

CIRCULAR TO CREDITORS AND SUPPLIERS

20 January 2016

Dear Sir/Madam

RE: Queensland Nickel Pty. Ltd. (Administrators Appointed) ('the Company') ACN 009 842 068

John Park, Kelly-Anne Trenfield, Stefan Dopking and Quentin Olde were appointed Administrators of the Company on 18 January 2016 pursuant to Section 436A of the *Corporations Act 2001 (Cth)* ('the Act'). The Company's records available to us indicate that you may be a creditor of the Company. The Administrators have entered into possession and now have control of the assets of the Company.

1. Voluntary Administration

A Voluntary Administration is a process under the Corporations Act 2001 that allows companies breathing space to work out the best outcome for all stakeholders. The process involves the Voluntary Administrators calling creditors meetings over the next month at which creditors decide the future of the Company. The creditors will determine if the Company:

1. be returned to the directors;
2. be placed into liquidation;
3. enter into a Deed of Company Arrangement.

The Company operates the Palmer Nickel and Cobalt Refinery in Yabulu, which is 25 kilometres north-west of Townsville, Queensland.

2. Trading

We are currently assessing the financial position of the Company with a view to developing a plan for the future of the Company for consideration by creditors. Whilst this assessment is continuing, we intend to continue to trade the Company since we consider this to be in the best interests of all parties concerned and ask for your support in this regard.

Once the Administrators have completed the assessment and formulated a strategy, the future for the Company and the position of all creditors and stakeholders can be better determined. Further advice in this regard will be provided at the first meeting of creditors.

FTI Consulting (Australia) Pty Limited

ABN 49 160 397 811 | ACN 160 397 811

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We request your assistance in implementing the steps outlined below:

1. Close your accounts with the Company in respect of goods supplied and/or services rendered up to 18 January 2016.
2. Open a new account in respect of the Company (including the suffix '(Administrators Appointed)') for all goods supplied and services rendered to the Company at our request.
3. Suppliers' new accounts will be paid in accordance with your usual trading terms.

In the interim, whilst the electronic SAP order approval process is amended, orders for such supplies must be made on the official order form of the Company and signed by the Administrators or our authorised representatives. Specimen signatures of the authorised representatives are ***enclosed** to this report.

If any orders were placed with you by the Company prior to our appointment and have not yet been completed, these orders should not be completed until a new order form (in accordance with the above interim authorisation procedures) is received confirming the goods and/or services are still required by the Administrators. Please contact your usual Company point of contact to seek clarification if the order is required. The Company employees will then liaise with the Administrators operational team to coordinate a new purchase order.

A separate communication will be provided once the electronic SAP order approval process has been amended to allow for the Administrators and their staff to review and authorise purchases.

3. Pre-Appointment Claims

As Administrators, we are not in a position to discharge debts incurred by the Company prior to the date of our appointment. These debts rank as unsecured claims against the Company. Payment of these amounts is dependent on the outcome of the administration. In order to assist in determining the financial position of the Company, please forward details of the amount owing to you by the Company as at the date of our appointment at your earliest convenience.

Payments made by the Administrators must be applied against debts incurred by the Administrator and cannot be applied against any pre-appointment debt of the Company to you.

4. Lease and Hire Purchase Creditors

Responsibility for liabilities under hire purchase or lease agreements will not commence until 25 January 2016, pursuant to Section 443B of the Act. Further, pursuant to Section 440B of the Act, **the lessor or owner of the property in the control of the company is not able to take possession of the property without leave of the court or the Administrators' written consent.** The urgent advice of lease and hire creditors, detailing the property subject to any relevant agreement would be appreciated.

5. Retention of Title Claims

If you are claiming title to any goods delivered to the Company pursuant to a contract or the Personal Property Securities Act or any lien over goods in your possession which are the property of the Company, details of your claim should be forwarded to our office as soon as possible.

Pursuant to Section 440B of the Corporations Act, with the exception of perishable goods, those creditors seeking to enforce a claim over goods provided to the Company prior to our appointment are precluded from recovering the goods for the period of the Administration without obtaining the written consent of the Administrators or alternatively, leave of the Court.

6. Meeting of Creditors

When a company enters into Voluntary Administration, the Administrators are required to convene a first meeting of creditors within eight (8) business days after the commencement of the voluntary administration. In this regard, please find ***enclosed** the following documents:

1. Form 529A, "Notice of First Meeting of Creditors of Company under Administration";
2. Form 532, "Appointment of Proxy"; and
3. "Proof of Debt for Voting Purposes".

