation and DOCA, sourced from the estimated outcome statements provided in the s439A Report:

Estimated outcome statement - comparison of liquidation and Final Proposed DOCA			
Creditor class and options	Range of estimated return		
	Low	Medium	High
<b>Final Proposed DOCA</b>	<i>KBL share price: 0 cents</i>	<i>KBL share price: 20 cents</i>	<i>KBL share price: 40 cents</i>
Secured creditors	Not disclosed	Not disclosed	Not disclosed
Priority creditors (employees)	100c	100c	100c
Noteholders (debt for equity swap participants)	0c	10c	20c
Unsecured creditors (trade creditors and noteholders who do not participate in debt for equity swap)	0c	6c	11c
<b>Liquidation</b>	<b>Low</b>	<b>Medium</b>	<b>High</b>
Secured creditors	Not disclosed	Not disclosed	Not disclosed
Priority creditors (employees)	100c (FEG)	100c (FEG)	100c (FEG)
Other unsecured creditors (including noteholders and unsecured trade creditors)	0c	Uncertain	Uncertain

Note: The relisting is proposed to occur at 20c per share; however, the KBL share price once re-listed is subject to market forces and may cause returns to noteholders and unsecured creditors to be lower or higher

Source: 29034069\_1/Summary of returns

For detail regarding the outcomes listed above please refer to the s439A Report; a copy of the s439A Report is available via the following link: <http://kpmg.com.au/newsletters/kbl-mining-ltd/16-2-5-1-KBL-Mining-Ltd-s439A-report-to-creditors.pdf>

### *Timing of dividend*

The timing of any dividend under each of the Final Proposed DOCA and liquidation is subject to the following matters.

#### **DOCA scenario**

The timing of dividends to unsecured creditors will depend on a number of matters, including:

- The timing of receipt of the minimum subscription under the capital raising;
- Receipt of formal proofs of debt from creditors and adjudication of creditor claims;
- Successful relisting of the Company and commencement of trading in its securities on the ASX; and
- Sell down of deed fund allocated shares and aggregation of sales proceeds to be returned to creditors in the form of a dividend or dividends.

At this stage, we expect that the Final Proposed DOCA will take up to approximately 6 - 12 months to complete.

#### **Liquidation scenario**

The timing of dividends to unsecured creditors will depend on a number of matters, including:

- The completion of the liquidator's investigations into potential recoveries;
- Receipt of formal proofs of debt from creditors and adjudication of creditor claims; and
- Funding for, and timing of completion of, any litigation recovery action brought by the liquidator, and receipt of recoveries (if any) to make a dividend possible.

At this stage, we expect that liquidation could take between 12 and 36 months to complete, primarily driven by the time required to resolve any litigation recovery actions.

### *Effect of liquidation on classes of creditors*

We refer creditors to Section 10 of the s439A Report for detail regarding the effect of a liquidation scenario for the various classes of creditors as follows:

- Employees;
- Unsecured creditors (including noteholders);
- Secured creditors (including MRI); and
- Trustee for the noteholders.

## **1.12 Committee of Inspection**

In the event that Creditors resolve that the Company execute the Final Proposed DOCA or that the Company be wound up, then the Act provides that a committee of inspection ("COI") may be formed.

In both circumstances, whether a DOCA or liquidation is resolved as the way forward, a COI representing the creditor body can be useful to provide the deed administrator or liquidator with a sounding board as to creditor views, and in approving any matters which require authorisation by the committee, creditors, or the Court.

A COI would operate in a similar manner to the existing KBL Committee of Creditors ("COC") that was formed following the First Meeting of Creditors and has operated throughout the Voluntary Administration period.

At the Reconvened Second Meeting, Creditors will be invited to consider whether a COI should be formed and, if so, to nominate members.

## 2. Administrators' recommendation

### **The Administrators recommend that creditors resolve to approve the Final DOCA Proposal**

It is our opinion, based on our review of the information available and the significant progress with negotiation for the Loan Agreement and the Underwriting Agreement, that the Final DOCA Proposal provides a more timely and certain return to unsecured creditors than liquidation.

It is our opinion that it is in the interests of creditors as a whole that the DOCA proposal be approved and that the Company should execute the DOCA proposal in the form detailed at in Section 12 of the s439A Report, with supplement of this Report.

Pursuant to Section 439A(4)(b) of the Act, I am required to provide creditors with a statement setting out our opinion on whether it is in creditors' best interests for the:

- Administration to end;
- Company to execute a DOCA; or
- Company to be wound up.

Each of these options is considered below. In forming our opinion, it is necessary to consider an estimate of the dividend creditors might expect and the likely costs under each option.

### 2.1 Administration to end

The Company is insolvent and unable to pay its debts as and when they fall due. Accordingly, returning control of the Company to its Directors is not recommended. Additionally, as outlined in the s439A Report, the Remaining Directors of KBL resigned from their positions during the course of the Administration, so the Administrators are also practically unable to return to the Company to its Directors.

### 2.2 Company to execute a DOCA (restructure) (recommended)

It is our opinion, for the reasons set out above, that it is in the interests of creditors as a whole that the DOCA proposal be approved and that the Company should execute the DOCA proposal in the form detailed in this Report and the s439A Report. Additionally, the Final Proposed DOCA is appended for creditor review at Annexure D.

### 2.3 Company to be wound up (liquidation)

Should creditors resolve not to proceed with the DOCA proposal, we recommend that the Company should be placed into liquidation. (Please note: it is the Administrators' recommendation that creditors resolve to proceed with the Final Proposed DOCA as outlined in Section 2.2).

A liquidator would be in a position to conduct detailed investigations into the conduct of directors and the financial affairs of the Company. A liquidator will also be empowered to:

- Complete the sale of assets in an orderly manner;
- Pursue various potential recoveries under the Act;
- Distribute recoveries made in accordance with the priority provisions of the Act; and



- Report to the ASIC on the results of investigations into the Company's affairs.

Creditors are reminded that while liquidation will provide the opportunity for further investigation and possible liquidation recoveries, the liquidator will be unfunded and require the support of a litigation funder who will demand a significant portion of any proceeds from successful recoveries.

Creditors are reminded that the Administrator's preliminary investigations are preliminary in nature and, as such, need to be continued by a liquidator through the conducting of a detailed investigation.

## 3. Statement of independence

Enclosed with our circular to creditors dated 12 September 2016 was the Administrators' Declaration of Independence, Relevant Relationships and Indemnities ("DIRRI") (pursuant to s436DA of the Act and the ARITA Code of Professional Practice). A copy of the DIRRI was included with the s439A Report. The DIRRI was also tabled at the Second Meeting. There has been no change in the DIRRI since that time.

## 4. Remuneration

At the Reconvened Second Meeting, I will be seeking approval for our remuneration for the Company for the following periods:

### 4.1 Voluntary Administration

- retrospective additional actual remuneration for the period 14 January 2017 to 3 February 2017
- retrospective actual remuneration for 4 February 2017 to 17 March 2017
- forecast remuneration for 18 March 2017 to 6 April 2017 (the date of this meeting)
- if applicable, remuneration for the period 7 April 2017 for up to 15 business days (to execute the Final Proposed DOCA)

### 4.2 Deed Administration (if creditors resolve the Company should execute a DOCA)

- if applicable, prospective remuneration for the period from the date of execution of Deed of Company Arrangement as Deed Administrators to completion

### 4.3 Liquidation (if creditors resolve the Company should enter Liquidation)

- if applicable, prospective remuneration for the period following the close of the Reconvened Second Meeting onwards

Further details are set out in our Remuneration Report at Annexure G including key tasks undertaken between the Second Meeting and the Reconvened Second Meeting, as well as proposed to be undertaken should creditors resolve that the Company should execute the Final Proposed DOCA.

A summary of the Administrators' receipts and payments is also included in our Remuneration Report.

## 5. Further information and enquiries

ASIC has published several insolvency information sheets to assist creditors, employees and shareholders with their understanding of the insolvency process. You can access the relevant ASIC information sheets at [www.asic.gov.au](http://www.asic.gov.au).

Should you have any queries, please do not hesitate to contact Leah Diprose of this office on +61 2 9295 3877 via email at [au-fm-kbl-mining@kpmg.com.au](mailto:au-fm-kbl-mining@kpmg.com.au).

# 6. Annexures

## A. Notice of Meeting

**FORM 529**

Corporations Act 2001 - *Subregulation 5.6.12 (2)*

**NOTICE OF RECONVENED SECOND MEETING OF  
CREDITORS OF COMPANY UNDER ADMINISTRATION**

**KBL Mining Ltd (Administrators Appointed) (Receivers and Managers Appointed)  
ACN: 129 954 365 ("the Company")**

Notice is given that a reconvened second meeting of the creditors of the Company will be held at 10:00AM (AEST) on Thursday, 6 April 2017 concurrently at two locations as follows:

1. The Grace Hotel, King Room, Level 1, 77 York Street, Sydney, NSW, 2000; and
2. Railway Motel Condobolin, 46 Molong St, Condobolin NSW 2877.

Creditors should arrive for registration at least half an hour prior to the meeting. If requested prior, creditors can be provided teleconference details to participate in the meeting via teleconference. Please email [au-fm-kbl-mining@kpmg.com.au](mailto:au-fm-kbl-mining@kpmg.com.au) should you wish to join via teleconference.

**Agenda**

1. To consider the Administrators' supplementary report pursuant to s439a in relation to the Company's affairs and the various options available to creditors.
2. To resolve either that:
  - (a) the Company execute a Deed of Company Arrangement (**DOCA**); or
  - (b) the Administration should end; or
  - (c) the Company be wound up.
3. If it is resolved that the Company is to execute DOCA, to fix the future remuneration of the Administrators and future remuneration of the Deed Administrators of the Company.
4. If it is resolved that the Company is to be wound up, to consider the future remuneration of the Liquidators of the Company.
5. To fix the partial historical remuneration of the Administrators
6. If the Company is wound up or is to execute a DOCA, consider whether a Committee of Inspection is to be appointed, and if so, the members of the Committee.
7. To discuss any other business.

Dated this Tuesday 28 March 2017

**MATTHEW WOODS  
JOINT & SEVERAL ADMINISTRATOR**

**Note:**

Under the Corporations Regulations, a creditor is not entitled to vote at a meeting unless:

- his/her claim has been admitted, wholly or in part, by the administrator; or
- he/she has lodged with the administrator particulars of the debt or claim (regulation 5.6.23).  
Furthermore proxies must be made available to the administrator.

A secured creditor may vote for the whole of his debt without deduction for his/her security (reg 5.6.24(4)).

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Tower 3, International Towers Sydney, 300 Barangaroo Avenue, Sydney NSW 2000  
Telephone: 02 9335 7000 Facsimile: 02 9335 7001

## B. Proxy form

FORM 532  
APPOINTMENT OF PROXY

CORPORATIONS ACT 2001  
Regulation 5.6.29

Reconvened Second Meeting of Creditors

KBL Mining Limited (Administrators Appointed)(Receivers and Managers Appointed)  
ACN: 129 954 365 (the Company)

***Instructions:***

Please complete Sections A, B, C and D and submit in accordance with the Section E.

\* Strike out if inapplicable.

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**A. Name and Contact Details of Person or Entity Entitled to Attend Meeting**

*(if entitled in a personal capacity, given name and surname; if a corporate entity, full name of company, etc)*

of

*(address)*

Tel:

Fax:

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**B. Appointment of Person to Act as Proxy**

*Note: You may nominate "the Chairperson of the meeting" as your proxy (or your alternate proxy in the event that the first-named proxy is not in attendance).*

\*I /\*We, as named in Section A above, a \*creditor /\*contributory/\*debenture holder/  
\*member of the Company, appoint

*(name of person appointed as proxy)*

*(address of person appointed as proxy)*

or in his or her absence

*(name of person appointed as alternate proxy)*

*(address of person appointed as alternate proxy)*

as \*my / \*our proxy to vote at the meeting of creditors to be held on Thursday, 6 April 2017 at 10:00 AM (AEST), or at any adjournment of that meeting in accordance with the instructions in Section C below.

## C. Voting Instructions

Note: A **general proxy** is entitled to vote on any resolution, subject to Regulation 5.6.33 of the Corporations Regulations 2001, as they see fit at the meeting - tick the "**general proxy**" box.

A **special proxy** is entitled to vote **only** in accordance with your specific instructions - tick the "**special proxy**" box and indicate your specific voting instructions by ticking **one option only for each** resolution for which you wish to give such instructions.

Your proxy may act as both a **special proxy**, in accordance with your instructions in relation to specific resolutions, and as a **general proxy**, in relation to resolutions where you have not issued specific instructions - tick **both** the "**general proxy**" and "**special proxy**" boxes. Your proxy will then be authorised to vote specifically in accordance with your instructions in relation to those resolutions where specific instructions have been given, and generally in relation to resolutions where no specific instructions have been given, and other business of the meeting.

