

26 October 2017

Empire Oil & Gas NL (Administrators Appointed) Second Meeting of Creditors

Empire Oil & Gas NL (Administrators Appointed) (the Company) and its subsidiaries provides copies of the Administrators' Reports to Creditors prepared pursuant to section 439A of the Corporations Act 2001.

Security Code: EGO



Martin Jones
Joint and Several Administrator

25 October 2017

To Creditors

Dear Sir/Madam

Empire Oil & Gas NL (Administrators Appointed) (the Company)
ACN 063 613 730

As you are aware, Martin Jones, McCluskey, Peter and I were appointed Administrators of the Company on 28 September 2017 pursuant to Section 436A of the Corporations Act 2001 (**the Act**).

We are now in a position to convene the second meeting of creditors of the Company in order to determine the Company's future.

Please find **enclosed** the Voluntary Administrator's Report pursuant to Insolvency Practice Rules (Corporations) 2016 75-225 and Section 438A of the Act. The report is also available to download from Ferrier Hodgson's website immediately from 26 October 2017 using the following link:

<https://www.ferrierhodgson.com/au/creditors/empire-oil-and-gas-nl>

The Voluntary Administrator's Report includes our opinion, with supporting reasons, on each of the following matters:

- Whether it would be in the creditors' interests for the Company to execute a Deed of Company Arrangement (**DOCA**).
- Whether it would be in the creditors' interests for the Company to be wound up.
- Whether it would be in the creditors' interests for the administration to end.
- Whether it would be in the creditors' interests for the Second Meeting of Creditors to be adjourned for a period not exceeding forty-five (45) business days.

The following documents in respect of the second meeting of creditors of the Company are **attached** to the report:

Report annexure	Document	Description
B	Notice of meeting of creditors (form 529)	– Please note that the meeting is to be held on 2 November 2017 commencing at 10.00am AWST
		– You should arrive for registration at least 15 minutes prior to the meeting.
C	Appointment of proxy (form 532)	– This form enables you to appoint a person to act on your behalf at the meeting.
		– Proxy forms submitted at the first meeting of creditors are not valid for this meeting.

Report annexure	Document	Description
D	Formal proof of debt (form 535)	<ul style="list-style-type: none"> – A person is not entitled to vote at the meeting unless they provide particulars of the debt or claim to the Administrators before the meeting. – If you submitted this form for the purposes of the first meeting of creditors, you do not need to submit another form for this meeting unless you seek to amend your claim. – All creditors must furnish full details of their claims, indicating whether they rank as secured, preferential or unsecured, and whether they claim title to any goods supplied to the Company or any lien over goods in their possession which are the property of the Company.
E	Remuneration Approval Request	<ul style="list-style-type: none"> – Details of time spent by category of staff at the rates applicable for such staff. – A summary of the work undertaken by the Administrators and their staff in the administration. – A summary of the likely tasks and estimated remuneration of the Deed Administrators and Liquidators, should creditors resolve that the Company execute a DOCA or be wound up.
F	Australian Restructuring, Insolvency and Turnaround Association (ARITA) Creditor Information Sheet	<ul style="list-style-type: none"> – Contains information regarding offences, recoverable transactions and insolvent trading, which may be pursued if the Company is placed into liquidation. – Creditors should review the ARITA information sheet in conjunction with section 9 of the Administrators' report.
G	Deed of Company Arrangement (DOCA) Proposal	<ul style="list-style-type: none"> – Term Sheet of the DOCA Proposal put forward by Mineral Resources Limited.

The proof of debt and proxy forms should be lodged with this office before the meeting and, in any event not later than 4.00pm on the day prior to the meeting. Forms can be sent by facsimile on (08) 9214 1400 marked to the attention of Tim Rose or scanned and emailed to tim.rose@fh.com.au.

Should you have any questions regarding the administration or the report, please do not hesitate to contact Tim Rose of this office on (08) 9214 1444.

Yours faithfully
Empire Oil & Gas NL



Andrew Smith
Administrator

**Empire Oil & Gas NL
(Administrators Appointed)
ACN 063 613 730**

Voluntary Administrators' Report

25 October 2017

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Glossary of terms

Term	Description
ABRN	Australian Business Registration Number
ACN	Australian Company Number
Act	Corporations Act 2001
Administrators	Andrew Smith, Martin Jones and Peter McCluskey
APAAP	All present and after-acquired property – no exceptions
ARITA	Australian Restructuring, Insolvency & Turnaround Association
ASIC	Australian Securities & Investments Commission
ASX	Australian Securities Exchange
ATO	Australian Taxation Office
Azure	Azure Capital Limited
B	Billion
Cattamarra Farms	Cattamarra Farms Pty Ltd
Code	ARITA Code of Professional Practice
COI	Committee of Inspection
Directors	Thomas Vincent, Antonino Iannello, Stuart Brown and Philip Garratt
DIRRI	Declaration of Independence, Relevant Relationships and Indemnities, pursuant to s436DA of the Act and Code
DOCA	Deed of Company Arrangement
EGO / the Company	Empire Oil & Gas NL (Administrators Appointed)
EGO Group	Empire Oil and Gas NL, Empire Services Pty Ltd and Empire Oil Company (WA) Pty Ltd (Receivers and Managers Appointed) (All Administrators Appointed)
EMS	Empire Services Pty Ltd (Administrators Appointed)
EOC	Empire Oil Company (WA) Limited (Administrators Appointed) (Receivers and Managers Appointed)
EOC Petroleum Assets	Pipeline permit PL96, and exploration permits EP426, EP368, EP432, EP454, EP430, EP416, EP440, EP480
ERM Power	ERM Power Ltd
ERV	Estimated Realisable Value
Facility Agreement	Loan Facility Agreement entered into between MIN and EOC and EGO on 11 August 2016
FEG	Fair Entitlements Guarantee
First Meeting	First meeting of creditors held on Tuesday, 26 September 2017 at 11:00am AWST
FY	Financial year

Term	Description
HSF	Herbert Smith Freehills
K	Thousand
KWM	King & Wood Mallesons
M	Million
MIN/Secured Creditor	Mineral Resources Limited (ASX: MIN)
PMSI	Purchase Money Security Interest
PPSA	Personal Property Securities Act 2009 (Cth)
PPSR	Personal Property Securities Register
RATA	Report as to Affairs
Receivers and Managers	Matthew Donnelly and Jason Tracy of Deloitte Restructuring Services
Red Gully Project	The Red Gully Project consist of exploration permit EP389 and production licences PL18 and PL19
Report	This report, prepared pursuant to Section 439A of the Act
Second Meeting	Second meeting held pursuant to Section 439A of the Act, where creditors determine the future of the Company

1 Executive summary

This section addresses frequently asked questions relating to the Administration of the Company including a summary of the estimated outcome for creditors. Full details are available throughout this Report.