The First Meeting of Creditors pursuant to Section 436E of the Act will be held on **Friday 29 January 2016 at Ballroom 1 & 2, The Ville Resort-Casino, Sir Leslie Thiess Drive, Townsville QLD 4810 at 11:00am**. Registration for the meeting will open at 9:30am. We request that you arrive at least 1 hour prior to the commencement of the meeting. The purpose of this meeting is to determine:

1. whether to appoint a committee of creditors; and
2. if so, who are to be the committee's members.

Also ***enclosed** is a Form 532, Appointment of Proxy. If you intend to appoint another person to act on your behalf at the meeting, or you are a corporate creditor, you are required to complete and return the enclosed proxy form appointing your representative to Link Insolvency Solutions at Locked Bag A14, Sydney South, NSW, 1235, by fax to (02) 9287 0309 or by emailing queenslandnickel@linkmarketservices.com.au no later than 9:30am on Thursday, 28 January 2016.

If you are representing a company, please ensure that either the proxy is executed pursuant to Section 127 of the Act or your representative is appointed pursuant to Section 250D of the Act, otherwise you will not be entitled to vote at the meeting.

Creditors are required to lodge proofs of debt no later than 9:30am on Thursday, 28 January 2016, failing which they may be excluded from voting at the meeting. A Form 535, Formal Proof of Debt or Claim is ***enclosed** for this purpose. Proofs of Debt may be sent to Link Insolvency Solutions at Locked Bag A14, Sydney South, NSW, 1235, by fax to (02) 9287 0309 or by emailing queenslandnickel@linkmarketservices.com.au no later than 9:30am on Thursday, 28 January 2016.

A second meeting of creditors will be held, at which creditors will vote on the future of the Company. Details of that meeting and a Report to Creditors on the Company's business, property, affairs and financial circumstances will be sent to you in due course.

7. Administrators' background

We are Senior Managing Directors in the firm FTI Consulting, which is a specialist advisory firm including business workouts and reconstruction. Our personal profiles as well as detailed information about FTI Consulting can be found on our website www.fticonsulting.com. If you do not have internet access and would like further background information, please contact our office.

8. Declaration of Independence, Relevant Relationships and Indemnities

The Administrators have had no prior involvement with the Company, its directors or any related party which would preclude us from accepting the appointment. Prior to their appointment, the Administrators' contact with the Company has been to discuss the position, affairs and options going forward, and to prepare for the orderly conduct of the administration and to assess the risks of accepting an appointment as voluntary administrators.

Further, we advise that we have had no prior involvement with the Company's secured creditor or any critical trade supplier in advising such parties concerning the Company.

Please refer to the ***enclosed** Declaration of Independence, Relevant Relationships and Indemnities for further details.

9. Administrators' Remuneration and Disbursements

The Administrators propose that our remuneration is calculated on a time basis as it ensures that only the actual work performed is charged for. Please refer to the ***enclosed** Initial Advice to Creditors – Basis of Remuneration for an explanation of the different remuneration methods and a schedule of the firm's hourly rates.

The Administrators' fees are subject to the approval of creditors.

If creditors have any information or specific queries they believe may be relevant to the Administration of the Company or assist in the Administrators' investigations into the affairs of the Company, please submit that information or those queries to the Administrators in writing.

***Enclosed** is an information sheet titled 'Insolvency Information for Directors, Employees, Creditors and Shareholders'. Further information sheets may be found at www.asic.gov.au/insolvencyinfosheets.

Should you have any queries in this matter, please contact this office on either (07) 3225 4900 or at:

Creditors - QNCreditors@fticonsulting.com

Employees - QNEmployees@fticonsulting.com

Yours faithfully
FTI Consulting










John Park
Administrator

***Encl.**

Our ref: MWW_449063.0002r1.doc

Queensland Nickel Pty. Ltd.
(Administrators Appointed)
ACN 009 842 068
('the Company')

Authorised Signatures

Authorised Representative	Authorisation Limit	Signature
John Park	Unlimited	
Kelly-Anne Trenfield	Unlimited	
Stefan Dopking	Unlimited	
Andrew Bantock	Unlimited	
Andrew Weatherley	\$100,000	
Christine Stead	\$100,000	
John Colwell	\$500	

Form 529A

Corporations Act 2001 (Cth)

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

**Queensland Nickel Pty. Ltd.
(Administrators Appointed)
ACN 009 842 068
("the Company")**

NOTICE IS HEREBY GIVEN that Kelly-Anne Trenfield, John Park, Stefan Dopking of FTI Consulting, 22 Market Street, Brisbane, Queensland and Quentin Olde of FTI Consulting, Level 15, 50 Pitt Street, Sydney, New South Wales, were appointed Administrators of the above Company on 18 January 2016 pursuant to Section 436A of the Corporations Act 2001 (*Cth*).

