

Administrators' report

27 July 2018

Administrators:
Simon Theobald and Melissa Humann

Migme Limited
(Administrators Appointed)
ACN 059 457 279

(the Company)

Table of contents

1.	Disclaimer	1
2.	Executive summary	2
2.1	Appointment background	2
2.2	Report's purpose	2
2.3	Administrators' recommendation	2
2.4	Second meeting of creditors	2
2.5	Deed of Company Arrangement	2
2.6	Estimated return to creditors	3
2.7	Offences and liquidation recoveries	3
2.8	Administrators' overview	3
2.9	Remuneration	5
3.	Introduction	6
3.1	Appointment information	6
3.2	Declaration of Independence, Relevant Relationships and Indemnities	6
3.3	Report's purpose	6
3.4	Purpose of second meeting	6
3.5	Second meeting convening period	6
3.6	Second meeting details	7
3.7	Meeting registration	7
3.8	Committee of Inspection (COI)	7
3.9	Further information	8
4.	Company background	9
4.1	Company overview	9
4.2	Company structure	9
4.3	Timeline of key events and announcements	10
4.4	Statutory information	11
4.5	Creditors' claims	13
4.6	Unsecured Creditors	15
5.	Conduct of administration	16
5.1	First meeting of creditors	16
5.2	Conduct of the administration	16
6.	Company financial background	20
6.1	Company's financial performance / Profit and Loss	20
6.2	Company's financial position / Balance Sheet	22
6.3	Directors' Report as to Affairs (RATA)	23
7.	Investigations	25
7.1	Directors' explanation for the Company's difficulties	25
7.2	Administrator's opinion of the reasons for the Company's difficulties	26
7.3	Insolvency	26
7.4	Legal/class actions	28
7.5	Outstanding or previous winding up applications	28
7.6	Books and records	28
8.	Offences and liquidation recoveries	30
8.1	Voidable transactions	30
8.2	Insolvent trading	31

Table of contents

8.3	Offences	31
8.4	Directors and officers insurance policy	32
8.5	Directors' personal financial position	32
8.6	Public examinations	32
8.7	Reporting of offences to ASIC	33
8.8	Costs of investigations and pursuing recovery actions	33
8.9	Funding investigations and recoveries	33
9.	Deed of Company Arrangement (Deed)	34
9.1	Deed general information	34
9.2	Expression of interest process	34
9.3	Proposals analysis	35
9.4	Secured Creditor Deed proposal	36
9.5	Deed general information	37
9.6	Creditors' Trusts	37
9.7	Other matters for consideration in a DOCA scenario	39
10.	Estimated return to creditors	42
11.	Administrators' recommendation	43
11.1	Liquidation	43
11.2	Deed	43
11.3	Administration to end	43
12.	Enquiries	44

Appendix

- A. Appointment of Proxy, Proof of Debt or Claim Form – Form 532
- B. Remuneration report dated 27 July 2018
- C. Declaration of Independence, Relevant Relationships and Indemnities
- D. Notice of meeting of creditors
- E. ASIC Publication: Insolvency information for directors, employees, creditors and shareholders
- F. Details of identified secured creditors
- G. ARITA Publication: Creditor information sheet: Offences, recoverable transactions and insolvent trading
- H. Amiko Asset Sale share allocation (per 7 June 2018 terms)
- I. Secured Creditor Deed proposal
- J. Group audited financials (overview)

Glossary

Abbreviations	Definitions
Act	Corporations Act 2001 (Cth)
Administrators	Simon Theobald and Melissa Humann of PPB Advisory as joint and several Administrators
APAAP	All present and after-acquired property, a term associated with security interests under the PPSA
ARITA	Australian Restructuring Insolvency and Turnaround Association. ARITA was formerly the Insolvency Practitioners Association of Australia.
ASIC	Australian Securities and Investments Commission
ASX	Australian Securities Exchange
ATO	Australian Taxation Office
AWST	Australian Western Standard Time
Code	ARITA Code of Professional Practice
COI	Committee of Inspection
Company	Migme Limited ACN 059 457 279 (Administrators Appointed)
D&O Policy	Directors and Officers Insurance Policy
Deed	Deed of Company Arrangement
DE	Department of Employment
DIRRI	Declaration of Independence, Relevant Relationships and Indemnities, pursuant to s436DA of the Act and Code.
FEG	Fair Entitlements Guarantee, a scheme administered by the DE to provide assistance to employees owed outstanding employee entitlements following the insolvency/bankruptcy of an employer
FY	Financial Year (e.g. the financial year 1 July 2012 to 30 June 2013 would be expressed as FY13)
HY	Half Year (e.g. the half financial year 1 July 2013 to 31 December 2013 would be expressed as HY13)
k	Thousand
M	Million
PMSI	Personal Money Security Interest as defined in the PPSA
PPSA	Personal Property Security Act 2009 (Cth)
PPSR	Personal Property Securities Register – a register set up under the PPSA for the registration of security interests
RATA	Report As To Affairs
Report	This report, prepared pursuant to Insolvency Practice Rule 75-225 of the Act about the business, property, affairs and financial circumstances of the Company
s	Section of the Act
Second Meeting	Meeting held pursuant to s439A of the Act where creditors determine the future of the Company scheduled for Friday, 3 August 2018 at 10:00 AM AWST
YTD	Year to date, a period starting from the beginning of the current financial year and continuing up to a defined date (e.g. monthly management accounts from 1 July 2013 to 31 January 2014 would be expressed as 'YTD January 2014')

1. Disclaimer

In reviewing this Report, creditors should note:

- This Report is based upon our preliminary investigations to date. Any additional material issues that are identified subsequent to issuing this Report may be the subject of a further written report and/or tabled at the Second Meeting.
- The contents of this Report are based on information obtained from the Company's books and records, financial systems, representations from the directors, creditors and our own enquiries and investigations.
- The statements and opinions given in this Report are given in good faith and in the belief that such statements and opinions are not false or misleading. Except where otherwise stated, we reserve the right to alter any conclusions reached on the basis of any amended or additional information which may be provided to us between the date of this Report and the date of the Second Meeting.
- In considering the options available to creditors and formulating our recommendation, the Administrators have necessarily made forecasts of asset realisations and total creditor claims. These forecasts and estimates may change as asset realisations progress and claims are received from creditors. While the forecasts and estimates are based on the Administrators' best assessment in the circumstances, creditors should note that the eventual outcome for creditors may differ from that estimated in this Report.
- Neither the Administrators, PPB Advisory nor any member or employee of the firm is responsible in any way whatsoever to any person in respect of any errors in this Report arising from incorrect information provided to us.
- The Administrators do not assume or accept any responsibility for any liability or loss sustained by any creditor or any other party as a result of the circulation, publication, reproduction or any use of the information presented in this Report.
- This Report is not for general circulation, publication, reproduction or any use other than to assist creditors in evaluating their position as creditors of the Company and must not be disclosed without the prior approval of the Administrators.
- Creditors should consider seeking their own independent legal advice as to their rights and the options available to them at the Second Meeting.

2. Executive summary

2.1 Appointment background

Simon Theobald and Melissa Humann were appointed joint and several Administrators (**Administrators**) of the Company on 9 June 2018 by the directors under s436A of the Act.

2.2 Report's purpose

The purpose of this report is to table the findings of our investigations into the Company's business, property, affairs and financial circumstances, as well as our opinion on the three options available to creditors in deciding the future of the Company.

2.3 Administrators' recommendation

We recommend that it is in the creditors' interests that the Company execute the Secured Creditor Deed.

2.4 Second meeting of creditors

The Second Meeting of creditors (**Second Meeting**) will be held on:

Date: Friday, 3 August 2018
Registration: 9:45 am
Meeting time: 10:00 am AWST
Location: PPB Advisory
Level 21, 140 St Georges Terrace
Perth WA 6000

To register attendance and be entitled to vote at the Second Meeting, creditors must complete and submit the following forms attached at **Appendix A**:

- Form 532 – Appointment of Proxy
- Proof of Debt form.

Forms must be submitted by no later than 4:00 pm AWST on Thursday, 2 August 2018 to this office or by email to mclarkson@ppbadvisory.com.

2.5 Deed of Company Arrangement

We have received three Deed proposals for the Company. However, we have assessed that the Secured Creditor Deed offers the best return for the Company's creditors within a reasonable timeframe. The key features of the proposal are:

- \$650k cash contribution by the Deed Proponent by way of a loan to the Company (**Proponent Payment**) which is intended to be made available to the Company's creditors
- share consolidation on a 100 to 1 basis
- raising of \$1M by a 50M placement of ordinary shares at \$0.02 per share. These funds are not intended to be available to the Company's creditors
- it allows for the sale of the Company and Group's assets to a third party Amiko Limited, which (in addition to the Proponent Payment) provides US\$300k and shares in Amiko Limited for the benefit of the Company's creditors.

We have been advised that the terms of at least one of the other proposals received may be increased before the Second Meeting. If this occurs and the terms are better than those currently presented by the Secured Creditor proposal, we will advise creditors at the Second Meeting. We

therefore note that our recommendation to creditors regarding the Deed proposals presented in this Report may be subject to change.

We provide a more detailed overview of the key features of the Deed proposals currently presented at **Section 9**.

2.6 Estimated return to creditors

We estimate creditors' returns under a liquidation and Secured Creditor Deed scenarios will be:

Creditor type	Liquidation	Secured Creditor Deed
	Cents in the dollar	Cents in the dollar
Secured creditors	Nil	100
Employees	N/A	N/A
Unsecured creditors		
Trade creditors	Nil	18
Note holders	Nil	18
Guaranteed debts	Nil	18
Related parties	Nil	18

2.7 Offences and liquidation recoveries

Our preliminary view is that the Company may have traded while insolvent from at least May 2017.

Our preliminary investigations have identified potential offences and liquidation recoveries including a failure to keep adequate financial records from May 2017 pursuant to s286 of the Act.

The Company's directors entered into a sale agreement (**Asset Sale**) for the sale of the Company's assets and shares in its subsidiaries on 7 June 2018 to Amiko Limited (**Amiko**), two days prior to our appointment.

A liquidator would conduct a more thorough review of the processes undertaken by the directors before the agreement was signed to form a view on whether the transaction was reasonable in the circumstances, or if it satisfies elements of an uncommercial or unreasonable director related transaction.

2.8 Administrators' overview

2.8.1 Conduct of administration

Full details of the work performed since our appointment are provided at **Section 5**.

The key tasks include:

- undertaking our preliminary investigations into the Company's activities leading up to our appointment
- liaising with the directors to obtain an understanding on the sale process for the Company's assets and shareholdings to Amiko
- reviewing the proposed Secured Creditor Deed and negotiating its key terms
- conducting the sale process for the recapitalisation of the Company
- attending to statutory obligations, including making an application to court to extend the convening period

- preparing this Report to creditors for the Second Meeting.

2.8.2 *Amiko Asset Sale*

As stated above, the Company's directors entered into an Asset Sale to Amiko on 7 June 2018. Following our review of the agreement and discussions with Amiko and its advisors, we received a proposal for some revised terms to the Asset Sale agreement on 27 July 2018 (**Revised Terms**) from Amiko. The Amiko Asset Sale has not settled and will be contingent, among other things, on the Company's creditors accepting a Deed proposal which allows for the transaction to proceed (on the Revised Terms). The Asset Sale provides that in return for the sale of its assets, the Company will receive approximately 3% equity in Amiko, along with \$300k USD in cash (up from \$100k USD). We note that originally the Asset Sale agreement proposed to provide approximately 18% equity in Amiko, however this was prescriptively allocated to the Company's subsidiaries and other parties, leaving approximately 3.5% equity in Amiko for the Company. Amiko is a recently incorporated Cayman Islands company which is aggregating a number of social media businesses with a view to listing on an overseas stock exchange.

We provide details of the Amiko Asset Sale, the Revised Terms and the Deed proposal received at **Sections 5 and 9**.

Despite our investigations and enquiries of the directors, Amiko and its advisors to date, we have some concerns about the Amiko Asset Sale in relation to:

- the lack of documentation (including board papers, independent advice and/or financial analysis) to support the directors' decision to enter into the Amiko Asset Sale
- the manner in which it was negotiated and the commercial reasoning for doing so. We note that the parties involved in the Asset Sale transaction appear to have also assisted the Company in its restructuring efforts prior to the Asset Sale transaction being entered into
- the allocation of proceeds of the sale (shares in Amiko) between the Company and its subsidiaries and other parties
- the ability of Amiko to complete the sale
- the value of Amiko and prospect of any return to the Company's creditors in the foreseeable future from the sale of Amiko's shares.

Notwithstanding the above concerns, we believe that the chances of achieving a better outcome for creditors from an alternate sale of the Company's assets is remote. In addition, we note that the directors investigated and pursued other options for recapitalisation, refinance or sale over approximately 12 to 18 months prior to our appointment, all of which were not successful for various reasons before the Amiko Asset Sale was entered into.

If creditors have further queries regarding the Amiko Asset Sale or wish to express their view regarding the Revised Terms, they should do so at the Second Meeting.

We provide further details on our investigations at **Sections 7 and 8**.

2.8.3 *Company financial background*

- The Company made substantial trading losses in 2016 and 2017 based on its management accounts
- the Company's annual consolidated accounts were prepared up to 31 December 2016 only. The consolidated accounts indicate that the Group incurred losses totalling \$47M in the two years to 31 December 2016
- there was a deterioration in the Company's working capital position in 2017
- although the Company's balance sheet indicates a positive net asset position, the recoverability of its key assets (investments in subsidiaries) remains questionable
- the Group's consolidated balance sheet at 31 December 2016 disclosed an excess of liabilities over assets totalling \$253k.

2.8.4 Reasons for Company's difficulties

We consider that the key reasons for the Company's difficulties are:

- lack of management control
- inability to scale up Group operations and revenue in line with operational expenses
- disparity between shareholder expectations and the Company's financial performance and strategy
- poor financial controls including lack of records from May 2017
- lack of visibility about Company performance and position from May 2017.

2.8.5 Points to be clarified from First Meeting

At the First Meeting of creditors held on 21 June 2018, certain questions were raised by creditors to which we provide the following responses:

- It was noted at the First Meeting that John Lee (Company director) had been issued with a notice to repay an outstanding debtor to the Company. Our review of the documentation on this matter has determined that if a debt exists, it is owed to Migme Pte Ltd, not the Company.
- It was queried at the First Meeting how proceeds from the sale of the Group's Hipwee asset were used. The directors have advised that:
 - Hipwee was purchased via shares in the Company, but was beneficially owned by Migme Pte Ltd (i.e. it was not a Company asset, we have been provided evidence to confirm this)
 - the benefit / asset to the Company (reflected in its balance sheet) in return for the consideration is a related party loan receivable from Migme Pte Ltd
 - sale proceeds of approximately \$300k were paid to True North Energy Corporation, who were negotiating a recapitalisation of the Company and Group at the time of the Hipwee sale, and
 - the proceeds are not due to the Company.

2.9 Remuneration

We are seeking approval for our remuneration at the Second Meeting as summarised below:

Period	Amount (excluding GST) (\$)
Voluntary Administration Resolution 1: 9 June 2018 to 15 July 2018	103,628.15
Resolution 2: 16 July 2018 to the conclusion of the administration	50,200.00
Deed (if applicable) Resolution 3: commencement of to the conclusion of the deed administration	50,042.50
Liquidation (if applicable) Resolution 4: commencement of the liquidation to the conclusion of the liquidation	50,025.00

Please refer to our Remuneration Report at **Appendix B** for full details of key activities undertaken by us, our partners and staff and the remuneration approval sought.

3. Introduction

3.1 Appointment information

Simon Theobald and Melissa Humann were appointed as joint and several Administrators of the Company on 9 June 2018 by the Company under s436A of the Act.

3.2 Declaration of Independence, Relevant Relationships and Indemnities

Our Declaration of Independence, Relevant Relationships and Indemnities (**DIRRI**) is provided at **Appendix C**. The DIRRI discloses information regarding any prior personal or professional relationships the Administrators and PPB Advisory had with the Company or related parties, our independence and any indemnities received relating to this appointment.

3.3 Report's purpose

An administrator is required to investigate a company's business, property, affairs and financial circumstances and report to creditors on:

- the administrator's opinion on the options available to creditors, being that the:
 - company be wound up (liquidation)
 - company execute a Deed
 - administration should end (with control of the company reverting the company's directors).
- investigations conducted
- the administrator's opinion on the options available to creditors.

3.4 Purpose of second meeting

The Second Meeting will:

- address the contents of this Report
- respond to questions from creditors
- determine the Company's future by resolving one of the three available options
- seek approval of:
 - administrators' remuneration
 - future remuneration of the liquidators or deed administrators (as applicable)
 - should creditors desire, the formation of a Committee of Inspection (**COI**).

The current Administrators automatically become the Deed Administrators or Liquidators unless creditors resolve to replace them.

The options available to creditors and the Administrators' opinion on each option are set out in detail in **Section 11**.

Based on the Deed proposals presented as at the issuance of this Report, we recommend that the Company execute the Secured Creditor Deed.

3.5 Second meeting convening period

The Act stipulates the timing of the Second Meeting. Generally, the Second Meeting must be convened between 15-25 business days (or 20-30 business days at Christmas and Easter) from the date the administration begins. The Court may extend the convening period if circumstances require.

On 5 July 2018, the Administrators made an application to the Supreme Court of Western Australia (**Court**) for an extension of the convening period for the following reasons:

- allow sufficient time to facilitate a proper process to seek and consider Deed proposals for the recapitalisation of the Company
- further investigate and consider the appropriateness of the Asset Sale agreement entered into by the Company and Amiko on 7 June 2018, and take any action deemed necessary and appropriate based on those investigations
- investigate any breaches of the Corporations Act 2001 and take the appropriate action
- consider and, if necessary and appropriate, take action with respect to any allegations of breaches of directors duties.

On 6 July 2018, the Court granted an extension which provides that the latest date by which the Second Meeting is required to be held is 6 August 2018. This extension has subsequently allowed for significantly improved offers for the recapitalisation of the Company and has allowed for our further review of the Amiko Asset Sale.

3.6 Second meeting details

The Second Meeting will be held on Friday, 3 August 2018 at 10:00 am AWST. Formal notification Form 529 – Notice of Meeting of Creditors is attached at **Appendix D**.

3.7 Meeting registration

To register attendance and be entitled to vote at the Second Meeting, creditors must complete and submit the following forms attached at **Appendix A**:

Registration forms	Information
Form 532 – Appointment of Proxy	A new proxy form is required to be completed for each creditors' meeting (ie previous meeting proxy forms are invalid for the Second Meeting). If a corporate creditor wants to be represented at the Second Meeting, it must appoint an individual to act on its behalf by providing an executed proxy form. Individuals may choose to appoint a representative to vote on their behalf by executing a proxy form. If an individual is attending in person a proxy form is not required.
Proof of Debt or Claim Form	This form is required to be completed to entitle a creditor to vote at the Second Meeting. Documents to support the amount claimed (e.g. unpaid invoices) must also be provided. There is no requirement to resubmit a proof of debt form if previously provided unless the amount claimed has changed. Please take care when completing the form to ensure the correct party is named as the creditor. As an example, this may include XYZ Pty Ltd as trustee for the ABC Family Superannuation Fund.

Only creditors of the Company are entitled to vote at the Second Meeting. Creditors are encouraged to arrive as early as possible after the registration time to enable the orderly registration of attendees so that the meeting can commence on time.

3.8 Committee of Inspection (COI)

Creditors may wish to establish a COI at the Second Meeting, typically to assist and guide the liquidator or deed administrator (as applicable). A minimum of two members is required to form a COI.

Creditors should consider whether they are in a position to be a COI member, as membership of a COI requires attendance at meetings (telephone facilities will be made available so members do not have to attend in person). Members of the COI must have regard for the creditor group's interest, not their own interests.

Importantly, for a creditor to be eligible for appointment as a member of a COI, they must either:

- be in attendance at the Second Meeting

- appoint a general power of attorney to attend the Second Meeting on their behalf
- authorise a person in writing to be a member of the COI on their behalf.

3.9 Further information

To assist creditors, employees, and shareholders to understand the voluntary administration process, the Australian Securities and Investments Commission (**ASIC**) has released a package of insolvency information sheets endorsed by ARITA.

Enclosed at **Appendix E** is ASIC's publication Insolvency information for directors, employees, creditors and shareholders, which provides an index of all the information sheets that are available. You can download these information sheets from:

- www.asic.gov.au
- www.arita.com.au

4. Company background

4.1 Company overview

The Company was incorporated on 17 March 1993 (as Cannard Enterprises) and became Migme Limited via a backdoor listing of Latin Gold Limited to the Australian Stock Exchange (**ASX**) in August 2014. The Company operated a technology focused social entertainment platform enterprise across a number of countries via its subsidiaries (collectively referred to as the **Group**). The Company was suspended from trading on the ASX in February 2017.