Question	
What is the Company?	<p>The Company is listed on the ASX under the code EGO. The Company also acts as the holding Company for the EGO Group.</p> <p>The EGO Group was an onshore conventional gas and condensate producer and explorer with key assets in the Perth Basin in Western Australia. The Company's wholly owned subsidiary EOC, owns and operated the Red Gully Project processing facility which runs close to the Dampier to Bunbury Natural Gas Pipeline and is 150kms from the city of Perth WA. EOC also holds nine (9) exploration permits, two (2) production licences and one (1) pipeline licence.</p>
What is the purpose of this Report?	<p>The purpose of this Report is to table the findings of our investigations of the Company's business, property, affairs and financial circumstances, as well as our opinion on the options available to creditors in deciding the future of the Company at the Second Meeting.</p>
How did the Company business trade?	<p>The Company did not undertake any direct operating activities on its own accord, rather the Company operated as the holding Company for the EGO Group and provided the treasury function for the same. Please refer to section 3.3 of this Report for further details.</p>
What is the ownership structure of the Company?	<p>EGO is a public company listed on the ASX under the code EGO. EGO is also the holding company for the EGO Group and holds 100% of the share capital of EMS and EOC.</p> <p>Please refer to section 3.1 of this Report which provides a schematic of the EGO Group structure.</p>
Who is in control of the Company?	<p>On appointment, the Administrators assumed control of the Company's affairs and notified creditors and other stakeholders, including shareholders via an announcement to the ASX of their appointment.</p>
What is the current status of the Company?	<p>On 28 September 2017 we, Andrew Smith, Martin Jones and Peter McCluskey, were appointed as joint and several Administrators of the Company by the Directors pursuant to Section 436A of the Act.</p> <p>Other Appointments</p> <p>Please note that the Administrators were also appointed over EMS on 28 September 2017 and EOC on 14 September 2017.</p> <p>Prior to EOC being placed into Voluntary Administration, on 13 September 2017, Matthew Donnelly and Jason Tracy of Deloitte Restructuring Services were appointed Receivers and Managers over the Red Gully Project assets under the terms of a loan facility agreement provided by MIN.</p>

Question

Why do the Directors believe the Company became insolvent?

The Directors of the Company have provided us with the following reasons for its failure:

"The EOC's Red Gully Project was shut in August 2017 in order to conduct a static pressure survey for the 2017 reserves assessment. Once the well was re-opened, various technical errors resulted in the well not re-opening and production was ultimately halted.

The Company advised that they were to require external funding for remediation and re-opening of the well, and accordingly approached MIN on the morning of 13 September 2017 to discuss a funding strategy. That afternoon, MIN issued a notice of demand and default and Deloitte Restructuring were appointed Receivers and Managers that day. Accordingly, EOC entered into voluntary administration the following day.

EGO received its own notice of demand from MIN of 26 September 2017. The notice demanded immediate repayment by EGO of A\$15.1 million plus any accrued interest. This notice was issued to EGO as the guarantor under the loan facility.

The directors of the EGO and EMS urgently and carefully assessed all reasonable options for EGO and EMS. The directors determined that there were no courses of action available for EGO to pay the sum demanded by MIN, taking into account:

- a) The substantial assets of EOC not being available to EGO in light of the appointment of Receivers to those assets*
- b) The cash reserves available to the EGO;*
- c) MIN had indicated to EGO that MIN was not willing to compromise in respect of the subsidiary (and the issuance of the notice to EGO supported the view that there was no reasonable prospect of reaching a compromise);*
- d) EGO had, on behalf of EOC, for some time, been exploring the market for investment participation to fund the EGO Group without success; and*
- e) There was no reasonable prospect that an investor would emerge to satisfy MIN's demand for immediate repayment of the loan facility.*

The Directors ultimately decided that it could not develop one or more courses of action that were reasonably likely to lead to a better outcome for EGO and EMS other than the immediate appointment of voluntary administrators."

Why do the Administrators believe the Company became insolvent?

Our preliminary view is that, in addition to the reasons identified by the Directors, the Company failed as a result of:

- MIN, the secured creditor of EOC, issued EGO with a Notice of Demand in respect of their loan facility agreement which had been guaranteed by EGO.
- Given the appointment of the Receivers and Managers to EOC and that MIN's debt totalled \$15.1M which was now due and payable by EOC and that pursuant to a corporate guarantee, EGO was also liable for MIN's debt, there was no immediate funding available to the Company. In this regard, the Directors of EGO resolved that the Company was insolvent and appointed voluntary administrators.

Question

What were the underlying causes of the Company's failure?

The Administrators consider the reasons the Company failed include:

- The operational issues experienced at the Red Gully Project in August 2017 resulted in lower operational performance and ultimately the cessation of business activities for EOC. EOC attempted to find alternative solutions to remove liquid which was held up in the production tubing, however ultimately EOC was unsuccessful.
- EGO, as guarantor for the EOC loan facility, was served with a notice of demand on 26 September 2017 for the immediate repayment of \$15.1M.
- Given the cash flows available to EGO, the substantial assets of EOC not being available to EGO due to the appointment of Receivers and Managers and the inability to raise funds for the immediate repayment of the loan facility, the Company was insolvent and the directors of the Company had no other option than to appoint administrators.

What is the purpose of the Second Meeting of Creditors?

To resolve the future of the Company. The options available include whether:

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

Additionally, the Second Meeting be adjourned for a period not exceeding forty-five (45) business days.

Sale Process

On 6 October 2017, we appointed Azure to the role of corporate advisor in relation to the potential sale of the EOC petroleum assets, either through an asset sale or a recapitalisation of EGO.

Though the sale process has been temporarily suspended pending whether MIN's DOCA proposal is approved by creditors which is set out in Section 7 of our report, we provide an overview of the sale process run to date by Azure below:

- Parties have indicated an ability to meet a 3 November 2017 non-binding indicative offer deadline with an ability to move quickly to completion thereafter, albeit we note that there is no guarantee any such offers will actually be put forward.
- A number of parties have also expressed an interest in Red Gully.
- Summary of key interested parties below, noting the following:
 - 50+ parties contacted to date.
 - 7 parties signed CAs, sent process letter, provided data room access.
 - 6 parties have noted receipt of flyer / CA and will revert.
 - Interested parties that have expressed an interest have market capitalisation ranging from \$20M to \$8.8B.

As at the date of this report, no interested party has advised an indicative value of what any non-binding offer may be and as such it is difficult to assess without doubt whether MIN's DOCA proposal achieves an outcome for creditors better than what a proper sale process may achieve.

In circumstances where creditors of EOC, EMS and EGO do not approve the MIN DOCA proposal, the Administrators will recommence the sale process with Azure.

Question

DOCA Proposal

On 6 October 2017, a DOCA Proposal in relation to EOC was received from MIN. Since then, the Administrators have been working with MIN to develop and refine the terms of same.

Based on the terms of the final DOCA Proposal, which now includes all the entities of the EGO Group, creditors of EGO will receive a return of between 15 and 18 cents in the dollar.

If accepted, the effect of the DOCA will be that MIN will effectively control the EOC Petroleum Assets and the Red Gully Project by virtue of their 100% ownership of the EOC Shares.

MIN advised that if the DOCA proposal is not accepted by creditors, no alternative DOCA may be put forward to creditors.

Please refer to Section 7 for further information.

What is the estimated return to creditors?

The estimated return to creditors under the proposed DOCA scenario against a Liquidation scenario is set out below:

Creditor class	Estimated dividend rate (c/\$)		
	DOCA	Liquidation (High)	Liquidation (Low)
Unsecured Creditors	15.0-18.0	13.0	11.0
Employees	100	100	100

Please refer to **Section 10** for further information.

What do the Administrators recommend creditors should do?

In the absence of receiving a superior offer that provides greater certainty and return to creditors than the MIN DOCA Proposal, we recommend that it would be in the creditors' best interests to resolve to execute the MIN DOCA.

Please refer to **Section 10** for further information.

What claims will a liquidator investigate?

Whilst the Administrators have considered the underlying causes of the Company's failure, our investigations into claims arising from those matters are at an early stage.

The preliminary investigations have not identified any antecedent transactions.

The investigations undertaken to date in the Administration are detailed at **Section 8** of this report.

Where can I get more information?

If you require any further information, please see the Ferrier Hodgson website and/or contact the following:

Name: Tim Rose
Phone: (08) 9214 1444
Email: tim.rose@fh.com.au

2 Introduction

This section provides information on the entities subject to the Administration process, the objectives of the Administration, the purpose of this Report, details of meetings of creditors and a summary of the Administrators' remuneration.

2.1 Appointment of Voluntary Administrators

On 28 September 2017, the Directors of the Company resolved to appoint us as joint and several Administrators of Empire Oil and Gas NL (ACN 063 613 730) under Section 436A of the Act.