NOTICE IS ALSO GIVEN that the First Meeting of Creditors of the Company will be held on 29 January 2016 at Ballroom 1 & 2, The Ville Resort-Casino, Sir Leslie Thiess Drive, Townsville QLD 4810 commencing at 11:00am. Registration for the meeting will open at 9:30am.

AGENDA

1. The purpose of the meeting is to determine:-
 - a) whether to appoint a Committee of Creditors; and
 - b) if so, who are to be the Committee's members.

2. At the meeting, creditors may also, by resolution:-
 - a) remove the Administrators from office; and
 - b) appoint someone else as Administrator(s) of the Company.

Creditors wishing to vote at the meeting, who will not be attending in person or are a company, must complete and return a Proxy Form by no later than **9:30 AM** on 28 January 2016, by post to Link Insolvency Solutions at Locked Bag A14, Sydney South, NSW, 1235, by fax to (02) 9287 0309 or by emailing queenslandnickel@linkmarketservices.com.au no later than 9:30am on Thursday, 28 January 2016. A form of proxy is ***enclosed**.

Dated 20 January 2016



**John Park
Administrator**

Queensland Nickel Pty. Ltd.
ACN 009 842 068
(Administrators Appointed)
("the Company")

DECLARATION OF INDEPENDENCE, RELEVANT RELATIONSHIPS, AND INDEMNITIES

This document requires the Practitioner(s) appointed to an insolvent entity to make declarations as to:

- A. Their independence generally;
- B. Relationships, including
 - i. The circumstances of the appointment;
 - ii. Any relationships with the Company and others within the previous 24 months;
 - iii. Any prior professional services for the Company within the previous 24 months;
 - iv. Any other relationships to declare; and
- C. Any indemnities given, or up-front payments made, to the Practitioner.

This declaration is made in respect of myself, my fellow Senior Managing Directors, and FTI Consulting (Australia) Pty Ltd ("FTI Consulting" or "Firm") and associated entities.

A. INDEPENDENCE

We Kelly-Anne Trenfield, Stefan Dopking, Quentin Olde and John Park of FTI Consulting have undertaken a proper assessment of the risks to our independence prior to accepting the appointment as Voluntary Administrators of the Company in accordance with the law and applicable professional standards. This assessment identified no real or potential risks to our independence. We are not aware of any reasons that would prevent us from accepting this appointment.

B. DECLARATION OF RELATIONSHIPS

i. Circumstances of appointment

This appointment was referred to FTI Consulting by Clive Palmer.

There are no conditions on the conduct or outcome of this administration arising from the referral, including no fees/commissions, agreements for work in the administration, or other benefits.

On 11 October 2015, Lachlan McIntosh and Oliver Schweizer of FTI Consulting met with the

Director of the Company, Senior Company Executives and Clive Palmer to discuss the Company's financial position, near term financial forecast and the possibility of arranging near-term funding for the Queensland Nickel Group of Companies. Discussions with the Queensland Nickel Group of Companies and about possible funding ceased on 18 October 2015. There was no formal appointment and FTI Consulting did not receive any remuneration.

On 3 January 2016, Lachlan McIntosh received a call from Clive Palmer requesting a meeting to discuss the potential appointment of voluntary administrators. On 4 January 2016, Lachlan McIntosh met with Clive Palmer to discuss the voluntary administration process.

On 8 January 2016, Lachlan McIntosh and Oliver Schweizer of FTI Consulting met with the Director of the Company, Senior Company Executives and Clive Palmer to discuss the Company's financial position, the possible appointment of voluntary administrators and other alternatives available to the Company.

On 10 January 2016, Lachlan McIntosh, Oliver Schweizer and John Park of FTI Consulting met with the Director of the Company, Senior Company Executives and Clive Palmer with the purpose of the meeting being:

- (a) To obtain sufficient information about the Company to enable discussion around the financial position of the Company; and
- (b) To explain the various forms of insolvency appointments, the options available, and the consequences of an insolvency appointment.