\*My / \*Our proxy, as named in Section B above, is entitled to act as \*my I \*our:

**general proxy**, to vote on \*my /\*our behalf generally, as \*he / \*she determines, subject to any specific instructions below, if applicable.

and / or

**special proxy**, to vote on \*my I \*our behalf specifically, in accordance with the following special instructions: (for each resolution for which you wish to give specific voting instructions, please tick one option only)

Resolution	For	Against	Abstain
1. That the Company execute the Deed of Company Arrangement proposal detailed in the Administrators' s439A Report and Supplementary s439A Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2. That Matthew Woods and Stephen Vaughan of KPMG Restructuring Services be appointed as Deed Administrators of the Company	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3. That the meeting be adjourned for a period not exceeding forty-five (45) days	<i>Not applicable</i>		
4. That the company be wound up (liquidation)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5. That the administration should end	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>Per the attached Remuneration report:</b>			
6. That additional remuneration of the Administrators in respect of KBL Mining Limited (Administrators Appointed) (Receivers and Managers Appointed) for the period 14 January 2017 to 3 February 2017 be approved in 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, of \$38,354.25 plus GST and disbursements, and that such fees are authorised for payment from the assets of the Company or creditors trust established under the DOCA.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>



<p>7. That the remuneration of the Administrators in respect of KBL Mining Limited (Administrators Appointed) (Receivers and Managers Appointed) for the period 4 February 2017 to 17 March 2017 be approved 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, of \$70,915.00 plus GST and disbursements, and that such fees are authorised for payment from the assets of the Company or creditors trust established under the DOCA.</p>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<p>8. That the prospective remuneration of the Administrators of KBL Mining Limited (Administrators Appointed) (Receivers and Managers Appointed) for the period 18 March 2017 to 6 April 2017 (the date of this meeting) be approved up to a maximum of \$64,175.00, 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 or creditors trust established under the DOCA.</p>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<p>9. (if applicable)</p> <p>That the prospective remuneration of the Administrators of KBL Mining Limited (Administrators Appointed) (Receivers and Managers Appointed) for the period following the date of this meeting up to 15 business days be approved up to a maximum of \$40,075.00, 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 or creditors trust established under the DOCA.</p>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<p>10. (if applicable)</p> <p>That the remuneration of the Deed Administrators of KBL Mining Limited (Administrators Appointed) (Receivers and Managers Appointed) for the period following execution of the DOCA onwards be approved up to a maximum amount \$200,000 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 or creditors trust established under the DOCA.</p>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<p>11. (if applicable)</p> <p>That the remuneration of the Liquidators of KBL Mining Limited (Administrators Appointed) (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>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

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**D. Signature**

Dated:

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Signature:

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Name/Capacity #:

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# If an individual, insert full name

If a sole trader, insert in accordance with the following example: "full name, proprietor"

If a partnership, insert in accordance with the following example: "full name, partner of the firm named in Section A above"

If a company, pursuant to Regulations 5.6.28 and 5.6.31A of the Corporations Regulations 2001, it may only be represented by proxy or attorney respectively, or by a representative appointed under Section 250D of the Corporations Act 2001. The document appointing the proxy, attorney or representative must be in executed in accordance with Section 127 of the Corporations Act 2001, in which instance, insert in accordance with the following example: "full name, director / secretary / director / secretary of the company named in Section A above" or under the hand of some officer duly authorised in that capacity, and the fact that the officer is so authorised must be stated in accordance with the following example: "full name, for the company named in Section A above (duly authorised under the seal of the company)" - a copy of authority / power of attorney is to be annexed.

**Certificate of Witness (to be completed only in special circumstances - see below)**

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

I

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*(name of witness)*

of

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*(address of witness)*

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/her before he/she signed or marked the instrument.

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***E. Submitting the Proxy***

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 4:00pm (AEST) Wednesday, 5 April 2017**, to:

KBL Mining Limited (Administrators Appointed)(Receivers and  
Managers Appointed)  
c/- KPMG Restructuring Services  
PO Box H67  
Australia Square NSW 1213  
Email: [AU-FM-KBL-Mining@kpmg.com.au](mailto:AU-FM-KBL-Mining@kpmg.com.au)

Tel: +61 2 9335 7000  
Fax: +61 2 9335 7001

*Note: In accordance with Regulation 5.6.36A of the Corporations Regulations 2001, if a proxy is submitted by facsimile, the original document must be lodged within 72 hours after lodging the faxed copy.*

## C. Informal Proof of debt

**INFORMAL PROOF OF DEBT FORM**

Regulation 5.6.47

**KBL MINING LIMITED**

**(ADMINISTRATORS APPOINTED)(RECEIVERS AND MANAGERS 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 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

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**NOTE:**

Under the Corporations Regulations, a creditor is not entitled to vote at a meeting unless (Regulation 5.6.23):

- a. his/her claim has been admitted, wholly or in part, by the Administrator; or
- b. he/she has lodged with the Administrators particulars of debt or claim, or if required, a formal proof of debt.

For the purpose of Part 5.3A, a secured creditor may vote (Regulation 5.6.24):

- a. for the whole of his/her debt without regard to the estimated value of his/her security.

Proxies must be available to the Administrator.

Please return completed forms to:

C/- KPMG Restructuring Services

via email to [AU-FM-KBL-Mining@kpmg.com.au](mailto:AU-FM-KBL-Mining@kpmg.com.au)

or

PO Box H67

Australia Square NSW 1213

## D. Copy of Final Proposed Deed of Company Arrangement

**KBL MINING LIMITED  
(RECEIVERS AND MANAGERS APPOINTED) (ADMINISTRATORS APPOINTED)  
ACN 129 954 365 (the Company)**

**TERM SHEET FOR  
DEED OF COMPANY ARRANGEMENT (DOCA) PROPOSAL  
INVOLVING A PARTIALLY UNDERWRITTEN ENTITLEMENTS OFFER  
AND A CREDITORS' TRUST**

Key Element	Proposal
1	<p><b>Proposal</b></p> <p>1.1 Everblu Capital Pty Ltd ACN 612 793 683 as lead manager (<b>the Proponent</b>) proposes that:</p> <p>(a) Following approval of the DOCA terms, by creditors at the Second Creditors Meeting held in accordance with s 439A <i>Corporations Act</i> (Cth) (<b>the Act</b>) (<b>2<sup>nd</sup> Creditors Meeting</b>), the Company will implement the proposal as set out below (<b>Proposal</b>) with the aim of achieving the economic outcomes and capital structure set out in Annexure B:</p> <p>(i) the Proponent will by no later than six months after execution of the DOCA or such later date approved by the Deed Administrators in writing, conduct a capital raising to raise up to A\$5,600,000 on the following terms:</p> <p>(A) the Company will conduct a:</p> <ul style="list-style-type: none"> <li>• partially underwritten non-renounceable pro-rata entitlements offer of fully paid ordinary shares in the capital of the Company (<b>Shares</b>) to shareholders on the basis of 15 Shares for every 20 Shares held on the record date for the offer (<b>Entitlement Offer</b>); and</li> <li>• an offer to Noteholders to subscribe for Shares in addition to the debt for equity swap described in section 1.1(b)(i)(A)(<b>Noteholder Entitlement Offer</b>),</li> </ul> <p style="text-align: center;">(the <b>Entitlement Offer</b> and <b>Noteholder Entitlement Offer</b> are together referred to as the <b>Capital Raising</b>)</p> <p>in each case subject to any required waivers of the ASX Listing Rules being granted by the ASX in relation to the structure of the Capital Raising;</p> <p>(B) the Proponent will act as lead manager of the Capital Raising and Stock Assist Group Pty Ltd ACN 129 771 802 (<b>Underwriter</b>) will partially underwrite the Capital Raising to the value of \$3,600,000. The terms under which the Proponent will act as lead manager and the Underwriter will partially underwrite the Capital Raising are set out in the Underwriting and Offer Management Agreement on commercial terms reflecting those set out at Annexure A ;</p> <p>(C) the Capital Raising will have a minimum subscription of:</p> <ul style="list-style-type: none"> <li>• \$3,600,000 if: <ul style="list-style-type: none"> <li>– subject to Shareholder approval or a waiver of</li> </ul> </li> </ul>

Key Element	Proposal
	<p>ASX Listing Rule 7.1, \$1,500,000 in cash is paid and the number of Shares (based on a \$0.20 per share value) equivalent in value to [\$4,528,175]<sup>1</sup> are issued to the Creditors Trust on behalf of the Ordinary Beneficiaries (subject to any excess remuneration payable in accordance with section 1.1(d)(ii)) for a total value of [\$6,028,175]<sup>1</sup>. To the extent that proceeds of between \$3,600,000 and \$4,600,000 are raised under the Capital Raising, the amount of cash paid and number of Shares issued to the Creditors Trust will not be impacted and the additional amount will be used by the Company to satisfy its working capital requirements; or</p> <ul style="list-style-type: none"> <li>• \$5,100,000 if: <ul style="list-style-type: none"> <li>– subject to Shareholder approval or a waiver of ASX Listing Rule 7.1, \$2,000,000 in cash and the number of Shares (based on a \$0.20 per share value) equivalent in value to [\$4,028,175]<sup>1</sup>, are issued to the Creditors Trust on behalf of the Ordinary Beneficiaries (subject to any excess remuneration payable in accordance with section 1.1(d)(ii)) for a total value of [\$6,028,175]<sup>1</sup>; or</li> </ul> </li> <li>• \$5,600,000, if <ul style="list-style-type: none"> <li>– subject to Shareholder approval or a waiver of ASX Listing Rule 7.1, \$2,500,000 in cash and the number of Shares (based on a \$0.20 per share value) equivalent in value to [\$3,528,175]<sup>1</sup>, are issued to the Creditors Trust on behalf of the Ordinary Beneficiaries (subject to any excess remuneration payable in accordance with section 1.1(d)(ii)) for a total value of [\$6,028,175]<sup>1</sup>;</li> </ul> </li> </ul> <p><b>(Minimum Subscription).</b> If the Minimum Subscription is not raised by the Lead Manager, then no Shares will be issued under the Capital Raising and this Proposal will be varied or failing that, terminated pursuant to section 1.1(n);</p> <p>(ii) the offers of Shares under the Entitlement Offers and issues of Shares to the Creditors' Trust under section 1.1(i)(C) (<b>Placements</b>) will be made by the Company using a prospectus (in compliance with section 710 of the Corporations Act);</p> <p>(b) In order to implement the Proposal:</p> <p>(i) the Deed Administrators will make application to the Court for</p>

<sup>1</sup> The definition of Ordinary Beneficiaries excludes each Noteholder who elects to receive Shares under the Proposal. However, the \$4,528,175 includes an assumed \$1,112,137 for Noteholders where it is not known at the time of preparing this Proposal whether they will elect to receive Shares, therefore this number may change once the elections are known.



Key Element	Proposal
	<p>approval pursuant to section 444GA of the <i>Corporations Act 2001</i> (Cth), to permit the following transfers of Shares from existing Shareholders with such transfers to be conditional on the Minimum Subscription being raised under the Capital Raising pursuant to section 1.1(a) above and to take place on the date of allotment of the Shares under the Capital Raising;</p> <p>(A) transfer of [394,396,235]<sup>2</sup> pre consolidation Shares (which is approximately 13.62 pre consolidation Shares per Note) to Noteholders who elect by notice to receive such transfer in full and final satisfaction of all Claims in connection with the Notes having \$0.38 of face value per Note plus accrued interest;</p> <p>(B) transfer of pre consolidation Shares equivalent in value to \$1,000,000 to the Secured Creditor;</p> <p>(C) transfer of 317,880,607 pre consolidation Shares in satisfaction of claims of Priority Creditors (subject to the additional Share issues contemplated in section 1.1(g) if the Priority Creditors Assumed Claims are not satisfied in full) to the Creditors Trust on behalf of the Priority Creditors (or otherwise to be applied in accordance with the waterfall in clause 7);</p> <p>(D) transfer of [538,917,428]<sup>3</sup> pre consolidation Shares in satisfaction of claims of Ordinary Beneficiaries plus the value of Notes held by Noteholders who elect not to receive Shares in (A) above (<b>Estimated Claims</b>), to the Creditors Trust on behalf of the Ordinary Beneficiaries other than Priority Creditors (subject to any excess remuneration payable in accordance with section 1.1(d)(ii));</p> <p>(E) transfer of 296,688,566 pre consolidation Shares to the Proponent and an aggregate 692,273,324 pre consolidation Shares to the Underwriter and sub-underwriters nominated by the Underwriter, provided that neither the Proponent, Underwriter or any single sub-underwriter nominated by the Underwriter, shall acquire Shares that would result in it having voting power of over 19.9% of the Company, in satisfaction of payment of fees under the Underwriting and Offer Management Agreement;</p> <p>(ii) the Company (acting by its new directors) will enter into the Underwriting and Offer Management Agreement with the Proponent and the Underwriter on commercial terms reflecting those set out at Annexure A under which the Proponent will lead manage and the Underwriter will partially underwrite (to \$3.6 million) the Capital Raising;</p>

<sup>2</sup> This is an indicative number based on all Noteholders electing to exchange their debt for equity; where it is not known at the time of preparing this Proposal whether they will elect to receive Shares, therefore this number may change once the elections are known.

<sup>3</sup> This is an indicative number based on no Noteholders electing not to exchange their debt for equity; where it is not known at the time of preparing this Proposal whether they will elect to receive Shares, therefore this number may change once the elections are known.