We were also appointed as joint and several Administrators by the Directors under Section 436A of the Act of Empire Oil Company (WA) Pty Ltd (ABRN 009 475 423) on 14 September 2017 and Empire Services Pty Ltd (ACN 081 594 112) on 28 September 2017.

2.2 Appointment of Receivers and Managers to EOC

On 13 September 2017, prior to EOC being placed into Voluntary Administration, Matthew Donnelly and Jason Tracy of Deloitte Restructuring were appointed Receivers and Managers to the assets of the Red Gully Project held by EOC under the terms of the security provided to MIN.

The Receivers represent the Secured Creditor, with their primary role being to realise sufficient secured assets to repay the debt owed to the Secured Creditor. The Receivers have, under the terms of their appointment, the power to manage the Red Gully Project only.

We note that the Receivers and Managers appointment does not extend to EGO.

2.3 Objective of voluntary administration

In a voluntary administration, Administrators are empowered by the Act to assume control of an insolvent company, superseding the powers of the Directors and Officers, to manage the company's affairs and deal with its assets in the interests of its creditors.

The intention of a voluntary administration is to maximise the prospects of a company continuing in existence or, if that is not possible, to achieve better returns to creditors than would be achieved by its immediate liquidation. During a voluntary administration there is a moratorium over most pre-administration creditor claims.

Administrators are also required to investigate the Company's affairs and report to creditors on the Administrator's opinion as to which outcome of the voluntary administration process is in the creditors' best interest, informing the creditors prior to their voting at the Second Meeting (please see Section 11 for further details).

2.4 Purpose and basis of this report

IPR 75-225 requires a voluntary administrator to provide a report (the **Voluntary Administrator's Report** or this **Report**) to all creditors ahead of the Second Meeting, outlining:

Details regarding the business, property, affairs and financial circumstances of the entity under administration;

The Administrator's opinion and recommendation on each of the options available to creditors; and

If a DOCA is proposed, the details of the DOCA.

This Report also informs creditors about the preliminary investigations undertaken by the Administrators to date. Accordingly, the views formed in this Report are not final and may be subject to change. Any additional material issues that are identified subsequent to this Report may be subject to a further written report and/or tables at the forthcoming Second Meeting.

This Report has been prepared primarily from information obtained from the Company's books and records and discussions with the Directors. Although the Administrators have conducted certain investigations of the affairs of the Company, there may be matters which we are unaware of as an audit of the Company has not been undertaken.

In order to complete our Report, we have utilised information from:

- The ASIC;
- The PPSR;
- The Company's/EGO Group's book and records;
- Discussions with the Directors of the Company;
- Discussions with employees of EMS;
- Discussions with creditors of the Company; and
- Other public databases.

2.5 Declaration of independence, relevant relationships and indemnities

In accordance with Section 436DA of the Act and the Australian Restructuring, Insolvency & Turnaround Association (**ARITA**) Code of Professional Practice, a Declaration of Independence, Relevant Relationships and Indemnities (**DIRRI**) was enclosed with the Administrators' first communication to creditors (and tabled at the First Meetings of Creditors).

The DIRRI disclosed information regarding the Administrators' independence, prior personal or professional relationships with the Company or related parties and any indemnities received in relation to the appointment. This assessment identified no real or potential risks to the Administrators' independence.

There has been no change in the declaration since that time.

2.6 First Meeting of Creditors and Committee of Creditors

Section 436E of the Act requires the Administrators to convene the first meeting of creditors within eight (8) business days of being appointed.

The First Meeting of Creditors of the Company was held on Tuesday, 10 October 2017, at which the Administrators appointment was confirmed.

Creditors resolved at the First Meeting of Creditors to appoint a Committee of Inspection (**COI**). Details of the members of the COI's are available in the minutes of the First Meeting of Creditors.

Creditor	Representative
Jane Stacey	Herself
Stuart Weston	Weston Petroleum Solutions
Clayton Kendall	Mineral Resources Limited

The COI members are a representation of the major creditors in the Administration, accounting for approximately 99% of the creditors in value. Each member of the COI has executed an undertaking as to confidentiality.

We intend to convene a COI meeting prior to the second meeting to seek the COI's views regarding the proposed DOCA from MIN and options available.

2.7 Events Subsequent to the Appointment

Event Date	EGO Group Member	Summary of Event
22 September 2017	EOC	On 22 September 2017, the Court made orders under Article 17 of Schedule 1 of the Cross Border Insolvency Act 2008 recognising the New Zealand administration in Australia.
6 October 2017	EOC	On 6 October 2017, a draft DOCA term sheet was presented by MIN which in the first instance only extended to EOC.

13 October 2017	EOC, EMS and EGO	<p>The Court made orders extending the convening period from 13 October 2017 to 20 October 2017. The Administrators had initially sought that the convening period be extended to 11 December 2017, however after discussion with MIN as the largest creditor by value, it was agreed that an interim extension be sought.</p> <p>The administrators' reasons for the initial extension sought to 11 December 2017 were as follows:</p> <ol style="list-style-type: none"> 1. To adequately test the market for the sale of EOC's Petroleum Assets; 2. To allow adequate time to consider the MIN DOCA proposal; and 3. To obtain required directions including: <ol style="list-style-type: none"> a) Determining the gas sale proceeds received by EGO on the day of appointment; b) Determining the effective employer of the EMS employees; and c) Determining the rights to vote and prove the intercompany debts in the administration of the EGO Group. <p>These intercompany issues are discussed in greater detail at section 3.4 of the report.</p>
17 October 2017	EOC	<p>The Court made further orders extending the convening period from 20 October 2017 to 26 October 2017.</p> <p>This further short extension was agreed with MIN so that the convening periods of EGO, EMS and EOC would be aligned, while also providing the Administrators and MIN with further time to explore concurrent DOCA proposals also including EMS and EGO. Concurrent DOCAs would reduce the time and costs incurred by the EGO Group in seeking directions from the court in relation to Alcoa gas proceeds, employees and the intercompany debt determination.</p> <p>The short extension was agreed on the following basis:</p> <ul style="list-style-type: none"> • The temporary suspension of the EOC sale process being undertaken by Azure and until such time that the 2nd creditors meeting of EOC creditors has been held to consider MRL's DOCA. • The Voluntary Administrator to deal exclusively with MRL up to the second creditors' meeting. • The Voluntary Administrators will present MRL's DOCA proposal to creditors. • Any further extension (i.e. adjournment) of either the EOC, EMS or EGO 2nd meeting of creditors would be obtained through resolutions of creditors (i.e. not by the Court).
17 October 2017	EOC, EGO and EMS	<p>The Federal Court made orders that:</p> <ul style="list-style-type: none"> • The date of determining whether the gas proceeds received by EGO on the day of our appointment as Administrators of EOC be adjourned to be heard on 13 November 2017. • The date of determining who may be regarded as the employer of the Empire Group staff as to continue to be heard on 19 October 2017. • The date of determining whether EGO is able to vote its intercompany debt in the administration of EOC be adjourned to be heard on 13 November 2017.
18 October 2017	EGO and EMS	<p>Orders are granted in the Federal Court of Australia determining all employees of EMS to be recognised as employees under EGO since the date of their employment.</p>

19 October 2017	EOC, EGO and EMS	On 19 October 2017, MIN provided the Voluntary Administrators with a revised DOCA term sheet that incorporated all of the entities of the EGO Group.
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2.8 Second Meeting of Creditors

Pursuant to Section 439A of the Act, the Second Meeting is convened for Thursday, 2 November 2017 at the offices of Ferrier Hodgson, Level 28, 108 St Georges Terrace, PERTH, WA, 6000 at 10.00AM. At the Second Meeting, creditors will decide the Company's future by voting on one of the following options:

- That the administration should end and control of the Company revert to its directors; or,
- That the Company should be wound up; or,
- That the Company execute a DOCA.