On 11 January 2016, Oliver Schweizer of FTI Consulting met with the Chief Financial Officer of the Company to discuss the future cash flow of the Company. On the same day, Lachlan McIntosh of FTI Consulting met with Clive Palmer to discuss the potential appointment of voluntary administrators.

Between 11 January 2016 and 13 January 2016, Kelly-Anne Trenfield, Andrew Bantock, Stefan Dopking and John Park from FTI Consulting attended the Queensland Nickel refinery plant in Yabulu Qld to meet with key management of the Company to undertake a commercial due diligence to assess the risk to FTI Consulting of a voluntary administration appointment.

On 13 January 2016 Lachlan McIntosh, Oliver Schweizer and John Park of FTI Consulting met with the Director of the Company, Senior Company Executives and Clive Palmer to further discuss the potential voluntary administration appointment.

On 14 January 2016 and 15 January 2016, Lachlan McIntosh of FTI Consulting met with Clive Palmer to discuss various aspects of the potential voluntary administration appointment.

Between 4 January 2016 and 17 January 2016, various telephone conversations occurred between John Park, Lachlan McIntosh, Stefan Dopking and Oliver Schweizer of FTI Consulting and the Director of the Company, Senior Company Executives and Clive Palmer to discuss the aspects of a potential Voluntary Administration.

We have received no remuneration for the above described work and advice.

In our opinion, these meetings do not affect our independence for the following reasons:

- (a) The Courts and relevant professional bodies recognise the need for practitioners to provide advice on the insolvency process and the options available and do not consider that such advice results in a conflict or is an impediment to accepting the appointment;
- (b) The nature of the advice provided to the Company is such that it would not be subject to review and challenge during the course of our appointment;
- (c) No advice has been given to the directors in their capacity as directors of the Company, or in relation to their personal circumstances; and
- (d) The pre-appointment advice will not influence our ability to be able to fully comply with the statutory and fiduciary obligations associated with the appointment as Voluntary Administrators of the Company in an objective and impartial manner.

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

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

We, or a member of our Firm, have, or have had within the preceding 24 months, a relationship with:

Name	Nature of relationship	Reasons
Deputy Commissioner of Taxation (Australian Taxation Office – ATO)	Certain Senior Managing Directors of FTI Consulting will, from time to time, act as Official Liquidators to unrelated companies which have been wound up in insolvency by the ATO. This work arises from certain Senior Managing Directors being members of a panel of	<p>We believe that this relationship does not result in a conflict of interest or duty because:</p> <ul style="list-style-type: none"> ▪ In liquidations where the ATO is an unsecured creditor, we do not act directly on their behalf; rather there are duties to all creditors as a whole. ▪ There are no conditions on

Name	Nature of relationship	Reasons
	<p>insolvency practitioners maintained by the ATO. This panel includes practitioners from firms other than FTI Consulting.</p>	<p>the conduct or outcomes of any engagements arising from the panel arrangements.</p> <ul style="list-style-type: none"> ▪ The work that FTI Consulting undertakes in these circumstances will not influence our ability to be able to fully comply with the statutory and fiduciary obligations associated with our appointment as Voluntary Administrators of the Company in an objective and impartial manner.
BOQ Finance (Aust) Limited	<p>FTI Consulting has relationships with the secured party due to the nature of business advisory, consulting and insolvency work the firm undertakes.</p> <p>This includes acting in receivership appointments and performing independent business review roles, where the secured party has provided banking, loan, lease (or similar) facilities to companies and individuals.</p>	<p>We believe that this relationship does not result in a conflict of interest or duty because:</p> <ul style="list-style-type: none"> ▪ FTI Consulting has not been engaged by the secured party to undertake work or perform services in respect of the Company. ▪ The work that FTI Consulting undertakes for the secured party from time to time will not influence our ability to be able to fully comply with the statutory and fiduciary obligations associated with our appointment as Voluntary Administrators of the Company in an objective and impartial manner.