Key Element	Proposal
	<p>(iii) the Company will seek a waiver of the rights issue exemption under ASX Listing Rule 7.2 to enable the Noteholders to participate in the Noteholder Entitlement Offer. If a waiver is not available, the Company will issue a nominal number of Shares being 100 pre-consolidation Shares to each of the Noteholders following which the Entitlement Offer will be made to all shareholders for the full \$5.6 million;</p> <p>(iv) the Proponent will conduct the Capital Raising as set out in section 1.1(a) above;</p> <p>(v) the Company will convene a General Meeting at which Shareholder approval will be sought:</p> <p>(A) for the purposes of section 254H of the Corporations Act being obtained, for the Company to undertake a consolidation of its issued share capital on the basis that every 71 Shares will be consolidated into one Share (ie. a consolidation ratio of 71:1) (<b>Consolidation</b>);</p> <p>(B) if required for the purposes of ASX Listing Rule 7.1, for the grant of the following options:</p> <p>- 15% of the number of shares issued in the Capital Raising in options (on a post Consolidation basis) with a 5 year term and an exercise price of 30 cents to the Proponent; and</p> <p>- 35% of the number of shares issued in the Capital Raising in options (on a post Consolidation basis) with a 5 year term and an exercise price of 30 cents to the Underwriter; and</p> <p>(C) if required for the purposes of ASX Listing Rule 7.1, for the issue of Shares pursuant to the Placements and any share issues required to meet obligations to the Priority Creditors pursuant to section 1.1(g).</p> <p>(vi) the Company must implement this Proposal in accordance with the steps plan attached as a schedule to this Proposal.</p> <p>(c) Within 2 Business Days of receipt of the proceeds of the Capital Raising, the Company will pay, from the proceeds of the Capital Raising, the following cash amount to the Trustees on an irrevocable, non-refundable basis:</p> <p>(i) if at least \$3,600,000 is raised but less than \$4,600,000, \$1,500,000;</p> <p>(ii) if between \$4,600,000 and \$5,600,000 is raised, the sum raised less \$3,100,000; or</p> <p>(iii) if at least \$5,600,000 is raised, \$2,500,000.</p> <p>(d) The Deed Administrators will establish a trust in accordance with clause 4 (for the purpose of accepting the issue or transfer of Shares to it under the Proposal and the transfer of the relevant cash amount into the Creditors' Trust (the <b>Trust Fund</b>)), whereupon all Claims of the Ordinary</p>

Key Element	Proposal
	<p>Beneficiaries (<b>Assumed Claims</b>) will be assumed by the Trust acting through the Trustee, to enable:</p> <ul style="list-style-type: none"> <li>(i) all Assumed Claims to be extinguished and released as against the Company, and each creditor who had an Assumed Claim to have an equivalent claim against the Trust Fund, which is equal to the amount of their released Claim;</li> <li>(ii) Administrators', Deed Administrators' and Trustees' remuneration, costs and liabilities incurred to be paid in full but up to a maximum of \$500,000 from a cash deposit into the Trust from the Capital Raise with any balance to be paid from the proceeds of sale of the Shares issued or transferred to the Creditors' Trust prior to any dividend being paid to Ordinary Beneficiaries under clause 7.1(e);</li> <li>(iii) the sum of \$1,000,000 from the proceeds of the Capital Raising paid to the Trust for the purpose of funding the transaction in clause 1.1(k) (to effect a release of the security in favour of MRI and the Secured Creditor over the shares in KBL Sorby Hills Pty Ltd);</li> <li>(iv) Priority Creditors with Assumed Claims to be paid a dividend from the sale proceeds of the Shares transferred and issued to the Trust with respect to these Assumed Claims and proceeds of the Capital Raising paid to the Trust, pro-rated in respect of their admitted Assumed Claims;</li> <li>(v) Ordinary Beneficiaries (other than Priority Creditors) with Assumed Claims to be paid a dividend from the sale proceeds of the Shares transferred and issued to the Trust pro-rated in respect of their admitted Assumed Claims after payment of any excess remuneration in accordance with section 1.1(d)(ii);</li> <li>(vi) any surplus to be returned to the Company,</li> </ul> <p>in each case in accordance with clause 7.</p> <ul style="list-style-type: none"> <li>(e) Ordinary Beneficiaries whose Assumed Claims are assumed by the Creditors' Trust will no longer be creditors of the Company but will instead become beneficiaries of the Creditors' Trust (<b>Trust Creditors</b>). Subject to the terms of this Proposal, for the purpose of determining the admissibility and ranking of Trust Creditors' claims in the Creditors Trust, regulations 5.6.39 to 5.6.72 of the <i>Corporations Regulations 2001</i> (<b>the Regulations</b>) and Sub-divisions A to E of Division 6 of part 5.6 of the Act shall apply to the Creditors Trust and the Trustees as if references to a "Liquidator" were references to the Trustees, references to "winding up" were references to the "Creditors' Trust" and with such other modifications as are necessary to give effect to the Creditors' Trust.</li> <li>(f) The Trustees of the Creditors' Trust become solely responsible to the Trust Creditors for: <ul style="list-style-type: none"> <li>(i) ensuring that the Company and/or other third parties perform their obligations to the Trustee;</li> <li>(ii) determine how much each of the Trust Creditor is entitled to receive</li> </ul> </li> </ul>

Key Element	Proposal
	<p>from the Trust Fund; and</p> <p>(iii) in due course, making any distribution to those Trust Creditors.</p> <p>(g) The Trustees of the Creditors' Trust shall sell the Shares issued or transferred to the Creditors' Trust under the Proposal (<b>Trust Shares</b>) as follows:</p> <p>(i) the Trust Shares will be sold on-market in the ordinary course of trading except with the Company's prior written consent over a period of 18 months from the Completion Date;</p> <p>(ii) the Trust Shares will be sold via a broker nominated by the Company, subject to the Administrator's right, acting in good faith, to approve or otherwise the Company's nomination within 10 Business Days' notice of same; and</p> <p>(iii) not more than 10% of the total number of Trust Shares may be sold in any single month except with the Company's prior written consent.</p> <p>If the cash for Priority Creditors placed into the Trust (to occur when proceeds from the Capital Raising are in excess of \$4.6M) plus proceeds of sale of the Trust Shares do not fully satisfy the Assumed Claims of the Priority Creditors, the Company shall issue for nil consideration such further number of Shares to the Trust for sale in accordance with this section 1.1(g) as is necessary to satisfy these amounts in full.</p> <p>(h) The Trustees of the Creditors' Trust will vote in respect of the Trust Shares in favour of the resolutions put to Shareholders in connection with the Proposal.</p> <p>(i) On payment of the final dividend to the Trust Creditors from the Trust Fund, all Assumed Claims against the Trust Fund are extinguished and each Trust Creditor will, if called upon to do so, execute and deliver to the Trustees such forms of release of any Assumed Claim as the Trustees require.</p> <p>(j) The Secured Creditor will irrevocably release its claim and all of its rights under and in connection with the existing finance and security documents subject to satisfaction (or in the case of (i) waiver by the Secured Creditor and the Proponent) of the following conditions:</p> <p>(i) the disposal of all the assets of the Company except for the shares of KBL Sorby Hills Pty Ltd;</p> <p>(ii) prior to and conditional on the transfer of Shares contemplated in (iii), entry by it and the Company into an agreement for the payment of a Net Smelter Royalty (<b>NSR</b>) of 2% from the gross revenue from all silver and lead proceeds derived from the existing exploration licences in respect of Sorby Hills. The Secured Creditor will be entitled to secure this NSR by a General Security Agreement registered against the Company's shares in KBL Sorby Hills Pty Ltd, subject to the Secured Creditor agreeing that such security shall be released and removed from the register when the Company enters into any new development financing arrangement;</p>

Key Element	Proposal
	<p style="text-align: center;">and</p> <p>(iii) the transfer of Shares in the Company to the equivalent value of \$1,000,000 at issue as set out in the Proposal;</p> <p>and agrees to vote in respect of the Shares transferred to it, in favour of the resolutions put to Shareholders in connection with the Proposal.</p> <p>(k) The Company will enter into a transaction within 45 days of entry into the DOCA or such later date agreed by the Proponent in writing, to effect a release of the security in favour of MRI and the Secured Creditor over the shares in KBL Sorby Hills Pty Ltd, such release to be effective immediately or on such other date acceptable to the Proponent, in exchange for a right to receive payment as a Trust Creditor admitted for the sum of \$1,000,000 and to be paid in the priority set out in clause 7.</p> <p>(l) The Noteholders who elect to receive Shares under the Proposal irrevocably release their rights under and in connection with the Notes against the Company in exchange for the receipt of those Shares.</p> <p>(m) The Company will take all reasonable steps to ensure that, subject to the completion of all steps in section 1.1(a) completion of the Consolidation and the satisfaction of any pre-quotations disclosure requirements or other conditions imposed by ASX which cannot be satisfied prior to completion of the Capital Raising and Consolidation, the Company's Shares will be reinstated to quotation by the ASX pursuant to ASX Listing Rule 17.7 and for this purpose, the Company must take all reasonable steps to ensure that it satisfies any conditions imposed by ASX for the reinstatement of its Shares to quotation, including lodging the following documents with ASX:</p> <p>(i) the Company's Annual Report for the financial year ended 30 June 2016; and</p> <p>(ii) reviewed financial statements of the Company for the half year ended 31 December 2016.</p> <p>(n) Each of the steps set out in section 1.1 are inter-conditional on each of the other steps in section 1.1 occurring (except (g) and (i)). If any step in section 1.1 (except (g) and (i)) is unable to be completed or has not completed within six months after execution of the DOCA or such later date approved by the Deed Administrators in writing, then this Proposal is varied in accordance with clause 12 of this Proposal, or if a variation is not agreed, then terminated in accordance with clause 13 of this Proposal.</p> <p>(o) The matters and steps in this Proposal (including this clause 1.1) are subject to the legal and regulatory requirements of the Corporations Act, the ASX Listing Rules, the Australian Securities Investments Commission (<b>ASIC</b>) and the ASX and are subject to the Company obtaining certain waivers of the ASX Listing Rules and ASIC exemptions under the Corporations Act (including with respect to the Creditors' Trust holding more than 20% of the share capital of the Company) and will be amended to the extent necessary to take into account and / or accommodate any necessary legal or regulatory requirements of the Corporations Act, the ASX Listing Rules, ASIC or ASX.</p>

Key Element	Proposal
	<p>1.2 In this clause:</p> <p>(a) <b>"Appointment Date"</b> means 8 September 2016.</p> <p>(b) <b>"Claim"</b> means a debt payable by, and all claims against the Company, being a debt or claim any of the circumstances giving rise to which occurred on or before the Appointment Date that would be admissible to proof against the Company in accordance with Division 6 of Part 5.6 of the Act, if the Company had been wound up and the winding up is taken to have commenced on the Appointment Date.</p> <p>(c) <b>"Employee"</b> means a person:</p> <p>(i) who has been or is an employee of the Company, whether remunerated by salary, wages, commission or otherwise; and</p> <p>(ii) whose employment by the Company commenced before the Appointment Date.</p> <p>(d) <b>"MRI"</b> means MRI Trading AG.</p> <p>(e) <b>"Notes"</b> means the notes issued by the Company pursuant to the convertible note trust deed between the Company and The Trust Company (Australia) Limited dated 21 July 2011 as amended and restated in respect of convertible notes</p> <p>(f) <b>"Noteholder"</b> has the meaning given under the Notes</p> <p>(g) <b>"Ordinary Beneficiaries"</b> means all creditors of the Company (including contingent creditors) as at the Appointment Date including MRI to the extent of any shortfall in the value of its security, and excluding the Secured Creditor and each Noteholder who elects to receive Shares under the Proposal</p> <p>(h) <b>"Priority Creditors"</b> means each Ordinary Beneficiary entitled to be paid in respect of a Claim for an amount payable to or claimable by such beneficiary in their capacity as an Employee</p> <p>(i) <b>"Secured Creditor"</b> means Quintana Mineral Hill Streaming Company LLC</p>
<p><b>2 Purpose of DOCA Proposal</b></p>	<p>2.1 This DOCA Proposal is designed to:</p> <p>(a) maximise the chance of the Company continuing in existence;</p> <p>(b) provide a greater return to the Company's creditors than would be available in a liquidation and in a timely manner;</p> <p>(c) facilitate a recapitalisation of the Company through the Capital Raising; and</p> <p>(d) cause the Company to be released from all claims (apart from any claims and liabilities (if any) which cannot be released by a DOCA or which are expressly specified not to be released pursuant to the DOCA).</p>

Key Element	Proposal
<b>3 Deed Administrators/ Trustees of the Creditors' Trust</b>	<p>3.1 Matthew Woods and Stephen Vaughan of KPMG (<b>Administrators</b>) will be the Deed Administrators, will have all the necessary powers to administer the DOCA and will be entitled to exercise all rights, privileges, authorities and discretions conferred by the Company's constitution or otherwise by law on the directors to the exclusion of the Directors during deed administration (except as otherwise specified).</p> <p>3.2 The Deed Administrators will assume the role of Trustees of the Creditors Trust.</p>
<b>4 Establishment of Creditors Trust</b>	<p>4.1 A Creditors' trust will be established and named "KBL Mining Creditors' Trust" (<b>Creditors' Trust</b>).</p> <p>4.2 The purpose of the Creditors Trust will be to enable certain tasks ordinarily undertaken by the Deed Administrators (including but not limited to, the calling for and adjudication of creditors' proofs of debt) to be performed by the Trustees of the Creditors Trust in order to facilitate the termination of the DOCA.</p> <p>4.3 Property available to the Creditors Trust comprises the "Trust Fund". The "Trust Fund" includes:</p> <p>(a) the cash referred to in clause 1.1(c); and</p> <p>(b) the Shares issued and/or transferred to the Creditors Trust under and to be sold in accordance with the Proposal.</p>
<b>5 Participating Creditors</b>	<p>5.1 Creditors of the Company who had a claim as at the Appointment Date will be bound by the DOCA, including any contingent creditors (excluding those creditors expressly specified not to be bound by a DOCA).</p>
<b>6 Board of Directors</b>	<p>6.1 With effect upon execution of the Underwriting and Offer Management Agreement the directors to be nominated by the Proponent will be appointed to the Board of the Company (<b>Directors</b>).</p> <p>6.2 Upon execution of the DOCA, the Company acting by the Directors will execute and perform the obligations of the Company under the Underwriting and Offer Management Agreement in respect of the Capital Raising attached to DOCA.</p> <p>6.3 The Company shall be returned to the Directors on completion of the DOCA.</p>
<b>7 Application of the Trust Fund</b>	<p>7.1 The Trust Fund will be applied by the Trustees in the order of priority as follows:</p> <p>(a) first, to the Administrators, Deed Administrators and Trustees for any amount which they are entitled to be paid or indemnified under 443D of the Act or clauses 9 and 10 (even though they may have ceased to be Administrators or Deed Administrators) and in the case of the Trustees, may include an amount of the Trustees' remuneration and costs which are estimated to be incurred up to the date on which the Creditors' Trust terminates (<b>Administrator, Deed Administrator and Trustee Costs</b>),</p>