The Notice of Meeting of Creditors (Form 529) is attached at **Annexure B** along with an appointment of proxy form (**Annexure C**) and a proof of debt or claim form (**Annexure D**)

Creditors also have the opportunity to adjourn the Second Meeting for up to a period of 45 business days.

Creditors who wish to participate in the Second Meeting must complete and submit the following forms to this office by 4:00pm on Wednesday, 1 November 2017.

Form	Comments
Appointment of proxy (form 532)	<ul style="list-style-type: none"> - Corporate creditors must appoint an individual to act on its behalf. - Individuals voting in person are not required to complete this form but must complete this form if a representative is appointed to vote on their behalf. - Please note that proxy forms submitted for the First Meeting are not valid for the Second Meeting. A new proxy form must be submitted.
Proof of debt (form 535)	<ul style="list-style-type: none"> - Creditors must submit documentation to support the amount they have claimed (i.e. unpaid invoices, payslips). - Creditors who have already submitted a proof of debt are not required to resubmit a proof of debt form unless the amount claimed has changed.

2.9 Remuneration

An Administrator's remuneration can only be fixed by resolution of a COI, the Company's creditors, or by application to the Court. In accordance with IPR 70-35 and the Code, an Initial Remuneration Notice was provided to creditors with our initial communication and tabled at the First Meeting of Creditors.

ARITA has issued an "Approving remuneration in external administrations" information sheet providing general information for creditors on the approval of an administrator's fees in a liquidation, a voluntary administration or a DOCA. This information sheet is available from the ARITA website (www.arita.com.au).

A summary of previously approved remuneration together with remuneration we will be seeking approval for at the Second Meeting of Creditors is as follows:

Period	Amount (ex GST) \$
Past remuneration approved:	Nil
Total past remuneration approved	Nil
Current remuneration approval sought:	
Voluntary administration	
<i>Resolution 1:</i>	
28 September 2017 to 13 October 2017	55,134.50

Period	Amount (ex GST) \$
<i>Resolution 2:</i> 14 October 2017 to 2 November 2017	50,000.00
Total approval sought – voluntary administration*	105,134.50
Deed of company arrangement (DOCA) (if applicable)	
<i>Resolution 3:</i> 2 November 2017 to execution of DOCA	10,000.00
<i>Resolution 4:</i> Date of execution of DOCA to completion	25,000.00
<i>Resolution 5:</i> Date of execution of the Creditors Trust to completion	35,000.00
Total approval sought – deed of company arrangement (if applicable)*	70,000.00
Liquidation (if applicable)	
<i>Resolution 6:</i> 2 November 2017 to completion of Liquidation	80,000.00
Total approval sought – liquidation (if applicable)*	80,000.00
<i>* 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.</i>	

Please refer to our Remuneration Approval Request at **Annexure E** for details of the key tasks undertaken throughout the course of the administration to date.

2.10 Non-disclosure of certain information

There are sections of this Report where we have considered it inappropriate to disclose certain information to creditors. Such information includes:

- Valuations of specific assets;
- Valuation of the business; and
- Commercially sensitive prospective financial information (for example, projections / forecasts).

We recognise the need to provide creditors with complete disclosure of all necessary information relating to the Company. However, we believe this information is commercially sensitive and it is not in creditors' interests for us to disclose the information publicly at this stage.

Where necessary in this Report, we provide a combined figure for potential realisations of assets when comparing estimated dividends under the relevant options.

During consultations with the COI, we have disclosed such information to COI members to ensure that they are fully informed and would be able to consider the offers received from interested parties during the sale process.

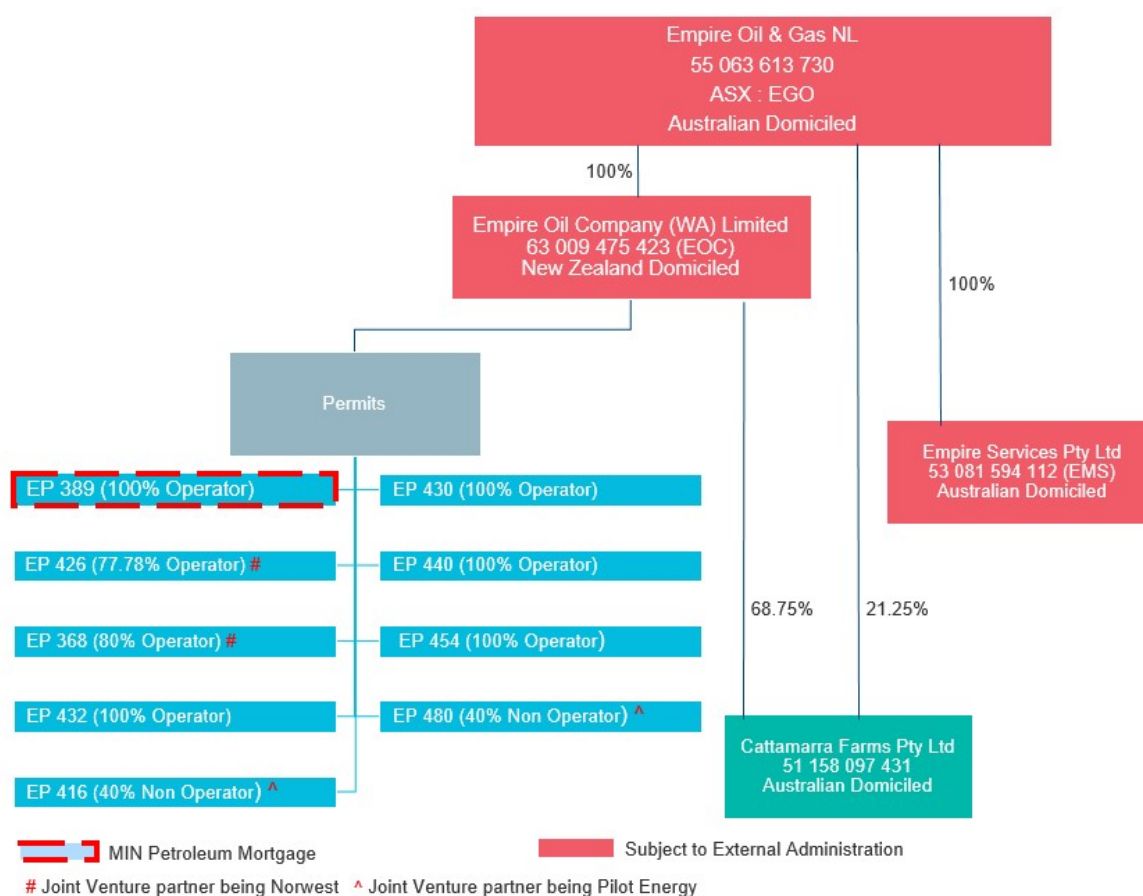
All information provided to COI members was disclosed under the strict terms of the undertaking as to confidentiality that each member signed prior to receiving such information.

3 Company information

This section provides creditors with information on the history of the Company and the circumstances leading up to the appointment of Administrators together with details of related entities including statutory information, and an overview of the operating businesses.

3.1 Group structure

A summary of the corporate structure of the Group is below:



Key points to note in relation to the corporate structure are:

- EOC and EMS are wholly owned subsidiaries of EGO.
- EGO is a public company listed on the ASX.
- EOC operates the Red Gully Project and holds all other exploration permits of the EGO Group.
- EMS employed 12 out of the 13 EGO Group staff.

3.2 Company history and events leading up to the administration

We provide the below summary of key events leading to the appointment of Voluntary Administrators:

Date	Event
21 February 1994	EGO is incorporated and registered in New Zealand.