The Group incurred trading losses of \$21M and \$26M in the financial years ended 31 December 2015 and 2016. The Group substantially ceased trading in/around April 2017 due to insufficient cash flow to meet ongoing operating costs (i.e. wages, overheads etc). The Group's servers were disconnected in October 2017, however the directors continued to pursue various recapitalisation and asset sale proposals with the view that either a recapitalisation or sale of the Company (and Group's) assets would generate sufficient funds to repay creditors and provide a return to shareholders.

Immediately prior to our appointment, the Company's directors entered into an asset sale agreement (**Asset Sale**) with Amiko to effect the sale of all of the Company's assets and its subsidiaries. We provide further details on the Asset Sale at **Section 5**.

A liquidator would conduct a more thorough review of the recapitalisation and asset sale processes undertaken before the Amiko Asset Sale was agreed to form a view on whether:

- it was reasonable for the directors to continue the Company's operations (albeit on a largely scaled back basis) while the recapitalisation and asset sale processes were run
- what return could reasonably have been generated for creditors and/or shareholders, and the timeframe within which this could have been achieved
- whether the transaction is an uncommercial or unreasonable director related transaction, under s588FE and FDA of the Act.

Information regarding the Company's financial background is discussed in **Section 6** of this report.

4.2 Company structure

The Company is the holding company for various international companies and had limited assets or operating activities in its own right (operations were largely owned and undertaken by subsidiaries in the Group). Migme Pte Ltd held the majority of the Group's operating and intellectual property assets. The (indicative) Group structure is set out below:

Figure 1: Indicative Group structure

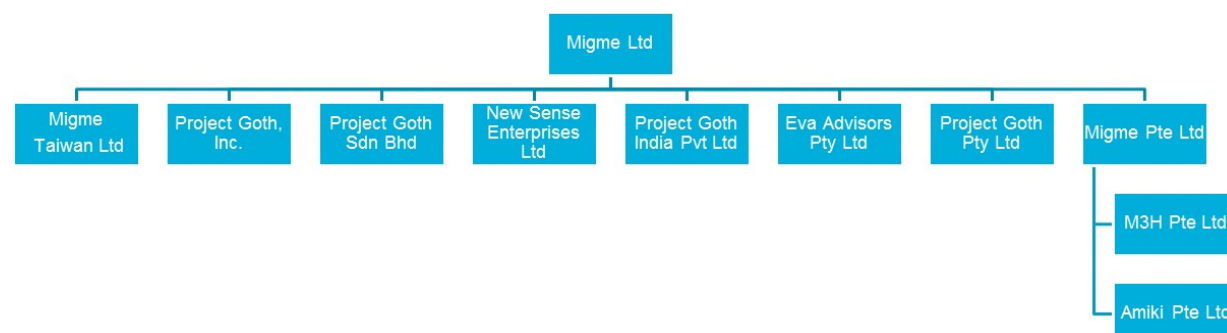


Figure 2: Equity holding in subsidiaries

Name of Subsidiary	Country of incorporation	Functional currency	Equity Interest 31 Dec 2016
Migme Taiwan Ltd	Taiwan	TWD	100%
Project Goth, Inc.	USA	USD	100%
Project Got Sdn Bhd	Malaysia	MYR	100%
New Sense Enterprises Ltd	Hong Kong	HKD	100%
Project Goth India Pvt Ltd	India	INR	100%
Eva Advisors Pty Ltd	South Africa	ZAR	100%
Project Goth Pty Ltd	Australia	AUD	100%
Migme Pte Ltd	Singapore	SGD	100%
M3H Pte Ltd	Singapore	SGD	100%

4.3 Timeline of key events and announcements

Provided below is a brief outline of the key events and announcements from the Company's incorporation leading up to the appointment of Administrators on 9 June 2018.

Date	Event
17 March 1993	Incorporation of Cannard Enterprises
19 June 2014	Name changed to Migme Limited
5 August 2014	Completion of merger with Project Goth Inc and M3H Private Limited. Raising of \$8M from the share placement to Big Build Enterprises Limited
11 August 2014	Company listed on the ASX
20 August 2014	Announces partnership with Smartfren, Spice Global and Trikomsel
25 September 2014	Announces partnership with Universal Music Indonesia
2 October 2014	Stephen Llanwarne appointed to the board and Chieh Suang Khor appointed as an alternate director
3 October 2014	Release of 296,725 restricted fully paid ordinary shares
16 October 2014	Acquisition of LoveByte
30 October 2014	Announces partnership with DOKU
22 December 2014	Release of 1,483,624 fully paid ordinary shares
23 December 2014	Announces the release of 2.6 million options exercisable at \$0.70, expiring 31 December 2018
6 January 2015	Release of 1,383,203 restricted fully paid ordinary shares
21 January 2015	Acquisition of Sold.sg and appointment of BBY Limited to provide marketing and equity capital market services
31 March 2015	Announces appointment of Branded Limited
21 April 2015	Completes the placement of 10,447,761 shares at issue price of \$0.67 to raise \$7M
9 June 2015	Release of 1,903,842 restricted fully paid ordinary shares
5 August 2015	Release of 2,702,703 restricted fully paid ordinary shares
10 June 2015	Announces expansion into India
24 July 2015	Announces partnership with Sony Music India
19 August 2015	Announces partnership with Qyuki in India
2 September 2015	Announces partnership with BMBX and Terno Recordings
17 September 2015	Completion of \$10M capital raising through the placement of 10.11 million shares at \$1.00
10 December 2015	Partnerships with Paytm (India), Mimopay (Indonesia) and eSewa (Nepal)
18 December 2015	Issue of \$3.5M convertible notes
13 January 2016	Granted 300,000 options exercisable at \$1.20, expiring 31 July 2019
13 January 2016	Granted 2,450,000 options exercisable at \$1.20, expiring 31 July 2019
15 January 2016	Memorandum signed with Peppermint Innovation Ltd to work together to facilitate expansion into the Philippines
20 January 2016	Acquisition of social news site Hipwee complete, issued 725,186 shares
3 March 2016	Company signs with strategic shareholder Meitu and completes a \$7M share placement
9 March 2016	Company signs with Creative Artists Agency
10 March 2016	Issued 11,650,000 ordinary fully paid shares to Meitu, raising \$7M in working capital
12 April 2016	Acquisition of Shopdeca complete. Cash payment of US\$710k and 884,270 Company shares issued

Date	Event
31 May 2016	Howard Dawson retires as director of the Company
21 June 2016	Meitu Investment Limited becomes a substantial shareholder
21 July 2016	Release from ASX escrow of 52,950,102 restricted fully paid ordinary shares and 7,500,000 options exercisable at \$0.20, expiring on 31 July 2017
2 August 2016	Alliance with Mobile-Only Accelerator (MOX)
19 August 2016	Completion of \$10M capital raising, \$2M from Meitu and \$8M from Foxconn, MNC and Malcolm Steinberg
24 August 2016	Po-Hsiang joins board of directors
18 November 2016	Partnership with apps Clideo and Plasino
7 December 2016	Po-Hsiang resigns as director of the Company
1 February 2017	Statutory demands issued to the Company for the repayment of three convertible notes for \$822k. We understand that the basis for these demands were disputed by the Company. The statutory demands were reissued in
2 February 2017	Trading on the ASX is suspended
March 2017	Progressed negotiations with Solaris Power Cells Inc. to refinance/recapitalise the Company, which continued until May 2017 when it became evident that the transaction would not proceed
April 2017	Group operations substantially scaled back / ceased
10 May 2017	Statutory demand issued to the Company by Palm Villa Pty Ltd for the repayment of a convertible note for \$316k. This amount remains unpaid at the date of our appointment
August 2017	Progressed negotiations with True North Energy Corporation (TNEC) to refinance/recapitalise the Company, which continued until March 2018 when it became evident that the transaction would not proceed. TNEC issued a notice of termination to the Company in April 2018
23 August 2017	Statutory demands issued to the Company for the repayment of three convertible notes for \$822k. This amount remains unpaid at the date of our appointment
28 August 2017	Enters into a loan agreement with Celtic Capital Pty Ltd (Secured Creditor) to meet ASX listing fees and prevent delisting
October 2017	Group servers shut down
February 2018	Some of the Group's database is lost due to non-payment of cloud hosting fees
May 2018	Progressed Asset Sale agreement with Amiko to give effect to the sale of all the Company (and Group's) assets in return for a shareholding in Amiko
7 June 2018	Company executes Asset Sale agreement with Amiko
9 June 2018	Appointment of Administrators

4.4 Statutory information

A search of ASIC's database reveals the following details of the Company and its directors, other officers and shareholders.

Company details	
Date of incorporation	17 March 1993 (as Cannard Enterprises)
Registered office	C/- Baker & McKenzie 'AMP Centre' Level 27, 50 Bridge Street, Sydney NSW 2000
Principal place of business	Unit 13, 36 Johnson Street, Guildford WA 6055

We understand that the Company's directors resigned from the board on 9 June 2018, Immediately after our appointment as Administrators. However, ASIC's records indicate the following director positions are held:

Directors	Appointment details
Steven Wern-Yi Goh	8 August 2014 to current
John Francis Woon-Jae Lee	8 August 2014 to current
Yen-Chang Pan	8 August 2014 to current
Stephen Lloyd Llanwarne	8 August 2014 to current
Former:	
Andi Zain	8 August 2014 to 13 September 2017
Yichin Lee	8 August 2014 to 8 June 2017
Po-Hsiang Wang	24 August 2016 to 7 December 2016
Howard Graham Dawson	12 December 2003 to 31 May 2016
Dmitry Levit	8 August 2014 to 5 May 2016
Michael Higginson	31 August 2011 to 8 August 2014
John Geoffrey Macdonald	19 November 2012 to 8 August 2014
James Lewis Michael Malone	18 February 2000 to 28 January 2014
Ian Peter Middlemas	4 July 2011 to 31 August 2011
Mark Laurence Pearce	4 July 2011 to 31 August 2011
Peter Mcaleer	9 March 2001 to 4 July 2011
Simon Giles Titchener	18 February 2000 to 4 June 2010
Malcolm Robert Clark	18 February 2000 to 60 June 2002
Maxwell Rollo Inverarity	29 March 1993 to 18 February 2000
William Harold Jensen	29 March 1993 to 18 February 2000
Graham Kenneth Matcham	17 March 1993 to 29 March 1993
Rene Lynn Matcham	17 March 1993 to 29 March 1993

Secretaries	Appointment details
Former	
Michael Higginson	12 June 2009 to 21 September 2017
James Lewis Michael Malone	22 November 2002 to 17 March 2010
Martin Peter Stein	11 September 2007 to 12 June 2009
Bryan Garrie Kenneth Dixon	10 November 2003 to 23 March 2007
Nerida Lee Schmidt	1 July 2003 to 10 November 2003
Peter Neil Landau	17 July 2001 to 22 November 2002
David Noel Riekie	6 March 2001 to 17 July 2001
Peter Campbell Rutledge	29 March 1993 to 6 March 2001
Graham Kenneth Matcham	17 March 1993 to 29 March 1993

The Company has issued 316,152,890 ordinary, fully paid shares. The Company's top 20 shareholders as at 29 June 2018 (which account for 70% of the total) are:

No.	Shareholder	Total shares held	% of shares held
1	BIG BUILD ENTERPRISES LIMITED	50,074,756	15.84%
2	HSBC CUSTODY NOMINEES	19,820,897	6.27%
3	MEITU INVESTMENT LTD	16,695,069	5.28%
4	HERACLES INVESTMENTS GROUP	16,189,846	5.12%
5	HSBC CUSTODY NOMINEES	13,567,557	4.29%
6	HIGH INCOME INTERNATIONAL	12,329,967	3.90%
7	SMART TAILOR TRADING LIMITED	12,329,967	3.90%
8	DMP -105 LTD	10,434,619	3.30%
9	SUNSHORE HOLDINGS PTY LTD	9,784,066	3.09%
10	CITICORP NOMINEES PTY LIMITED	9,042,203	2.86%
11	HSBC CUSTODY NOMINEES	7,131,945	2.26%
12	T DURDEN PTE LTD	6,221,950	1.97%
13	PALM VILLA PTY LTD	6,138,352	1.94%
14	MR MALCOLM DAVID STEINBERG &	6,101,490	1.93%
15	WRITEMAN PTY LTD	5,000,000	1.58%
16	NOVEL SET LIMITED	4,914,810	1.55%
17	NOVEL SET LIMITED	4,479,104	1.42%
18	KTW GLOBAL HOLDINGS SDN BHD	4,000,000	1.27%
19	J P MORGAN NOMINEES AUSTRALIA	3,864,891	1.22%
20	AT GROWTH EQUITIES SDN BHD	3,715,000	1.18%
Top 20 holders of issued capital		221,836,489	70.17%
Total remaining holders balance		94,316,401	29.83%

Source: Advanced Share Registry (ASR)

Total Outstanding Shares: 316,152,890

Market Capitalisation: \$13,910,727

We are not aware of any inaccuracy in ASR's records.

4.5 Creditors' claims

At our appointment date, we estimate the claims of the Company's creditors totalled \$4,262,467. The following schedule summarises estimated claims by each known class of creditor:

Creditor class	Number of creditors	Amount (\$)
Secured creditors		
Circulating and non-circulating	1	36,570
Employee entitlements		
Priority creditors	NIL	NIL
Excluded employee entitlements (unsecured creditors)	NIL	NIL
Unsecured creditors		
Trade/External creditors	19	1,119,922
Note holders	10	2,699,510
Guaranteed debts	8	348,132
Related entities	1	58,333
Total creditor claims	39	4,262,467

These claims may be subject to change.

These amounts have been derived from the:

- Report as to Affairs (**RATA**) provided by the directors (**Section 6.3**)
- Company's books and records
- proof of debt or claim forms submitted by creditors.

4.5.1 Secured creditors

A 'secured creditor' is a creditor that holds a security interest over some or all of a company's assets. To be valid, the security interest must generally be registered on the Personal Property Securities Register (**PPSR**) or, in the case of land and buildings, at the relevant Land Titles Office. Security interests can be over:

- circulating assets (formerly known as 'floating' assets) eg debtors, stock and cash
- non-circulating assets (formerly known as 'fixed' assets) eg property, plant and equipment, land, goodwill and rights to dividends.

A search of the PPSR and information received from the Secured Creditor revealed the following security interest registered over the Company's assets:

Creditor class	Number of creditors	No. of security interests	Amount (\$)
APAAP*	1	1	36,570
Total creditor claims	1	1	36,570

* All present and after-acquired property – no exceptions (**APAAP**)

Details of the Secured Creditor's PPS registration is provided at **Appendix F**.

4.5.2 Employees

Outstanding employee entitlements have a statutory priority for payment over other creditors (except from the proceeds of non-circulating asset realisations).

We have not identified any Company employees and we understand from the directors that all employees were employed by the subsidiary entities within the Group.

4.5.3 Excluded employees

Excluded employees are defined in the Act as directors and their spouses or relatives (s556(2)).

Outstanding priority employee entitlements for excluded employees are limited to \$2,000 for wages (including superannuation) and \$1,500 for unpaid annual leave and long service leave. The balance of their entitlements rank as an unsecured claim (s556(1A) and (1B)) of the Act.

We have not received any priority claims from excluded employees to date.

4.5.4 Fair Entitlements Guarantee (FEG)

We are not aware of any claims by employees of the Company. However, in the event that the Company is placed into liquidation and employee claims exist, an employee may be eligible for payment of any shortfall in their employee entitlements (excluding superannuation) under FEG which is administered by the Department of Employment (**DE**).

FEG claimants must meet eligibility requirements outlined in the *Fair Entitlements Guarantee Act* 2012. FEG advances are repaid to the Government if and when funds become available, in the same priority as employees' claims. Further information can be found on FEG's website at <http://employment.gov.au/fair-entitlements-guarantee-feg>.

4.6 Unsecured Creditors

At the date of our appointment, the estimated claims of the Company's unsecured creditors totalled \$4,225,897 summarised as follows (derived from the Company's books and records, directors' RATA and POD forms lodged):

Creditor class	Number	Amount (\$)
Trade/external creditors	19	1,119,922
Note holders	10	2,699,510
Guaranteed debts	8	348,132
Related entities	1	58,333
Total unsecured creditor claims	38	4,225,897

The related entity creditor relates to a claim from Mr Goh in his capacity of CEO and co-founder of the Company (i.e. not as an employee).

5. Conduct of administration

5.1 First meeting of creditors

The first meeting of creditors of the Company was held on 21 June 2018 (**First Meeting**), pursuant to s436E of the Act. Creditors did not resolve to appoint a Committee of Inspection (**COI**) at the meeting. A copy of the First Meeting minutes may be obtained from ASIC's website.

5.2 Conduct of the administration

We provide an overview of some of the key aspects of the administration completed to date. Full details of the tasks completed by us are included in our Remuneration Approval Report (**Appendix B**).

5.2.1 Asset Sale agreement

On 14 June 2018 we were provided with an Asset Sale agreement for the sale of the Company's assets and shareholdings in its subsidiaries. The agreement was entered into on 7 June 2018, two days prior to our appointment. We were presented with some Revised Terms by Amiko on 18 July 2018, with subsequent further amendments to the Revised Terms on 27 July 2018. The original terms of the Asset Sale agreement were as follows:

- The purchaser is Amiko Limited (**Amiko or Purchaser**), a Cayman Islands corporation
- Amiko's director is Mr Michael Parker, who we understand is known to the Company's directors and who has had previous dealings with the Company via another entity
- In consideration for the Company's assets and shareholdings, Amiko will issue 18,843,268 ordinary shares (representing 18.8% of its issued capital) at a par value of \$0.001 per share to the Company and other Group entities, allocated as follows:
 - 13,227,883 to the Company
 - 2,692,308 to Migme Pte Limited (a Singaporean company)
 - 769,231 to Migme Malaysia Sdn Bhd (a Malaysian company)
 - 384,615 to Project Goth Inc (an US company)
 - 230,769 to Project Goth India Pvt Limited (an Indian company)
 - 1,538,462 to Migme Taiwan Ltd (Taiwanese company).
- The 13,227,883 shares issued to the Company are allocated in the Asset Sale agreement as follows:
 - 3,516,923 to the Company
 - 9,710,960 to certain Company creditors, shareholders and other parties. Full details of the allocation is provided at **Appendix H**.
- The Amiko issued shares must not be disposed of without Amiko's consent earlier than:
 - three months after settlement or
 - Amiko becoming listed on a recognised stock exchange.
- It is conditional on the approval of the Company's creditors of a deed of company arrangement that gives effect to the Asset Sale agreement.

The effect of the Revised Terms compared to the terms in the original Asset Sale agreement dated 7 June 2018 are as follows:

	Original term per Asset Sale agreement	Revised Term
Number of shares allocated to the Company	3,516,923	2,990,676
Number of shares allocated to the Company for third parties (Appendix H)	9,710,960	Nil
Number of shares allocated to subsidiaries	5,615,385	2,046,444
Cash contribution	US\$100k	US\$300k
Timing for sale of Amiko shares after successful listing	3 months	2 months

Pursuant to the Revised Terms:

- the cash contribution by Amiko has increased by US\$200k
- there is a decrease in the number of Amiko shares to be allocated to the Company for the benefit of the Company's creditors, although the value of Amiko and timeframe to successfully list are not known
- the timeframe for the sale of the Amiko shares has shortened by one month.

Despite our investigations and enquiries of the directors, Amiko and its advisors to date, we have some concerns about the Amiko Asset Sale in relation to:

- the lack of documentation (including board papers, independent advice and/or financial analysis) to support the directors' decision to enter into the Amiko Asset Sale
- the manner in which it was negotiated and the commercial reasoning for doing so. We note that the parties involved in the Asset Sale transaction appear to have also assisted the Company in its restructuring efforts prior to the Asset Sale transaction being entered into
- the allocation of proceeds of the sale (shares in Amiko) between the Company and its subsidiaries and other parties
- the ability of Amiko to complete the sale
- the value of Amiko and prospect of any return to the Company's creditors in the foreseeable future from the sale of Amiko's shares.

However, we note that:

- the original Asset Sale agreement was entered into by the agreement of the Company's directors with the view to maximise the return to the Company's creditors and shareholders, following various attempts to recapitalise, refinance or sell its operations during the period from February 2017 to May 2018
- Mr Goh has informed us that it is his view:
 - there is no alternate purchaser
 - the Group's servers could not be effectively restored without considerable time and cost implications, which could be in the order of US\$1.5M
 - the value of the Group's assets has significantly deteriorated since the servers were disconnected in October 2017. This is largely due to the nature of the assets, being a social media platform, which quickly becomes obsolete when it is no longer available for its users to engage with on a day-to-day basis.