Key Element	Proposal
	<p>subject to a maximum payment of \$500,000;</p> <p>(b) next pursuant to the terms of the transaction in clause 1.1(k) subject to a maximum payment of \$1 million;</p> <p>(c) next, to the Priority Creditors subject to a maximum payment of \$1.9 million;</p> <p>(d) next, to the Administrators, Deed Administrators and Trustees for any Administrator, Deed Administrator and Trustee Costs not paid under (a) above;</p> <p>(e) next to the Ordinary Beneficiaries (excluding Priority Creditors).</p> <p>7.2 In the event that there is a surplus balance after the Trust Creditors have received their distribution in accordance with clause 7.1, such surplus, balance shall be transferred from the Trustees to the Company.</p> <p>7.3 The Trust Fund may be distributed by the Trustees at such times, in such amounts and in such manner as the Trustees in their absolute discretion deem fit subject to the priorities and maximum payments in clause 7.1.</p> <p>7.4 Subject to the terms of this Proposal including without limit this clause 7, the terms of section 556 and 560 of the Act shall apply as if references to the "Liquidator" were references to the "Trustee", references to "winding up" were references to the "Creditors' Trust" and with such other modifications as are necessary to give effect to the terms of this document.</p> <p>7.5 Sections 444DA and 444DB of the Act will apply to the DOCA.</p>
<p><b>8 Remuneration</b></p>	<p>8.1 The Deed Administrators will be entitled to their remuneration and costs on the basis of time spent by the Deed Administrators, their partners and staff in the performance of services in connection with or in relation to the administration of the Companies under Part 5.3A of the Act and the DOCA and such time will be charged at the Deed Administrators' standard rates, from time to time, for work of that nature.</p> <p>8.2 The Trustees will be entitled to their remuneration and costs on the basis of time spent by the Trustees, their partners and staff in the performance of services in connection with or in relation to the administration of the Creditors' Trust and such time will be charged at the Trustees' standard rates, from time to time, for work of that nature.</p>
<p><b>9 Administrators' / Deed Administrators' / Trustees' Lien</b></p>	<p>9.1 The Administrators and Deed Administrators (whether or not they are still acting in either capacity) are entitled to be indemnified out of, and have a first ranking lien over the assets of the Company and the Trust Fund for:</p> <p>(a) all debts, liabilities, actions, suits, proceedings, accounts, claims, damages, awards and judgments whatsoever arising out of or in any way connected to the administration or deed administration of the Company or their role as Administrators or Deed Administrators and incurred or sustained in good faith and without negligence;</p> <p>(b) any amount which the Administrators are, or would but for the transactions</p>



Key Element	Proposal
	<p>contemplated by this DOCA be, entitled to be indemnified out of the assets of the Company for, in accordance with the Act, at law or in equity, including any amounts payable pursuant to section 443A, section 443B or section 443BA of the Act;</p> <p>(c) any debts, liabilities, damages, losses and remuneration to which the statutory indemnity under section 443D of the Act applies;</p> <p>(d) any amount for which the Administrators or Deed Administrators are entitled to exercise a lien at law or in equity on the property of the Company;</p> <p>(e) the Administrators' and Deed Administrators' remuneration and costs;</p> <p>(f) all debts, liabilities, actions, suits, proceedings, accounts, claims, damages, awards and judgments arising out of or in the course of the administration and/or DOCA and incurred or sustained in good faith and without negligence.</p> <p>9.2 The Trustees will have an equivalent indemnity secured by a lien over the Trust Fund.</p>
<p><b>10 Enforcement against the Company</b></p>	<p>10.1 During the period of operation of the DOCA, the Company, any officer or member of the Company or any creditor bound by the provisions of the DOCA must not make any application to wind up the company, continue any such application or commence or continue any enforcement process in relation to the property of the Company.</p>
<p><b>11 Completion of DOCA</b></p>	<p>11.1 The DOCA will complete or be fully effectuated upon each of the following being satisfied:</p> <p>(a) the Secured Creditor consenting to be bound by the terms of the DOCA;</p> <p>(b) pursuant to the DOCA:</p> <p>(i) the Secured Creditor releasing its existing claims against the Company and releasing all associated security; and the Company executing a NSR Agreement and associated new security documents with the Secured Creditor on terms acceptable to the parties;</p> <p>(ii) completion of the transaction contemplated in clause 1.1(k);</p> <p>(c) completion of the Capital Raising and each of the other Proposal steps set out in paragraphs 4 to 15 of the Schedule including execution of the Creditors Trust Deed.</p> <p>11.2 In accordance with clause 6, the Company shall be returned to the board of directors upon completion of the DOCA.</p>
<p><b>12 Variation of DOCA</b></p>	<p>12.1 The DOCA may be varied by resolution passed at a meeting of creditors convened under s445F of the Act.</p> <p>12.2 Nothing in the varied DOCA shall limit the operation of s445D and s445E</p>

Key Element	Proposal
	of the Act.
<b>13 Termination of DOCA</b>	<p>13.1 In the event that:</p> <p>(a) Capital Raising Shares have not been issued within six months of the DOCA being executed or such later date approved by the Deed Administrators in writing; or</p> <p>(b) the Deed Administrators, acting reasonably, determine that it is no longer practicable to implement the DOCA and/or the Capital Raising for any reason,</p> <p>the Deed Administrators will:</p> <p>(c) convene a meeting of creditors to vary the DOCA; and, in the event of creditors not agreeing to vary the DOCA, then</p> <p>(d) seek to and obtain Court Orders to terminate or vary the DOCA.</p>
<b>14 Other terms</b>	<p>14.1 Any other terms and conditions contained in Schedule 8A of the Regulations be retained so as to give effect of the DOCA;</p> <p>14.2 Section 440D of the Act will apply while the DOCA is on foot.</p> <p>14.3 In this term sheet, "Business Day" means a day that is not a Saturday, Sunday or public holiday in Perth, Western Australia or Sydney, New South Wales.</p>

**SCHEDULE :      Proposal Steps Plan**

- 1      Discussion and in-principle advice from ASX re proposal and required approvals / waivers / conditions to re-quotation.
- 2      Second creditors meeting - approval of DOCA.
- 3      Receiver sale of Mineral Hill - to occur prior to step 7 or otherwise in consultation with the Proponent and the Secured Creditor, as soon as practicable and in any event prior to step 13
- 4      Entry into the transaction contemplated under clause 1.1(k), to effect a release of the security held by MRI and Quintana over the shares in KBL Sorby Hills Pty Ltd
- 5      Court approval of transfers of Shares to creditors, Proponent and Underwriter (subject to Minimum Subscription being raised).
- 6      ASX waiver obtained to permit Noteholders to participate in Entitlement Offer under the exception to Listing Rule 7.1 (or nominal placement of Shares to Noteholders).
- 7      Launch Entitlement Offer(s) to Shareholders and Noteholders.
- 8      Invite Noteholders to elect by notice to participate in the debt for equity swap effected via a Court transfer of Shares.
- 9      Receipt of applications for Minimum Subscription.
- 10     Receipt of Noteholder debt for equity swap election notices.
- 11     Entry into new NSR and security arrangements by Quintana, conditional on completion of the Capital Raising.
- 12     Establish Creditors Trust.
- 13     Completion:
  - 13.1      Issue of Entitlement Offer Shares; and
  - 13.2      Implementation of Court approved transfers.
- 14     EGM to approve consolidation, Placements of Shares to Creditors Trust (dependant on subscription amount/ ASX waiver) and option issues.
- 15     Implement consolidation of capital in accordance with ASX timetable
- 16     Completion of DOCA.
- 17     Reinstatement to trading/official list.
- 18     Creditors' Trust sells Shares - proceeds distributed to Trust Creditors.

**Signed by:**

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Signed by **Everblu Capital Pty Ltd ACN 612 793 683** in accordance with section 127 of the *Corporations Act, 2001* (Cth) and by:



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Signature of director



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Name of director (print)

Dated: 3 February 2017

**ANNEXURE A: Underwriting and Offer Management Agreement Term Sheet**

<b>Term</b>	<b>Description</b>
Issuer	KBL Mining Limited ACN 129 954 365 ( <b>Company</b> or <b>KBL</b> )
Underwriter	Stock Assist Group Pty Ltd ACN 129 771 802
Lead Manager	Everblu Capital Pty Limited ABN 23 612 793 683 ( <b>Lead Manager</b> )
Defined terms	Any capitalised terms that are not defined in this term sheet have the meaning given to those terms in the attached Proposal.
Capital Raising	KBL is seeking to raise \$5,600,000 for the purposes of the recapitalisation of KBL in accordance with the terms set out in the Proposal ( <b>Capital Raising</b> ).
Services provided by Underwriter	The Underwriter agrees to underwrite \$3,600,000 of the Capital Raising
Services provided by Lead Manager	The Lead Manager agrees to provide lead manager services in relation to the Capital Raising including to use reasonable endeavours to raise \$5,600,000 under the Capital Raising and place any shortfall not taken up by Shareholders or Noteholders under the Capital Raising.
Fees	<p>The Underwriter will receive the following fees:</p> <ul style="list-style-type: none"> <li>the transfer of 692,273,321 pre consolidation ordinary shares in the Company (<b>Shares</b>) from existing Shareholders under the court approved transfers on the basis set out in clause 1.1(b)(i)(E) of the Proposal;</li> <li>0.7% Net Smelter Royalty;</li> <li>subject to any necessary Shareholder approvals, such number of options as equals 35% of the number of Shares issued under the Capital Raising (post Consolidation) with a term of 5 years and an exercise price of 30 cents.</li> </ul> <p>The Lead Manager will receive the following fees:</p> <ul style="list-style-type: none"> <li>the transfer of 296,688,566 pre consolidation ordinary shares in the Company (<b>Shares</b>) from existing Shareholders under the court approved transfers on the basis set out in clause 1.1(b)(i)(E) of the Proposal;</li> <li>0.3% Net Smelter Royalty;</li> <li>subject to any necessary Shareholder approvals, such number of options as equals 15% of the number of Shares issued under the Capital Raising (post Consolidation) with a term of 5 years and an exercise price of 30 cents.</li> </ul>
Formal documentation	The parties will enter into a formal document which will contain terms that substantially reflect the terms set out in this term sheet together with other terms that are customary for an agreement of this nature (ie. the

	<p>Underwriting <b>Agreement</b>) including:</p> <ul style="list-style-type: none"><li>• conditions precedent;</li><li>• representations, warranties and undertakings provided by the Company;</li><li>• termination events appropriate to the transaction which allow the Lead Manager to terminate the Underwriting Agreement;</li><li>• sub-underwriting arrangements;</li><li>• underwriter and lead manager fees;</li><li>• the Underwriter's obligations and shortfall arrangements; and</li><li>• confidentiality obligations.</li></ul>
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**ANNEXURE B: Indicative Capital Structure Table**

## E. ASIC creditor information resources





**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](http://www.asic.gov.au/insolvencyinfosheets). The information sheets are also available from the IPA website at [www.ipaa.com.au](http://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.

## F. ASIC guidance sheet for creditors on approving remuneration in external administrations



**ASIC**

Australian Securities & Investments Commission

## INFORMATION SHEET 85

### Approving fees: a guide for creditors

If a company is in financial difficulty, it can be put under the control of an independent external administrator.

This information sheet gives general information for creditors on the approval of an external administrator's fees in a liquidation of an insolvent company, voluntary administration or deed of company arrangement (other forms of external administration are not discussed in this information sheet). It outlines the rights that creditors have in the approval process.

#### Entitlement to fees and costs

A liquidator, voluntary administrator or deed administrator (i.e. an 'external administrator') is entitled to be:

- paid reasonable *fees*, or remuneration, for the work they perform, once these fees have been approved by a creditors' committee, creditors or a court, and
- reimbursed for out-of-pocket *costs* incurred in performing their role (these costs do not need creditors' committee, creditor or court approval).

External administrators are only entitled to an amount of fees that is reasonable for the work that they and their staff properly perform in the external administration. What is reasonable will depend on the type of external administration and the issues that need to be resolved. Some are straightforward, while others are more complex.

External administrators must undertake some tasks that may not directly benefit creditors. These include reporting potential breaches of the law and lodging a detailed listing of receipts and payments with ASIC every six months. The external administrator is entitled to be paid for completing these statutory tasks.

For more on the tasks involved, see ASIC's information sheets INFO 45 *Liquidation: a guide for creditors* and INFO 74 *Voluntary administration: a guide for creditors*.

Out-of-pocket costs that are commonly reimbursed include:

**Important note:** This information sheet contains 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. This document 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.

- legal fees
- valuer’s, real estate agent’s and auctioneer’s fees
- stationery, photocopying, telephone and postage costs
- retrieval costs for recovering the company’s computer records, and
- storage costs for the company’s books and records.

Creditors have a direct interest in the level of fees and costs, as the external administrator will, generally, be paid from the company’s available assets before any payments to creditors. If there are not enough assets, the external administrator may have arranged for a third party to pay any shortfall. As a creditor, you should receive details of such an arrangement. If there are not enough assets to pay the fees and costs, and there is no third party payment arrangement, any shortfall is not paid.

### Who may approve fees

Who may approve fees depends on the type of external administration: see Table 1. The external administrator must provide sufficient information to enable the relevant decision-making body to assess whether the fees are reasonable.

**Table 1: Who may approve fees**

	Creditors’ committee	Creditors	Court
Administrator in a voluntary administration	✓ <sup>1</sup>	✓	✓
Administrator of a deed of company arrangement	✓ <sup>1</sup>	✓	✓
Creditors’ voluntary liquidator	✓ <sup>1</sup>	✓ <sup>5</sup>	✗ <sup>3</sup>
Court-appointed liquidator	✓ <sup>1</sup>	✓ <sup>4, 5</sup>	✓ <sup>2</sup>

<sup>1</sup> If there is one.