Date	Event
September 2013	Red Gully Project operations are commissioned and production is commenced.
1 September 2014	EGO agreed to buy ERM Power Perth Basin assets, for \$15.1M with the acquisition to be funded via an interest free loan from ERM Power. The interest free loan was repayable by 31 August 2016, with the loan principal partially indexed to future share price increases. The purchase of the ERM Power assets included their interest in eight (8) exploration permits and its 23.61% interest in the Red Gully Project.
27 February 2015	ERM Power completed the sale of its interests in the Red Gully Project and other associated exploration permits.
26 March 2015	The Company completed a share placement and subsequent rights offer at 0.5c to fund Red Gully North well and start preparations for major farm-in deals. EGO raised \$5.5M in a share placement to sophisticated and institutional investors and further raised \$10.2M in a subsequent 1:4 underwritten rights offer.
11 May 2015	EGO sells its remaining tenements located in WA's Carnarvon Basin in order to focus resources on the Perth Basin. The Company sold its subsidiary Rough Range Oil Pty Ltd, which held the respective tenement to Kestrel Petroleum Pty Ltd for a small cash payment and a royalty on future production.
8 December 2015	EGO completes a 1:100 share consolidation which was approved by an ordinary resolution of the security holders at EGO's 2015 Annual General Meeting. The Company's post consolidation ordinary shares on issue total ~102M.
11 August 2016	EGO and MIN execute final documentation in relation to the \$15.1M revolving working capital facility to refinance the ERM Power debt obligation which was set to mature on 31 August 2016. The MIN facility was for a term of 3 years and accrued interest at the bank bill swap rate (MID) + 5% per annum payable quarterly in arrears. MIN was also issued 7.5M unlisted options over new unissued share with an exercise price of \$0.5 expiring two (2) years from the date of issue.
30 March 2017	The Company announced that it had settled its claim with some of the former directors of Empire in relation to its claim that they used EGO funds, on the advice of their legal advisers, to pursue defamation proceedings against certain EGO shareholders.
19 July 2017	Appointment of Angus Walker as Chief Executive Officer to the EGO Group.
August 2017 / September 2017	<p>Operations were ceased in August 2017 for a period of time in order to allow the Company to conduct a static pressure survey for the 2017 reserve assessment. Upon recommencement of operations liquid was effectively held up in the production tubing preventing the well from operating normally. Despite the Company undertaking a nitrogen gas lift to remove the liquid, the Company was unsuccessful. The Red Gully Project has been on care and maintenance since that date.</p> <p>While the Company was exploring possible options to restart the well, KWM engaged Ferrier Hodgson to complete a limited independent business review of the EGO Group. This report was provided to KWM on 7 September 2017.</p>
13 September 2017	MIN issued EOC with a Notice of Default and Demand and Deed of Appointment regarding the appointment of Matthew Donnelly and Jason Tracy of Deloitte Restructuring Services as Receivers and Managers in respect of the Red Gully Project assets.
14 September 2017	Andrew Smith, Martin Jones and Peter McCluskey of Ferrier Hodgson are appointed as joint and several Voluntary Administrators of EOC.
26 September 2017	Angus Walker resigns as Chief Executive Officer of the EGO Group.

Date	Event
26 September 2017	MIN issue EGO with a notice of demand, demanding repayment of \$15.1M as guarantor for the EOC loan facility.
28 September 2017	Andrew Smith, Martin Jones and Peter McCluskey of Ferrier Hodgson are appointed as joint and several Voluntary Administrators of EMS and EGO.

Based on our preliminary review, we concluded that whether or not we ultimately agree with MIN as to the effect of clause 12.13 of the Facility Agreement, given our role as administrators of both EOC and EGO and to remove any possible prejudice to creditors that we should seek directions from the Court, as the interests of the creditors of both EOC and EGO are vitally affected.

In this regard, the determination of whether EGO is entitled to vote and prove for its intercompany debt in the administration of EOC was to be heard in the Federal Court of Australia on 17 October 2017 at 12.00pm AWST, however this has been adjourned further to 13 November 2017.

3.4.2 Treatment of Alcoa Gas Proceeds

By reason of EOC not having an Australian bank account, EGO accepted certain deposits on behalf of EOC into its bank account that was denominated in Australian dollars. For example, the payment for gas sales made by EOC to Alcoa were made by Alcoa into the bank account of EGO and then the funds were used to pay EOC suppliers.

Prior to our appointment as Administrators of EGO, EGO received funds of \$1.4M from Alcoa on behalf of EOC. Ordinarily, EGO would then use these funds to pay liabilities incurred by other subsidiaries within the EGO Group.

Based on our preliminary review, we concluded that whether or not these are funds that EGO hold were on trust for EOC, it is a matter upon which we require directions from the Court, as the interests of the creditors of both EOC and EGO are vitally affected. In circumstances where these funds are found to be the property of EGO these would be available for EGO creditors only.

In this regard, the determination of whether the gas sale proceeds received by EGO on the day of our appointment as Administrators of EOC relating to sales by EOC should be retained by EGO or transferred to EOC was scheduled to be heard by the Federal Court of Australia on 23 October 2017 at 11.30am AWST. This date has been further adjourned to be heard on 13 November 2017.

3.4.3 Treatment of EMS employees

All representatives of EOC and EGO, with the exception of Mr Walker, were formally employed under contract by EMS notwithstanding that all employee entitlements were paid by EGO.

Based on our investigations to date, the books and records of EGO and EMS and the operations of the EGO Group, the Administrators formed the opinion that the effective employer of the EGO Group's staff was EGO and not EMS. The effect of this was that all former employees of EMS would now be recognised as having been employed by EGO and enjoy the same statutory priorities to be paid entitlements that had accrued up until the date of our appointment.

Notwithstanding this position, we concluded that it was a matter upon which we require directions from the Court, as the interests of the creditors of both EGO and EMS are vitally affected. On 18 October 2017, the Court granted orders confirming that pursuant to s 90-15 of Schedule 2 (Insolvency Practice Schedule) of the Act the Administrators were justified in treating each employee of the EGO Group as being an employee of EGO and having been so employed since the commencement of their employment.

We note that MIN which represents over 95% of the creditor value in EGO was appointed to review the evidence and, ultimately, accepted the orders that were proposed by the Administrators.

3.5 Statutory information

Statutory details for the Company extracted from ASIC's national database at the time of our appointment are summarised below.

Empire Oil & Gas NL	
ACN	063 613 730
Incorporation date	21 February 1994
Registered address / principal place of business	G229 Stirling Highway, CLAREMONT WA 6010
Secretary	Rachel Rees

Source: ASIC

The Company's officers over the past 3 years were:

Name	Role	Appointment date	Resignation date
Thomas Fitzgerald Vincent	Director	12 October 2015	Current
Antonino Mario Iannello	Director	22 November 2013	Current
Philip James, Garratt	Director	5 May 2015	Current
Stuart Anthony Brown	Director	20 January 2014	Current
Rachel Rees	Secretary	27 October 2015	Current

Source: ASIC and Annual Report

A search of the National Personal Insolvency Index maintained by the Australian Financial Security Authority shows that the Company's current directors are not bankrupt or subject to a Personal Insolvency Agreement under Part X.

The ASIC database discloses the Company's shareholders were:

Registered Owner	Shares held	Description	Fully paid (\$)	% Issued Capital
Various	7,063,962,875	Ordinary Shares	81,905,657.40	100

Source: Company's share register

We have been advised by the Company's management that the ASIC records are reflected prior to the 2015 share capital raising and the share consolidation which occurred in November 2015.