Based on the information provided to us and our investigations to date, we consider that:

- the Company's directors did investigate other options for recapitalisation, refinance or sale over approximately 12 to 18 months prior to our appointment all of which were not successful for various reasons before the Amiko Asset Sale was entered into
- the Amiko Asset Sale provides for at least some return to the Company's creditors for the Group's assets, which is:
 - US\$300k cash within 75 days of completion
 - the proceeds from the sale of up to 2,990,676 Amiko shares which can be sold by Amiko two months after its' successful listing (although the value of these shares is unknown)

- it is highly unlikely that a liquidator could find an alternate buyer which would offer a better (or any) return to creditors. The costs to restore the Group's server could be in the vicinity of US\$1.5M before the costs of administration. There is a significant risk that there would be no alternate buyer for the Group's assets, given:
 - the Company is without funds to meet costs to restore the Group's server and restart operations
 - the social media platform has been non-operational for eight months
 - some Group data has been lost as a result of non-payment of cloud hosting fees
 - all Group employees have been terminated
 - Mr Goh and the directors have resigned from the Board of Directors
 - Whilst not frustrating or impeding an alternative, Mr Goh has indicated that he would not be supportive of an alternate sale strategy (as he considers that it is unviable)
- it is reasonable in the circumstances for creditors to allow for the Amiko Asset Sale (on the Revised Terms) to progress via a deed of company arrangement to provide some return to creditors within a reasonable time frame
- we have received a proposed deed of company arrangement from the Secured Creditor (**Secured Creditor Deed**) which would allow for the Asset Sale transaction to be progressed within certain timeframes and other conditions. We provide details of the Secured Creditor Deed at **Section 9** and below.

5.2.2 Deed proposal

On 17 July 2018 we received a proposed deed of company arrangement from the Secured Creditor, Celtic Capital Pty Ltd (**Deed Proponent** or **Secured Creditor**). The key terms of the proposal are summarised below:

- \$650k cash contribution by the Deed Proponent by way of a loan to the Company
- Share consolidation on a 100 to 1 basis
- Raising of \$1M by a 50M placement of ordinary shares at \$0.02 per share
- Facilitates the Amiko Asset Sale, which (if successful), would result in the Company receiving:
 - US\$100k cash contribution by Amiko on completion of the Amiko Asset Sale
 - US\$200k cash contribution by Amiko within 75 days of completion of the Amiko Asset Sale
 - the proceeds from the sale of the Company's shares in Amiko, to be sold in a manner proposed by Amiko two months after it is successfully listed on a recognised stock exchange.
- Contingent on:
 - Creditor approval on or before 6 August 2018 (otherwise the Deed Proponent may withdraw its proposal)
 - Shareholder approval by 21 September 2018
 - A waiver by ASX of the requisite listing rules.
- Assignment of Company creditor claims to a Creditors Trust via a creditors trust deed
- Creditors can elect to receive a dividend from the Creditors Trust (subject to successfully proving debts with the trustee) or shares in the Company.

The proposal received on 24 July 2018 supersedes an earlier proposal, and is attached to this Report at **Appendix I**, and discussed in further detail at **Section 9**.

5.2.3 Recapitalisation

We commenced an expression of interest (**EOI**) process for the Company's recapitalisation during the week ended 29 June 2018 which included advertisements in the Australian Financial Review and West Australian newspapers.

Binding EOI's for recapitalisation of the Company were due by 18 July 2018 and we received two binding EOI's by the closing date. We provide further details of the two proposals received (in addition to the Secured Creditor Deed) at **Section 9**.

However, we note that the Secured Creditor Deed presented the most favourable proposal which offers the highest potential return to creditors within a reasonable timeframe. As such, we recommend that creditors vote to accept the Secured Creditor Deed.

5.2.4 *Investigations*

We have undertaken our investigations to form a preliminary view of the date of the Company's insolvency and any voidable transactions that may exist for a liquidator to pursue, if one were to be appointed. We provide details of our preliminary findings at **Sections 7** and **8** of this Report.

If appointed, a liquidator would conduct a more thorough review of the recapitalisation and asset sale processes undertaken before the Amiko Asset Sale was agreed to form a view on whether:

- it was reasonable for the directors to continue the Company's operations (albeit on a largely scaled back basis) while the recapitalisation and asset sale processes were run
- what return could reasonably have been generated for creditors and/or shareholders, and the timeframe within which this could have been achieved
- whether the transaction is an uncommercial or unreasonable director related transaction, under s588FE and FDA of the Act.

6. Company financial background

The Company maintained a MYOB accounting system to April 2017, at which time the Group substantially scaled back its operations. The Group's servers were later turned off in October 2017. As such, financial information from May 2017 up to the date of our appointment is incomplete and, in our preliminary view, not compliant with s286 of the Act.

The infrequent preparation of financial information raises concerns regarding:

- the adequacy of the Company's books and records, and
- the ability of management to make informed decisions on the Company's future.

Historically, the Company prepared annual financial statements and monthly management accounts. The Group's consolidated annual financial statements were audited. The last audited financial statements are for the year ended 31 December 2016.

We have completed a preliminary financial analysis on the following historical results:

- 2015 and 2016 fiscal years Group audited financial statements (consolidated)
- the Company's year to date (YTD) unaudited management accounts to December 2017.

A summary of the Group's audited financial statements for 2015 and 2016 are included at **Appendix J** to this Report.

6.1 Company's financial performance / Profit and Loss

Key Comments
<ul style="list-style-type: none">• The Company operated as a holding company for its subsidiary companies and did not generate any trading revenue.• Overheads were predominately made up of professional fees for the period 2015 to 2017 including consultants, auditors, ASX fees, contractor fees, accounting and secretarial and filing fees.• Net losses after tax were reducing each year from 2015 to 2017. Operating expenses ceased in April 2017 which contributed to the reduced loss in 2017.

The Company's financial performance (Profit and Loss) for the three years to 31 December 2017 is summarised below:

\$'000s	Notes	2017 (mgmt)	2016 (mgmt)	2015 (mgmt)	Total (mgmt)
Revenue from operations		-	-	-	-
Cost of goods sold		-	-	-	-
Gross Profit	1	-	-	-	-
<i>Margin (%)</i>		0%	0%	0%	0%
Insurance		(10)	(13)	-	(23)
Marketing Expenses		(74)	(55)	(113)	(242)
Directors fees		(25)	(106)	(150)	(281)
Recruitment fees		-	(207)	-	(207)
Professional fees	2	(338)	(1,454)	(367)	(2,159)
Other expenses		(8)	(38)	(57)	(103)
EBITDA		(456)	(1,872)	(687)	(3,015)
Depreciation and amortisation		-	-	-	-
EBIT		(456)	(1,872)	(687)	(3,015)
Share based payment expense	3	(30)	(1,493)	(283)	(1,806)
Provision for impairment loss		-	122	(319)	(198)
Provision for diminution	4	-	127	(53,517)	(53,390)
Interest	5	(105)	(1,009)	7	(1,107)
Realised forex gain/losses		(24)	(2)	8	(18)
Unrealised forex gain/losses		-	(209)	500	291
Other income		-	15	-	15
Other expenses		-	(9)	(8)	(16)
Net Profit/(Loss) After Tax	6	(614)	(4,330)	(54,298)	(59,243)

Notes

1. The Company was a holding company and did not undertake any operational work in its own capacity; therefore, it did not generate any trading revenue.
2. Professional fees include consultants, auditors, ASX fees, contractor fees, accounting and secretarial and filing fees.
3. On 19 August 2016, shares were issued to Mobile-Only Accelerator Ltd (MOX) and General Mobile Corporation (GMobi) based on the Company's share price on that date for program marketing and promotional activities.
4. The directors advise these entries relate to the backdoor listing of Latin Gold Limited, but we have not been provided any further detail on this.
5. Interest expense is made up of interest payable under the convertible notes issued by the Company.
6. The Company did not maintain its MYOB accounts after April 2017 and as such, there is a reduction in the net loss recorded in 2017 compared to previous years. In addition, the Group substantially scaled back its operations at this time which also contributed to a smaller net loss than that incurred historically.

6.2 Company's financial position / Balance Sheet

Key Comments

- The Company's principal asset is its investments in the subsidiaries.
- Whilst the Company maintained a positive net asset balance for the period 2015 to 2017, it is skewed by the inclusion of the intercompany receivables and investments, which appear to have been carried at a value materially higher than their recoverable value (particularly as the subsidiary companies are not currently trading).
- The Company sought alternative methods of financing through convertible notes which made up the majority of the Company's liabilities. Statutory demands were issued by various noteholders in February, May and August 2017 to demand repayment of their debts. These remain outstanding at the date of our appointment.
- The Company was experiencing tight liquidity in years 2016 and 2017 with liquidity ratios of 0.28 and 0.39 respectively, indicating an inability to generate sufficient cash to meet its current liabilities.

The Company's financial position (Balance Sheet) for the three years ended 2017 are summarised below:

\$'000s	Notes	Dec 2017 (MGMT)	Dec 2016 (MGMT)	Dec 2015 (MGMT)
Current assets				
Cash and cash equivalents	1	1	2	6,486
Other assets		936	961	29
Total current assets		937	962	6,514
Non-current assets				
Investments in Subsidiaries	2	22,855	21,824	1,775
Bank Loan		668	695	685
Total non-current assets		23,523	22,518	2,460
Total assets		24,460	23,481	8,974
Current liabilities				
Trade and other payables		482	163	-
Convertible notes payable	3	2,493	2,062	-
Accruals		414	298	1,012
GST Collected		42	-	-
GST Paid		(73)	(42)	(19)
Total current liabilities		3,358	2,481	993
Non-current liabilities				
Bank Loans		17	-	-
Convertible notes payable	3	-	-	3,178
Total non-current liabilities		17	-	3,178
Total liabilities		3,376	2,481	4,171
Net assets		21,085	21,000	4,803
Equity				
Common Stock		89,480	89,480	69,495
Share Option Proceeds		219	219	149
Share Based Payment Reserve		5,034	4,312	3,014
Share Option Reserve		1,154	1,154	1,154
Cost of Financing		(3,314)	(3,292)	(2,478)
Retained Earnings		(70,873)	(66,543)	(12,232)
Current year earnings		(614)	(4,330)	(54,298)
Total Equity		21,085	21,000	4,803

Notes

1. There was a significant deterioration in the Company's cash position from December 2016 onwards. We have limited information to substantiate the reduction in cash between 2015 and 2016. However, we understand that the funds were used in supporting the cash flow of the Company's loss-making subsidiaries.
2. Includes the Company's investments in its subsidiaries and intercompany accounts.
3. The Company issued various convertible notes in an attempt to generate sufficient cash flows to meet the Group's ongoing operational costs.

6.3 Directors' Report as to Affairs (RATA)

A company director must provide an administrator with a RATA outlining the company's business, property, affairs and financial circumstances at the appointment date (s438B). The RATA should include:

- Net asset book values (based on historical financial records)
- estimated asset realisable values
- known liabilities.

All of the Company's directors have provided us RATAs in accordance with their responsibilities under the Act.

Detailed below is the information provided in the directors' RATA (each directors' RATA contained the same data).

\$'000s	Notes	Book value	Estimated value
Assets subject to specific security interests		-	-
Relevant secured creditor claims	1	29	29
Surplus / (Deficit) on specific security interests		(29)	(29)
Other Assets			
Interest in land		-	-
Sundry debtors	2	19,649	-
Cash on hand		-	-
Cash at bank		-	-
Plant and equipment		-	-
Other		-	-
Surplus / (Deficit) on specific security interests (from above)		(29)	(29)
Sub Total		19,620	(29)
<i>Less other creditor claims:</i>			
Employee entitlements		-	-
Preferential creditors	3	2,883	2,883
General security interest holders		-	-
Unsecured creditors		841	841
Surplus / (Deficiency) to creditors		15,896	(3,753)
<i>Plus Contingent assets</i>		-	-
<i>Less Contingent liabilities</i>		-	-
Surplus / (Deficiency) to creditors after contingencies		15,896	(3,753)

Notes

1. The directors have included the amount advanced under the loan facility agreement of \$29k, however we have received a proof of debt claim from the Secured Creditor for \$36k (including legal costs and interest accrued).
2. Intercompany loans are summarised below, which the directors have attributed a nil estimated realisable value to:

Company	Amount \$'000s
Project Goth Inc	2,557
Migme Pte Ltd	9,455
M3H Sdn Bhd	7,638
Total	19,649

3. Preferential creditors are summarised below. From the information provided to us to date (by creditors and from the Company's records) we understand that these creditors are ordinary, unsecured creditors (rather than preferential creditors, as stated in the RATAs).

Creditor	Amount \$'000
Mr Aaryn Nania ATF Second Lagoon Trust	18
Mr Khetan Narottam	11
Hammond Royce Corporation Pty Ltd ATF Lennie David Family Trust	227
Principis Master Fund SPC - Lucerne Composite Master Fund SP	595
Palm Villa Pty Ltd	338
DMP 108 Limited	1,000
Mr Jason Peterson + Mrs Lisa Peterson (J & L Peterson S/F A/C)	200
Agens Pty Ltd (The Mark Collins Family A/C)	100
Mr Bin Liu	20
Sarodan Pty Ltd	25
DMP 208 Limited	30
Riccardo Juanito Karjono	34
Riva Alberto Karjono	33
Kun-Sen Lu	165
Saphira Devi	33
Charles Pan	15
Andy Zain	25
Jeff Bezzina	13
Total	2,883

RATA figures may differ from actual realisable values as:

- net book values are based on historical financial records
- asset values are not market tested
- creditor claims are not yet adjudicated upon and quantified.

7. Investigations

Key Comments

While our investigations are ongoing, we summarise our initial findings below:

- The Company's failure would appear to be the result of:
 - an increase in operational costs driven by its acquisitions and continued business operations
 - an inability to scale up revenue (i.e. profits/dividends from its subsidiaries) to meet its ongoing operational costs
 - an inability to generate sufficient cash flow (from the operations of its subsidiaries, capital raisings and financiers) to meet costs.
- We have concerns that the books and records of the Company do not correctly explain its performance and financial position. The books and records may be deficient and give rise to a presumption of insolvency.
- Our preliminary view is that the Company was insolvent from at least May 2017 when it had insufficient funds to meet its debts as and when they fell due.

We have conducted investigations into the reasons for the Company's failure to the extent possible in the available time. Further investigations will be conducted should creditors vote to wind up the Company at the Second Meeting. A liquidator has greater powers to undertake investigations and pursue recoveries than an administrator or deed administrator.

Our investigations to date have been limited for the following reasons:

- We have had a relatively limited timeframe in which to undertake investigations and report to creditors, given the difficulty we have had in obtaining accurate, complete and relevant information.
- A number of the Group's key management staff were terminated in April 2017 when the Group substantially scaled back its operations, and as such, we were solely reliant on the Company's directors (primarily Steven Goh) to obtain and provide us with all of the Company's books and records. A significant portion of the Company's records are located overseas, which has hindered the directors in providing it to us in a timely fashion.
- We have concerns that the Company's financial information and books and records may be deficient for the period from May 2017 to the date of our appointment.

We have based our investigations and opinions on information obtained from:

- books and records, including management reports and board reports
- electronic financial systems
- accounting systems used by the Company when it was operational
- the director, Steven Goh, and his advisors
- external professional reports, including audit reports
- information provided by creditors
- publicly available information e.g. ASIC, ASX.

7.1 Directors' explanation for the Company's difficulties

The directors attribute the Company's current financial position to:

- lack of management control and Mr Goh being 'spread too thin'
- inadequate financing/funding
- under capitalisation
- excessive cost structure
- a change in the market sentiment towards the technology industry

- disparity between shareholder expectations and the Company's actual financial performance and strategy.

7.2 Administrators' opinion of the reasons for the Company's difficulties

In addition to the directors' stated reasons for the Company's current financial position, we believe the following factors are also relevant:

- insufficient working capital
- poor financial controls including lack of records
- lack of visibility about Company performance and position
- inability to scale up Group operations and revenue in line with operational expenses
- the withdrawal of support by shareholders and creditors.

7.3 Insolvency

Our preliminary view is that the Company was insolvent from at least May 2017.

The methods of testing solvency include but are not limited to the Cash Flow Test and the Balance Sheet Test, which are examined below.

A company is insolvent if it is unable to pay its debts as and when they become due and payable. Liquidators are required to demonstrate that a company is insolvent in order to pursue certain recovery proceedings (**Section 8**).

Creditors should note that insolvent trading claims are difficult and costly to pursue, and even if successful they may not generate an additional return for creditors.

7.3.1 Cash Flow Test

The Cash Flow Test is a measure of the Company's ability to pay its liabilities from available resources as and when they fall due.

The available books and records indicate that the Company:

- was not generally able to pay its debts as and when they fell due from (at least) May 2017
- was not forecasting to have sufficient cash available up to and beyond the date of administration
- had financial reports that were materially misstated in relation to its valuation of the investments in its subsidiaries.

Working capital and net current assets

Working capital is an indicator of liquid assets available to pay debts due within 12 months. A working capital ratio of less than one indicates that a company may not be able to pay its debts as and when they fall due.

Our preliminary analysis of the Company's records relating to working capital and net current assets disclosed immediate liquidity issues as at December 2016 and 2017, when the Company had a working capital deficiency of \$1,519k and \$2,421k respectively.

\$'000s	Dec-17	Dec-16	Dec-15
Current Assets	937	962	6,514
Current Liabilities	3,358	2,481	993
Working Capital (Current Assets less Current Liabilities)	(2,421)	(1,519)	5,521
Working Capital / Liquidity Ratio (Current Assets/Current Liabilities)	0.28	0.39	6.56

Short term cash flow forecast

The Company prepared consolidated monthly cash flow forecasts up until April 2017. Beyond that, the Company did not have a short-term cash flow forecast and therefore the directors had little visibility as to the immediate cash needs of the business.

We note the following deficiencies in the Company's historical forecasts provided to us:

- the forecasts prepared were done so on a stand-alone, month by month basis
- no assumptions are detailed
- the forecasts are not collated to provide rolling, monthly position (i.e. to allow management to assess what the expected cash requirement in three months' time)
- it is not clear to us who prepared the forecasts, nor who they were used by or for what purpose.

7.3.2 Balance Sheet test

The Balance Sheet Test assesses the solvency of a company with reference to the company's net asset position (i.e. the level of total assets relative to total liabilities).

Our review of the financial records has found that the Company's reported net asset position was positive throughout the period under review. However, this position is reliant on the full recovery of receivables from the Company's subsidiaries. Given the loss-making nature of the Group's operations, the recovery of these amounts in the short to medium term is unlikely.

\$'000s	Dec-17	Dec-16	Dec-15
Total Assets	24,460	23,481	8,974
Total Liabilities	3,376	2,481	4,171
Net Assets (Total Assets less Total Liabilities)	21,085	21,000	4,803

A liquidator will investigate these matters further, should the creditors vote to wind up the Company at the Second Meeting.

7.3.3 Other Indicators of Insolvency

Determining whether a company is insolvent (and the date at which insolvency occurred) is often difficult and is ultimately a matter for the courts to decide. The courts have identified fourteen general indicators of insolvency that are considered further in ASIC Regulatory Guide 217.

Our investigations to date have identified that nine of these indicators apply, or may apply, to the Company, as summarised below:

Indicator	Present	Comment
Continuing trading losses	Yes	Trading losses incurred in 2016 (\$4,330k) and 2017 (\$614k)
Liquidity ratio below one	Yes	Liquidity ratio below one from December 2016 onwards
Overdue Commonwealth and state taxes	No	No overdue taxes identified
Poor relationship with borrower/financier including inability to borrow additional funds	Yes	Inability to raise additional funds, statutory demands issued by various convertible note holders in February, May and August 2017
No access to alternative finance	Yes	Various attempts to refinance were unsuccessful
Inability to raise further equity	Yes	Various attempts to raise capital were unsuccessful
Supplier placing debtor on COD terms, otherwise demanding special payments before resuming supply	Yes	ASX demanded and was paid listing fees of \$30k in August 2017 to prevent delisting
Creditors outside trading terms	Yes	The Company's aged payable position significantly deteriorated from April 2017 onwards
Issuing of post-dated cheques	No	No evidence of the issuance of post-dated cheques
Dishonoured cheques	No	No evidence of dishonoured cheques
Special arrangements with selected creditors	No	No evidence of special arrangements
Legal action threatened or commenced, or judgements entered against the company	Yes	Statutory demands issued in February, May and August 2017 which remain outstanding at the date of our appointment
Payments to creditors of rounded figures, which are irreconcilable to specific invoices	No	No evidence of such payments
Inability to produce timely and accurate financial information to display the Company's trading performance and financial position, and make reliable forecasts	Yes	It is our preliminary view that the Company was unable to produce timely and accurate financial information from May 2017, and meaningful forecasts were not prepared from April 2017

7.3.4 Proving Insolvency

Further investigations into the Company's insolvency will be conducted by a liquidator should the Company be wound up.