Name	Nature of relationship	Reasons
Coates Hire Operations Pty Ltd	<p>FTI Consulting has a relationship with the secured party due to the nature of business advisory, consulting and insolvency work the firm undertakes.</p> <p>This includes acting in Court liquidation appointments, where the secured party has provided lease (or similar) facilities to companies.</p>	<p>We believe that this relationship does not result in a conflict of interest or duty because:</p> <ul style="list-style-type: none"> ▪ FTI Consulting has not been engaged by the secured party to undertake work or perform services in respect of the Company. ▪ The work that FTI Consulting undertakes for the secured party from time to time will not influence our ability to be able to fully comply with the statutory and fiduciary obligations associated with our appointment as Voluntary Administrators of the Company in an objective and impartial manner.
Macquarie Leasing Pty Ltd	<p>FTI Consulting has relationships with the secured party due to the nature of business advisory, consulting and insolvency work the firm undertakes.</p> <p>This includes acting in receivership appointments and performing independent business review roles, where the secured party has provided banking, loan, lease (or similar) facilities to companies and individuals.</p>	<p>We believe that this relationship does not result in a conflict of interest or duty because:</p> <ul style="list-style-type: none"> ▪ FTI Consulting has not been engaged by the secured party to undertake work or perform services in respect of the Company. ▪ The work that FTI Consulting undertakes for the secured party from time to time will not influence our ability to be able to fully comply with the statutory and fiduciary obligations associated with our appointment as Voluntary Administrators of the Company in an objective and impartial manner.

Name	Nature of relationship	Reasons
National Australia Bank Limited	<p>FTI Consulting has relationships with the secured party due to the nature of business advisory, consulting and insolvency work the firm undertakes.</p> <p>This includes acting in receivership appointments and performing independent business review roles, where the secured party has provided banking, loan, lease (or similar) facilities to companies and individuals.</p>	<p>We believe that this relationship does not result in a conflict of interest or duty because:</p> <ul style="list-style-type: none"> ▪ FTI Consulting has not been engaged by the secured party to undertake work or perform services in respect of the Company. ▪ The work that FTI Consulting undertakes for the secured party from time to time will not influence our ability to be able to fully comply with the statutory and fiduciary obligations associated with our appointment as Voluntary Administrators of the Company in an objective and impartial manner.
Suncorp-Metway Limited	<p>FTI Consulting has relationships with the secured party due to the nature of business advisory, consulting and insolvency work the firm undertakes.</p> <p>This includes acting in receivership appointments and performing independent business review roles, where the secured party has provided banking, loan, lease (or similar) facilities to companies and individuals.</p>	<p>We believe that this relationship does not result in a conflict of interest or duty because:</p> <ul style="list-style-type: none"> ▪ FTI Consulting has not been engaged by the secured party to undertake work or perform services in respect of the Company. ▪ The work that FTI Consulting undertakes for the secured party from time to time will not influence our ability to be able to fully comply with the statutory and fiduciary obligations associated with our appointment as Voluntary Administrators of the Company in an objective and impartial manner.

iii. Prior Professional Services to the Insolvent

Neither we nor our Firm have provided any professional services to the Company or any Associate in the previous 24 months.

iv. Other relevant relationships to disclose

John Park and Quentin Olde were appointed over a related Company, Palmer Aviation Pty Ltd (Administrators Appointed) ACN 158 870 789 on 18 January 2016 and have an obligation to this Company individually (as defined in Section 435A of the Corporations Act) and not to the group as a whole. We are not aware of any conflicts of interest between the two companies. Should such a conflict arise, we will keep creditors informed and take appropriate action to resolve the conflict.

On 29 February 2012, Ginette Muller (a former Senior Managing Director of FTI Consulting) and John Park, who at the time, were partners of KordaMentha (QLD), were appointed by the Director of Coolum Resort Pty Ltd ACN 010 593 638 ("Coolum Resort") and Coeur de Lion Investments Pty Ltd ACN 006 334 872 ("CdLI"), as administrators of those companies. On 30 March 2012 creditors of Coolum Resort resolved to end the administration and immediately return control to the Director. As such, the administrators' resignation was effective 30 March 2012. On 4 April 2012, creditors of CdLI resolved to end the administration and return control immediately to the Director. As such, the administrators' resignation was effective 4 April 2012.

The ultimate holding company of Coolum Resort and CdLI at the time of our appointment was QNI Resources Pty. Ltd., which is a current shareholder of the Company. The work undertaken as administrator for approximately one (1) month to Coolum Resort and CdLI occurred almost four (4) years ago whilst John Park was a partner at KordaMentha (QLD), and will not influence the Administrators' ability to be able to fully comply with the statutory and fiduciary obligations associated with their appointment as Administrators of the Company in an objective and impartial manner.