<sup>2</sup> If there is no approval by the committee or the creditors.

<sup>3</sup> Unless an application is made for a fee review.

<sup>4</sup> If there is no creditors’ committee or the committee fails to approve the fees.

<sup>5</sup> If insufficient creditors turn up to the meeting called by the liquidator to approve fees, the liquidator is entitled to be paid up to a maximum of \$5000, or more if specified in the Corporations Regulations 2001.

### Creditors’ committee approval

If there is a creditors’ committee, members are chosen by a vote of creditors as a whole. In approving the fees, the members represent the interests of all the creditors, not just their own individual interests.

There is not a creditors’ committee in every external administration. A creditors’ committee makes its decision by a majority in number of its members present at a meeting, but it can only act if a majority of its members attend.

To find out more about creditors’ committees and how they are formed, see ASIC’s information sheets INFO 45 *Liquidation: a guide for creditors*, INFO 74 *Voluntary administration: a guide for creditors* and INFO 41 *Insolvency: a glossary of terms*.

### Creditors’ approval

Creditors approve fees by passing a resolution at a creditors’ meeting. Unless creditors call for a poll, the resolution is passed if a simple majority of creditors present and voting, in person or by proxy,

indicate that they agree to the resolution. Unlike where acting as committee members, creditors may vote according to their individual interests.

If a poll is taken, rather than a vote being decided on the voices or by a show of hands, a majority in *number* and *value* of creditors present and voting must agree. A poll requires the votes of each creditor to be recorded.

A separate resolution of creditors is required for approving fees for an administrator in a voluntary administration and an administrator of a deed of company arrangement, even if the administrator is the same person in both administrations.

A proxy is where a creditor appoints someone else to represent them at a creditors' meeting and to vote on their behalf. A proxy can be either a *general proxy* or a *special proxy*. A general proxy allows the person holding the proxy to vote as they wish on a resolution, while a special proxy directs the proxy holder to vote in a particular way.

A creditor will sometimes appoint the external administrator as a proxy to vote on the creditor's behalf. An external administrator, their partners or staff must not use a general proxy to vote on approval of their fees; they must hold a special proxy in order to do this. They must vote all special proxies as directed, even those against approval of their fees.

## Calculation of fees

Fees may be calculated using one of a number of different methods, such as:

- on the basis of *time spent* by the external administrator and their staff
- a quoted *fixed fee*, based on an upfront estimate, or
- a percentage of asset realisations.

Charging on a time basis is the most common method. External administrators have a scale of hourly rates, with different rates for each category of staff working on the external administration, including the external administrator.

If the external administrator intends to charge on a time basis, you should receive a copy of these hourly rates soon after their appointment and before you are asked to approve the fees.

The external administrator and their staff will record the time taken for the various tasks involved, and a record will be kept of the nature of the work performed.

It is important to note that the hourly rates do not represent an hourly wage for the external administrator and their staff. The external administrator is running a business—an insolvency practice—and the hourly rates will be based on the cost of running the business, including overheads such as rent for business premises, utilities, wages and superannuation for staff who are not charged out at an hourly rate (such as personal assistants), information technology support, office equipment and supplies, insurances, taxes, and a profit.

External administrators are professionals who are required to have qualifications and experience, be independent and maintain up-to-date skills. Many of the costs of running an insolvency practice are fixed costs that must be paid, even if there are insufficient assets available to pay the external administrator for their services. External administrators compete for work and their rates should reflect this.

These are all matters that committee members or creditors should be aware of when considering the fees presented. However, regardless of these matters, creditors have a right to question the external administrator about the fees and whether the rates are negotiable.

It is up to the external administrator to justify why the method chosen for calculating fees is an appropriate method for the particular external administration. As a creditor, you also have a right to question the external administrator about the calculation method used and how the calculation was made.

## Report on proposed fees

When seeking approval of fees, the external administrator must send committee members/creditors a report with the notice of meeting setting out:

- information that will enable the committee members/creditors to make an informed assessment of whether the proposed fees are reasonable
- a summary description of the major tasks performed, or to be performed, and
- the costs associated with each of these tasks.

Committee members/creditors may be asked to approve fees for work already performed or based on an estimate of work yet to be carried out.

If the work is yet to be carried out, it is advisable to set a maximum limit ('cap') on the amount that the external administrator may receive. For example, future fees calculated according to time spent may be approved on the basis of the number of hours worked at the rates charged (as set out in the provided rate scale) up to a cap of \$X. If the work involved then exceeds this figure, the external administrator will have to ask the creditors' committee/creditors to approve a further amount of fees, after accounting for the fees already incurred.

## Deciding if fees are reasonable

If asked to approve an amount of fees either as a committee member or by resolution at a creditors' meeting, your task is to decide if that amount of fees is reasonable, given the work carried out in the external administration and the results of that work.

You may find the following information from the external administrator useful in deciding if the fees claimed are reasonable:

- the method used to calculate fees
- the major tasks that have been performed, or are likely to be performed, for the fees
- the fees/estimated fees (as applicable) for each of the major tasks
- the size and complexity (or otherwise) of the external administration
- the amount of fees (if any) that have previously been approved
- if the fees are calculated, in whole or in part, on a time basis:
  - the period over which the work was, or is likely to be performed
  - if the fees are for work that has already been carried out, the time spent by each level of staff on each of the major tasks
  - if the fees are for work that is yet to be carried out, whether the fees are capped.

If you need more information about fees than is provided in the external administrator's report, you should let them know before the meeting at which fees will be voted on.

## What can you do if you think the fees are not reasonable?

If you do not think the fees being claimed are reasonable, you should raise your concerns with the external administrator. It is your decision whether to vote in favour of, or against, a resolution to approve fees.

Generally, if fees are approved by a creditors' committee/creditors and you wish to challenge this decision, you may apply to the court and ask the court to review the fees. Special rules apply to court liquidations.

You may wish to seek your own legal advice if you are considering applying for a court review of the fees.

## Reimbursement of out-of-pocket costs

An external administrator should be very careful incurring costs that must be paid from the external administration—as careful as if they were dealing with their own money. Their report on fees should also include information on the out-of-pocket costs of the external administration.

If you have questions about any of these costs, you should ask the external administrator and, if necessary, bring it up at a creditors' committee/creditors' meeting. If you are still concerned, you have the right to ask the court to review the costs.

## Queries and complaints

You should first raise any queries or complaints with the external administrator. If this fails to resolve your concerns, including any concerns about their conduct, you can lodge a complaint with ASIC at [www.asic.gov.au/complain](http://www.asic.gov.au/complain), or write to:

ASIC Complaints  
PO Box 9149  
TRARALGON VIC 3844

ASIC will usually not become involved in matters of commercial judgement by an external administrator. Complaints against companies and their officers can also be made to ASIC. For other enquiries, email ASIC through [infoline@asic.gov.au](mailto:infoline@asic.gov.au), or call ASIC's Infoline on 1300 300 630 for the cost of a local call.

## To find out more

For an explanation of terms used in this information sheet, see ASIC's information sheet INFO 41 *Insolvency: a glossary of terms*. For more on external administration, see ASIC's related information sheets at [www.asic.gov.au/insolvencyinfosheets](http://www.asic.gov.au/insolvencyinfosheets):

- 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*

These are also available from the Insolvency Practitioners Association (IPA) website at [www.ipaa.com.au](http://www.ipaa.com.au). The IPA website also contains the IPA's Code of Professional Practice for Insolvency Professionals, which applies to IPA members.

## G. Remuneration report





# Remuneration request approval report

## Part 1: Declaration

We, Matthew Woods and Stephen Vaughan, of KPMG, have undertaken a proper assessment of this remuneration claim for our appointment as joint and several voluntary administrators of KBL Mining Limited (Administrators Appointed) (Receivers and Managers Appointed) 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 Administration.

## Part 2: Executive Summary

The purpose of this report is to provide creditors with a report detailing the work completed for the period, and associated fees. Included at section 'Statement of remuneration claim and proposed resolutions' is a summary of the remuneration resolutions that will be considered at the meeting.

To date, \$845,177.50 has been approved in this administration with no amounts yet paid to the Administrators.

This remuneration report details approval sought for the following fees:

Remuneration	Report reference	Amount \$ (ex GST)
<b>Past remuneration approved</b>		
Approved remuneration for the period 8 to 18 September 2016 approved by Committee of Creditors		288,331.50
Approved remuneration for the period 19 September 2016 to 13 January 2017 approved at the Second Meeting		506,846.00
Approved 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
<b>Total past remuneration approved – Voluntary Administration</b>		<b>845,177.50</b>
<b>Remuneration approval sought from creditors</b>		
<i>Voluntary Administration</i>		
<b>Actual fees incurred</b>		
Resolution 6: additional remuneration for the period 14 January 2017 to 3 February 2017	2	38,354.25
Resolution 7: remuneration for the period 4 February 2017 to 17 March 2017	4	70,915.00
<b>Forecast fees</b>		
Resolution 8: remuneration for the period 18 March 2017 to 6 April 2017 (date of the reconvened second meeting)*	5	64,175.00
Resolution 9: remuneration for the period being the day following the Reconvened Second Meeting to signing of Deed of Company Arrangement (up to 15 business days) (if applicable)*	6	40,075.00
<b>Total remuneration – Voluntary Administration</b>		<b>1,058,696.75</b>
<b>Deed of Company Arrangement (if applicable)</b>		
Resolution 10: remuneration as Deed Administrators for the period from the date of execution of the Deed of Company arrangement to completion*	7	200,000.00
<b>Liquidation (if applicable)</b>		
Resolution 11: remuneration as Liquidators for the period following the Reconvened Second Meeting of Creditors	9	100,000.00
*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.		

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



## Part 3: Description of work completed

### *Resolution 6: Administrators' remuneration for period 14 January 2017 to 3 February 2017 (\$50k approved at Initial Second Meeting)*

At the Initial Second Meeting of Creditors held on 25 January 2017, creditors resolved to approve the prospective (forecast) remuneration of the Administrators up to \$50,000 excl. GST for the period 14 January 2017 to 3 February 2017 (being the time of preparing the Initial s439A Report remuneration to the date of the Initial Second Meeting).

As creditors would be aware from discussion at the Initial Second Meeting, during the period 14 January 2017 to the date of the Initial Second Meeting, there was ongoing negotiation and correspondence with the DOCA Proponents, the KBL directors, and their legal representatives. Our initial estimate of fees was lower than actual fees recorded for the period, which were \$88,354.25 excl. GST in total.

As creditors have already approved \$50,000 excl. GST of fees for this period, we are seeking approval at the Reconvened Second Meeting for an additional \$38,354.25 excl. GST for the period.

We refer creditors to the table below for detail regarding the key streams of work completed during the period:

Administrators' actual remuneration for the period 14 January 2017 to 3 February 2017		
Task area	General Description	Including, but not limited to:
<b>Assets</b>  3.07 hours \$2,147.69	Cash	<ul style="list-style-type: none"> <li>Managed cash on hand and reconcile cash balances</li> </ul>
<b>Creditors</b>  111.99 hours \$44,798.95	Creditor enquiries	<ul style="list-style-type: none"> <li>Liaised with Committee of Creditors</li> <li>Received, responded to and follow up enquiries from creditors with regard to the Administration process and KBL's affairs</li> <li>Prepared and maintained creditor claims and contact information</li> </ul>
	DOCA	<ul style="list-style-type: none"> <li>Liaised with the Receivers and DOCA proponent in order to understand terms of DOCA proposal</li> <li>Negotiated with all parties to improve the DOCA proposal and outcomes for creditors</li> <li>Conducted detailed analysis into the DOCA proposal under various scenarios</li> </ul>
	Dealing with proofs of debt and proxies	<ul style="list-style-type: none"> <li>Received, processed and filed informal Proofs of Debt and Proxy forms for the second meeting</li> <li>Updated KBL MYOB records for proofs of debt and proxies received from creditors</li> <li></li> </ul>
	Meetings of Creditors	<ul style="list-style-type: none"> <li>Prepared logistics and meeting venues for the second meeting of creditors to be held on Friday 3 February 2017</li> <li>Prepared slides for the meeting of creditors</li> <li>Travelled to Condobolin to host concurrent second meeting of creditors</li> <li>Held Second Meeting on Friday 3 February 2017</li> </ul>



	Creditor reports	<ul style="list-style-type: none"> <li>Prepared the s439A Report and all supporting analysis, including remuneration reporting</li> <li>Prepared continued changes to the s439A Report up to the date of release of report on 25 January 2017 due to the ongoing changes in the Proposed DOCA</li> </ul>
	Committee of Creditors	<ul style="list-style-type: none"> <li>Convened and held a meeting of the committee of creditors on Thursday 2 February 2017</li> <li>Lodged related meeting documents with ASIC</li> </ul>
	Shareholder enquiries	<ul style="list-style-type: none"> <li>Liaised with shareholders regarding requests for information</li> <li>Liaised with share registry regarding continued supply of services</li> </ul>
<b>Trade on</b> 3.56 hours \$1,317.90	Finalisation of close out of trading obligations	<ul style="list-style-type: none"> <li>Drafted letter to Receivers in respect of Administrators' lien</li> <li>Finalisation of Administrators statement of position for the trading period 8 September 2016 to 18 September 2016</li> </ul>
<b>Investigations</b> 0.63 hours \$439.30	Statutory investigations	<ul style="list-style-type: none"> <li>Finalised preliminary investigations into the affairs of KBL</li> <li>Considered responses from directors legal representatives received</li> </ul>
<b>Administration</b> 86.88 hours \$39,650.41	Correspondence	<ul style="list-style-type: none"> <li>Attended to miscellaneous correspondence with stakeholders in the administration and KBL's affairs</li> <li>Prepared an ASX announcement regarding the outcome of the Initial Second Meeting of Creditors</li> </ul>
	Document maintenance/file review/checklist	<ul style="list-style-type: none"> <li>Maintained administration records including administration files and checklists</li> <li>S439A Report reviewing prior to issuance</li> </ul>
	Bank account administration	<ul style="list-style-type: none"> <li>Prepared monthly bank reconciliations</li> </ul>
	Ongoing planning and project management	<ul style="list-style-type: none"> <li>Determined administration strategy and ongoing general review and oversight of the status and conduct of the administration</li> </ul>
<b>Total hours: 206.12</b> <b>Total \$ excl GST: 88,354.25</b> <b>Less: prospective fees approved for this period at the Second Meeting \$50,000 excl. GST</b> <b>Remaining to be considered \$ excl. GST: 38,354.25</b>		

