

25 MAR 2010



19 March 2010

TO CREDITORS

Dear Sir/Madam

**RE: NYLEX LIMITED
(RECEIVERS AND MANAGERS APPOINTED)
(SUBJECT TO A DEED OF COMPANY ARRANGEMENT)
ACN 009 375 553 ("THE COMPANY")**

As you are aware, John Lindholm and I were appointed Administrators of the Company on 11 February 2009.

On 15 September 2009 a meeting of creditors resolved that the company execute a Deed of Company Arrangement ("DOCA"). On 5 October 2009 the DOCA was duly executed and John Lindholm and I became the Deed Administrators.

The DOCA provides for, inter alia, the recapitalisation and re-instatement of the Company's securities for quotation on the ASX subject to certain conditions precedent being met.

Despite our combined efforts, there are a number of conditions precedents that are unlikely to be met before the set date, being 31 March 2010. These include the following:

- The retirement of the Receivers and Managers of the Company, Messrs Johan Vorster, Sam Davies and Colin Nicol.
- The convening of a meeting of the Company's shareholders and the passing of resolutions proposed in reference to the share reconstruction and recapitalisation of the Company.
- The undertaking of the proposed capital raising which requires the full subscription to the offer made (to be no less than the amount of \$2,000,000).
- The resignation of all existing directors of the Company.
- The release of the secured creditors registered charge held over the Company.
- All outstanding lodgements required by the ASIC to be completed
- ASX confirmation that it will lift the suspension on the Company's securities and re-instate its securities to quotation.

To allow further time for the conditions precedent to be met, a variation in the terms of the DOCA is required. In this regard, clause 19.1 of the DOCA provides that the DOCA will terminate by 31 March 2010 (unless varied by resolution passed at a meeting of creditors). It is therefore proposed to vary the termination date in the DOCA to 30 September 2010.

MELBOURNE

Level 29 600 Bourke Street
Melbourne VIC 3000 Australia
PO Box 290 Collins Street West
Melbourne VIC 8007
phone +61 3 9600 4922
fax +61 3 9642 5887
email fhmelb@fh.com.au
www.ferrierhodgson.com
DX 125 Melbourne

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In addition, the proponent of the DOCA, Trident Capital Pty Ltd has sought a variation to the Reconstruction Deed, which forms Schedule 2 of the DOCA. The variation sought by Trident Capital Pty Ltd is to change the consolidation of the existing capital from a 1 for 3 basis to a 1 for 60 basis if the Company is required to proceed through Chapters 1 and 2 of the ASX Listing Rules.

Accordingly, it has become necessary to call a meeting of creditors to consider, and if thought fit, pass a resolution to either vary the terms of the DOCA pursuant to section 445A of the Corporations Act 2001 ("Act"), or alternatively, to consider to terminate the DOCA and place the Company into liquidation.

A meeting of creditors is convened for **30 March 2010 at 10:00am** in order that appropriate resolutions may be passed as required by section 445F of the Act. A Notice of Meeting setting out the proposed resolutions, a Proxy form and Informal Proof of Debt form are enclosed for your attention.

It is the Deed Administrators' recommendation that creditors resolve to approve the resolutions proposed to vary the terms of the DOCA at the forthcoming meeting of creditors as opposed to terminating the DOCA and winding up the Company.

In essence, the proposed variation to the terms of the DOCA does not impact on the estimated value of the DOCA fund as set out in our previous report to creditors dated 5 September 2009.

Should you require any further information prior to the meeting, please contact Jason Alabakis of this office.

Yours faithfully



GEORGE GEORGES
DEED ADMINISTRATOR

Encl.

FORM 509C
CORPORATIONS ACT 2001

Paragraph 445F(2)

**NYLEX LIMITED
(RECEIVERS AND MANAGERS APPOINTED)
(SUBJECT TO A DEED OF COMPANY ARRANGEMENT)
ACN 009 375 553**

**NOTICE OF MEETING OF CREDITORS TO VARY OR TERMINATE
DEED OF COMPANY ARRANGEMENT**

1. Notice is given that a meeting of creditors of the company will be held at the offices of Ferrier Hodgson, Level 29, 600 Bourke Street, Melbourne, Victoria on 30 March 2010 at 10:00am.

AGENDA

2. The purpose of the meeting is to consider and vote on the following resolutions:
- That the Deed of Company Arrangement be varied as follows:
 - (a) The termination date in clause 19.1 in the Deed of Company Arrangement be changed to 30 September 2010. By way of background, clause 19.1 states that if the Deed of Company Arrangement is not completed then the Deed terminates by 31 March 2010; and
 - (b) The consolidation of the existing capital be changed to a 1 for 60 basis in Schedule 1 Part B (ii) of the Reconstruction Deed, which forms Schedule 2 of the Deed of Company Arrangement. By way of background, Schedule 1 Part B (ii) of the Reconstruction Deed provides for the consolidation of the existing capital on a 1 for 3 basis if the Company is required to proceed through Chapters 1 and 2 of the ASX Listing Rules.

OR

- That the Deed of Company Arrangement be terminated.
- That the company be wound up.

Proxies to be used at the meeting should be lodged at the office of the Deed Administrators by 4.00pm on the day prior to the meeting. **A corporation may only be represented by proxy or by an attorney appointed pursuant to Corporations Regulations 5.6.28 and 5.6.31 respectively or, by a representative appointed under Section 250D of the Corporations Act 2001.**

In accordance with Regulation 5.6.23(1) of the Corporations Regulations, creditors will not be entitled to vote at the meeting unless they have previously lodged particulars of their claims against the company with the Administrators.

DATED this 19th day of March 2010


GEORGE GEORGES
DEED ADMINISTRATOR