

15 September 2014

FURTHER INTERIM REPORT TO THE UNSECURED CREDITORS

DML RESOURCE LIMITED (IN LIQUIDATION)

We refer to our previous reports in this liquidation.

This letter is an extremely rare one for any liquidator in New Zealand to ever have the pleasure to write. That is because we are advising you that a further dividend cheque is **enclosed** which means that a total dividend pay-out of 100 cents in the dollar has now been made to you.

This is made all the more significant as this was a large corporate failure with initial unsecured claims in excess of \$25 million.

We are unaware of any significant liquidation coming anywhere near the dividend pay-out that has been achieved here.

BACKGROUND

At the beginning of the liquidation creditors like you were facing a nil dividend. We have taken a number of steps in reaching the above result.

We engaged in, and won, a significant arbitration award relating to DML's mining operations at Waihi.

We then set out about establishing the unsecured creditors' position. This was a complex exercise and during the process, we disputed and settled several significant unsecured claims for amounts primarily owed by other companies related to DML. The effect of this work was to reduce substantially the total claims in the liquidation, which meant an increased share of the asset pool for the remaining creditors.

In conjunction with this, we were obliged to look at the situation of voidable preferences where some unsecured creditors, in our view, were preferred over others when receiving payments prior to liquidation. We were able to settle all of those claims by agreement, in a novel and cost effective way that meant that we did not have to issue any proceedings to set-aside payments. Through these agreements we established the Preference Trust: which we come back to below, and from this your dividend has been able to be added to on the way through.

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We then took High Court proceedings against the directors of DML. This was a very hard fought battle and in the end we received the largest settlement at that time in a directors' liability case under the Companies Act 1993. This case settled just before a lengthy trial was to begin.

We were then able to reach an agreement with the overseas party in Malaysia in one of the subsidiary ventures. That is being paid over time and from which some further funds are expected still to come.

THE PREFERENCE TRUST

As noted above, we settled substantial voidable preference claims without any litigation. The Preference Trust that we established by agreement has now fully served its purpose. The design of it was to redress some parties having been paid (preferred) ahead of the others. The operation of the agreement meant that in liquidation, you have been significantly topped up from the Preference Trust.

You have now reached the 100 cents in the dollar, but the creditors' party to the Preference Trust arrangements have to date received 81 cents in the dollar.

As a result of reaching 100 cents in the dollar, the Preference Trust has now ended. The funds received into the liquidation in future will, after meeting liquidation costs and expenses, see dividends paid to the creditors that contributed to the Preference Trust to bring their dividend up. Our expectation is that they will not, in the end reach 100 cents in the dollar but they may be close.


Under section 311 of the Companies Act 1993, interest on claims is not payable until **all** admitted claims have been paid in full. That has not happened yet, and is unlikely to.


CONCLUSION

Finally, whilst it is true that it has been a long process to this point, the outcome of this liquidation is one that we as a firm feel very satisfied to have reached. This has been possible due to the efforts of a number of people including the liquidators' barrister, Kerry Fulton, to whom we record special thanks.

Thank you for your support over the years. Please do not close your file on this though, as we may still need to communicate with you with regard to final sign off, or if something arises.

Yours Faithfully
for DML RESOURCES LIMITED (IN LIQUIDATION)


PERI M FINNIGAN
LIQUIDATOR


BORIS VAN DELDEN
LIQUIDATOR