Notwithstanding the above, we understand that the Company had approximately 102M ordinary shares on issue and that the Company's top 20 shareholders were:

Name	Number of Shares '000	%
Mineral Resources Limited	19,171	18.72
HSBC Custody Nominees (Australia) Limited	7,262	7.09
Dynamic Supplies Investments Pty Ltd	4,768	4.66
Mr Robert Anthony Hutchfield	1,881	1.84
Mr Peter Fitzgerald Vincent & Mrs Jennifer-Anne Vincent	889	0.87
Citicorp Nominees Pty Ltd	883	0.86
Wexter Pty Ltd	767	0.75
Mr James Gordon Pearce & Mr Pamela Joy Pearce	685	0.67

Mineral Resources Limited	655	0.64
Mr Kent Matthew Quinlan	580	0.57
Mrs Mindi Watson	570	0.56
Mr Craig Neville Saunders	504	0.49
HSBC Custody Nominees (Australia) Limited	500	0.49
BFB Holdings Pty Ltd	500	0.49
Leejames Nominees Pty Ltd	500	0.49
Mr Geoff Mark Thomson	451	0.44
Ms Anne Valerie Carrick	440	0.43
Mr Gilbert James Shearer & Mrs Elizabeth Jean Shearer	420	0.41
Mr Damon Kenneth Jacoby	400	0.39
Love Superannuation Pty Ltd	340	0.33
Upora Pty Ltd	330	0.33
Total	42,496	41.5

Source: EGO Group Annual Report 2016

3.6 Registered security interests

The PPSR discloses that 2 parties hold registered security interests on the PPSR. Details of the security interest holders are set out below:

Security interest holder	Date Created	Type of Security	PMSI	Amount \$
Reflex Instruments Asia Pacific Pty Ltd, Flexit Australia Pty Ltd, Imdex International Pty Ltd, Reflex Technology International Pty Ltd, Australian Mud Company Pty Ltd, Imdex Ltd	24 May 2013	Other Goods	Yes	Unknown
Ricoh Australia Pty Ltd	7 October 2013	Other Goods	Yes	Unknown

Source: PPSR searches undertaken on 9 October 2017

The Administrators completed a detailed assessment of the registered security interests above and any further PPSA claims that were received. Where suppliers held valid security interests, we have dealt with the claims as appropriate.

3.7 Winding up applications

At the date of our appointment, there was no outstanding winding up applications against the Company.

4 Historical financial position

This section provides a summary of the financial performance of the Company during the period of FY15, FY16 and FY17.

4.1 Preparation of financial statements

The EGO Group prepared financial statements on a consolidated basis. The EGO Group's consolidated and audited financial statements were last prepared up to FY16 by Ernst & Young and the FY17 were being audited and were yet to be finalised upon our appointment.

Given the limited functionalities regarding the EGO Group's accounting system and the manner in which they historically prepared accounts, the Administrators have only been able to extract the EGO financial statements for FY15 and FY16 and the EGO management accounts in respect of FY17 and to the date of our appointment.

4.2 Financial Reporting Relief and extension to the AGM

The Company has relied on the ASIC Corporations (Externally Administered Bodies) Instrument 2015/251 to enable the Company to obtain relief from its Part 2M.3 obligations to prepare and lodge the audited financial statements and directors reports for a period of 6 months from the date of our appointment. Accordingly, the audited financial statements are now due to be lodged with the ASIC by 28 March 2018. The Administrators may make a further application pursuant to section 340 of the Act in the event that a further extension is required.

The Company was also granted an extension from the ASIC pursuant to Section 250P of the Act, in order to convene the AGM from 2 months from the date the financial reporting relief expires i.e. the AGM is required to be held by 28 May 2018.

4.3 Summary profit and loss

A summary of the Company's profit and loss statements is presented below:

\$000s	Notes	FY15	FY16	FY17	YTD 28 September 2017
Revenue					
Cost of sales	1	-	-	-	-
Gross profit	2	-	-	-	-
<i>Gross profit margin</i>		-	-	-	-
Other income		103	175	459	13
Loan Write Off	3	10,490	-	-	-
Depreciation		(23)	(22)	(91)	(28)
Administration and general expenses		(1,877)	(3,002)	(2,007)	(672)
Finance expenses		(289)	(2)	(909)	(129)
Employee and contractor expense		(879)	(173)	(218)	(64)
Recharged Costs		492	90	(1,436)	(251)
Total Expenses		8,017	(2,935)	(4,661)	(1,144)
Profit before income tax		8,017	(2,935)	(4,202)	(1,131)
Income tax (expense) / benefit		5,269	(508)	(510)	-
Net profit / (loss) for the period	4	13,286	(3,443)	(4,712)	(1,131)

Source: Company Annual Reports and EGO Group Management Accounts

Key observations:

1. EGO played a treasury role among the Companies by way of the following:
 - while all operational and corporate liabilities were incurred by EOC or EMS, EGO paid all creditors and employees on behalf of EOC and EMS; and
 - EGO received payment from certain debtors of EOC into its bank account on behalf of EOC.
2. All income and expenditure relating to Red Gully and the EOC Petroleum Assets were recorded in the subsidiaries.
3. The loan write off recorded in 2015 was a reversal of previously recognised impairment losses on the intercompany loan.
4. EGO incurred losses in FY16 through FY17 due to increased administrative and recharged costs from EMS for time incurred.

4.4 Summary balance sheet

A summary of the Company's balance sheet is presented below:

\$000s	Notes	FY15	FY16	FY17	YTD 28 September 2017
Current assets					
Cash and cash equivalents	1	11,109	2,340	950	3,208
Trade and other receivables		108	66	128	132
Total current assets		11,217	2,406	1,078	3,339
Non-current assets					
Plant and equipment		31	102	186	158
Long Term Deposit		-	-	15	15
Related Party Loans	2,3	46,064	52,401	49,350	45,810
Deferred tax assets		4,946	4,438	5,773	5,773
Shares in Associated Companies	3	-	87	-	-
Total non-current assets		51,042	57,029	55,325	51,756
Total assets		62,259	59,435	56,403	55,095
Current liabilities					
Trade and other payables		138	479	399	220
Other current liabilities		124	41	-	-
Total current liabilities		262	520	399	220
Total liabilities		262	520	399	220
Net assets		61,997	58,915	56,003	54,875
Equity					
Issued capital		95,670	95,857	95,770	95,770
Reserves		3,815	3,988	4,031	4,034
Retained earnings		(50,774)	(37,488)	(39,086)	(43,798)
Net Income		13,286	(3,443)	(4,712)	(1,131)
Total equity		61,997	58,915	56,003	54,875

Source: Company Annual Reports and EGO Group Management Accounts

Key observations:

1. Funds were raised through market capital raisings and drawings on the loan facility agreement with MRL.
2. The Company's net assets consisted predominately of related party loans to EOC and EMS and cash and cash equivalents. The loans were used to funds operations for EOC and pay employees of EMS.
3. EGO owns 21.25% of the shares in Cattamarra Farms which owns the land that occupies EP389 (the Red Gully Project). EGO also has an intercompany loan with Cattamarra Farms in favour of EGO which totals \$0.4M.

5 Report as to affairs and director's reasons for failure

This section provides a summary of the report as to affairs submitted by the directors, together with a detailed explanation of the director's reasons for failure of the Company.

5.1 Report as to affairs

Section 438B of the Act requires the Directors to give an administrator a RATA about the Company's business, property, affairs and financial circumstances.

We received the Directors' RATA on 13 October 2017, and it was lodged with ASIC on 20 September 2017.

In the RATA, the Directors detailed the Company's assets and liabilities at book value and ERV.

The Administrators have not audited the Company's records or the book values. The below schedule should not be used to determine the likely return to creditors as a number of realisable values are based on the Company's records and remain subject to the review of the Administrators and, in particular:

- The Administrators are not in a position to confirm (or otherwise) certain asset values as they are commercially sensitive and are not disclosed in this report.
- The value of creditor claims remains subject to change as further claims may be received and require adjudication.
- The table below does not provide for possible trading losses or professional costs associated with the administration process.

Further detail on the estimated return to creditors from the administration is set out in **Section 10**.