Determining when a company became insolvent can be a costly and complex exercise, involving a detailed review of the company's financial position, cash flow, and other relevant information.

7.4 Legal/class actions

We are unaware of any legal proceedings against the Company.

7.5 Outstanding or previous winding up applications

We are not aware of any outstanding or previous winding up applications against the Company.

7.6 Books and records

Our preliminary view is that the Company has not maintained adequate books and records from May 2017 up to the date of our appointment, given:

- the books and records do not sufficiently disclose transactions that enable the Company's financial position to be ascertained at any particular time

- the Company has not kept financial records up to the standard ordinarily used in similar enterprises
- the books and records are located overseas, and sufficient information was not kept in Australia to allow for the preparation of accurate financial reports in a timely manner (as required under s289(2) of the Act).

A company must keep written financial records that:

- correctly record and explain its transactions, financial position and performance
- would enable true and fair financial statements to be prepared and audited
- must be kept for seven years after the transactions covered by the records are completed (s286).

Directors are responsible for ensuring that adequate financial records are maintained. Directors who fail to take all reasonable steps to ensure compliance with this requirement may be subject to a civil penalty order. This includes shadow and de facto directors.

Failure to maintain books and records may give rise to a presumption of insolvency (pursuant to s588E of the Act) (discussed above at **Section 7.3**).

A liquidator (if appointed) will continue investigations into whether any breaches of the Act have occurred in relation to the maintenance of proper books and records, including:

- failure to keep proper financial records (s286)
- failure to take all reasonable steps to comply with financial records reporting requirements (s344).

8. Offences and liquidation recoveries

Key Comments

While our investigations are ongoing, we summarise our preliminary findings below:

- Based on our investigations, we have concluded that the Company is likely to have traded while insolvent from May 2017. There may be an insolvent trading claim against the Company's directors for approximately \$183k, however this would need to be further investigated by a liquidator.
- We have not identified any:
 - payments to creditors that appear preferential in nature
 - unfair loans made to the Company.
- We have identified that the directors may have been in breach of s286 of the Act, by failing to keep adequate financial records for the period from May 2017 up to the date of our appointment (as required by s286 of the Act)
- We note that we have concerns around the structure and negotiations of the Company's dealings with Amiko as discussed at **Sections 2.8.2** and **5.2.1**. The Secured Creditor Deed has specifically agreed to transfer any assignable claims held by the Company to the Creditors' Trust.

A liquidator has the ability to pursue certain claims that may result in recoveries for creditors. Importantly, these claims are not available to a deed administrator should creditors vote to execute a Deed proposal.

To compare the likely return to creditors under a Deed and liquidation scenario, administrators identify claims that a liquidator could pursue, including:

- voidable transactions and other potential recoveries
- recoveries against past or present directors, secretaries, other officers and Company advisors.

Enclosed at **Appendix G** is a *Creditor Information Sheet: Offences, Recoverable Transactions and Insolvent Trading* published by ARITA, which provides general information for creditors on the types of claims that a liquidator can pursue.

8.1 Voidable transactions

The Act requires an administrator to specify whether there are any transactions that appear to the administrator to be voidable transactions in respect of which money, property or other benefits may be recoverable by a liquidator under the Act.

As stated in Sections 4 and 5, we have requested information and explanations from the directors, Amiko and Amiko's advisers in relation to the Amiko Asset Sale which was entered into by the Company's directors on 7 June 2018. While we have obtained an understanding of the process undertaken prior to entering into the agreement, the Company records and documentation to support the directors' decision is (in our view) deficient. We have been largely reliant on the information provided to us and our enquiries of the relevant parties in conducting our investigations into the circumstances leading up to the directors executing the Amiko Asset Sale.

A liquidator would conduct a more thorough review of the processes undertaken by the directors before the agreement was signed to form a view on whether the transaction was reasonable in the circumstances, or if it satisfies elements of an uncommercial or unreasonable director related transaction. However, as noted earlier, we do not believe that a better result could be achieved than the current transaction.

We have not identified any other potential voidable transaction recoveries.

8.2 Insolvent trading

Based on our investigations as detailed in **Section 7.3**, we have concluded that the Company is likely to have traded whilst insolvent from May 2017.

Insolvent trading is when a company incurs a debt at a time when:

- the company was insolvent or became insolvent by incurring the debt
- there were reasonable grounds to suspect the Company was insolvent or would become so as a result of incurring the debt.

Company directors have a duty to prevent insolvent trading by not incurring debt when there are reasonable grounds for suspecting that the company is or will be unable to pay its debts as and when they fall due.

The objective test or standard of measure in deciding whether insolvent trading has occurred is whether a director can demonstrate that their actions are at the same degree and level that would be required of an ordinary reasonable person holding a similar position and responsibility in the same circumstances.

A director who fails to prevent a company from incurring a debt at a time when there are reasonable grounds for suspecting that the company is insolvent, or will become insolvent by incurring that debt, contravenes s588G of the Act.

Creditors should note that only a liquidator or an individual creditor with the liquidator's permission can bring an action against a director for breach of s588G. An administrator or deed administrator can not pursue a director for recoveries from contraventions of s588G of the Act.

A liquidator may recover from a director the amount of loss or damages suffered by a creditor (s588M).

8.2.1 Director defences

We are yet to form a view on whether these defences would be available to the directors.

Defences available to directors under the Act in regard to allegations of insolvent trading are:

- the director had reasonable grounds to expect, and did expect, that the company was solvent at that time and would continue to be solvent if it incurred the debt.
- the director had reasonable grounds to believe that a competent and reliable person was responsible for providing adequate information about whether the company was solvent and that person was fulfilling the responsibility and it was expected, that on the basis of the information provided, that the company was solvent and would continue to be solvent when the debt was incurred.
- at the time the debt was incurred the director, due to illness or other good reason, did not take part in the management of the company.
- the director took all reasonable steps to prevent the company from incurring the debt.
- the director, after suspecting insolvency, engaged an appropriately qualified advisor to develop one or more courses of action that were reasonably likely to lead to a better outcome for the company.

8.3 Offences

Directors and others have duties, obligations and responsibilities in relation to common law and statute.

8.3.1 Corporations Act 2001

Our preliminary investigations have identified that the Company's directors may have committed the following offence:

- a failure to keep adequate financial records for the period from May 2017 up to the date of our appointment (as required by s286 of the Act).

A liquidator can conduct more thorough investigations and identify potential offences and recoveries (if any).

If a director breaches any duties, obligations and responsibilities, they may be subject to civil and criminal penalties including:

- compensation to the Company for damages resulting from the contravention
- fines (up to \$200,000)
- imprisonment (up to 5 years)
- disqualification from managing corporations.

8.3.2 Other Legislation

In addition to offences under the Act, directors and others may commit offences in respect of the Company under other legislation, for example:

- Taxation laws
- Trade Practices Act
- Fair Trading Act.

Our preliminary investigations have not identified any other breaches.

8.4 Directors and officers insurance policy

A Directors and Officers insurance policy (**D&O Policy**) offers liability cover for company officers to protect them from claims which may arise from the decisions and actions taken within the scope of their regular duties. Such policies cover the personal liability of company directors and officers.

The Company held a D&O Policy which expired on 15 August 2017. To avoid prejudicing any potential claims, we are not disclosing the terms of the D&O Policy.

The D&O Policy will be subject to further investigation should the creditors elect to place the Company into liquidation at the Second Meeting, in particular the conditions, limits and period of cover. We have not put the insurer on notice of certain potentially claimable events at this stage and it is likely that no new claims can be made against the D&O Policy given it has now expired.

8.5 Directors' personal financial position

When a liquidator assesses the commercial merit of pursuing a claim, a key consideration is the capacity of the defending party to satisfy the claim.

We wrote to the directors of the Company requesting that they each provide a statement of personal financial position. The directors have not provided us with a statement and we are unable to compel them to provide such information.

In addition, we have completed an initial search of publicly available records for assets held in the directors' names. At this time, we do not intend to disclose the details of these searches however we understand that the directors do not own assets against which recoveries could be made.

Should creditors resolve to place the Company into liquidation at the Second Meeting, a liquidator would continue investigating the directors' personal financial positions.

8.6 Public examinations

The Act provides that an 'eligible applicant', such as a liquidator, may examine officers of a company about its 'examinable affairs' and any other person who may be able to provide information relating to such affairs. 'Examinable affairs' is a comprehensive term with wide ranging application and includes:

- the promotion, formation, management, administration or winding up of the company
- other affairs of the company
- the business affairs of a connected company of the company insofar as they appear to be relevant to the company or its affairs.

If the Court is satisfied that a summons for examination should be issued, the examinee is usually required to produce at the examination any specified books that are in the person's possession and relate to the corporation.

We do not believe there would be any material benefit to creditors in examining the directors or other possible persons of interest at this stage.

8.7 Reporting of offences to ASIC

Administrators are required to complete and lodge a report with ASIC pursuant to s438D of the Act where it appears that:

- a past or present officer of a company may have committed an offence
- money or property has been misapplied or retained
- a party is guilty of negligence, default, breach of duty or breach of trust in relation to a company.

A liquidator is required to lodge a report of his findings with ASIC, pursuant to s533 of the Act.

Creditors should also be aware that any report lodged pursuant to s438D (or an investigative report lodged by a liquidator pursuant to s533 of the Act) is not available to the public.

We will lodge a report with ASIC in accordance with s438D of the Act which covers the issues raised in this Report prior to the Second Meeting.

8.8 Costs of investigations and pursuing recovery actions

Creditors should note that recovery actions:

- may be expensive, lengthy and with uncertain outcomes
- should not be commenced unless defendants have the financial resources to satisfy any judgement (this is often difficult to establish)
- must be funded by existing assets, creditor funding or external litigation funders. Litigation funders are likely to require a significant share of the proceeds of any judgement as a condition of funding the litigation.

8.9 Funding investigations and recoveries

Should creditors resolve that the Company be wound up and a liquidator appointed, it is likely the liquidator will be substantially without funds to meet the costs of any recovery actions that may be available to pursue.

In these circumstances, the liquidator may invite creditors to consider providing funding to conduct further investigations of a potential insolvent trading claim.

Alternatively, a liquidator may seek external funding from a litigation funder in exchange for a share of any recovered proceeds.

9. Deed of Company Arrangement (Deed)

9.1 Deed general information

A Deed or DOCA is a binding agreement between a company and its creditors setting out how a company's affairs will be dealt with. It aims to maximise the chances of the company, or as much as possible of its business continuing to exist or providing a better return to creditors than would be achieved by winding up the company.

If creditors decide to vote for a Deed:

- the Administrators must sign/execute the Deed within 15 business days of the Second Meeting, otherwise the Company automatically proceeds into liquidation. The Court can allow longer time if required
- unsecured creditors will be bound by the Deed, even if they vote against
- secured creditors who vote in favour will be bound by the Deed
- the Court can bind any creditor to the Deed.

Creditors can vote for the Company to execute a Deed at the Second Meeting, even if it differs from those proposed in this Report.

9.2 Expression of interest process

We ran an EOI campaign for the Company, as summarised below:

Period	Actions taken
Week 1 (25 June 2018)	<ul style="list-style-type: none">- Advertised for EOIs in print media (including the Australian Financial Review and the West Australian newspapers)- Contacted known parties with interest/history of completing recapitalisations- Drafted sale process letter and information overview to interested parties- Drafted and sent confidentiality agreements to interested parties for execution- Created and maintained interested party register.
Week 2 (2 July 2018)	<ul style="list-style-type: none">- Reviewed returned confidentiality agreements, and sent sale process letter and information overview to those parties- Sent confidentiality agreements to interested parties for execution- Responded to queries from interested parties- Maintained interested party register.
Week 3 (9 July 2018)	<ul style="list-style-type: none">- Reviewed returned confidentiality agreements, and sent information overview to those parties- Closure of initial, non-binding EOI period- Responded to queries from interested parties- Reviewed and summarised non-binding EOI's received- Discussed non-binding EOI's with relevant party from who it was received.
Week 4 (16 July 2018)	<ul style="list-style-type: none">- Responded to queries from interested parties- Requested "highest and best", final binding offers- Reviewed and summarised final EOI's, and identified preferred DOCA proponent- Communicated with preferred DOCA proponent regarding next steps.

During the EOI campaign, we:

- communicated with 19 parties regarding their interest in presenting a Deed proposal
- received seven executed confidentiality agreements, and
- received three recapitalisation proposals (discussed in more detail below).

9.3 Proposals analysis

9.3.1 Proposals received

The key terms of the three recapitalisation proposals received up to the date of issuance of this Report by us are summarised below:

Condition	Celtic Capital/Secured Creditor (preferred proposal)	Party 1	Party 2
<i>Final proposed creditor contribution</i>	\$650,000	\$500,000 (cash) \$100,000 (shares)	\$550,000 (cash)
<i>Deposit</i>	No	Yes	Yes
<i>Require capital raising?</i>	Yes (for working capital for the Company)	Yes	Yes
<i>Other material terms</i>	<ul style="list-style-type: none"> - Share consolidation on a 1:100 basis, plus a new placement of 50 million shares - Total number of shares on acquisition: 53,161,529 shares + 119,447 options - Existing shareholder consolidation percentage: 5.96% - The Secured Creditor to prepare and bear costs for DOCA/creditor trust deeds, financial reports and shareholder meetings - Subject to approval by ASX, shareholders and creditors 	<ul style="list-style-type: none"> - Share consolidation on a 1:100 basis, plus a new placement of 100 million shares - Total number of shares on acquisition: 103,161,529 shares - Existing shareholder consolidation percentage: 3.06% - Syndicate to prepare DOCA/creditor trust deeds and dealings with ASX/ASIC, but did not address cost - Subject to approval by ASX, shareholders and creditors 	<ul style="list-style-type: none"> - Share consolidation on a 1:65 basis, plus a new placement of 147.5 million shares - Total number of shares on acquisition: 152,769,215 + 199,079 options - Existing shareholder consolidation percentage: 3.18% - Syndicate to prepare and bear costs for DOCA/creditor trust deeds, financial reports and shareholder meetings - Subject to approval by ASX, shareholders and creditors

We have withheld the names of the other interested parties as the information is commercially sensitive.

9.3.2 Assessment of proposals

We assessed the proposal received from Celtic Capital Pty Ltd as trustee for the Celtic Capital Trust (**Celtic Capital** or **Secured Creditor**) was in the best interest of creditors for the following reasons:

- highest creditor contribution/payment
- proponent is the Secured Creditor of the Company, therefore certainty regarding removal of PPS registration

- low share consolidation ratio in comparison to Party 1's proposal (more attractive offering to shareholders)
- integrated the Amiko Asset Sale agreement into its Deed proposal.

9.4 Secured Creditor Deed proposal

The Secured Creditor Deed provides for the recapitalisation of the Company and the Amiko Asset Sale within a limited timeframe, with certain key milestones due to be met by 21 September 2018. If successful, the Secured Creditor Deed may generate a dividend to the Company's unsecured creditors of approximately 18 cents in the dollar within four to six months.

9.4.1 Key features

The key features of the proposed Secured Creditor Deed are as follows:

- \$650k cash contribution by the Deed Proponent by way of a loan to the Company (**Proponent Payment**)
- share consolidation on a 100 to 1 basis
- raising of \$1M by a 50M placement of ordinary shares at \$0.02 per share (note, these funds are not intended to be available to the Company's creditors or shareholders)
- facilitates the Amiko Asset Sale, which (if successful), would result in the Company receiving:
 - US\$100k cash contribution by Amiko on completion of the Amiko Asset Sale
 - US\$200k cash contribution by Amiko within 75 days of completion of the Amiko Asset Sale
 - proceeds from the sale of the Company's shares in Amiko, to be sold in a manner proposed by Amiko two months after it is successfully listed on a recognised stock exchange.
- contingent on:
 - creditor approval on or before 6 August 2018 (otherwise the Secured Creditor may withdraw its proposal)
 - shareholder approval by 21 September 2018
 - a waiver by ASX of the requisite listing rules.
- assignment of Company creditor claims to a Creditors Trust via a creditors trust deed
- assigns the right to pursue any claims held by the Company
- creditors can elect to receive a dividend from the Creditors Trust (subject to successfully proving debts with the trustee) or shares in the Company.

9.4.2 Administrators' opinion on the Secured Creditor Deed

Based on the Deed proposals presented as at the issuance of this Report, we recommend that the Company execute the Secured Creditor Deed.

9.4.3 Estimated return to creditors

We estimate creditors' returns under the Secured Creditor Deed proposal will be:

Creditor type	Cents in the dollar	Distribution timing
Secured creditors	100	2 months
Employees	N/A	N/A
Unsecured creditors		
Trade creditors	18	4 to 6 months
Note holders	18	4 to 6 months
Guaranteed debts	18	4 to 6 months
Related entities	18	4 to 6 months

Section 10 details our calculation of estimated creditors' returns under the Secured Creditor Deed, with a comparison to the estimated returns under the other options available.

9.4.4 *Remuneration*

The proposed remuneration and expenses of the Deed Administrators/Trustee of the Creditors' Trust are detailed in our Remuneration Approval Report (**Appendix B**).

Should creditors resolve to accept the Secured Creditor Deed at the Second Meeting, we will seek approval for our deed administration/creditor trustee fees at that time (Fee Resolution 3 at **Appendix B**).

9.5 *Deed general information*

The Secured Creditor Deed has not yet been drafted and will be prepared following creditors voting on the Company's future. However, the terms of the Deed will provide that creditors retain all rights with respect to any variation, termination or avoidance of the Deed pursuant to Part 5.3A Division 11 of the Act (including the ability to convene a meeting of creditors to consider a proposed variation or termination of the Deed and to apply to the Court for an order that the Deed be varied or terminated). This provides a mechanism whereby creditors can ensure the Deed Administrators' compliance with the terms of the Deed.

If, under certain circumstances, ASIC were to apply to the Court for an order that the Deed be varied or terminated, creditors may also wish to notify ASIC of any complaints regarding the conduct of the Deed Administrators.

Notwithstanding that, the Deed Administrators are not required to report to creditors (except as required by law) and have an absolute discretion to report to creditors at such times as they consider appropriate on matters the Deed Administrators consider ought to be brought to the attention of creditors. Further, the Deed Administrators would be required to lodge accounts with ASIC pursuant to the Act.

Prior to any meeting convened pursuant to s445F of the Act, the Deed Administrators must send a report to creditors as to the state of affairs of the company, which will:

- be accompanied by such financial statements as the Deed Administrators think fit
- include a statement explaining the circumstances which have caused the Deed Administrators to convene the meeting.

Decisions as to the admissibility and value of creditors' claims against the Company (and therefore, any entitlement to any distribution from the creditors' trust) will be made by the trustees in accordance with the provisions of the respective creditors' trust deed.

Details of the future remuneration sought by the Deed Administrators are set out in **Appendix B**.

9.6 *Creditors' Trusts*

9.6.1 *Creditors' Trusts general information*

A creditors' trust in a Deed is a mechanism used to accelerate a company's exit from external administration. Normally, a Deed is terminated when:

- the terms under which it was established have been completed (normally resulting in a distribution to creditors)
- it cannot be completed as expected and the company is placed into liquidation.

When a Deed terminates, the company will cease to be externally administered and its directors will re-gain full control. The company will no longer be required to use the notification 'subject to deed of company arrangement' on its public documents as would otherwise be required by s450E(2) of the Act.

Deed proponents commonly require a creditors' trust to be established in order to complete the recapitalisation of a corporate entity, as ASX listing requirements provide that a company cannot be reinstated on the ASX if it is under external administration.

The establishment of a creditors' trust is for the purpose of transferring remaining assets and liabilities of the company into a new vehicle to facilitate the prompt termination of the Deed.

9.6.2 *Creditors' Trust operation*

If a creditors' trust entity is created (ie the Migme Creditors Trust, '**Trust**'), the Company's obligations to the creditors bound by the respective Deed will be compromised and transferred to the Trust. At that point, those creditors become beneficiaries of the Trust and creditors' rights against the Company are extinguished.

The Trustees (ie the Deed Administrators) become solely responsible to the beneficiaries for:

- determining how much each creditor is entitled to receive from the Trust
- making any distributions to those former creditors (now beneficiaries) of the Company.