Source: 29043475\_3/Summary table – Employee task



Resolution 7: Administrators' remuneration for the period 4 February 2017 to 17 March 2017

Administrators' remuneration for the period 4 February 2017 to 17 March 2017		
Task area	General Description	Including, but not limited to:
<b>Assets</b> 4.3 hours \$2,765.00	Cash	<ul style="list-style-type: none"> <li>Managed cash on hand and reconcile cash balances</li> </ul>
<b>Creditors</b> 117.50 hours \$41,812.50	Creditor enquiries	<ul style="list-style-type: none"> <li>Liaised with Committee of Creditors</li> <li>Received, responded to and follow up enquiries from creditors with regard to the Administration process and KBL's affairs</li> <li>Prepared and maintained creditor claims and contact information</li> </ul>
	DOCA	<ul style="list-style-type: none"> <li>Liaised with the Receivers and DOCA proponent in order to understand terms of DOCA proposal</li> <li>Negotiated non-recourse loan to the Company from the Proponent to fund costs associated with administering their proposal</li> <li>Liaised with the DOCA proponent and underwriter regarding underwriting agreement</li> </ul>
	Dealing with proofs of debt and proxies	<ul style="list-style-type: none"> <li>Updated KBL MYOB records for proofs of debt and proxies received from creditors at the Second Meeting of creditors</li> </ul>
	Meetings of Creditors	<ul style="list-style-type: none"> <li>Prepared minutes in respect of Second Meeting of creditors and lodged minutes with ASIC</li> </ul>
	Committee of Creditors	<ul style="list-style-type: none"> <li>Prepared minutes in respect of meeting of the committee of creditors and lodged meeting minutes with ASIC</li> </ul>
	Shareholder enquiries	<ul style="list-style-type: none"> <li>Liaised with shareholders regarding requests for information</li> </ul>
<b>Trade on</b> 11.80 hours \$4,130.00	Finalisation of close out of trading obligations	<ul style="list-style-type: none"> <li>Prepared final responses to suppliers with noted ROT supply</li> <li>Preparation of letter to the Receivers and Managers reading Administrators lien</li> </ul>
<b>Investigations</b> 0.90 hours \$630.00	Investigations into the affairs of the company	<ul style="list-style-type: none"> <li>Responded to queries from secured creditor regarding affairs of the Company</li> </ul>
<b>Administration</b> 50.50 hours \$21,577.50	Correspondence	<ul style="list-style-type: none"> <li>Attended to miscellaneous correspondence with stakeholders in the administration and KBL's affairs</li> <li>Maintenance of KBL related inbox</li> </ul>
	Document maintenance/file review/checklist	<ul style="list-style-type: none"> <li>Maintained administration records including administration files and checklists</li> </ul>
	Bank account administration	<ul style="list-style-type: none"> <li>Prepared monthly bank reconciliations</li> </ul>
	Statutory	<ul style="list-style-type: none"> <li>Preparation and lodgement of BAS</li> </ul>
	Ongoing planning and project management	<ul style="list-style-type: none"> <li>Determined administration strategy and ongoing general review and oversight of the status and conduct of the administration, team planning meetings as required</li> </ul>
<b>Total hours: 185.00</b>		
<b>Total \$ excl GST: 70,915.00</b>		

Source: 29105423\_2/Summary table – Employee task



Resolution 8: Administrators' remuneration for period 18 March 2017 to 6 April 2017\*

Administrators' remuneration for the period 18 March 2017 to 6 April 2017		
Task area	General Description	Including, but not limited to:
<b>Assets</b> 16.85 hours \$6,417.50	Cash	<ul style="list-style-type: none"> <li>Manage cash on hand and reconcile cash balances</li> </ul>
	Other assets	<ul style="list-style-type: none"> <li>Tasks associated with realising other assets</li> </ul>
<b>Creditors</b> 109.53 hours \$41,713.75	Creditor enquiries	<ul style="list-style-type: none"> <li>Liaise with Committee of Creditors</li> <li>Receive, respond to and follow up enquiries from creditors with regard to the Administration process and KBL's affairs</li> <li>Prepare and maintain creditors' claims and contact information</li> </ul>
	DOCA	<ul style="list-style-type: none"> <li>Liaise with the Receivers and DOCA proponent ongoing</li> <li>Finalise underwriting agreement and Administrators' loan</li> </ul>
	Dealing with proofs of debt	<ul style="list-style-type: none"> <li>Receive, process and file informal Proofs of Debt and Proxy forms for the reconvened second meeting</li> <li>Update KBL MYOB with all proofs and proxies received prior to reconvened meeting</li> </ul>
	Meetings of Creditors	<ul style="list-style-type: none"> <li>Prepare logistics for the reconvened second meeting of creditors</li> <li>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</li> <li>Travel to Condobolin to hold and attend second meeting of creditors</li> </ul>
	Creditor reports	<ul style="list-style-type: none"> <li>Prepare this report in accordance with s439A of the Act and all supporting analysis including remuneration reporting</li> <li>Issue this report to creditors and associated administration</li> </ul>
	Committee of Creditors	<ul style="list-style-type: none"> <li>Hold and lodge minutes for a committee of creditors meeting</li> </ul>
	Shareholder enquiries	<ul style="list-style-type: none"> <li>Liaise with shareholders regarding requests for information</li> </ul>
<b>Employees</b> 8.43 hours \$3,208.75	Employee enquiries	<ul style="list-style-type: none"> <li>Receive, respond to and follow up enquiries from employees with regard to the Administration process and KBL's affairs</li> </ul>
<b>Trade on</b> 8.43 hours \$3,208.75	Finalisation of close out of trading obligations	<ul style="list-style-type: none"> <li>Issue letter to Receivers in respect of Administrators' lien and attend to any follow on requests regarding that letter</li> </ul>
<b>Administration</b> 25.28 hours \$9,626.25	Correspondence	<ul style="list-style-type: none"> <li>Attend to miscellaneous correspondence with stakeholders in the administration and KBL's affairs</li> </ul>
	Document maintenance/file review/checklist	<ul style="list-style-type: none"> <li>Maintain administration records including administration files and checklists</li> </ul>
	Statutory	<ul style="list-style-type: none"> <li>Prepare monthly Business Activity Statements</li> <li>Preparing and lodging ASIC forms including 524, 911, 5011</li> </ul>
	Bank account administration	<ul style="list-style-type: none"> <li>Prepare monthly bank reconciliation</li> </ul>
	Ongoing planning and project management	<ul style="list-style-type: none"> <li>Determine administration strategy and ongoing general review and oversight of the status and conduct of the administration</li> </ul>
<p><b>Total hours: 168.50</b>  <b>Total \$ excl GST: 64,175.00</b></p> <p>*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.</p>		

Source: 29044232\_1/Summary table - prospective



*Resolution 9: remuneration for the period being the day following the Reconvened Second Meeting to signing of Deed of Company Arrangement (up to 15 business days) (if applicable)\**

Administrators' remuneration for up to 15 business days to the execution of the DOCA (if applicable)		
Task area	General Description	Including, but not limited to:
<b>Assets</b>  53.40 hours \$24,045.00	DOCA	<ul style="list-style-type: none"> <li>Work associated with effecting the DOCA</li> <li>Work associated with effecting the Administrators' loan from the Proponents</li> <li>Administration associated with the DOCA</li> </ul>
<b>Creditors</b>  22.25 hours \$10,018.75	Creditor enquiries	<ul style="list-style-type: none"> <li>Receive and follow up creditor enquiries via email and telephone</li> <li>Review and prepare correspondence to creditors and their representatives via facsimile, email and post</li> </ul>
	Meetings of Creditors	<ul style="list-style-type: none"> <li>Preparation and lodgement of minutes of meetings with ASIC</li> <li>Responding to stakeholder queries and questions immediately following meeting</li> </ul>
	Committee of Inspection (if appointed)	<ul style="list-style-type: none"> <li>Liaise with Committee as necessary</li> </ul>
	Shareholder enquiries	<ul style="list-style-type: none"> <li>Receive and follow up shareholder enquiries via email and telephone</li> </ul>
<b>Employees</b>  4.45 hours \$2,003.75	Employee enquiries	<ul style="list-style-type: none"> <li>Receive and follow up employee enquiries via email and telephone</li> <li>Review and prepare correspondence to creditors and their representatives via facsimile, email and post</li> </ul>
<b>Administration</b>  8.90 hours \$4,007.50	Correspondence	<ul style="list-style-type: none"> <li>Prepare stakeholder correspondence as required</li> </ul>
	Document maintenance/file review/checklist	<ul style="list-style-type: none"> <li>Maintain administration records including administration files and checklists</li> </ul>
	Bank account administration	<ul style="list-style-type: none"> <li>Prepared monthly bank reconciliations</li> <li>Requesting bank statements</li> </ul>
	Statutory	<ul style="list-style-type: none"> <li>Preparation and lodgement of BAS</li> </ul>
	Ongoing planning and project management	<ul style="list-style-type: none"> <li>Determine administration strategy and ongoing general review and oversight of the status and conduct of the administration, team planning meetings as required</li> </ul>
<b>Total hours: 89.00</b> <b>Total \$ excl GST: 40,075.00</b> *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.		

Source: 29044232\_3/Summary table to DOCA execution



*Resolution 10: remuneration as Deed Administrators for the period from the date of execution of the Deed of Company arrangement to completion (if applicable)\**

Deed Administrators' remuneration from the date of DOCA execution to completion*		
Task area	General Description	Including, but not limited to:
<b>Assets</b>  171.50 hours \$70,376.25	Cash	<ul style="list-style-type: none"> <li>• Receipt and reconciliation of cash received from KBL following capital raising</li> <li>• Receipt of cash following disposal of shares over time</li> <li>• Ongoing reconciliation of cash and distribution to creditors</li> </ul>
	Shares	<ul style="list-style-type: none"> <li>• Receipt of shares following the rights issue</li> <li>• Ongoing disposal of shares over time to monetise position</li> <li>• Receipt of advice on best realisation strategy for shares</li> </ul>
	Noteholders	<ul style="list-style-type: none"> <li>• Arrange for allocation / transfer of shares to noteholders where debt for equity swap is elected</li> </ul>
<b>Creditors</b>  147.00 hours \$60,322.50	Creditor correspondence	<ul style="list-style-type: none"> <li>• Continue to correspond with creditors and provide periodic updates on the progress of the DOCA</li> </ul>
	Noteholders	<ul style="list-style-type: none"> <li>• Write to noteholders with further details on decision to accept a debt for equity swap</li> </ul>
	Processing of proofs of debt	<ul style="list-style-type: none"> <li>• Preparation of correspondence to potential creditors inviting lodgement of POD</li> <li>• Receipt of POD</li> <li>• Maintain POD register</li> <li>• Adjudicating POD</li> <li>• Request further information from claimants regarding POD</li> <li>• Preparation of correspondence to claimant advising outcome of adjudication</li> </ul>
<b>Employees</b>  24.50 hours \$10,053.75	Employee correspondence	<ul style="list-style-type: none"> <li>• Continue to correspond with employees and provide periodic updates on the progress of the DOCA</li> </ul>
	Calculation of entitlements	<ul style="list-style-type: none"> <li>• Calculating employee entitlements</li> <li>• Reviewing employee files and company's books and records</li> <li>• Reconciling superannuation accounts</li> <li>• Reviewing awards</li> <li>• Liaising with solicitors regarding entitlements</li> </ul>
	Adjudication of claims	<ul style="list-style-type: none"> <li>• Write to creditors requesting formal proofs of debt</li> <li>• Detailed adjudication of all employees' claims</li> </ul>
<b>Dividend</b>  98.00 hours \$40,215.00	Creditors (including noteholders)	<ul style="list-style-type: none"> <li>• Preparation of correspondence to creditors advising of intention to declare dividend</li> <li>• Advertisement of intention to declare dividend</li> <li>• Obtain clearance from ATO to allow distribution of company assets</li> <li>• Calculate and pay dividend and all relevant taxes</li> <li>• Preparation of distribution</li> <li>• Preparation of dividend file</li> <li>• Preparation of payment vouchers to pay dividend</li> <li>• Preparation of correspondence to creditors enclosing payment of dividend</li> </ul>
<b>Investigations</b>	Nil	



<b>Administration</b> 49.00 hours \$20,107.50	Manage creditors trust	<ul style="list-style-type: none"> <li>Manage all requirements and obligations as trustee of the creditors trust</li> </ul>
	ASIC and ASX obligations	<ul style="list-style-type: none"> <li>Support KBL through detailed recapitalisation process as set out in appendix to this report</li> </ul>
	Correspondence	<ul style="list-style-type: none"> <li>Miscellaneous correspondence with stakeholders</li> </ul>
	Document maintenance/file review /checklist	<ul style="list-style-type: none"> <li>Filing of documents</li> <li>File reviews</li> <li>Updating checklists</li> </ul>
	Insurance	<ul style="list-style-type: none"> <li>Maintain insurance until deed terminates</li> </ul>
	Bank account administration	<ul style="list-style-type: none"> <li>Preparing correspondence</li> <li>Requesting bank statements</li> <li>Bank account reconciliations</li> <li>Correspondence with bank regarding specific transfers</li> </ul>
	ASIC Lodgements / other forms	<ul style="list-style-type: none"> <li>Preparation and lodgement of all statutory requirements with ASIC</li> <li>Lodge notice that DOCA wholly effectuated</li> </ul>
	Finalisation	<ul style="list-style-type: none"> <li>Notifying ATO of finalisation</li> <li>Cancelling ABN/GST/PAYG registration</li> <li>Completing checklists</li> </ul>
	ATO and other statutory reporting	<ul style="list-style-type: none"> <li>Preparing the BAS</li> </ul>
	Planning / Review	<ul style="list-style-type: none"> <li>Discussions regarding status of deed administration</li> </ul>
<b>Total hours: 490.00</b> <b>Total \$ excl GST: 201,075.00 (capped at 200,000.00 for resolution)</b> *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.		