On 12 June 2012, Ginette Muller and Joanne Dunn, who at the time were both partners of KordaMentha (Qld) were appointed as Administrators by the director of A.C.N. 058 342 019 Pty Ltd (Deregistered) ACN 058 342 019 (formerly known as Gold Coast United F.C. Pty Ltd & Football Southeast Pty Ltd) ("Gold Coast United"). At the Second Meeting of Creditors held on 17 July 2012, creditors resolved pursuant to Section 439C(c) of the Act that Gold Coast United be wound up. Ginette Muller and Joanne Dunn were duly appointed as Liquidators. Gold Coast United was deregistered by the Australian Securities Investment Commission on 29 March 2013.

The ultimate holding company of Gold Coast United at the time of the appointment was Minerology Pty Ltd, a related company of the Company. The work undertaken as administrators and subsequently liquidators of Gold Coast United occurred over three (3) years ago. This appointment will not influence the Administrators' ability to be able to fully comply with the statutory and fiduciary obligations associated with their appointment as Administrators of the Company in an objective and impartial manner.

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

C. Indemnities and up-front payments

We have received the indemnities as described below for the conduct of the administration.

Name of Parties	<ul style="list-style-type: none"> ▪ QNI Resources Pty. Ltd. ACN 054 117 921 (QNIR); and ▪ QNI Metals Pty Ltd ACN 066 656 175 (QNIM).
Relationship with Company	<ul style="list-style-type: none"> ▪ QNIR: holds 80% of the shares in the Company which comprise 100% of the A Class Shares on issue in the Company; and ▪ QNIM: 20% of the shares in the Company which comprise 100% of the B Class Shares on issue in the Company. ▪ Clive Theodore Mensink is the sole director of each of QNIR, QNIM and the Company.
Nature of Indemnity	<p>Each of QNIR and QNIM have given a guarantee and indemnity in favour of the Administrators on account of amounts owing to the Administrators by the Company and unpaid. The obligations of each of QNIR and QNIM are supported by a General Security Deed - All Property given by each of those entities in favour of the Administrators.</p>

<p>Security for Indemnity</p>	
<p>General Security Deed - All Property</p>	<p>Each of QNIR and QNIM has granted to the Administrators a security interest over all of its present and after acquired property to secure amounts owing by the Company and each of QNIR and QNIM to the Administrators under the <i>Corporations Act 2001</i> (Cth). This security interest has been registered on the Personal Property Securities Register (PPSR).</p>
<p>Priority Deed</p>	<p>The appointment of the Administrators to the Company does not of itself constitute an Event of Default under this document.</p> <p>Waratah Coal Pty Ltd and China First Pty Ltd have taken a security interest over all the present and after acquired property of each of the Company, QNIR and QNIM (Prior Securities). These securities pre-date the securities given in favour of the Administrators and are registered on the PPSR. The purpose of the Priority Deed is to regulate the competing priorities as between the Prior Securities and the securities granted in favour of the Administrators, including to provide that the securities granted in favour of the Administrators rank in priority to the Prior Securities</p>
<p>Other documents</p>	<p>An irrevocable power of attorney has been granted by each of QNIR and QNIM (each a Principal) and provides the Administrators with all the rights of a natural person to deal with any assets of a Principal from time to time.</p> <p>In addition, each document incorporates certain undertakings to be given by the Principal to the effect that the Principal must not deal with the Assets without the prior written consent of the Attorney.</p> <p>The Joint Venture Agreement contains restrictions on the provision of security and also the rights of QNIR and QNIM in any assignment or sale of its interest in the Joint Venture. A Side Letter provided by QNIR and QNIM addresses certain of these restrictions and requirements.</p>

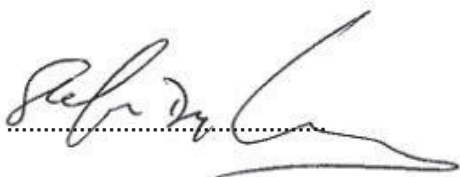
The Indemnity is in addition to statutory indemnities. We have not received any other indemnities or upfront payments that should be disclosed. The indemnity and securities will not impede our independence including because there are no conditions which will impact the objectivity of the voluntary administrators and the indemnity provided is essential to enable the voluntary administrators to perform their duties.