To this end, adjudication of claims and distributions to creditors/beneficiaries will occur as if the Trust was a company in creditors' voluntary liquidation (i.e. the Trustees will follow the same rules as would apply to a liquidator).

If the Secured Creditor Deed is approved, and to the extent not already in the possession of the Administrators, the Secured Creditor will be required to facilitate access to any books and records it holds necessary for the Trustees to determine the claims.

The costs and remuneration of the appointed Trustees in administering the Trust will rank ahead of creditor claims, as would be the case in a liquidation scenario.

9.6.3 *Powers of Deed Administrators and Trustees*

The powers of the Deed Administrators under the proposed Deeds will be governed by the Act. The powers of the Trustees under the proposed Trust Deed will be governed by the relevant State Trustees Act.

9.6.4 *Appointment of Trustees*

The proposed Deed will stipulate that the Administrators (as registered liquidators) will also be Deed Administrators of the Company, and Trustees of the Creditors' Trust. Registered liquidators have the requisite skill and experience to act in this capacity. They are experienced in the adjudication of creditor claims and making distributions.

If appointed as Trustees of the Trust, the Administrators are of the view that they would not have a conflict of interest in this role. We draw your attention to ASIC's view that it has supervisory powers under Part 9.2 of the Act over the conduct of a trustee where the Deed and Trust Deed provide that the trustee is a registered liquidator.

9.6.5 *Risks of a creditors' trust*

There are different and additional risks for affected creditors where a Deed proposal involves a creditors' trust. The key additional risks in this case are:

- creditors may agree to the Deed proposal without being fully aware of the implications of what is intended, particularly given the complexity of the legal and documentary arrangements needed to support the use of a creditors' trust under the Deed
- non-uniformity of the State and Territory Acts governing trusts and trustees
- differences in the ways trustees and registered liquidators are regulated and supervised, particularly by ASIC and the Courts
- potential difficulties for ASIC and affected creditors (as beneficiaries of the trust) in monitoring and enforcing proper conduct by the trustee

- legal uncertainties and other issues for ASIC, creditors bound by the DOCA or other persons in challenging a DOCA that has already terminated.

9.6.6 *Risk mitigation*

The risks can be mitigated by incorporating terms into the Deed and Trust Deed, for example:

- creditors' rights against the Company will only be extinguished once the respective Deed Fund has been paid into the relevant Trust and the Deed Administrators certify that the Deed has been fully effectuated. The Deed will not be concluded or effectuated before the Proponent Payment is paid into the Trust
- the priority provisions for the payment of dividends to creditors are to mirror those followed by liquidators as outlined in the Act
- the provisions for calling and dealing with proofs of debt from creditors bound by the Deed/Trust will follow those contained in the Act. Accordingly, in our view, the proposed distribution arrangements do not disadvantage any creditor/beneficiary when comparing their respective positions under a liquidation scenario.

9.6.7 *Termination and variation of the Creditors' Trust Deed*

The creditors' trust deed, once drafted, will usually provide for the termination of the trust under certain conditions, such as:

- complete distribution of the trust fund has been made in accordance with the terms of the creditors' trust deed
- the DOCA is terminated by resolution of creditors
- if the Court so orders.

The trustees may vary the creditors' trust deed in the following circumstances:

- the trustees may vary the provisions by a supplemental deed and with the consent of the majority in value and number of creditors
- the trustees may convene a meeting of creditors to consider a resolution to vary or terminate the creditors' trust deed if the DOCA is terminated or the trustees determine it is no longer practical or desirable for the trust to continue
- the trust will terminate if a Court so orders or the creditors pass a resolution terminating the trust at a duly convened meeting.

9.6.8 *Moratorium*

A moratorium upon actions against the Company, as outlined in s44E of the Act, applies during the period of any Deed entered into by the Administrators.

Additionally, the creditors' trust deed, once drafted, will likely stipulate that creditors shall not take action or steps to enforce their rights to recover any of their entitlements whilst the trustees remain the trustees of the trust on the terms of the creditors' trust deed.

9.7 *Other matters for consideration in a DOCA scenario*

Creditors should be aware of the following additional points when deciding whether to accept the proposed Secured Creditor Deed instead of the other options available to creditors:

9.7.1 *Recoveries from liquidator investigative powers*

Once executed, the Deed binds all of the Company's creditors in respect of claims arising on or prior to the date the Deed is expressed to take effect. This includes unsecured creditors who may have voted against the Deed. The Deed also binds the Company, its officers, its members and the Deed Administrators.

If the proposed Deed is accepted by creditors, creditors will forgo any voidable transaction recoveries (being insolvent trading, unfair preference, uncommercial transactions and unfair loans). These recoveries would only be available to the Company's liquidators (should the Company be placed into liquidation) and, as such, will not be available if the proposed Deed is accepted.

We have detailed our initial findings in respect of these potential recoveries in **Sections 7 and 8** of this Report.

A liquidator would need to complete all statutory investigations to determine if any recoveries are available, including those which may not have been identified by the Administrators' to date. We note that if the Deed fails and the Company is wound up, our ability to seek recovery of voidable transactions is retained.

A Deed does not prevent a secured creditor from realising or otherwise dealing with its security, nor does it affect the rights of an owner or lessor of property, unless either the Deed states otherwise in relation to persons who voted in favour of the Deed resolution or if the Court makes an order to the contrary.

Creditors should also be aware that any funds to be contributed pursuant to the terms of the Deed will not be available if the Company is placed into liquidation.

9.7.2 *Moratorium*

Subject to section 444D of the Act, creditors bound by a Deed cannot:

- make an application for an order to wind up the Company
- proceed with an application in connection with the winding up of the Company made before the Deed became binding on the creditors
- begin or continue any proceeding against the Company or in relation to any of its property (except with leave of the Court)
- exercise any right of set-off or cross-claim against the Company
- begin or continue with any enforcement process in relation to the Company's property (except with leave of the Court)
- commence or proceed in arbitration against the Company or in which the Company is a party.

9.7.3 *Taxation*

Company and Trust

Whilst there may be taxation and stamp duty implications for the Company and the creditors' trust if a Deed is approved, the Administrators are not presently able to provide details of these implications (including any impact on the anticipated return to creditors/beneficiaries). The Administrators recommend that creditors obtain independent advice prior to voting at the Second Meeting if these implications are of concern.

Creditor and Beneficiary

We draw to creditors' attention the fact there may be potential taxation implications for a creditor in receiving distributions as a beneficiary of a trust rather than in their capacity as a creditor of the Company.

In broad terms, the distribution of funds under a Deed (or in a liquidation scenario) is simply a payment in respect of a debt. Conversely, a distribution of money under a creditors' trust does not have the same character but involves the payment of amounts either on capital or revenue account, thereby creating potential income and capital gains tax consequences.

We are not in a position to offer specific advice to creditors in respect of any taxation implications. Accordingly, we recommend that you seek independent taxation advice on your individual circumstance prior to voting at the Second Meeting.

10. Estimated return to creditors

Detailed below is a comparison of the estimated returns to creditors under a liquidation and Secured Creditor Deed scenarios.

Based on the assumptions detailed in the notes below, the liquidation scenario provides for no estimated return to creditors, compared to the Deed scenario of 18 cents in the dollar.

	Report section and notes	Secured Creditor Deed	Liquidation
Recapitalisation of listed shell	9	650,000	Nil
Amiko proposal (cash)	5.2.2	404,167	Nil
Amiko proposal (shares)	5.2.2	Unknown	Nil
Voidable transaction claims	8.1	N/A	Nil
Insolvent trading claims	8.2	N/A	Nil
Other claims		N/A	Nil
Total assets		1,054,167	-
<i>Less:</i>			
Administrators' costs	2.9	153,828	153,828
Deed Administrator/Liquidators' costs	2.9	50,043	50,025
Legal fees and other costs		50,000	25,000
Total assets less costs		800,296	(228,853)
Secured creditor claims	4.5.1	36,570	36,570
Priority employee claims	4.5.2	Nil	Nil
Surplus / (Shortfall) to unsecured creditors		763,726	(265,423)
Unsecured creditor claims:	4.6		
Trade creditors		1,119,922	1,119,922
Note holders		2,699,510	2,699,510
Guaranteed debts		348,132	348,132
Related entities		58,333	58,333
Return to other creditors from circulating assets (cents in the dollar)		0.18	NIL
Distribution Timing		4-6 months	N/A

Notes

- We have assumed that the Amiko Asset Sale capital injected of US\$300k (\$404k) would not be available in the liquidation scenario, as the Asset Sale agreement only contemplates the transaction being undertaken in a Deed scenario.
- We have included the value of the proposed shares in Amiko as 'unknown' under the Secured Creditor Deed scenario as this value is uncertain. We understand that the directors' view is that these shares may have considerable value if Amiko is listed on a recognised stock exchange.
- We have attributed a nil estimated realisable value to voidable transaction and insolvent trading claims, as these would require further investigation by a liquidator (should one be appointed). A liquidator would also require funding by a creditor or shareholder in order to progress any identified claim.
- Estimated Administrator, Deed Administrator and Liquidators' costs per the Remuneration Approval Report, legal fees and other costs have been estimated for both scenarios.

11. Administrators' recommendation

Based on the Deed proposals presented as at the issuance of this Report, we recommend that the Company execute the Secured Creditor Deed.

Our opinion of each option available to creditors is discussed below.

11.1 Liquidation

We are of the opinion that it is not in the best interest of creditors that the Company be wound up.

Our preliminary view is that the Company may have traded whilst insolvent from May 2017, but significant further investigation would be required by a liquidator in order to reach a conclusion on this issue. Creditors should note that insolvent trading claims are difficult and costly to pursue, and even if successful they may not generate an additional return for creditors.

A liquidator (if appointed) would be in a position to conduct detailed investigations into the circumstances leading up to the appointment of the Administrators.

A liquidator will be empowered to:

- assist employees (if any) in applying for FEG for the payment of certain employee entitlements that cannot otherwise be funded by the Company (**Section 4.5.4**)
- pursue various potential recoveries under the Act, such as voidable transactions (**Section 8**)
- distribute recoveries made in accordance with the priority provisions of the Act
- complete thorough investigations into:
 - the Company's dealings and affairs
 - actions of the directors
- report findings to ASIC pursuant to the Act.

We estimate a nil return to creditors in the liquidation scenario.

11.2 Deed

We refer to the Secured Creditor Deed proposal for the Company discussed in **Section 9** and included in **Appendix I**.

We are of the opinion that it is in the creditors' interests that the Company execute the Secured Creditor Deed.

We are of the view that the return to creditors under the Secured Creditor Deed will provide a materially better outcome for creditors than a winding up (estimated at 18 cents in the dollar for unsecured creditors compared to nil return in a liquidation).

As discussed at **Section 2.5**, we have been advised that the terms of at least one of the other proposals received may be increased before the Second Meeting. We therefore note that our recommendation in this Report is subject to change before the Second Meeting, and creditors should be mindful of this when deciding whether to appoint a special proxy to vote specifically on the resolution relating to the Secured Creditor's Deed.

11.3 Administration to end

We are of the opinion that it is not in the best interest of creditors to end the administration.

While our investigations are continuing, it is evident that the Company is insolvent and unable to pay its debts as and when they fall due (**Section 7.3**). Accordingly, returning control of the Company to the directors would be inappropriate in the present circumstances.

12. Enquiries

Should you have any enquiries please contact the PPB Advisory on (08) 9216 7600 or by email at mclarkson@ppbadvisory.com.

DATED this 27th day of July 2018

A handwritten signature in blue ink, appearing to read 'S. Theobald' followed by a stylized flourish.

Simon Theobald and Melissa Humann
Administrators

A. **Appointment of Proxy, Proof of Debt or Claim
Form – Form 532**

FORM 535
Corporations Act 2001

FORMAL PROOF OF DEBT OR CLAIM (GENERAL FORM)

To the Administrators of Migme Limited (Administrators Appointed) **(the Company)**

1. This is to state that the Company was on 9 June 2018, and still is, justly and truly indebted

to **(creditor)**
(name of creditor)

of
(address of creditor)

for \$.....

Particulars of the debt are:

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

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

FORM 532
APPOINTMENT OF PROXY

Migme Limited
(Administrators Appointed) (the Company)
ACN 059 457 279

A. Appointment of a proxy

I/We,
(If a company, strike out "I" and set out full name of the company)

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 Friday 3 August 2018 at Level 21, 140 St Georges Terrace, Perth WA 6000 at
10:00am AWST 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	The Company reject all other DOCA proposals and execute the Secured Creditor's DOCA.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2	The Company be wound up.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3	The Administration should end (and control revert back to the Company director(s)).	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4	That the remuneration of the Administrators is approved for the period 9 June 2018 to 15 July 2018 of \$103,628.15 plus GST as set out in the Remuneration Approval Report dated 27 July 2018 to be drawn from available funds immediately or as funds become available	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5	That the remuneration of the Administrators is approved for the period 16 July 2018 to the conclusion of the administration up to a maximum of \$50,200.00 plus GST, as set out in the Remuneration Approval Report dated 27 July 2018 to be drawn from available funds immediately or as funds become available.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6	That the remuneration of the Deed Administrators/Trustees is approved for the period from the date of execution of the DOCA to the conclusion of the DOCA/Creditors' Trust up to a maximum of \$50,042.50 plus GST, as set out in the Remuneration Approval Report dated 27 July 2018 to be drawn from available funds as incurred or as funds become available. This amount may be revised by resolution of creditors or by order of the Court.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7	That the remuneration of the Liquidators is approved for the period from the commencement of the liquidation to the conclusion of the liquidation up to a maximum of \$50,025.00 plus GST, as set out in the Remuneration Report dated 27	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

	July 2018 to be drawn from available funds as incurred or as funds become available. This amount may be revised by resolution of creditors or by order of the Court.			
9	If the Company is wound up, that a Committee of Inspection be formed comprising representatives as nominated at the meeting of creditors.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
10	If the Company is wound up, to approve early destruction of the Company's books and records six months after finalisation subject to authorisation from ASIC.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
11	If the Company is wound up, to authorise the Liquidators to compromise debts greater than \$100,000, pursuant to section 477(2A) of the Corporations Act 2001.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
12	If the Company is wound up, to authorise the Liquidators to enter into contracts with a duration of longer than three months, pursuant to section 477(2B) of the Corporations Act 2001.	<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 2018

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: _____

B. Remuneration report dated 27 July 2018

Remuneration Approval report

Migme Limited
(Administrators Appointed) (the
Company)
ACN 059 457 279

1. Declaration
2. Executive summary
3. Remuneration
4. Disbursements
5. Summary of receipts and payments
6. Queries

This remuneration approval report provides you with the information you need to be able to make an informed decision regarding the approval of our remuneration.

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

Alternatively, you are also able to appoint a representative to attend on your behalf by lodging a proxy form. Lodging a specific proxy form allows you to specify how your proxy must vote. Lodging a general proxy form allows your representative to choose how your vote is exercised.

Information about the meeting of creditors is provided at Section 2.5 of this report.

1. Declaration

We, Simon Theobald and Melissa Humann of PPB Advisory, have undertaken a proper assessment of this remuneration claim for our appointment as joint and several Administrators of Migme Limited 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.

Dated this 27th day of July 2018

A handwritten signature in blue ink, appearing to be 'S. Theobald' followed by a stylized flourish.

Simon Theobald and Melissa Humann
Administrators
Migme Limited

2. Executive summary

To date, no remuneration has been approved or paid in this administration.

The total remuneration for this appointment is estimated to be \$203,870.65. This is largely consistent with our previous estimated total remuneration in our Initial Report to Creditors dated 12 June 2018.

Remuneration currently claimed is summarised below:

Period	Report Reference	Amount (ex GST)
Current remuneration claim:		
Voluntary Administration		
Resolution 1: 9 June 2018 to 15 July 2018	3	\$103,628.15
Resolution 2: 16 July 2018 to completion of the voluntary administration	3	\$50,200.00*
Total		\$153,828.15
Deed of Company Arrangement (DOCA, if applicable)		
Resolution 3: Execution of DOCA to completion of deed administration/vesting of Creditors' Trust	3	\$50,042.50*
Total		\$50,042.50*
Liquidation (if applicable)		
Resolution 4: Commencement of liquidation to completion of liquidation	3	\$50,025.00*
Total		\$50,025.00*
* Approval for the future remuneration sought is based on an estimate of the work necessary to the completion of the administration. Should additional work be necessary beyond what is contemplated, further approval may be sought from creditors.		

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

3. Remuneration

3.1 Remuneration claim resolutions

At the Second Meeting of Creditors to be held on 3 August 2018, we will be seeking approval of the following resolutions to approve our remuneration. Details to support these resolutions are included in section 3.2 and attached schedules.

Resolution 1

That the remuneration of the Administrators is approved for the period 9 June 2018 to 15 July 2018 of \$103,628.15 plus GST as set out in the Remuneration Approval Report dated 27 July 2018 to be drawn from available funds immediately or as funds become available.

Resolution 2

That the remuneration of the Administrators is approved for the period 16 July 2018 to the conclusion of the administration up to a maximum of \$50,200.00 plus GST, as set out in the Remuneration Approval Report dated 27 July 2018 to be drawn from available funds immediately or as funds become available.

Resolution 3 (if applicable)

That the remuneration of the Deed Administrators/Trustees is approved for the period from the date of execution of the DOCA to the conclusion of the DOCA/Creditors' Trust up to a maximum of \$50,042.50 plus GST, as set out in the Remuneration Approval Report dated 27 July 2018 to be drawn from available funds as incurred or as funds become available. This amount may be revised by resolution of creditors or by order of the Court.

Resolution 4 (if applicable)

That the remuneration of the Liquidators is approved for the period from the commencement of the liquidation to the conclusion of the liquidation up to a maximum of \$50,025.00 plus GST, as set out in the Remuneration Report dated 27 July 2018 to be drawn from available funds as incurred or as funds become available. This amount may be revised by resolution of creditors or by order of the Court.

Future remuneration is approved subject to a maximum or cap. Sometimes the actual cost of the administration will exceed the maximum which has been approved, in which case, we may seek another resolution for additional remuneration. We will not pay any amount exceeding the maximum without this approval.

Where funds are available, we will usually pay approved remuneration at intervals not less than one month. Where funds are not available, remuneration will not be paid.

3.2 Details of remuneration

The basis of calculating the remuneration claims are summarised in **Appendix A**.

The details of the major tasks performed and the costs associated with each of those major tasks are contained in **Appendix B**.

3.3 Total remuneration reconciliation

In preparing this remuneration approval report, we have made our best estimate at what we believe both the Voluntary Administration and Deed Administration/Creditors' Trust/Liquidation appointments will cost to complete, and we do not anticipate that we will have to ask creditors to approve any further remuneration. However, should these administrations not proceed as expected, we will advise creditors and we may seek approval of further remuneration and provide details on why the remuneration has changed.

Matters that may affect the progress and cost of the administrations include:

- delays in the process seeking recapitalisation/DOCA proposal
- determination that asset sale agreement invalid/uncommercial
- delays in agreeing and finalising the DOCA/Creditors' Trust documents
- unforeseen issues with the proponent completing the recapitalisation
- pursuing potential director claims (if applicable)
- pursuing liquidation claims (if applicable)
- delays in dividend process (if applicable)
- other general delays.

3.4 Likely impact on dividends

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

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

Please refer to Section 9 of the Report to Creditors dated 27 July 2018 for our estimated return to creditors.

3.5 Remuneration recovered from external sources

The Administrators have not received any funding from external sources for their remuneration.

4. Disbursements

Disbursements are divided into three types:

- Externally provided professional services – these are recovered at cost. An example of an externally provided professional service disbursement is legal fees.
- Externally provided non-professional costs – these are recovered at cost. Examples of externally provided professional service disbursements are travel, accommodation, search fees, lodgement fees, storage, outsourced printing and photocopying services and postage.
- Internal disbursements – these are generally charged at cost although some expenses may be charged at a rate which recoups both variable and fixed costs. Examples of internal disbursements include data room and cloud hosting.

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

4.1 Internal disbursement claim

Disbursements incurred by our firm will be charged to the administration on the following basis:

Internal Disbursements	Rate (Excl GST)
Postage	At cost *
Staff vehicle use	At prescribed ATO rates *
Data room hosting	\$250 plus GST per month
Private cloud hosting	Variable

eDiscovery services

Variable

Rates applicable as at 1 January 2018

* These internal disbursements do not require approval to be paid as they are charged at cost

5. Summary of receipts and payments

No transactions have occurred during our appointment.

6. Queries

Please contact Sam Ierino on +61 8 9216 7619 or by email on sierino@ppbadvisory.com should you have any queries or require any further information.