Source: 29044232\_2/Summary table DOCA





Resolution 11: remuneration as Liquidators for the period from the Reconvened Second Meeting of Creditors\*

Liquidators' remuneration for the period from the Reconvened Second Meeting of Creditors *		
Task area	General Description	Including, but not limited to:
<b>Assets</b>  23.61 hours \$10,000.00	Other assets	<ul style="list-style-type: none"> <li>Tasks associated with realising assets for KBL through litigation</li> </ul>
<b>Creditors</b>  47.23 hours \$20,000.00	Creditor correspondence	<ul style="list-style-type: none"> <li>Liaise with Committee of Inspection (if appointed)</li> <li>Receive, respond to and follow up enquiries from creditors with regard to liquidation</li> <li>Prepare and maintain creditors' claims and contact information</li> </ul>
	Processing of proofs of debt	<ul style="list-style-type: none"> <li>Preparation of correspondence to potential creditors inviting lodgement of POD</li> <li>Receipt of POD</li> <li>Maintain POD register</li> <li>Adjudicating POD</li> <li>Request further information from claimants regarding POD</li> <li>Preparation of correspondence to claimant advising outcome of adjudication</li> </ul>
<b>Employees</b>  23.61 hours \$10,000.00	Employee correspondence	<ul style="list-style-type: none"> <li>Receive, respond to and follow up enquiries from employees with regard to the Administration process and KBL's affairs</li> </ul>
	Calculation of entitlements	<ul style="list-style-type: none"> <li>Calculating employee entitlements</li> <li>Reviewing employee files and company's books and records</li> <li>Reconciling superannuation accounts</li> <li>Reviewing awards</li> <li>Liaising with solicitors regarding entitlements</li> </ul>
	Adjudication of claims	<ul style="list-style-type: none"> <li>Write to creditors requesting formal proofs of debt</li> <li>Detailed adjudication of all employees' claims</li> </ul>
	Fair Entitlements Guarantee Scheme (FEG)	<ul style="list-style-type: none"> <li>Liaising with FEG regarding employee entitlements and claims</li> </ul>
<b>Dividend</b>  11.81 hours \$5,000.00	Dividend procedures	<ul style="list-style-type: none"> <li>Preparation of correspondence to creditors advising of intention to declare dividend</li> <li>Advertisement of intention to declare dividend</li> <li>Obtain clearance from ATO to allow distribution of company assets</li> <li>Calculate and pay dividend and all relevant taxes</li> <li>Preparation of distribution</li> <li>Preparation of dividend file</li> <li>Preparation of payment vouchers to pay dividend</li> <li>Preparation of correspondence to creditors enclosing payment of dividend</li> </ul>
<b>Investigations</b>  118.0.7 hours \$50,000.00	Conducting investigation	<ul style="list-style-type: none"> <li>Collection of company books and records</li> <li>Correspondence with ASIC to receive assistance in obtaining reconstruction of financial statements, company's books and records and Report as to Affairs</li> <li>Reviewing company's books and records</li> <li>Review and preparation of company nature and history</li> <li>Conducting and summarising statutory searches</li> </ul>



		<ul style="list-style-type: none"> <li>• Preparation of comparative financial statements</li> <li>• Preparation of deficiency statement</li> <li>• Review of specific transactions and liaising with directors regarding certain transactions</li> <li>• Liaising with directors regarding certain transactions</li> <li>• Preparation of investigation file</li> <li>• Lodgement of investigation with the ASIC</li> <li>• Preparation and lodgement of supplementary report if required</li> </ul>
	Examinations	<ul style="list-style-type: none"> <li>• Preparing brief to solicitor</li> <li>• Liaising with solicitor(s) regarding examinations</li> <li>• Attendance at examination</li> <li>• Reviewing examination transcripts</li> <li>• Liaising with solicitor(s) regarding outcome of examinations and further actions available</li> </ul>
	Litigation / Recoveries	<ul style="list-style-type: none"> <li>• Internal meetings to discuss status of litigation</li> <li>• Preparing brief to solicitors</li> <li>• Liaising with solicitors regarding recovery actions</li> <li>• Attending to negotiations</li> <li>• Attending to settlement matters</li> </ul>
	ASIC reporting	<ul style="list-style-type: none"> <li>• Preparing statutory investigation reports</li> <li>• Preparing affidavits seeking non lodgements assistance</li> <li>• Liaising with ASIC</li> </ul>
<b>Administration</b> 11.81 hours \$5,000.00	Correspondence	Miscellaneous correspondence with stakeholders
	Document maintenance/file review/checklist	<ul style="list-style-type: none"> <li>• First month, then six monthly administration review</li> <li>• Filing of documents</li> <li>• File reviews</li> <li>• Updating checklists</li> </ul>
	Bank account administration	<ul style="list-style-type: none"> <li>• Preparing correspondence opening and closing accounts</li> <li>• Requesting bank statements</li> <li>• Bank account reconciliations</li> <li>• Correspondence with bank regarding specific transfers</li> </ul>
	ASIC Form 524 and other forms	<ul style="list-style-type: none"> <li>• Preparing and lodging ASIC forms including 505, 524, 911 etc</li> <li>• Correspondence with ASIC regarding statutory forms</li> </ul>
	ATO and other statutory reporting	<ul style="list-style-type: none"> <li>• Preparing BAS</li> <li>• Completing group certificates</li> </ul>
	Finalisation	<ul style="list-style-type: none"> <li>• Notifying ATO of finalisation</li> <li>• Cancelling ABN / GST / PAYG registration</li> <li>• Completing checklists</li> <li>• Finalising WIP</li> </ul>
	Planning / Review	<ul style="list-style-type: none"> <li>• Discussions regarding status of liquidation</li> </ul>
<b>Total hours: 236.13</b> <b>Total \$ excl GST: 100,000</b> *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.		

Source: 29044232\_2/Summary table Liquidation



## Part 4: Calculation of Remuneration

### Resolution 6: Administrators' retrospective additional actual remuneration for the period 14 January 2017 to 3 February 2017

KBL Mining Limited (Administrators Appointed) (Receivers and Managers Appointed) - Administrators' professional fees incurred														
For the period 14 January 2017 to 3 February 2017														
Employee	Position	\$ / Hour (Excl GST)	Total		Assets		Creditors		Trade on		Investigation		Administration	
			Hrs	\$	Hrs	\$	Hrs	\$	Hrs	\$	Hrs	\$	Hrs	\$
Matthew Woods	Appointee	700.00	17.85	12,495.67	3.07	2,147.69	13.95	9,762.25	0.21	146.43	0.63	439.30	-	-
Stephen Vaughan	Appointee	700.00	4.18	2,928.67	-	-	4.18	2,928.67	-	-	-	-	-	-
Darren Lewis	Director	595.00	0.21	124.47	-	-	0.21	124.47	-	-	-	-	-	-
Patrick Lynch	Director	595.00	44.98	26,760.76	-	-	-	-	-	-	-	-	44.98	26,760.76
Darsun Naran	Manager	475.00	1.60	761.80	-	-	1.60	761.80	-	-	-	-	-	-
Matteo Valentini	Executive	350.00	11.02	3,856.09	-	-	4.04	1,415.53	-	-	-	-	6.97	2,440.56
Leah Diprose	Executive	350.00	77.61	27,163.45	-	-	63.04	22,062.68	3.35	1,171.47	-	-	11.23	3,929.30
Olga Litosh	Executive	350.00	11.71	4,100.14	-	-	11.71	4,100.14	-	-	-	-	-	-
Michael Cahill	Analyst	275.00	21.97	6,040.39	-	-	13.25	3,643.41	-	-	-	-	8.72	2,396.98
John Vasilas	Analyst	275.00	14.99	4,122.81	-	-	-	-	-	-	-	-	14.99	4,122.81
<b>Total excluding GST</b>			<b>206.12</b>	<b>88,354.25</b>	<b>3.07</b>	<b>2,147.69</b>	<b>111.99</b>	<b>44,798.95</b>	<b>3.56</b>	<b>1,317.90</b>	<b>0.63</b>	<b>439.30</b>	<b>86.88</b>	<b>39,650.41</b>
GST				8,835.43										
<b>Total including GST</b>				<b>97,189.68</b>										
Average Hourly Rate				471.51		700.00		400.04		370.59		700.00		456.36
Percentage Split per Phase						2.43%		50.70%		1.49%		0.50%		44.88%
Less fees already approved for period				(50,000.00)										
Remaining fees for period (excl. GST)				38,354.25										

Source: 29043475\_3/Summary table – Employee task



Resolution 7: Administrators' remuneration for 4 February 2017 to 17 March 2017

KBL Mining Limited (Administrators Appointed) (Receivers and Managers Appointed) - Administrators' professional fees Incurred														
For the period 4 February 2017 to 17 March 2017														
Employee	Position	\$ / Hour (Excl GST)	Total		Assets		Creditors		Trade on		Investigation		Administration	
			Hrs	\$	Hrs	\$	Hrs	\$	Hrs	\$	Hrs	\$	Hrs	\$
Matthew Woods	Appointee	700.00	7.80	5,460.00	3.60	2,520.00	2.70	1,890.00	-	-	0.90	630.00	0.60	420.00
Stephen Vaughan	Appointee	700.00	0.40	280.00	-	-	-	-	-	-	-	-	0.40	280.00
Patrick Lynch	Director	595.00	17.50	10,412.50	-	-	4.00	2,380.00	-	-	-	-	13.50	8,032.50
Ben Brokken	Associate Director	525.00	3.50	1,837.50	-	-	-	-	-	-	-	-	3.50	1,837.50
Darsun Naran	Manager	475.00	0.30	142.50	-	-	-	-	-	-	-	-	0.30	142.50
Matteo Valentini	Executive	350.00	0.70	245.00	0.70	245.00	-	-	-	-	-	-	-	-
Leah Diprose	Executive	350.00	131.40	45,990.00	-	-	93.30	32,655.00	11.80	4,130.00	-	-	26.30	9,205.00
Olga Litosh	Executive	350.00	1.50	525.00	-	-	1.00	350.00	-	-	-	-	0.50	175.00
Neil Nguyen	Analyst	275.00	6.60	1,815.00	-	-	1.20	330.00	-	-	-	-	5.40	1,485.00
Barbara Kekatos	Analyst	275.00	0.80	220.00	-	-	0.80	220.00	-	-	-	-	-	-
Michael Cahill	Analyst	275.00	14.50	3,987.50	-	-	14.50	3,987.50	-	-	-	-	-	-
<b>Total excluding GST</b>			<b>185.00</b>	<b>70,915.00</b>	<b>4.30</b>	<b>2,765.00</b>	<b>117.50</b>	<b>41,812.50</b>	<b>11.80</b>	<b>4,130.00</b>	<b>0.90</b>	<b>630.00</b>	<b>50.50</b>	<b>21,577.50</b>
GST				7,091.50										
<b>Total including GST</b>				<b>78,006.50</b>										
Average Hourly Rate				421.66			643.02	355.85		350.00		700.00		427.28
Percentage Split per Phase							3.90%	58.96%		5.82%		0.89%		30.43%

Source: 29105423\_2/Summary Table – employee task

Resolution 8: Administrators' remuneration for 18 March 2017 to 6 April 2017\*

KBL Mining Limited (Administrators Appointed) (Receivers and Managers Appointed) - Administrators' prospective remuneration													
For the period 18 March 2017 to 6 April 2017													
Position	\$ / Hour (Excl GST)	Total		Assets		Creditors		Employees		Trade on		Administration	
		Hrs	\$	Hrs	\$	Hrs	\$	Hrs	\$	Hrs	\$	Hrs	\$
Appointee	700.00	15.50	10,850.00	1.55	1,085.00	10.08	7,052.50	0.78	542.50	0.78	542.50	2.33	1,627.50
Associate Director	525.00	18.00	9,450.00	1.80	945.00	11.70	6,142.50	0.90	472.50	0.90	472.50	2.70	1,417.50
Executive	350.00	90.00	31,500.00	9.00	3,150.00	58.50	20,475.00	4.50	1,575.00	4.50	1,575.00	13.50	4,725.00
Analyst	275.00	45.00	12,375.00	4.50	1,237.50	29.25	8,043.75	2.25	618.75	2.25	618.75	6.75	1,856.25
<b>Total excluding GST</b>		<b>168.50</b>	<b>64,175.00</b>	<b>16.85</b>	<b>6,417.50</b>	<b>109.53</b>	<b>41,713.75</b>	<b>8.43</b>	<b>3,208.75</b>	<b>8.43</b>	<b>3,208.75</b>	<b>25.28</b>	<b>9,626.25</b>
GST			6,417.50										
<b>Total including GST</b>			<b>70,592.50</b>										
Average Hourly Rate			380.86		380.86		380.86		380.86		380.86		380.86
Percentage Split per Phase					10.00%		65.00%		5.00%		5.00%		15.00%