John Park



Kelly-Anne Trenfield



Stefan Dopking



Quentin Olde

Date: 20 January 2016

NOTE:

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

INITIAL ADVICE TO CREDITORS – BASIS OF REMUNERATION

REMUNERATION METHODS

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

- ***Time based / hourly rates***

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

- ***Fixed fee***

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

- ***Percentage***

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

- ***Contingency***

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

METHOD PROPOSED

We propose that our remuneration will be calculated on a time basis. We believe this method is appropriate as it ensures that only the actual work performed will be charged for. There are also various tasks required to be completed which do not involve the realisation of assets, such as reporting to ASIC, undertaking investigations, corresponding with creditors and answering their queries, and completing other statutory tasks required by law.

ESTIMATE OF REMUNERATION FOR THE ADMINISTRATION

We estimate our remuneration for the period up to and including the First Meeting of Creditors will range between \$250,000 and \$450,000 (exclusive of GST), subject to the following variables which may have a significant effect on this estimate and that we are unable to determine until the administration has commenced:

- The full scope and extent of necessary work (from experience, unforeseen matters typically arise and may require us to perform additional work beyond that currently anticipated).

- The extent of business operations continuing after appointment.

EXPLANATION OF HOURLY RATES

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

DISBURSEMENTS

Disbursements are divided into three types:

- Externally provided professional services - these are recovered at cost. An example of an externally provided professional service disbursement is legal fees.
- Externally provided non-professional costs 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.

We are not required to seek creditor approval for disbursements, but must account to creditors. Details of the basis of recovering internal disbursements in this administration are provided below. Full details of any actual costs incurred will be provided with future reporting.

Nature of Disbursement	Rate (excluding GST)
Advertising and search fees	At cost
Couriers and deliveries	At cost
Postage	At cost
Facsimile, Printing and photocopying	\$0.09 per unit of time charged
Telephone calls	\$0.10 per unit of time charged
Staff travel - mileage	Cents per km method (per ATO rates)
Other staff travel/out of pockets	At cost
Storage of records (including boxes)	At cost

**FTI Consulting Standard Rates effective 1 January 2016
(excluding GST)**

Typical classification	\$/hour	General guide to classifications
Senior Managing Director	625	Registered/Official Liquidator and/or Trustee, with specialist skills and extensive experience in all forms of insolvency administrations. Alternatively, has proven leadership experience in business or industry, bringing specialist expertise and knowledge to the administration.
Managing Director	575	Specialist skills brought to the administration. Extensive experience in managing large, complex engagements at a very senior level over many years. Can deputise for the appointee. May also be a Registered/Official Liquidator and/or Trustee. Alternatively, has extensive leadership/senior management experience in business or industry.
Senior Director	565	Extensive experience in managing large, complex engagements at a very senior level over many years. Can deputise for the appointee, where required. May also be a Registered/Official Liquidator and/or Trustee or have experience sufficient to support an application to become registered. Alternatively, has significant senior management experience in business or industry, with specialist skills and/or qualifications.
Director	510	Significant experience across all types of administrations. Strong technical and commercial skills. Has primary conduct of small to large administrations, controlling a team of professionals. Answerable to the appointee, but otherwise responsible for all aspects of the administration. Alternatively, has significant senior management experience in business or industry, with specialist skills and/or qualifications.
Senior Consultant 2	425	Typically an ARITA professional member. Well developed technical and commercial skills. Has experience in complex matters and has conduct of small to medium administrations, supervising a small team of professionals. Assists planning and control of medium to larger administrations.
Senior Consultant 1	370	Assists with the planning and control of small to medium administrations. May have the conduct of minor administrations. Can supervise staff. Has experience performing more difficult tasks on larger administrations.
Consultant 2	350	Typically ICAA qualified (or similar). Required to control the tasks on small administrations and is responsible for assisting with tasks on medium to large administrations.
Consultant 1	305	Qualified accountant with several years experience. Required to assist with day-to-day tasks under the supervision of senior staff.
Associate 2	275	Typically a qualified accountant. Required to assist with day-to-day tasks under the supervision of senior staff.
Associate 1	255	Typically a university undergraduate or graduate. Required to assist with day-to-day tasks under the supervision of senior staff.
Junior Associate	180	Undergraduate in the latter stage of their university degree.
Administration 2	180	Well developed administrative skills with significant experience supporting professional staff, including superior knowledge of software packages, personal assistance work and/or office management. May also have appropriate bookkeeping or similar skills.
Junior Accountant	145	Undergraduate in the early stage of their university degree.
Administration 1	145	Has appropriate skills and experience to support professional staff in an administrative capacity.