You can access additional information on the following websites:

- ARITA at www.arita.com.au/creditors
- ASIC at <http://asic.gov.au/regulatory-resources/insolvency/insolvency-information-sheets/>

A. **Calculations of remuneration schedules**

Resolution One

PPB Advisory team member	Position	Rate (\$) Exc GST	Total		Assets		Creditors		Investigation		Administration	
			Hours	Fee \$	Hours	Fee \$	Hours	Fee \$	Hours	Fee \$	Hours	Fee \$
STHEOBALD	Partner	620	40.1	24,862.00	12.3	7,626.00	11.6	7,192.00	6.6	4,092.00	9.6	5,952.00
MHUMANN	Partner	620	0.1	62.00	-	-	-	-	-	-	.1	62.00
KBLYTH	Senior Manager	490	61.2	29,997.80	6.7	3,283.00	25.8	12,651.80	15.0	7,350.00	13.7	6,713.00
MCLARKSON	Assistant Manager	385	82.9	31,904.95	26.3	10,106.25	25.1	9,671.20	11.6	4,466.00	19.9	7,661.50
	Consultant	265	5.6	1,484.00	.3	79.50	1.8	477.00	.2	53.00	3.3	874.50
	Graduate	210	72.4	15,212.40	-	-	48.6	10,214.40	8.8	1,848.00	15.0	3,150.00
ICRESTALE	Senior Bookkeeper	150	0.7	105.00	-	-	-	-	-	-	.7	105.00
Total			263.0	103,628.15	45.6	21,094.75	113.0	40,206.40	42.2	17,809.00	62.3	24,518.00
GST				10,362.82								
Total (Including GST)				113,990.97								
Average rate (excluding GST)				391.43								

Resolution Two

PPB Advisory team member	Position	Rate (\$) Exc GST	Total		Assets		Creditors		Investigation		Administration	
			Hours	Fee \$	Hours	Fee \$	Hours	Fee \$	Hours	Fee \$	Hours	Fee \$
STHEOBALD	Partner	620.00	13.0	8,060.00	6.0	3,720.00	3.0	1,860.00	1.0	620.00	3.0	1,860.00
KBLYTH	Senior Manager	490.00	28.0	13,720.00	10.0	4,900.00	10.0	4,900.00	3.0	1,470.00	5.0	2,450.00
MCLARKSON	Assistant Manager	385.00	45.0	17,325.00	14.0	5,390.00	14.0	5,390.00	5.0	1,925.00	12.0	4,620.00
	Consultant	265.00	13.0	3,445.00	-	-	5.0	1,325.00	2.0	530.00	6.0	1,590.00
	Graduate	210.00	35.0	7,350.00	-	-	17.0	3,570.00	6.0	1,260.00	12.0	2,520.00
Senior Bookkeeper		150.00	2.0	300.00	-	-	-	-	-	-	2.0	300.00
Total			136	50,200.00	30.0	14,010.00	49.0	17,045.00	17.0	5,805.00	40	13,340.00
GST				5,020.00								
Total (Including GST)				55,220.00								
Average rate (excluding GST)				353.33								

Resolution Three

[illegible]

Resolution Four

[illegible]

B. Tables of major tasks for remuneration

Schedule B1

Resolution 1

Summary of work undertaken by Simon Theobald and Melissa Humann, Administrators of the Company and their staff for the period from 9 June 2018 to 15 July 2018.

Task Area	General Description	Includes
Assets 45.6 hours \$21,094.75	Recapitalisation	Preparing advertisements for expression of interest process Liaising with interested parties Preparing and maintaining interested party register Internal meetings to discuss/review offers received Producing and reviewing recapitalisation sale documents Correspondence with legal practitioners Reviewing and negotiating proposals received
	Asset Sale Transaction	Review Asset Sale agreement for sale of shares in subsidiaries and associated documentation Discussions with legal advisors and Company directors regarding Asset Sale Transaction Assessing the appropriateness of Asset Sale Transaction Considering alternatives to the Asset Sale Transaction Reviewing Company background to determine appropriateness of transaction and alternative options considered by the Company
	Debtors	Review of information on potential debtors, and determination regarding status
Creditors 113.0 hours \$40,206.40	Creditor Enquiries	Deal with creditor enquiries via telephone and email Review and prepare correspondence to creditors and their representatives via email Meeting with various creditors to discuss administration process Reviewing convertible note and guarantee documentation
	Secured creditor	Correspondence and meetings with advisors to secured creditor regarding recapitalisation, secured debt and proposed deed of company arrangement Responding to secured creditor's queries Reviewing loan and security documentation
	Creditor reports	Preparing IPR75-225(3) report Preparing this Report to creditors pursuant to s439A of the Act
	Dealing with proofs of debt	Compiling creditor listing for the Company, and cross-checking various source documents to ensure that all Company creditors have been contacted Receipting and reviewing POD for meeting purposes Requesting and reviewing further information to support PODs received
	Meeting of Creditors	Liaising with solicitors to prepare Court application to extend the convening period Reviewing affidavit and associated documents to be

Task Area	General Description	Includes
		lodged with Court in support of the application Preparing notice to creditors of the extension to the convening period Preparation of meeting notices, proxies and advertisements Forwarding notice of meeting to all known creditors Preparation of meeting file, including agenda, certificate of postage, attendance register, list of creditors, reports to creditors, advertisement of meeting and draft minutes of meeting Conducting meeting of creditors Preparation of minutes of meeting Responding to stakeholder queries and questions immediately following meeting Reviewing meeting documents
	Shareholder enquiries	Responding to shareholder enquiries via email and phone
Investigation 42.2 hours \$17,809.00	Conducting investigation	Collation of available books and records Reviewing books and records Review of Company's management accounts (MYOB) Identifying potential preference claims Review and preparation of company nature and history Conducting and summarising statutory searches Preparation of comparative financial statements Preparation of deficiency statement Review of specific transactions Review of loan accounts Liaising with directors Investigations to identify indicators of insolvency and possible claims for insolvent trading Preparation of investigation documents Investigation into potential director claims Reviewing report as to affairs submitted by directors Reviewing pre-appointment insurance documentation
Administration 62.3 hours \$24,518.00	Correspondence	Completing day one correspondence Reviewing day one documentation Discussions and meetings with directors and extensive email correspondence Preparing correspondence to share registry to request provision of Company share register Corresponding with parties who are creditors of other Group entities
	Document maintenance/file review/checklist	Filing of documents Updating checklists
	Insurance	Review and confirmation of adequacy of cover Correspondence with insurer regarding ongoing insurance requirements Reviewing pre-appointment insurance policies

Task Area	General Description	Includes
	Bank account administration	Preparing correspondence opening accounts Requesting bank statements Requesting bank account access
	ASIC Form 524 and other forms	Preparing and lodging ASIC forms including 505, 531, 2501, 5011 Review of forms Correspondence with ASIC Preparing letters to directors to grant an extension for submitting their report as to affairs Correspondence with directors regarding submission and lodgement of their report as to affairs
	ATO and other statutory reporting	Notification of appointment Notification of creditors meeting Request for information Review of ASX reporting requirements Lodgement of ASX/shareholder announcements as required
	Planning / Review	Reviewing and updating task checklists Updates/strategy planning with engagement staff Discussions with staff regarding general matters Internal meetings to discuss various aspect of the engagement, including strategy and recapitalisation process Preparing workplan
	Books and records / storage	File set up Correspondence with directors and company representatives regarding obtaining books and records Set up of server and MYOB access

Schedule B2

Resolution 2

Summary of work to be undertaken by Simon Theobald and Melissa Humann, Administrators of the Company and their staff for the period 16 July 2018 to the completion of the voluntary administration.

Task Area	General Description	Includes
Assets 30.0 hours \$14,010.00	Recapitalisation	Negotiating with interested parties Developing recapitalisation process strategy Assessing and comparing offers received, and critically evaluating return to creditors Determining preferred offer Liaising with preferred party regarding offer and next steps Correspondence with lawyers regarding recapitalisation process Liaising with proponent regarding next steps and recapitalisation documentation Discussions with secured creditor regarding recapitalisation and proposal structure Reviewing deed of company arrangement documentation
	Asset Sale Transaction	Critically assessing Asset Sale Transaction Determining strategy for completion or otherwise Assessing likely realisable value and timing
	Debtors	Review of intergroup debtors, and determining strategy for collection or otherwise
Creditors 49.0 hours \$17,045.00	Creditor enquiries	Deal with creditor enquiries by telephone and in person Maintaining creditor enquiry files Review and prepare correspondence to creditors and their representatives via facsimile, email and post
	Secured creditor	Correspondence with secured creditor regarding recapitalisation and debt negotiations Responding to secured creditor's queries Meetings with the secured creditor and advisors regarding recapitalisation process and proposed deed of company arrangement Reviewing deed of company arrangement proposal submitted by the secured creditor
	Dealing with proofs of debt	Receipting and reviewing POD for meeting purposes
	Creditor Reports	Finalising and issuing this Report to creditors
	Meeting of Creditors	Preparation of meeting notices, proxies and advertisements Forward notice of meeting to all known creditors Preparation of meeting file, including agenda, certificate of postage, attendance register, list of creditors, reports to creditors, advertisement of meeting and draft minutes of meeting Conducting meeting of creditors Preparation and lodgement of minutes of meetings with ASIC

Task Area	General Description	Includes
		Responding to stakeholder queries and questions immediately following meeting
	Shareholder enquiries	Responding to shareholder queries Liaising with shareholders regarding the recapitalisation process
Investigation 17.0 hours \$5,805.00	Conducting investigation	Request further information regarding investigations from directors Finalise review into investigations, and finalise opinion on any potential claims Considering if any claims exist and the commercial viability of pursuing those claims Preparing a supplementary report to ASIC, if required
Administration 40.0 hours \$13,340.00	Document maintenance/file review/checklist	Filing of documents File reviews Updating checklists
	ATO and other statutory reporting	Preparing and reviewing BAS Correspondence with ASX regarding reporting requirements Lodgement of ASX/shareholder announcements as required
	Bank account administration	Preparing correspondence to transfer funds and close accounts Requesting bank statements Corresponding with banks
	ASIC and other forms	Preparing and lodging ASIC and other forms Correspondence with ASIC
	Planning / Review	Maintaining workplan Discussions regarding status of administration Updates/strategy planning with engagement staff Discussions with staff regarding general matters

Schedule B3

Resolution 3

Summary of work to be undertaken by Simon Theobald and Melissa Humann, Deed Administrators of the Company/Trustees' of the Creditors' Trust, and their staff for the period from the date of execution of the DOCA to the conclusion of the DOCA/Creditors' Trust.

Task Area	General Description	Includes
Assets 26.0 hours \$11,550.00	Recapitalisation	Effecting the sale transaction Liaising and complying with ASX requirements Monitoring the Deed Proponents' compliance with the terms of the DOCA Liaising with the Secured Creditor to remove its security registration
	Asset Sale Transaction	Effecting the Asset Sale transaction, if required Attending to the sale of the shares in Amiko Ltd at the appropriate time, including providing notice to the purchaser of the intended sale
Creditors 25.5 hours \$9,080.00	Creditor Enquiries	Deal with creditor enquiries via telephone Maintaining creditor enquiry files Review and prepare correspondence to creditors and their representatives via facsimile, email and post
	Secured creditor reporting	Preparing reports to secured creditor, if required Regular verbal updates to secured creditor Responding to secured creditor's queries
	Creditor reports	Preparing meeting and general reports to creditors
	Dealing with proofs of debt	Receipting and filing POD Review of PODs
	Shareholder enquiries	Responding to any shareholder enquiries
Investigation 20.5 hours \$8,935.00	Conducting investigation	Liaising with directors Preparation and lodgement of supplementary report if required
	ASIC reporting	Preparing statutory investigation reports Liaising with ASIC
Dividend 39.5 hours \$12,787.50	Processing proofs of debt	Preparation of correspondence to potential creditors inviting lodgement of POD Receipt of POD Maintain POD register Adjudicating POD Request further information from claimants regarding POD Preparation of correspondence to claimant advising outcome of adjudication
	Dividend procedures	Preparation of correspondence to creditors advising of intention to declare dividend Advertisement of intention to declare dividend Obtain clearance from ATO to allow distribution of company's assets Preparation of dividend calculation

Task Area	General Description	Includes
		Preparation of correspondence to creditors announcing declaration of dividend Advertise announcement of dividend Preparation of distribution Preparation of dividend file Preparation of payment vouchers to pay dividend Preparation of correspondence to creditors enclosing payment of dividend
Administration 26.0 hours \$7,690.00	Correspondence	Attending to general correspondence
	Document maintenance/file review/checklist	First month, then six-monthly administration review Filing of documents File reviews Updating checklists
	Insurance	Correspondence with insurer broker regarding insurance requirements Reviewing insurance policies Correspondence with previous brokers Pursuing potential claims under pre-appointment policies
	Bank account administration	Preparing correspondence opening accounts Bank account reconciliations Correspondence with bank regarding specific transfers Preparing correspondence closing accounts
	ASIC and other forms	Preparing and lodging ASIC forms Correspondence with ASIC regarding statutory forms
	ATO and other statutory reporting	Preparing BAS Notification of appointment
	Finalisation	Notifying ATO of finalisation Cancelling ABN / GST registration Completing checklists Finalising WIPE
	Planning / Review	Discussions regarding status of administration Updates/strategy planning with engagement staff Discussions with staff regarding general matters
	Books and records / storage	Dealing with records Sending job files to storage

Schedule B4

Resolution 4

Summary of work to be undertaken by Simon Theobald and Melissa Humann, Liquidators of the Company and their staff for the period from the commencement of the liquidation to the conclusion of the liquidation.

Task Area	General Description	Includes
Creditors 27.5 hours \$10,060.00	Creditor Enquiries	Deal with creditor enquiries via telephone Maintaining creditor enquiry files Review and prepare correspondence to creditors and their representatives via facsimile, email and post
	Secured creditor reporting	Regular verbal updates to secured creditor Responding to secured creditor's queries
	Creditor reports	Preparing section investigation, meeting and general reports to creditors
	Dealing with proofs of debt	Receipting and filing POD when not related to a dividend Corresponding with OSR and ATO regarding POD when not related to a dividend
	Meeting of Creditors	Preparation of meeting notices, proxies and advertisements Forward notice of meeting to all known creditors Preparation of meeting file, including agenda, certificate of postage, attendance register, list of creditors, reports to creditors, advertisement of meeting and draft minutes of meeting Conducting first meeting of creditors Preparation and lodgement of minutes of meetings with ASIC Responding to stakeholder queries and questions immediately following meeting
	Shareholder enquiries	Responding to any shareholder enquiries
Investigation 65.0 hours \$25,125.00	Conducting investigation	Reviewing company's books and records Review of specific transactions and liaising with directors regarding certain transactions Liaising with directors regarding certain transactions Investigations to identify indicators of insolvency and possible claims for insolvent trading Investigations into voidable transaction claims, including unfair preference and uncommercial transactions Preparation of investigation file Preparation and lodgement of supplementary report if required
	Examinations (if required)	Preparing brief to solicitor Liaising with solicitor regarding examinations Attendance at examination Reviewing examination transcripts Liaising with solicitor regarding outcome of examinations and further actions available
	Litigation / Recoveries (if required)	Preparing brief to solicitors Liaising with solicitors regarding recovery actions in

Task Area	General Description	Includes
		relation to potential insolvent trading claims Attending to negotiations in respect of the claims Attending to settlement matters
	ASIC reporting	Preparing statutory investigation reports Liaising with ASIC
Administration 47.0 hours \$14,840.00	Books and records / storage	Dealing with records in storage Sending job files to storage
	Document maintenance/file review/checklist	First month, then six-monthly administration review Filing of documents File reviews Updating checklists
	Insurance	Reviewing insurance policies Correspondence with previous brokers
	Bank account administration	Preparing correspondence closing accounts Bank account reconciliations Correspondence with bank regarding specific transfers Preparing correspondence closing accounts
	ASIC Form 524 and other forms	Preparing and lodging ASIC forms Correspondence with ASIC regarding statutory forms
	ATO and other statutory reporting	Notification of appointment Preparing BAS
	Finalisation	Notifying ATO of finalisation Cancelling ABN / GST registration Completing checklists
	Planning / Review	Discussions regarding status of administration Updates/strategy planning with engagement staff Discussions with staff regarding general matters

C. Declaration of Independence, Relevant Relationships and Indemnities

Declaration of Independence, Relevant Relationships and Indemnities

Migme Limited (Administrators Appointed) (the Company) ACN 059 457 279

A Practitioner appointed to an insolvent entity is required to make declarations as to:

- A. their independence generally
- B. relevant 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 that there are no other relationships to declare and
- C. any indemnities given, or up-front payments made, to the Practitioner.

This declaration is made in respect of us, our partners, PPB Advisory and the related entities of PPB Advisory.

A list of related entities of PPB Advisory is included in Schedule A at the end of this document.

A. Independence

We, Simon Theobald and Melissa Humann of PPB Advisory, Level 21, 140 St Georges Terrace, Perth WA 6000, have undertaken a proper assessment of the risks to our independence prior to accepting the appointment as joint and several 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 conflicts at the time of our appointment or any reasons that would prevent us from accepting this appointment.

In the event that any conflict arises, we will seek independent legal advice or court directions if appropriate.

In the event that this declaration needs to be updated we will issue written notice to all known creditors as per the Company's records.

B. Declaration of Relationships

i. Circumstances of appointment

We were initially approached by Warwick Hazeldine of Cannings Purple who put us in contact with Steven Goh, a director of the Company. We had 11 meetings/phone calls with the Company's directors Steven Goh and Stephen Llanwarne and their advisors from June 2017 up our appointment as Voluntary Administrators, for the purposes of:

1. understanding the financial situation of the insolvent
2. explaining the consequences of insolvency and
3. clarifying the alternative courses of action available to the insolvent in the case of insolvency.

In our opinion, these meetings and discussions do not affect our independence, as the advice was given to the Company and not to the directors personally. Further, the advice was restricted to the limitations imposed by Principle 2 of the Code of Professional Practice in relation to pre-appointment advice. Further, the advice provided is unlikely to be subject to review during the

administration and would not impact on compliance with our statutory and fiduciary duties. It is for these reasons that the advice does not, in our opinion, give rise to a conflict of interest or duty.

We did not receive any remuneration for this advice.

We have not provided other information or advice to the Company, its directors and advisors prior to our appointment, beyond that outlined in this Declaration of Independence, Relevant Relationships and Indemnities (**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:

Deputy Commissioner of Taxation (unsecured creditor)

Nature of relationship	Reasons why no conflict of interest or duty
Various Practitioners within PPB Advisory are members of panels for appointments as liquidators and bankruptcy trustees including for the Australian Taxation Office (ATO).	We believe that these relationships do not result in a conflict of interest or duty. Our previous relationships with the ATO have not been in relation to the Company's affairs and/or the Company's directors or related parties of the Company.

iii. Prior professional services to the insolvent

Neither we, nor our firm, have provided any professional services to the Company in the previous 24 months.

iv. No other relevant relationships to disclose

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 the whole of the Company's property that should be disclosed.

C. Indemnities and up-front payments

We have not been indemnified in relation to this administration, other than any indemnities that we may be entitled to under statute. We have not received any upfront payments in respect of our remuneration or disbursements.

This does not include statutory indemnities. We have not received any other indemnities or upfront payments that should be disclosed.

Dated this 12th day of June 2018



Simon Theobald
Administrator



Melissa Humann
Administrator

Note:

1. *If circumstances change, or new information is identified, we are required under the Corporations Act 2001 and the Australian Restructuring Insolvency & Turnaround Association (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.*

Schedule A – related entities of PPB Advisory

All incorporated related entities of PPB Advisory

PPB Pty Limited, Australia

Subsidiaries

PPB Advisory Agribusiness Management Pty Ltd, Australia

PPB Advisory Funds Management Holding Pty Limited, Australia

PPB Corporate Finance Pty Limited, Australia

PPB Corporate Services Pty Ltd, Australia

PPB NZ Holdings Pty Limited, Australia

PPB Advisory Funds Management Limited, Australia

PPB Property Administration Pty Ltd, Australia

PPB Property Pty Limited, Australia

PPB Real Estate Pty Ltd, Australia

PPB NZ Limited As Nominee For PPB NZ Partnership

PPB NZ Property Limited

PPB NZ Equity Limited

Australasian Transformation Academy Pty Limited

Litmus Group Pty Ltd, Australia

PPB Funding Pty Ltd, Australia

LITMUS Group Pte Limited, Singapore

TRUE North Advantage Pte Limited, Singapore

D. Notice of meeting of creditors

NOTICE OF MEETING OF CREDITORS

Migme Limited
(Administrators Appointed) (the Company)
ACN 059 457 279

Notice is given that a meeting of the creditors of the Company will be held at Level 21, 140 St Georges Terrace, Perth WA 6000, on Friday 3 August 2018, at 10:00 AM.