The following table summarises the assets and liabilities disclosed in the Directors' RATA:

\$000s	Ref	Book Value	Directors' ERV	Administrators' ERV Low	Administrators' ERV High
Assets					
Cash on hand	5.1.1	Nil	Nil	Nil	Nil
Cash at bank	5.1.1	3,207	3,207	3,177	3,177
Debtors	5.1.2	44	44	Nil	Nil
Inventory		Nil	Nil	Nil	Nil
Plant and equipment	5.1.3	158	158	TBA	TBA
Other assets	5.1.4	72	72	TBA	TBA
Total assets		3,481	3,481	3,177	3,177
Liabilities					
Secured creditors	5.1.5	Nil	Nil	Nil	Nil
Employees claims	5.1.6	Nil	Nil	951	951
PMSI claims	5.1.7	Nil	Nil	Nil	Nil
Unsecured creditors	5.1.8	135	135	15,627	15,627
Contingent claims		Nil	Nil	Nil	Nil
Total liabilities		135	135	16,578	16,578
Estimated surplus / deficiency		3,346	3,346	(13,401)	(13,401)

Notes

5.1.1 Cash

As at the date of our appointment, the Company's cash at bank held with the NAB was:

Account Name	Amount \$000s
Empire Oil and Gas NL	1,483
EOG NL Max	1,693
Total	3,176

As mentioned previously, \$1.4M was received from Alcoa on behalf of EOC prior to the date of our appointment. Subject to Court directions, certain of these funds may need to be transferred to EOC and reduce the balance available for the administration

The Company also holds a number of credit card and term deposit accounts that may be realisable where no claims against them exist.

5.1.2 Debtors

The Directors RATA indicates that Cattamarra Farms and MIN are debtors of the Company. The Company is the 21.25% shareholder of Cattamarra and has outstanding management fees owing which we understand Cattamarra is not able to pay.

The MIN amount relates to P&S Resources Pty Ltd invoices paid by EGO for asset evaluations and studies on the Eastern Terrace and Amadeus Asset that was to be reimbursed by MIN. These assets are located in NSW and were part of business development expenditure with MIN. As MIN is the secured creditor of EOC and an unsecured creditor in EGO in the amount of \$15.1M, it can be offset and the administrators ERV is therefore reflected at nil.

We note that the directors have excluded the intercompany loan with EOC in the amount of \$51M. As mentioned previously, it is unclear to the Administrators of EGO as to whether EGO can claim in the Administration of EOC. As it is a matter upon which we require directions from the Court and the return in EOC is unknown at this stage, it has for present purposes been reflected at nil.

5.1.3 Plant & equipment

We understand that the \$158K value attributed by the directors for plant and equipment relates to software and licences used by the EGO Group. For the purposes of this analysis the administrator's ERV is reflected at nil.

5.1.4 Other assets

Other Assets in the Director's RATA consists of the following:

Other Assets	Amount \$000s
NAB Term Deposit Account	15
Prepayments	57
Total	72

We are awaiting further information from the NAB in relation to the \$15K term deposit and whether this may be released to the Administrators on call. The \$57K in prepayments relates to amounts already paid in relation to ASX listing fees and insurance payments. We do not believe these repayments will be recoverable in the administration.

5.1.5 Secured creditor

On 11 August 2016, MIN entered into a Facility Agreement with EOC pursuant to which MRL agreed to offer a loan facility to EOC to the extent of \$15.1M, as adjusted by the Facility Agreement. EGO is a guarantor under the Facility Agreement, however it is an unsecured creditor for that amount.

5.1.6 Employees

The directors RATA has listed there being no outstanding employee claims in the administration. We do note that Angus Walker and Ken Aitken, former CEO's of the Company and the sole previous employees of the Company and have lodged a claim for outstanding entitlements.

On 18 October 2017, an Order was made in the Federal Court of Australia pursuant to section 90-15 of Schedule 2 of the Insolvency Practice Schedule of the Act, confirming that all employees of EMS are justified as being employees of EGO and having been so employed by EGO since the commencement of their employment.

Accordingly, all employees of EMS are now able to submit a claim in the administration of EGO and able to benefit from the realisations available in EGO. The administrators ERV has reflected this ruling.

The administrators below ERV also includes termination payments payable to the former CEO of the Company.

Employee Entitlements	Amount \$000s
Unpaid wages	Nil
Superannuation	63
Annual leave	91
Long service leave	Nil
Redundancy	132
PILN	665
Total	951

We note that nine (9) of the twelve (12) employees of EMS were provided with notice. The other three (3) employees which have not been provided notice are currently assisting the Receivers and Managers with the preservation of the Red Gully project.

Employee claims are afforded priority of repayment pursuant to Section 556 of the Act, ahead of any return to unsecured creditors.

The Act provides that excluded employees (including Company directors and their spouses) are each restricted to a total maximum priority claim of \$2K for unpaid wages and superannuation entitlements and \$1.5K for leave entitlements. Amounts owed to excluded employees that exceed the statutory limit, and all payments owing in respect of redundancy and payment in lieu of notice will rank as an ordinary unsecured claim.

5.1.7 PMSI claims

As at 28 September 2017, a PPSR search of the Company outlined the following PMSI registrations held over the Company:

PMSI Holder
Reflex Instruments Asia Pacific Pty Ltd
Ricoh Australia Pty Ltd

We are yet to receive any further details relating to these PMSI holders claims.

5.1.8 Unsecured creditors

In their RATA, the Directors have recorded unsecured creditor claims totalling \$135,278.34. A summary of the unsecured creditors is below:

\$000s	Directors' ERV \$000s	Administrators' ERV \$000s
MIN loan (Unsecured Creditor)	Nil	15,100
Trade creditors	134	527
Statutory creditors	Nil	Nil
Related party creditors	Nil	Nil
Total	134	15,627

To date, the Administrators have received 15 proofs of debt totalling \$489,984.91.

5.2 Omissions from RATA

We have identified the following omissions from the Directors' RATA:

- The ASIC records indicate that EGO owns 21.25% of the shares in Cattamarra Farms, which owns the land that occupies EP389 (the Red Gully Project).
- EGO also has an intercompany loan with Cattamarra Farms in favour of EGO which totals \$0.4M.

The Administrators ERV in respect of the shares may be worth anywhere between 23K and 46K if the Company is placed into liquidation, however if the MIN DOCA is accepted, the shares and intercompany loan will be transferred to EOC and owned by MIN through its ownership of EOC.

5.3 Directors' opinions as to the reasons for failure

The Directors have provided their views on the affairs of the Company and attribute the following reasons to its failure:

- *"The EOC's Red Gully Project was shut in August 2017 in order to conduct a static pressure survey for the 2017 reserves assessment. Once the well was re-opened, various technical errors resulted in the well not re-opening and production was ultimately halted.*
- *The Company advised that they were to require external funding for remediation and re-opening of the well, and accordingly approached MIN on the morning of 13 September 2017 to discuss a funding strategy. That afternoon, MIN issued a notice of demand and default and Deloitte Restructuring were appointed Receivers and Managers that day. Accordingly, EOC entered into voluntary administration the following day.*
- *EGO received its own notice of demand from MIN of 26 September 2017. The notice demanded immediate repayment by EGO of A\$15.1 million plus any accrued interest. This notice was issued to EGO as the guarantor under the loan facility.*
- *The directors of the EGO and EMS urgently and carefully assessed all reasonable options for EGO and EMS. The directors determined that there were no courses of action available for EGO to pay the sum demanded by MIN, taking into account:*
 - a) *The substantial assets of EOC not being available to EGO in light of the appointment of Receivers to those assets*
 - b) *The cash reserves available to the EGO;*
 - c) *MIN had indicated to EGO that MIN was not willing to compromise in respect of the subsidiary (and the issuance of the notice to EGO supported the view that there was no reasonable prospect of reaching a compromise);*
 - d) *EGO had, on behalf of EOC, for some time, been exploring the market for investment participation to fund the EGO Group without success; and*
 - e) *There was no reasonable prospect that an investor would emerge to satisfy MIN's demand for immediate repayment of the loan facility.*
- *The Directors ultimately decided that it could not develop one or more courses of action that were reasonably likely to lead to a better outcome for EGO and EMS other than the immediate appointment of voluntary administrators."*

5.4 Administrator's opinions as to the reasons for failure

Our preliminary view is that, in addition to the reasons identified by the Directors, the Company failed as a result of:

- The operational issues experienced at the Red Gully Project in August 2017 resulted in lower operational performance and ultimately the cessation of business activities for EOC. EOC attempted to find alternative solutions to remove liquid which was held up in the production tubing, however ultimately EOC was unsuccessful.
- EGO, as guarantor for the EOC loan facility, was served with a notice of demand on 26 September 2017 for the immediate repayment of \$15.1M.
- Given the cash flows available to EGO, the substantial assets of EOC not being available to EGO due to the appointment of Receivers and Managers and the inability to raise funds for the immediate repayment of the loan facility, the Company was insolvent and the directors of the Company had no other option than to appoint administrators.