The FTI Consulting Standard Rates above apply to the Corporate Finance/Restructuring practice and are subject to review at 1 January each year.



ASIC

Australian Securities & Investments Commission

Insolvency information for directors, employees, creditors and shareholders

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

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

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

List of information sheets

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

Getting copies of the information sheets

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

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

FORM 532
Corporations Act 2001
APPOINTMENT OF PROXY
Queensland Nickel Pty Ltd
(Administrators Appointed) (the Company)
ACN 009 842 068

A. Appointment of a proxy

I/We,
(If a company, strike out "I" and set out full name of the company) (Note: If a corporate creditor, such a trustee of a self-managed superannuation fund, wants to be represented at the Second Meeting, it must approve an individual to act on its behalf by completing this proxy form)

of
(address)

a creditor of the Company appoint.....
as my/our proxy, or in his/her absence....., to vote at the meeting of creditors to be held on 29 January 2016 at The Ville Resort – Casino, Sir Leslie Thiess Drive, Townsville QLD 4810 at 11:00 am (AEST) or at any adjournment of that meeting.

B. Voting directions

- Option 1:** If appointed as a general proxy, as he/she determines on my/our behalf
(Please proceed to section C ie do not complete the table below)
- and/or**
- Option 2:** If appointed as a special proxy in the manner set out below:
(Please complete the table below before proceeding to section C)

No	Resolution	For	Against	Abstain
1		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

C. Signature *(in accordance with Sections 127 or 250D of the Corporations Act 2001)*

If the creditor is an individual
.....

If the creditor is a company
.....
Director/Company secretary
.....
Print name

Dated this day of 2016

CERTIFICATE OF WITNESS

Please Note: *This certificate is to be completed only where the person giving the proxy is blind or incapable of writing. The signature of the creditor is not to be attested by the person nominated as proxy.*

I, _____ of _____ certify that the above instrument appointing a proxy was completed by me in the presence of and at the request of the person appointing the proxy and read to him before he attached his signature or mark to the instrument.

Signature of witness: _____

FORM 535
Corporations Act 2001

FORMAL PROOF OF DEBT OR CLAIM (GENERAL FORM)

To the Administrators of Queensland Nickel Pty Ltd (Administrators Appointed) **(the Company)**

1. This is to state that the Company was on 18 January 2016, and still is, justly and truly indebted:

_____ (insert Creditor Name)

_____ (insert Creditor Address)

for \$.....

Particulars of the debt are:

Date <i>(date when the debt arose)</i>	Consideration <i>(state how debt arose and attach supporting documentation)</i>	Amount (\$)	Remarks <i>(include details of voucher substantiating payment)</i>

2. To my knowledge or belief the Creditor has not, nor has any person by the Creditor's order, had or received any satisfaction or security for the sum or any part of it except for the following
(insert particulars of all securities held. If the securities are on the property of the company, assess the value of those securities. If any bills or other negotiable securities are held, show them in a schedule in the following form).

Date	Drawer	Acceptor	Amount (\$c)	Due Date

*3A. I am employed by the Creditor and authorised in writing by the Creditor to make this statement. I know that the debt was incurred for the consideration stated and that the debt, to the best of my knowledge and belief, remains unpaid and unsatisfied.

*3B. I am the Creditor's agent authorised in writing to make this statement in writing. I know that the debt was incurred for the consideration stated and that the debt, to the best of my knowledge and belief, remains unpaid and unsatisfied.

** Items 3A & 3B - delete both if the Creditor is a natural person and this proof is made by the Creditor personally. In other cases, if, for example, you are the director of a corporate Creditor or the solicitor or accountant of the Creditor, you sign this form as the Creditor's authorised agent (delete item 3A). If you are an authorised employee of the Creditor (credit manager etc), delete item 3B.*

I have attached the following documents (tick as many as appropriate):

- Invoices
- Monthly statements
- Creditors authority letter
- Judgement from Court
- Statutory demand
- Other documents
- Letters of demand
- Credit application
- Orders from Company
- Guarantee from Company

Dated/...../..... Name Signatory.....

Phone Email address.....

Complete all sections