Agenda

1. To receive the report by the joint and several Administrators concerning the Company's business, property, affairs and financial circumstances.
2. For creditors to consider the options available and to resolve that:
 - (a) the Company execute the Secured Creditor Deed, or
 - (b) the administration should end, or
 - (c) the Company be wound up.
3. To approve:
 - (a) the Administrators' remuneration
 - (b) the Deed Administrators' remuneration, if one is appointed or
 - (c) the Liquidators' remuneration, if one is appointed.
4. If the Company is wound up, to consider the appointment of a Committee of Inspection and, if so, who are to be the committee members.
5. If the Company is wound up, to approve the early destruction of the Company's books and records six months after finalisation subject to authorisation from ASIC.
6. If the Company is wound up, to authorise the Liquidators to compromise debts greater than \$100,000, pursuant to section 477(2A) of the *Corporations Act 2001*.
7. If the Company is wound up, to authorise the Liquidators to enter into contracts with a duration of longer than three months, pursuant to section 477(2B) of the *Corporations Act 2001*.
8. Any other business.

There will be access to telephone conference facilities for creditors who cannot attend the meeting. Please contact Michael Clarkson (mclarkson@ppbadvisory.com) by Thursday 2 August 2018 you require access to telephone facilities.

Creditors wishing to attend and vote are advised that proof of debts and proxies must be submitted to the Administrators by 4:00pm AWST Thursday 2 August 2018.

Dated this 27th day of July 2018



Simon Theobald and Melissa Humann
Administrators

Section 75-85 of the Insolvency Practice Rules (Corporations) sets out the entitlement to vote at meetings of creditors:

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

E. ASIC Publication: Insolvency information for directors, employees, creditors and shareholders



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.

F. Details of identified secured creditors

Migme Limited

PPSR Claimant Name	Registration Number	Start Date	Item Description
The Trustee for the Celtic Capital Trust	201708280060320	28/08/2017	APAAP

**G. ARITA Publication: Creditor information sheet:
Offences, recoverable transactions and
insolvent trading**

Creditor Information Sheet

Offences, Recoverable transactions and Insolvent Trading



Offences

A summary of offences that may be identified by the administrator:

Section	Offence
180	Failure by officer to exercise a reasonable degree of care and diligence in the exercise of his powers and the discharge of his duties.
181	Failure to act in good faith.
182	Making improper use of position as an officer or employee, to gain, directly or indirectly, an advantage.
183	Making improper use of information acquired by virtue of his position.
184	Reckless or intentional dishonesty in failing to exercise duties in good faith for proper purpose. Use of position or information dishonestly to gain advantage or cause detriment.
206A	Contravening an order against taking part in management of a corporation.
206A, B	Taking part in management of corporation while being an insolvent under an administration.
206A, B	Acting as a director or promoter or taking part in the management of a company within five years after conviction or imprisonment for various offences.
209(3)	Dishonest failure to observe requirements on making loans to directors or related companies.
254T	Paying dividends except out of profits.
286	Failure to keep proper accounting records.
312	Obstruction of auditor.
314-7	Failure to comply with requirements for financial statement preparation.
437C	Performing or exercising a function or power as officer while a company is under administration.
437D(5)	Unauthorised dealing with company's property during administration.
438B(4)	Failure by directors to assist administrator, deliver records and provide information.
438C(5)	Failure to deliver up books and records to administrator.
590	Failure to disclose property, concealed or removed property, concealed a debt due to the company, altered books of the company, fraudulently obtained credit on behalf of the company, material omission from Report as to Affairs or false representation to creditors.

Voidable Transactions

Preferences

A preference is a transaction such as a payment between the company and one or more of its creditors, in which the creditor receiving the payment is preferred over the general body of creditors. The relevant time period is six months before the commencement of the liquidation. The company must have been insolvent at the time of the transaction, or become insolvent as a result of the transaction.

Where a creditor receives a preferred payment, the payment is voidable as against a liquidator and is liable to be paid back to the liquidator subject to the creditor being able to successfully maintain any of the defences available to the creditor under either the Corporations Act.

Uncommercial Transaction

An uncommercial transaction is one that it may be expected that a reasonable person in the company's circumstances would not have entered into having regard to:

- the benefit or detriment to the company;
- the respective benefits to other parties; and
- any other relevant matter.

To be voidable, an uncommercial transaction must have occurred during the two years before the liquidation.

However, if a related entity is a party to the transaction, the time period is four years and if the intention of the transaction is to defeat creditors, the time period is ten years.

The company must have been insolvent at the time of the transaction, or become insolvent as a result of the transaction.

Unfair Loan

A loan is unfair if and only if the interest was extortionate when the loan was made or has since become extortionate. There is no time limit on unfair loans – they only have to have been entered into any time on or before the day when the winding up began.

Arrangements to avoid employee entitlements

If an employee suffers loss because a person (including a director) enters into an arrangement or transaction to avoid the payment of employee entitlements, the liquidator or the employee may seek to recover compensation from that person. It will only be necessary to satisfy the court that there was a breach on the balance of probabilities. There is no time limit on when the transaction occurred.

Unreasonable payments to directors

Liquidators have the power to reclaim "unreasonable payments" made to directors by companies prior to liquidation. The provision relates to transactions made to, on behalf of, or for the benefit of, a director or close associate of a director. To fall within the scope of the section, the transaction must have been unreasonable, and have been entered into during the 4 years leading up to a company's liquidation, regardless of its solvency at the time the transaction occurred.

Voidable charges

Certain charges are voidable by a liquidator:

- Circulating security interest created with six months of the liquidation unless it secures a subsequent advance;
- Unregistered charges; and
- Charges in favour of related parties who attempt to enforce the charge within 6 months of its creation.

Insolvent Trading

In the following circumstances, directors may be personally liable for insolvent trading by the company:

- a person is a director at the time a company incurs a debt;
- the company is insolvent at the time of incurring the debt or becomes insolvent because of incurring the debt;
- at the time the debt was incurred, there were reasonable grounds to suspect that the company was insolvent;
- the director was aware such grounds for suspicion existed; and
- a reasonable person in a like position would have been so aware.

The law provides that the liquidator, and in certain circumstances the creditor who suffered the loss, may recover from the director, an amount equal to the loss or damage suffered. Similar provisions exist to pursue holding companies for debts incurred by their subsidiaries.

A defence is available under the law where the director can establish:

- there were reasonable grounds to expect that the company was solvent and they actually did so expect;
- they did not take part in management for illness or some other good reason; or,
- they took all reasonable steps to prevent the company incurring the debt.

The proceeds of any recovery for insolvent trading by a liquidator are available for distribution to the unsecured creditors before the secured creditors.

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.

H. Amiko Asset Sale share allocation (per 7 June 2018 terms)

Entity	Shares
Migme Limited	3,516,923
PGI Bridge	
DMP 208 Limited	149,660
Riccardo Juanito Karjono	170,000
Riva Alberto Karjono	165,000
Kun-Sen Lu	825,000
Saphira Devi	165,000
Charles Pan	75,000
Andy Zain	125,000
Jeff Bezzina	66,000
Uplift	
Sarodan Pty Limited	93,000
Mr Bin Liu	74,500
Agens Pty Limited	373,500
Mr Jason Peterson & Mrs Lisa Peterson	746,500
Jeff Bezzina	750,000
Riccardo Juanito Karjono	50,000
\$780K TNE Round	
Jeff Bezzina	1,000,000
Matt Sturgess	200,000
Globimedia Network Pte Ltd	100,000
Sanderson Securities Pty Limited	300,000
Sunset Capital Management	200,000
Agens Pty Limited	150,000
Sarodan Pty Limited	150,000
Riccardo Juanito Karjono	100,000
Baycall Sdn Bhd	1,500,000
Althea Hawley	250,000
Brett Hawley	100,000
Bruce Hawley	250,000
Geoffrey Hawley	150,000
Brent Peihopa	50,000
Sharmila Smith	100,000
Diverse Capital	200,000
Assistance	
Baycall Sdn Bhd	450,000
Diverse Capital	317,400
Michael Parker	315,400
Total	13,227,883

I. Secured Creditor Deed proposal



Celtic Capital Pty Ltd (ACN 120 688 262)
as Trustee for the Celtic Capital Trust
ABN 87 413 128 317

Level 45, 108 St Georges Terrace
PERTH, WESTERN AUSTRALIA 6000

24 July 2018

Simon Theobald & Melissa Humann
Administrators
Migme Limited (Administrators Appointed)
c/- PPB Advisory
PO Box 7761
CLOISTERS SQUARE WA 6850

By Email: stheobald@ppbadvisory.com
 mhumann@ppbadvisory.com
 cmorrissey@ppbadvisory.com.au

Private and Confidential

Dear Simon and Melissa,

MIGME LIMITED (ADMINISTRATORS APPOINTED) – FURTHER REVISED PROPOSAL FOR DEED OF COMPANY ARRANGEMENT AND RECAPITALISATION

We write to you in your capacity as joint and several voluntary administrators (**Administrators**) of Migme Limited (Administrators Appointed) ACN 059 457 279 (**Company**).

Previous Proposals

We refer to:

- our letter dated 2 July 2018 in which we set out a proposal by Celtic Capital Pty Ltd (ACN 120 688 262) as trustee for the Celtic Capital Trust (ABN 87 413 128 317) (**Celtic**) for the recapitalisation of the Company;
- our letter dated 17 July 2018 in which we set out a revised proposal by Celtic for the recapitalisation of the Company (**New Proposal**); and.
- the letter from your lawyer, Lavan, dated 23 July 2018 in relation to the New Proposal.

The Original Proposal lapsed in accordance with its terms.

We note that you have requested clarification and certain amendments to the terms of the New Proposal.

Further Revised Proposal

Enclosed with this letter is a further revised proposal for the recapitalisation of the Company (**Updated Proposal**) by way of a deed of company arrangement (**DOCA**) under Part 5.3A of the *Corporations Act 2001* (Cth) (**Corporations Act**).

This Updated Proposal revokes and replaces the New Proposal in its entirety.

In summary, the Updated Proposal will see a fund established under a Creditors' Trust Deed for the payment of admitted creditors' claims, which will comprise:

- a \$650,000 payment by way of a secured loan from Celtic or its nominees to the Company which is to subsequently be paid to the Trustees of the Creditors' Trust;
- from the proposed assets sale transaction between the Company, its subsidiaries and Amiko Limited (**Amiko**), subject to the parties to such agreement agreeing a variation to this effect:
 - US\$300,000 (that is, approximately \$404,167 as at the date of this letter) in cash contribution by Amiko; and
 - net proceeds from the sale of up to 5,037,120 common shares in Amiko (for which Amiko has advised that it proposes to seek quotation on a recognised stock exchange), up to the amount required to satisfy admitted creditors' claims;
- assignable claims held by the Company; and
- shares in the Company's subsidiaries.

It is proposed that the Amiko shares will be sold after a restriction period of 2 months from issue, with the net proceeds of sale to be remitted to the fund for creditors of the Company.

The balance of assets/funds remaining after payment of creditors' claims and your fees will be returned to the Company for the benefit of shareholders.

Following effectuation of the DOCA, Celtic will work with the Company to identify and evaluate new business opportunities suitable for supporting the Company's recapitalisation and reinstatement to quotation on the Australian Securities Exchange (**ASX**).

In this regard, as an alternative to receiving cash repayment, creditors may elect to utilise a portion of their Creditors' Trust distribution (refer to item 26 of the Updated Proposal below) to subscribe for equity and receive shares in the Company, thereby having the opportunity to participate in the recapitalised Company once reinstated to ASX.

The Updated Proposal, if implemented, provides creditors with:

- certainty as to a minimum dividend that we estimate to be between approximately 15c and 29c in the dollar; and
- a possible dividend for an additional amount, depending upon the success from the Amiko transaction.

Offer

This letter constitutes a binding offer to enter into the DOCA on the terms set out in the enclosed document, subject to the approval of creditors of this Updated Proposal at the second meeting of creditors under section 439A of the Corporation Act, and subject to negotiation of the deed itself (a draft of which we will instruct our lawyers to prepare).

Please contact us if you have any queries or require any additional information in relation to the above.

We look forward to hearing from you in due course.

Yours faithfully

A handwritten signature in dark ink, appearing to read 'Jason Peterson', with a stylized, wavy line extending to the right.

Jason Peterson
Managing Director
Celtic Capital Pty Ltd

Terms of Updated Proposal

Item	Term
Formalisation of Updated Proposal	
1. Proponent	Celtic will act as exclusive proponent to manage and assist with the Company's recapitalisation process pursuant to the Updated Proposal.
2. Transaction documents	<p>Subject to the conditions in item 3 being satisfied or waived, the Updated Proposal will be implemented and effected pursuant to the following documents (Transaction Documents):</p> <ul style="list-style-type: none"> (a) this letter; (b) the DOCA on the terms set out below; and (c) a creditors' trust deed on the terms set out below (Creditors' Trust Deed).
3. Updated Proposal conditional upon approvals	<ul style="list-style-type: none"> (a) The Updated Proposal is conditional upon the following conditions precedent (Conditions Precedent) being satisfied: <ul style="list-style-type: none"> (i) the Updated Proposal being approved at the second creditors' meeting of the Company's creditors convened for the purposes of section 439A of the Corporations Act, which must occur by 4:00pm (AWST) on or before 6 August 2018; and (ii) the Administrators, the Company and Celtic agreeing the terms of the DOCA and the Creditors' Trust Deed and executing those documents in accordance with their terms within the times required by law. (b) The Administrators, the Company and Celtic must take all reasonable steps to satisfy the Conditions Precedent as soon as practicable. (c) If any of the Conditions Precedent are not satisfied by the relevant date for satisfaction, then any party may terminate Transaction Documents by giving written notice to that effect to the other parties. (d) It shall be a condition subsequent to the Updated Proposal that all legal and shareholder approvals necessary to give effect to the Updated Proposal are obtained by 4:00pm (AWST) on or before 21 September 2018 or such later date as Celtic may allow, in its absolute discretion (Condition Subsequent). (e) For the purposes of item 3(d), the approvals to be sought may include the following (as applicable): <ul style="list-style-type: none"> (i) approval of the Company's shareholders under section 254H of the Corporations Act and ASX Listing Rules 7.18 to 7.26 to undertake the Consolidation referred to in item 15; (ii) approval of the Company's shareholders under Chapter 2E of the Corporations Act and ASX Listing Rules 7.1 and 10.11 to issue securities under the Updated Proposal; (iii) approval of the Company's shareholders under the Company's Constitution and section 203D of the Corporations Act to remove the directors of the Company and appoint the nominees referred to in item 19; and

		(iv)	a waiver of ASX Listing Rule 2.1 (condition 2) to the effect that the Company will be permitted to apply for reinstatement to quotation on ASX on the basis that the value of each ordinary shares is at least \$0.02.
4.	Seeking approvals	(a)	Subject to item 4(a)(iii), Celtic will do the following at its own costs if the Conditions Precedent are satisfied (or waived by Celtic):
		(i)	pay to ASX the Company's annual listing fee for the period 1 July 2018 to 30 June 2019, being \$27,500 (including GST);
		(ii)	assist the Company to prepare a notice of meeting, explanatory memorandum, independent expert's report (including for the purposes of section 611 (item 7) of the Corporations Act), proxy form and such other associated documents that are required to convene a general meeting of the Company and obtain shareholder approvals to satisfy the Condition Subsequent (Meeting Documents), including those required under the Corporations Act and the ASX Listing Rules;
		(iii)	assist the Company to submit the draft Meeting Documents to any regulatory body that must review such documents, including ASIC and ASX (as applicable);
		(iv)	assist the Company to prepare and submit such submissions or applications for determinations, legal relief or regulatory waivers to applicable regulatory bodies as Celtic determines are reasonably required to satisfy the Condition Subsequent, including ASIC and ASX (as applicable); and
		(v)	assist the Company to convene the shareholder meeting referred to in item 4(a)(i).
		(b)	The costs incurred by Celtic under item 4(a) will constitute a loan by Celtic to the Company. This loan will form part of, and be on the same terms as, the loan under item 16(c), including that such amount will be secured on the basis set out in item 16(c)(iii).
		(c)	Item 4(a) does not include the Administrators/Deed Administrators/Trustees (as applicable) legal costs nor share registry costs of the Company.
5.	Material legal changes		Celtic may elect to terminate and to discontinue the Updated Proposal if any change occurs to a law, regulation or the policy for the application of a law or regulation by a governmental or regulatory body (including the Australian Securities & Investments Commission (ASIC) or ASX) which would, in the opinion of Celtic, have a material adverse effect on the Company or the implementation of the Updated Proposal.
DOCA			
6.	Deed Administrators	(a)	The Administrators will become the administrators of the DOCA (Deed Administrators) upon the DOCA coming into effect.
		(b)	The Deed Administrators will be vested with the powers specified in clause 2 of Schedule 8A of the <i>Corporations Regulations 2001</i> (Cth) (Regulations).
		(c)	The DOCA will incorporate all other provisions set out in Schedule 8A of the Regulation except for items 3(c) and 11 of Schedule 8A.

7. Liabilities of Administrators and Deed Administrators	<ul style="list-style-type: none">(a) The Administrators will be liable for post-appointment expenses to the extent required by the Corporations Act up until the date that the DOCA takes effect.(b) The Deed Administrators will not be personally liable for any debts incurred by the Company after the execution of the DOCA.(c) The Deed Administrators (and their official representatives) will be entitled to receive remuneration for their services at their usual hourly rates in accordance with Division 60 of Schedule 2 to the Corporations Act.(d) The Deed Administrators will, to the extent of the Company's assets, be entitled to be indemnified from the assets of the Company for fees, disbursements and liabilities (including claims made against them) duly and legally incurred or arising in their capacity as Administrators or Deed Administrators.(e) The Deed Administrators will have a lien over the assets of the Company to secure their right of indemnity under item 7(c). This lien will cease and be replaced by the lien under item 22(c) upon the Deed Administrators retiring from such office under item 20(b).
8. Binding effect on creditors	<ul style="list-style-type: none">(a) The DOCA and its terms will bind all creditors having a claim against any Company as at the date of the appointment of the Administrators, to the extent allowed under the Corporations Act.(b) For the avoidance of doubt, the DOCA will not bind nor affect the claims of secured creditors of the Company, nor any owners or lessors of property used by or occupied by the Company, except:<ul style="list-style-type: none">(i) where the DOCA so provides in relation to a secured creditor, property owner or property lessor who voted in favour of the Updated Proposal; or(ii) to the extent ordered by a court under section 444F(2) of the Corporations Act.
9. Moratorium on claims	<p>In accordance with item 7 of Schedule 8A of the Regulations, during the tenure of the DOCA all creditors of the Company with a claim against the Company, and all owners and lessors of property used by or occupied by the Company, who are bound by the DOCA will not:</p> <ul style="list-style-type: none">(a) proceed with any application to wind-up the Company made before the execution of the DOCA;(b) bring or continue any proceedings against the Company or in relation to any of its property;(c) exercise any right of set-off or cross action against the Company; or(d) bring or continue with any enforcement process in relation to the Company's property.
10. Transfer of claims to Creditors' Trust	<ul style="list-style-type: none">(a) The DOCA will include provision for the establishment of a creditors' trust (Creditors' Trust) under the Creditors' Trust Deed, to be capitalised with assets under item 21. Admitted claims of creditors will be assessed and satisfied under the Creditors' Trust (refer to item 26 below).(b) All admitted claims of creditors against the Company will be released, discharged and extinguished upon effectuation of the DOCA. All such creditors must accept their right to prove in the Creditors' Trust in full satisfaction of their claims.