Source: 29044232\_2/Summary Table - prospective



*Resolution 9: remuneration for the period being the day following the Reconvened Second Meeting to signing of Deed of Company Arrangement (up to 15 business days) (if applicable)\**

KBL Mining Limited (Administrators Appointed) (Receivers and Managers Appointed) - remuneration from date of second meeting to DOCA execution											
Position	\$ / Hour (Excl GST)	Total		Assets		Creditors		Employees		Administration	
		Hrs	\$	Hrs	\$	Hrs	\$	Hrs	\$	Hrs	\$
Appointee	700.00	15.00	10,500.00	9.00	6,300.00	3.75	2,625.00	0.75	525.00	1.50	1,050.00
Director	595.00	15.00	8,925.00	9.00	5,355.00	3.75	2,231.25	0.75	446.25	1.50	892.50
Executive	350.00	59.00	20,650.00	35.40	12,390.00	14.75	5,162.50	2.95	1,032.50	5.90	2,065.00
Analyst	275.00	15.00	4,125.00	9.00	3,150.00	3.75	1,312.50	0.75	262.50	1.50	525.00
<b>Total excluding GST</b>		<b>89.00</b>	<b>40,075.00</b>	<b>53.40</b>	<b>24,045.00</b>	<b>22.25</b>	<b>10,018.75</b>	<b>4.45</b>	<b>2,003.75</b>	<b>8.90</b>	<b>4,007.50</b>
GST			4,007.50								
<b>Total including GST</b>			<b>44,082.50</b>								
Average Hourly Rate			450.28		450.28		450.28		450.28		450.28
Percentage Split per Phase					60.00%		25.00%		5.00%		10.00%

Source: 29044232\_2//Summary Table to DOCA execution

*Resolution 10: remuneration as Deed Administrators for the period from the date of execution of the Deed of Company Arrangement to completion\**

KBL Mining Limited (Administrators Appointed) (Receivers and Managers Appointed) - Deed Administrators' prospective remuneration													
Position	\$ / Hour (Excl GST)	Total		Assets		Creditors		Employees		Dividend		Administration	
		Hrs	\$	Hrs	\$	Hrs	\$	Hrs	\$	Hrs	\$	Hrs	\$
Appointee	700.00	25.00	17,500.00	8.75	6,125.00	7.50	5,250.00	1.25	875.00	5.00	3,500.00	2.50	1,750.00
Director	595.00	85.00	50,575.00	29.75	17,701.25	25.50	15,172.50	4.25	2,528.75	17.00	10,115.00	8.50	5,057.50
Executive	350.00	380.00	133,000.00	133.00	46,550.00	114.00	39,900.00	19.00	6,650.00	76.00	26,600.00	38.00	13,300.00
<b>Total excluding GST</b>		<b>490.00</b>	<b>201,075.00</b>	<b>171.50</b>	<b>70,376.25</b>	<b>147.00</b>	<b>60,322.50</b>	<b>24.50</b>	<b>10,053.75</b>	<b>98.00</b>	<b>40,215.00</b>	<b>49.00</b>	<b>20,107.50</b>
GST			20,107.50										
<b>Total including GST</b>			<b>221,182.50</b>										
Average Hourly Rate			410.36		410.36		410.36		410.36		410.36		410.36
Percentage Split per Phase					35.00%		30.00%		5.00%		20.00%		10.00%

Source: 29044232\_2//Summary Table DOCA

Please note: the resolution included in this report in respect of this period is capped for approval of actual fees up to a maximum of \$200k plus GST and disbursements.



Resolution 11: remuneration as Liquidators for the period from the Reconvened Second Meeting of Creditors\*

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	\$
Appointee	700.00	14.29	10,000.00	1.43	1,000.00	2.86	2,000.00	1.43	1,000.00	0.71	500.00	7.14	5,000.00	0.71	500.00
Director	595.00	50.42	30,000.00	5.04	3,000.00	10.08	6,000.00	5.04	3,000.00	2.52	1,500.00	25.21	15,000.00	2.52	1,500.00
Executive	350.00	171.43	60,000.00	17.14	6,000.00	34.29	12,000.00	17.14	6,000.00	8.57	3,000.00	85.71	30,000.00	8.57	3,000.00
<b>Total excluding GST</b>		<b>236.13</b>	<b>100,000.00</b>	<b>23.61</b>	<b>10,000.00</b>	<b>47.23</b>	<b>20,000.00</b>	<b>23.61</b>	<b>10,000.00</b>	<b>11.81</b>	<b>5,000.00</b>	<b>118.07</b>	<b>50,000.00</b>	<b>11.81</b>	<b>5,000.00</b>
GST			10,000.00												
<b>Total including GST</b>			<b>110,000.00</b>												
Average Hourly Rate			423.49		423.49		423.49		423.49		423.49		423.49		423.49
Percentage Split per Phase					10.00%		20.00%		10.00%		5.00%		50.00%		5.00%

Source: 29044232\_3/Summary Table Liquidation

\* Note: fees included at this resolution 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.

## Part 5: Statement of remuneration claim and proposed resolutions

This section details the resolutions that creditors will be asked to consider at the forthcoming meeting of creditors.

### Resolution 6

Administrators' additional remuneration for the period 14 January 2017 to 3 February 2017	
<b>Company:</b>	<i>KBL Mining Limited (Administrators Appointed) (Receivers and Managers Appointed)</i>
<b>Practitioner:</b>	Stephen Vaughan and Matthew Woods
<b>Period:</b>	14 January 2017 to 3 February 2017
<b>Firm:</b>	KPMG
<b>Administration type:</b>	Voluntary Administration
<b>Proposed resolution:</b>	That additional remuneration of the Administrators in respect of KBL Mining Limited (Administrators Appointed) (Receivers and Managers Appointed) for the period 14 January 2017 to 3 February 2017 be approved in 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, of \$38,354.25 plus GST and disbursements, and that such fees are authorised for payment from the assets of the Company or creditors trust established under the DOCA.

### Resolution 7

Administrators' remuneration for the period 4 February 2017 to 17 March 2017	
<b>Company:</b>	<i>KBL Mining Limited (Administrators Appointed) (Receivers and Managers Appointed)</i>
<b>Practitioner:</b>	Stephen Vaughan and Matthew Woods
<b>Period:</b>	4 February 2017 to 17 March 2017
<b>Firm:</b>	KPMG
<b>Administration type:</b>	Voluntary Administration
<b>Proposed resolution:</b>	That the remuneration of the Administrators in respect of KBL Mining Limited (Administrators Appointed) (Receivers and Managers Appointed) for the period 4 February 2017 to 17 March 2017 be approved 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, of \$70,915.00 plus GST and disbursements, and that such fees are authorised for payment from the assets of the Company or creditors trust established under the DOCA.

## Resolution 8

Administrators' prospective remuneration for the period 18 March 2017 to 6 April 2017	
<b>Company:</b>	<i>KBL Mining Limited (Administrators Appointed) (Receivers and Managers Appointed)</i>
<b>Practitioner:</b>	Stephen Vaughan and Matthew Woods
<b>Period:</b>	18 March 2017 to 6 April 2017
<b>Firm:</b>	KPMG
<b>Administration type:</b>	Voluntary Administration
<b>Proposed resolution:</b>	That the prospective remuneration of the Administrators of KBL Mining Limited (Administrators Appointed) (Receivers and Managers Appointed) for the period 18 March 2017 to 6 April 2017 (the date of this meeting) be approved up to a maximum of \$65,000.00, 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 or creditors trust established under the DOCA.

Please note that the above is an estimate of time costs to the date of the reconvened second meeting. If costs exceed the estimate, creditors will be advised accordingly and further approval of the Administrators remuneration may be sought in the future.

## Resolution 9 (if applicable)

Administrators' prospective remuneration for the period being the day following the Reconvened Second Meeting to signing of Deed of Company Arrangement (up to 15 business days)	
<b>Company:</b>	<i>KBL Mining Limited (Administrators Appointed) (Receivers and Managers Appointed)</i>
<b>Practitioner:</b>	Stephen Vaughan and Matthew Woods
<b>Period:</b>	Date of Reconvened Second Meeting up to a total of 15 business days
<b>Firm:</b>	KPMG
<b>Administration type:</b>	Voluntary Administration
<b>Proposed resolution:</b>	That the prospective remuneration of the Administrators of KBL Mining Limited (Administrators Appointed) (Receivers and Managers Appointed) for the period following the date of this meeting up to 15 business days be approved up to a maximum of \$40,075.00, 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 or creditors trust established under the DOCA.



*Resolution 10 (if applicable)*

<b>Remuneration as Deed Administrators for the period from the date of execution of the DOCA to completion</b>	
<b>Company:</b>	<i>KBL Mining Limited (Administrators Appointed) (Receivers and Managers Appointed)</i>
<b>Practitioner:</b>	Stephen Vaughan and Matthew Woods
<b>Period:</b>	Date of executed DOCA to completion of DOCA
<b>Firm:</b>	KPMG
<b>Administration type:</b>	Deed Administration
<b>Proposed resolution:</b>	That the remuneration of the Deed Administrators of KBL Mining Limited (Administrators Appointed) (Receivers and Managers Appointed) for the period following execution of the DOCA onwards be approved up to a maximum amount \$200,000 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 or creditors trust established under the DOCA.

If, through the course of administering the deed fund, costs exceed the estimate, creditors will be advised accordingly and further approval of the Deed Administrator's remuneration may be sought in the future from either a Committee of Inspection or creditors generally.

*Resolution 11 (if applicable)*

<b>Remuneration as Liquidators for the period being following the close of the Reconvened Second Meeting to liquidation completion</b>	
<b>Company:</b>	<i>KBL Mining Limited (Administrators Appointed) (Receivers and Managers Appointed)</i>
<b>Practitioner:</b>	Stephen Vaughan and Matthew Woods
<b>Period:</b>	Date of Reconvened Second Meeting onwards
<b>Firm:</b>	KPMG
<b>Administration type:</b>	Deed Administration
<b>Proposed resolution:</b>	That the remuneration of the Liquidators of KBL Mining Limited (Administrators Appointed) (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.

## Part 6: Remuneration recoverable 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, in the case of KBL, is applied during the period up to the appointment of Receivers and Managers.

In accordance with the above, the Administrators have written 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, no amounts have yet be paid in respect of this request.

## Part 7: Disbursements

At the date of writing this report, the Administrators have not been paid any of their disbursements by the Administration since their appointment. We provide a summary below of disbursements that the Administrators intend to be paid by the Administration in due course.

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

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 such as travel, accommodation and search fees - these are recovered at cost.
- 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.

The following disbursements have been paid by the Administrators' firm for the period 8 September 2016 to 3 March 2017, but have not yet been paid by the Administration in reimbursement to the Administrators. As these amounts have not yet been reimbursed to the Administrators, the below transactions do not appear in the receipts and payments listing attached to this report as Appointee disbursements. Once paid, they will appear in future receipts and payments as Appointee disbursements. Where payments to third parties are paid directly from the Administration bank account, they are only included in the attached listing of receipts and payments.

Summary of Administrators' costs incurred and not yet reimbursed by the Company		
Item	Basis	\$'000
Travel and Airfares	At cost	13.2
Creditor meetings costs	At cost	3.9
Taxi costs	At cost	2.9
Creditor mailing costs	At cost	5.0
Other costs	At cost	1.5
<b>Total disbursements paid and not yet reimbursed</b>		<b>26.4</b>

Source: 29116337\_1/Total expenses to date

Certain of the aforementioned costs 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 have submitted a claim to the Receivers and Managers for reimbursement of \$13,274.41 of the above costs, which the

Administrators expect to be paid in due course. The remainder of the costs will be claimed as disbursements from funding available in the course of the Administration.

Future disbursements provided by my firm will be charged to the administration 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 8: Report on Progress of the Administration

We refer creditors to the s439A Report to creditors dated 25 January 2017 and the Supplementary s439A Report to which this remuneration report is appended for a report on the progress of the Administration of KBL.

## Part 9: Summary of Receipt and Payments

Provided below is a summary of receipts and payments to and from the Administration bank account for the period 8 September 2016 to 23 March 2017.

KBL Mining Limited - receipts and payments	
Item	\$
<b>Receipts</b>	
Transfer from pre-appointment bank accounts	108,658.88
Contributions from Receivers and Managers	31,711.00
Income from sale of dore	131,763.97
<b>Total receipts</b>	<b>272,133.85</b>
<b>Payments</b>	
Wages and salaries	(93,382.74)
Contractors	(6,731.26)
PAYG paid	(31,711.00)
Superannuation paid	-
Disbursements - Link Market Services	(18,446.51)
<b>Total payments</b>	<b>(150,271.51)</b>
<b>Cash at bank</b>	<b>121,862.34</b>

Source: 29109478\_3/R&P

## Part 10: Queries

Should creditors have any queries in respect to the matters discussed in this report, please contact us via email at [au-fm-kbl-mining@kpmg.com.au](mailto:au-fm-kbl-mining@kpmg.com.au).

## Part 11: Information Sheet

Creditor information sheet: 'Approving remuneration in an external administration' is attached. This information sheet provides further general information in respect to assessing and approving remuneration in external administrations.



## 7. Contact us

### **Matthew Woods**

**Joint & Several Administrator of KBL Mining Limited**

Partner – Restructuring Services

### **Stephen Vaughan**

**Joint & Several Administrator of KBL Mining Limited**

Director – Restructuring Services

### **Leah Diprose**

Executive – Restructuring Services

Please direct queries regarding KBL Mining Limited to [au-fm-kbl-mining@kpmg.com.au](mailto:au-fm-kbl-mining@kpmg.com.au) and continue to monitor the KBL Mining Limited ASX Announcements for further updates regarding the Administration

**[www.kpmg.com.au](http://www.kpmg.com.au)**

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