11. Effectuation of the DOCA	<p>The DOCA will be effectuated on the latest of:</p> <ul style="list-style-type: none"> (a) the Amiko Variation under item 18(e) becoming effective; (b) completion of the Amiko Agreement occurring in accordance with its terms; (c) satisfaction of the Condition Subsequent; (d) the establishment and capitalisation of the Creditors' Trust (including from receipt of the Proponent Payment and US\$100,000 of the Amiko Contribution); (e) payment of the Proponent Payment to the Company under item 16; and (f) payment of US\$100,000 of the Amiko Contribution to the Deed Administrators (if prior to the establishment of the Creditors' Trust) or the Trustees (if after the establishment of the Creditors' Trust) under item 18.
12. Termination of DOCA for other reasons	<ul style="list-style-type: none"> (a) Unless effectuated in accordance with item 11, the DOCA will continue in effect until terminated automatically: <ul style="list-style-type: none"> (i) by an order of the Court under section 445D of the Corporations Act; or (ii) by a resolution of the creditors at a meeting convened under section 445C(b) and Division 75, Schedule 2 of the Corporations Act. (b) If: <ul style="list-style-type: none"> (i) the DOCA is not effectuated by 21 September 2018 or such later date as Celtic may allow, in its absolute discretion; or (ii) a change in law or regulation occurs (including a change in ASX Listing Rule or ASX policy) before that date that is, in Celtic's reasonable opinion, materially adverse to the implementation of the Updated Proposal, <p>Celtic may give the Deed Administrators notice that it does not intend to continue with implementation of the Updated Proposal, following which Celtic will cease to be bound by the Updated Proposal and the Deed Administrators will convene a meeting of creditors to determine the future of the Company.</p> (c) Claims of creditors will not be extinguished under item 10 if the DOCA is terminated prior to it being effectuated.
13. Variation of DOCA	<p>The DOCA may only be varied by a resolution passed at a meeting of the creditors of the Company, convened in accordance with sections 445A and Division 75 of Schedule 2 to the Corporations Act, but only if the variation is not materially different from a proposed variation set out in a notice of meeting.</p>
14. Other customary terms	<p>The DOCA will otherwise include terms and conditions which are customary for deeds of that nature, as agreed between the Administrators and Celtic, acting reasonably.</p>
Implementation of Updated Proposal	
15. Consolidation	<ul style="list-style-type: none"> (a) The Company will consolidate its existing ordinary shares on a 100 for 1 basis (Consolidation).

	<ul style="list-style-type: none">(b) Following the Consolidation, the Company will have on issue 3,161,529 ordinary shares and 119,447 options.(c) Subject to necessary legal and shareholder approvals first being obtained, Celtic may require the Company to conduct the Consolidation applying a different consolidation ratio.
16. Proponent payment	<ul style="list-style-type: none">(a) Celtic or its nominees will provide a cash payment of \$650,000 by way of secured loan to the Company which is to be applied towards repaying the Company's creditors and funding the costs of the Administration/DOCA/Creditors' Trust process (Proponent Payment).(b) The Proponent Payment is to be paid to the Deed Administrators within 5 Business Days of the DOCA coming into effect and satisfaction of the Condition Subsequent to implement the Updated Proposal, whichever is the later in time.(c) The Proponent Payment will constitute a loan to the Company on the following terms:<ul style="list-style-type: none">(i) the loan will form part of the funds to establish the Creditors' Trust;(ii) interest will accrue on the loan at a rate equal to the current rate under the Company's loan facility with Celtic, pursuant to the Loan Facility Agreement between the Company (as borrower) and Celtic (as lender) dated 28 August 2017;(iii) the loan will be secured against all present and after acquired property of the Company, pursuant to the General Security Deed between the Company (as grantor) and Celtic (as secured party) dated 28 August 2017 (GSD);(iv) the loan will remain in effect following effectuation of the DOCA; and(v) the loan (including amounts under item 4(b)) is to be repaid:<ul style="list-style-type: none">(A) from funds raised by the Company under the Placement referred to in item 17; or(B) otherwise, on 22 October 2018 or such later date as Celtic may allow, in its absolute discretion.(d) To the extent permitted by law:<ul style="list-style-type: none">(i) the Administrators will not bear any personal obligation or liability to repay the outstanding balance of the Proponent Payment, interest accrued on the Proponent Payment and other amounts owed by the Company in relation to the Proponent Payment (Outstanding Amount); and(ii) subject to item 16(c)(v)(A), the Outstanding Amount is to be repaid from the property of the Company pursuant the indemnity by the Company in favour of the Administrators under section 443D of the Corporations Act.(e) Subject to item 16(c)(v)(A), if and to the extent that the Administrators' indemnity under section 443D of the Corporations Act is insufficient to fund the repayment of any part of the Outstanding Amount (Remainder), such that the Administrators are personally liable to repay the Remainder, to the extent permitted by law, Celtic indemnifies the Administrators in relation to all amounts of the Remainder payable by the Administrators.

	(f)	The Administrators may apply to a court of competent jurisdiction under section 447A of the Corporations Act for an order to the effect that the Administrators will not be personally obliged or otherwise liable to pay the Remainder. If the court grants an order on the terms of this item 16(f), the indemnity in item 16(e) will cease to apply to the extent that the Administrators' liability is limited under such order.
17. Placement	(a)	Subject to item 28, the Company will seek to raise up to \$1,000,000 in new working capital through the issue of up to 50,000,000 ordinary shares at an issue price of \$0.02 under a private placement to investors who fall within one of the investor categories in section 708 of the Corporations Act (Exempt Investors), nominated by Celtic (Placement).
	(b)	An investor under the Placement will receive, together with each ordinary share in the Company subscribed for under the Placement, one free-attaching option to subscribe for an ordinary share in the Company. The exercise price, expiry date and other terms of these options are to be determined by Celtic.
	(c)	The Placement will be conducted after the Consolidation.
	(d)	The Placement is to close with shares issued by 8 October 2018, unless Celtic and the Deed Administrators agree otherwise.
	(e)	The issue of shares by the Company under the Placement is conditional upon the Company obtaining all legal and shareholder approvals required to give effect to the Placement, including approvals required under the Corporations Act and the ASX Listing Rules (as applicable) by 4:00pm (AWST) on or before 21 September 2018 or such later date as Celtic may allow, in its absolute discretion.
	(f)	Item 17(e) does not require the Company to obtain any approvals under section 611 of the Corporations Act.
	(g)	If the approvals required under item 17(e) are not obtained by the relevant date, Celtic may give notice to the Deed Administrators that it does not intend to proceed with implementation of the Updated Proposal, following which it will cease to be bound by the Transaction Documents.
	(h)	The Company and Celtic will take reasonable steps to ensure that none of the Placement investors nor their respective 'associates' (within the meaning of that term under the Corporations Act) obtains a or increases an existing 'relevant interest' (for the purposes of the Corporations Act) in the ordinary shares of the Company in contravention of the takeover restrictions in Chapter 6 of the Corporations Act.
	(i)	Subject to necessary legal and shareholder approvals first being obtained, Celtic may require that the closing date, issue price or the number of shares to be issued under the Placement be amended.
	(j)	Part of the funds raised under the Placement will be used to repay the Proponent Payment.
18. Amiko asset sale	(a)	A reference in this document to the " Amiko Agreement " is a reference to the Asset Sale and Purchase Agreement dated on or about 9 June 2018 (as varied) between: <ul style="list-style-type: none">(i) Amiko Limited, a corporation incorporated in the Cayman Islands (Amiko);(ii) the Company; and

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- (iii) the following subsidiaries of the Company (**Subsidiaries**):
- (A) Migme Pte Limited, a corporation incorporated in Singapore;
 - (B) Migme Malaysia Sdn Bhd, a corporation incorporated in Malaysia;
 - (C) Project Goth Inc, a corporation incorporated in the United States of America;
 - (D) Project Goth India Pvt Limited, a corporation incorporated in India; and
 - (E) Migme Taiwan Limited, a corporation incorporated in Taiwan.
- (b) Under the Amiko Agreement, Amiko proposes to acquire the following assets (**Assets**) which constitute the primary business assets of the Company's corporate group:
- (i) any and all interest in the data associated with the Company's corporate group operations colloquially referred to as the Migme customer database, whether from the Company or Migme Pte Limited;
 - (ii) any and all transferrable benefit accruing to the Company or Migme Pte Limited from their contracts with PT Media Nusantara Citra Tbk Group;
 - (iii) all of the amount receivable by Migme Pte Limited and Migme Malaysia Sdn Bhd from New Sense Enterprises Ltd (HK) (**NSE**);
 - (iv) access to employees and service providers to each Subsidiary;
 - (v) all intellectual property used in the business of the Company or each Subsidiary, including intellectual property in work practices;
 - (vi) shares in NSE from Project Goth Inc, being 100% of the issued shares in NSE; and
 - (vii) any and all interest in any asset not specifically set out in this item 18(b) that has been used to perform the historical operations of the Company's or a Subsidiary's business, whether held directly or indirectly.
- (c) The Assets will not include the shares in the Subsidiaries held by the Company.
- (d) It is proposed that Amiko will seek admission to a recognised stock exchange and apply for quotation of its common shares.
- (e) The Deed Administrators will cause the Company and, will use all reasonable endeavours to cause the Subsidiaries, to negotiate with Amiko to vary the Amiko Agreement to the following effect (**Amiko Variation**):
- (i) Amiko will no longer be required to issue 18,843,268 common shares as consideration for the purchase of the Assets.
 - (ii) As consideration for the Assets:
 - (A) Amiko will pay US\$300,000 (**Amiko Contribution**) into the Creditors' Fund (as defined in item 21) as follows:
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- (1) US\$100,000 on completion of the sale and purchased transaction under the Amiko Agreement; and
 - (2) US\$200,000 within 75 days completion of the sale and purchased transaction under the Amiko Agreement; and
 - (B) Amiko will make available 5,037,120 common shares (**Amiko Consideration Shares**) to be sold or otherwise realised for value in accordance with item 18(e)(iii).
 - (iii) The Amiko Consideration Shares will be dealt with as follows:
 - (A) 2 months after Amiko is successfully listed on a recognised stock exchange, Amiko will seek place and/or sell to investors the Amiko Consideration Shares, whether through on-market or off-market transactions (**Realisation**);
 - (B) The method of the Realisation process will be proposed by Amiko, and approved by the Deed Administrators or Trustees (as applicable), acting reasonably, with the aim of an orderly realisation of those shares under the control of Amiko;
 - (C) the proceeds of the Realisation (net of transaction costs) will be paid into the Creditors' Trust, up to a total amount that is sufficient to satisfy:
 - (1) the admitted claims against the Company (net of the agreed amount of the Amiko Cash Contribution, the Proponent Payment and other assets in the Creditors' Trust) in accordance with item 26; and
 - (2) the liabilities of the Subsidiaries at the date of the DOCA (but excluding liabilities of those Subsidiaries to the Company and companies with the Company's corporate group) on a pro-rata basis; and
 - (D) if the amount of the Amiko Contribution and the proceeds from the Realisation process is:
 - (1) not sufficient to satisfy all admitted claims of the Company's creditors under item 26, Amiko will not have any obligation to contribute further to the Creditors' Trust; or
 - (2) is sufficient to satisfy all admitted claims of the Company's creditors under item 26, then Amiko is not under any further obligation to continue the Realisation process nor pay further Realisation proceeds to the Creditors' Trust.
 - (f) If the Amiko Variation is not unconditionally agreed in writing by all parties to the Amiko Agreement by 4:00pm (AWST) on or before 6 August 2018 or such later date as Celtic may allow, in its absolute discretion, Celtic may give notice to the Deed Administrators that it does not intend to proceed with implementation of the Updated Proposal, following which it will cease to be bound by the Transaction Documents.
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	<p>(g) Celtic will partially discharge and release its security interest to the extent that it affects the Assets, so as to enable completion of the sale of those Assets to Amiko under the Amiko Agreement.</p> <p>(h) If the sale of the Assets under the Amiko Agreement (as varied by the Amiko Variation) does not complete by 4:00pm (AWST) on or before 21 September 2018 or such later date as Celtic may allow, in its absolute discretion, Celtic may give notice to the Deed Administrators that:</p> <p>(i) it does not intend to proceed with implementation of the Updated Proposal, following which it will cease to be bound by the Transaction Documents; or</p> <p>(ii) it requires the Deed Administrators and the Company to terminate the Amiko Agreement and that variations be made to the Transaction Documents to accommodate necessary changes resulting from the termination of the Amiko Agreement.</p> <p>(i) If variations to the Transaction Documents requested by Celtic under item 18(h)(ii) cannot be agreed, or are not approved by creditors of the Company, by 4:00pm (AWST) on the date falling 30 days from the notice under that item, Celtic may give notice to the Deed Administrators that it does not intend to proceed with implementation of the Updated Proposal, following which it will cease to be bound by the Transaction Documents.</p>
19. Change of directors	<p>(a) All of the directors of the Company will resign, or the Deed Administrators must cause them to be removed from office.</p> <p>(b) Celtic will nominate 3 persons to be appointed as new directors of the Company, subject to such persons providing their written consent to act as directors.</p> <p>(c) The actions in this item 19 are to be implemented on the date that the DOCA comes into effect or such other date as approved by Celtic in its discretion.</p>
Creditors' Trust	
20. Establishment of Creditors' Trust	<p>(a) The Creditors' Trust will be established by the Deed Administrators by execution of the Creditors' Trust Deed.</p> <p>(b) The Deed Administrators will become the trustees of the Creditors' Trust (Trustees) upon effectuation of the DOCA.</p> <p>(c) The Creditors' Trust Deed will include terms and conditions which are customary for deeds of that nature, as agreed between the Deed Administrators and Celtic, acting reasonably.</p>
21. Creditors' Fund	<p>The Trustees will establish a fund (Creditors' Fund) to receive and distribute the following in payment of claims held by creditors against the Company that are admitted to proof by the Deed Administrators:</p> <p>(a) the Proponent Payment;</p> <p>(b) the Amiko Contribution;</p> <p>(c) the Amiko Consideration Shares which will be issued as consideration under the Amiko Agreement and the proceeds of the realisation of the Amiko Consideration Shares under item 18(e)(iii);</p> <p>(d) claims of the Company that can be assigned to the Trustees; and</p>

	(e)	the shares in the Subsidiaries held by the Company.
22. Liabilities of the Trustees	(a)	The Trustees (and their official representatives) will be entitled to receive remuneration for their services at their usual hourly rates in accordance with Division 60 of Schedule 2 to the Corporations Act as if they were acting as administrators of a deed of company arrangement.
	(b)	The Trustees will, to the extent of the fund, be entitled to be indemnified from the Creditors' Fund for fees, disbursements and liabilities (including claims made against them) duly and legally incurred or arising in their capacity as Administrators, Deed Administrators and Trustees.
	(c)	The Trustees will have a lien over the Creditors' Fund to secure their right of indemnity under item 22(a).
23. Termination of the Creditors' Trust		The Creditors' Trust will vest and terminate when the Creditors' Fund has been fully distributed accordance with item 26.
24. Variation of Creditors' Trust deed		The deed establishing the Creditors' Trust may only be varied by a resolution passed at a meeting of the creditors of the Company, convened in accordance with sections 445A and Division 75 of Schedule 2 to the Corporations Act as if the Creditors' Trust was a deed of company arrangement, but only if the variation is not materially different from a proposed variation set out in a notice of meeting.
25. Other terms		The deed for the Creditors' Trust will otherwise include terms and conditions which are customary for deeds of that nature, as agreed between the Deed Administrators and Celtic, acting reasonably.

Assessment and Payment of Creditor Claims

26. Payment admitted creditors' claims	(a)	The Creditors' Fund will be distributed by the Trustees to creditors of the Company in the following manner:
	(i)	by calculating an allocation based on the dividend which would have been payable to each creditor out of the Creditors' Fund in accordance with the order of priority of payment set out in sections 556, 560 and 561 of the Corporation Act if the Creditors' Fund had not been contributed to the Creditors' Trust; and
	(ii)	by then treating the creditors and allocating the remainder of the Creditors' Fund in the order of priority of payment set out in sections 556, 560 and 561 of the Corporations Act.
	(b)	The calling of proofs, admission of creditors' claims and payment of the dividend will be conducted in accordance with the relevant provisions of the Corporations Act and the Regulations for liquidations as if they referred to the Creditors' Trust and the Trustees.
	(c)	Any funds remaining in the Creditors' Fund after the distribution of the dividend to admitted creditors, and interest payment (if applicable) will be returned to the Company upon the retirement of the Trustees.
	(d)	The Creditors' Trust will provide for a discharge of debts of creditors, and the extinction of their claims, on the basis set out in items 5 and

		6 of Schedule 8A of the Regulations as if those claims were being dealt with under a deed of company arrangement.
27. Abandonment of claims		A claim by a creditor against the Creditors' Fund will be deemed to be abandoned if, prior to the declaration of the final dividend to admitted creditors, that creditor fails to submit a formal proof of debt or claim to the Trustee, or having submitted one which is rejected, fails to appeal against the rejection.
28. Creditors' participation in the Placement	(a)	Admitted creditors of the Company who qualify as Exempt Investors and receive (or will receive) from the Trustees a dividend out of the Creditors' Fund which comprises cash from the Proponent Payment and/or the Amiko Contribution will have the right to use some or all of that dividend to subscribe for ordinary shares in the Company under the Placement, in priority to all other Placement investors.
	(b)	A creditor who wishes to participate in the Placement under item 28(a), whether that creditor satisfied the requirements of that item or not, must give Celtic, the Trustees and the Company written notice to that effect within 14 days of the Creditors' Trust being established.
29. Secured creditor – Celtic	(a)	Rather than making a priority claim to the Creditors' Fund and reduce the amounts available to creditors, subject to clause 16(c)(v), Celtic will defer its right to repayment of its existing secured loan facility by incorporating it into the amount of the Proponent Payment, for repayment from funds raised by way of the Placement (to the extent available).
	(b)	Subject to item 18(g), Celtic's security interest under the GSD will not be affected or released notwithstanding execution of the DOCA, effectuation of the DOCA and establishment of the Creditors' Trust.
	(c)	Celtic's security interest will be discharged and released against the assets of the Company upon the later of: <ul style="list-style-type: none"> (i) repayment of the Proponent Payment under item 16(c)(v); and (ii) repayment of the debt to Celtic under item 29(a).
30. Books and records		The Company will provide the Trustees with all reasonable access to the books and records of the Company to enable the Trustees to adjudicate claims by creditors.
Miscellaneous Provisions		
31. Governing law	(a)	The Transaction Documents will be governed by the laws of the State of Western Australia and, where applicable, the laws of the Commonwealth of Australia.
	(b)	All disputes and legal proceedings in relation to the Transaction Documents must be conducted in the courts of those jurisdictions (as applicable) and held in Perth, Western Australia.
32. Assignment		Neither the Company, the Administrators nor Celtic may assign, transfer or otherwise dispose of any of their respective rights or obligations under a Transaction Document to which they are a party without the prior written consent of the other parties.
33. Severability		If any provision of a Transaction Document is invalid, illegal or unenforceable, that provision must be severed from and ignored in the interpretation of that Transaction Document to the minimum extent

necessary and with the intent that the remaining provisions of this deed remain in full force and effect.

J. Group audited financials (overview)

Financial position (2015 and 2016) – consolidated and audited

\$'000s	Consolidated	
	2016	2015
Current assets		
Cash and cash equivalents	283	8,658
Prepayments	2,184	251
Inventories	7	100
Income tax receivable	8	10
Trade and other receivables	355	82
Disposal group classified as held for sale	344	-
Total current assets	3,181	9,102
Non-current assets		
Leasehold improvements and equipment	507	583
Goodwill	643	643
Other non-current financial assets	136	168
Total non-current assets	1,286	1,394
Total assets	4,466	10,496
Current liabilities		
Trade and other payables	1,902	1,694
Provisions	210	209
Deferred revenue	47	318
Deferred consideration	69	69
Convertible notes designated at fair value through profit and loss	895	-
Convertible notes at amortised cost	1,167	-
Liabilities associated with disposal group	431	-
Total current liabilities	4,720	2,290
Non-current liabilities		
Convertible notes at amortised cost	-	2,541
Derivative financial liability	-	852
Total non-current liabilities	-	3,392
Total liabilities	4,720	5,682
Net assets	(253)	4,814
Equity		
Contributed equity	115,396	95,914
Reserves	11,708	11,163
Accumulated losses	(127,358)	(102,263)
Total Equity/(shareholders' deficit)	(253)	4,814

Financial performance (2015 and 2016) – consolidated and audited

\$'000s	Consolidated	
	2016	2015
Revenue	12,088	10,813
Cost of goods sold	(22,146)	(18,216)
Gross Loss	(10,058)	(7,403)
Marketing Expenses	(1,808)	(1,864)
Other operating income	148	115
Research and development expenses	(3,043)	(3,405)
Administration expenses	(7,109)	(8,130)
Other Expenses	(304)	(333)
Finance costs	(931)	(20)
Loss from continuing operations before tax	(23,105)	(21,040)
Income tax expense	(6)	(3)
Loss from continuing operations after tax	(23,111)	(21,043)
Loss from discontinued operation after tax	(1,984)	-
Total loss from operations after tax	(25,095)	(21,043)
Other comprehensive income		
Foreign currency translation	(753)	(33)
Other comprehensive income, net of tax	(753)	(33)
Total comprehensive loss	(25,848)	(21,076)

Source: 2015 and 2016 Group consolidated, audited financial report