6 The Administration to date and sale of business process

This section provides an overview of the conduct of the Administration, including the trading of the business and the going concern sale process.

6.1 The business at commencement of the Administration

On appointment, the Administrators assumed control of the Company's business. Appropriate controls and systems were put in place with respect to cash / banking and reporting.

Whilst conducting an urgent assessment of the business, In particular, we:

- Opened new accounts with office service providers;
- Reviewed the office lease contract;
- Negotiated certain payments of necessity to ensure continued supply of business-critical services to the Company;
- Liaised with statutory authorities;
- Conducted meetings with Directors, senior management and staff;
- Reviewed the procedures for IT services and back up processes for information on site;
- Notified the ASIC of the Company's reliance upon the ASIC Instrument 2015/251 which provides financial reporting relief to the Company to audit and lodge the 2017 financial report;
- Made an application to the ASIC to extend the period of time in which to hold the 2017 Annual General Meeting.
- Reviewed the adequacy of the insurances policies held by the Company.

6.2 The sale of business process

On 6 October 2017, we appointed Azure to the role of corporate advisor in relation to the potential sale of the EOC petroleum assets and also the recapitalisation of EGO. Based on the advice we have received from Azure and our own experience with undertaking sales campaigns for assets such as these, we anticipate that it would take between eight (8) to ten (10) weeks to conduct a proper competitive sales process for the exploration permits.

A summary of the exploration permits that are the subject of the Azure mandate include:

Licence/Permit	EOC	Norwest	Pilot Energy	Project	Area (km2)
PL96	80% (Operator)	20%		Red Gully Pipeline	N/A
EP426	100% (Operator)			North Erregulla Deep	1,162
EP368	77.78% (Operator)	22.22%		Lockyer Deep	600
EP432	100% (Operator)			Raven	1,185
EP454	100% (Operator)			Charger & Garibaldi	966
EP430	100% (Operator)			N/A	149
EP440	100% (Operator)			N/A	1,127
EP416	40%		60% (Operator)	Leschenault Prospect	621
EP480	40%		60% (Operator)	N/A	1,348
Total					7,158

Given our subsequent appointment as voluntary administrators of EGO, a company that is listed on the Australian Securities Exchange (ASX), we envisaged that parties who may be interested in the exploration permits may wish to explore the acquisition of EGO by way of a recapitalisation. This may have added advantages on the basis that EGO has some carried forward tax losses that may make such a recapitalisation plan more attractive to a buyer.

Azure in conjunction with key employees developed a data room and prepared a short flyer / presentation that was distributed to all interested parties that had either previously expressed an interest in EOC's assets or had been targeted as part of the wider strategy.

Though the sale process has been temporary suspended pending the outcome of MIN's DOCA proposal which is set out in Section 7 of our report, we provide an overview of the sale process run to date by Azure below:

- Parties have indicated an ability to meet the 3 November 2017 non-binding indicative offer deadline with an ability to move quickly to completion thereafter, albeit there is no guarantee such offers will be ultimately put forward.
- A number of parties have also expressed an interest in Red Gully.
- Summary of key interested parties below, noting the following:
 - +50 parties contacted to date.
 - 7 parties signed CAs, sent process letter, provided data room access.
 - 6 parties have noted receipt of flyer / CA and will revert.
 - Interested parties that have expressed an interest have market capitalisations ranging from \$20m to \$8.8bn.
- As at the date of this report, no interested party has identified what the value of their non-binding offer may be if so put forward.

Considering that the sale process we have undertaken is in the early stages, it is difficult to assess whether MINs DOCA proposal accurately reflects the market value of the EOC Petroleum Assets and if in fact it is a transaction that will ultimately provide the best return to creditors.

In circumstances where creditors of EOC and EGO do not approve the MIN DOCA proposal, the Administrators will recommence the sale process with Azure.

7 Proposal for DOCA

On Friday, 6 October 2017 a DOCA Proposal in relation to EOC was received from MIN. Since then, the Administrators have been working with MIN to develop and refine the terms of the same.

Based on the terms of the final DOCA Proposal which now includes all entities of the EGO Group, creditors of EGO are expected to receive a return of between 18 and 15 cents in the dollar.

7.1 Proposal received

We received a final signed DOCA term sheet proposal from MIN on 25 October 2017, a copy of which is attached at **Annexure F**. A draft DOCA and Creditors Trust is also available for inspection by creditors prior to the Second meeting of creditors.

We consider that the proposed DOCA complies with section 25.6.6 of the Code.

7.2 Key features of the proposal

MIN have advised the Administrators on several occasions that if their DOCA is not accepted by creditors, there is a real risk that their proposal will be withdrawn entirely or any subsequent proposal will provide a worse return for creditors.

The key features of the proposal may be summarised as follows:

Key Terms	
Proponent	<ul style="list-style-type: none"> Mineral Resources Limited
Deed Administrators	<ul style="list-style-type: none"> The Administrators
Parties to the Deed	<ul style="list-style-type: none"> Empire Oil and Gas NL (Administrators Appointed) Empire Oil Company (WA) Pty Ltd (Administrators Appointed) (Receivers and Managers Appointed) Empire Services Pty Ltd (Administrators Appointed)
Purpose of the Deed	<p>Upon the Proponent becoming the owner of EOC, the Proponent will:</p> <ul style="list-style-type: none"> make all reasonable efforts to reopen the Red Gully Well and processing facility; and meet its obligations with respect to the EOC Exploration Assets; and progress the exploitation of its various exploration tenements. <p>Under the DOCA:</p> <ul style="list-style-type: none"> the Administrators will become the Deed Administrators; the claims of all creditors (other than the Proponent) will be released to the fullest extent possible; and the Creditors Trust will be created and the creditors of the EGO Group will only be entitled to participate as beneficiaries of the Creditors Trust.
Condition Precedents	<p>The condition precedents to completion of the DOCA are as follows:</p> <ol style="list-style-type: none"> that the creditors of EGO approve this DOCA; the creditors of EOC approve this DOCA; the creditors of EMS approve this DOCA; and the creation of the Creditors Trust.

Key Terms

Key Events	<p>Upon completion of the Condition Precedents occurring, the following events will occur:</p> <ol style="list-style-type: none"> 1. the DOCA will terminate in relation to EOC; 2. the acquisition of the shares in EOC and other assets of EGO by the Proponent will be completed. 3. the control of EOC will return to newly appointed directors; 4. the DOCA will terminate in relation to EMS and it will be wound up.
Assets of EGO	<p>Upon completion of the Condition Precedents, EGO will:</p> <ol style="list-style-type: none"> 1. Transfer to the Proponent (or nominee) all of the shares it owns in EOC, the entity which owns the Red Gully Project and the EOC Petroleum Assets. 2. Transfer to EOC all of the shares it owns in Cattamarra Farms. 3. Transfer to EOC, any and all claims that it has against, or debts due from: <ol style="list-style-type: none"> a. Wharf Resources PLC, who is the holder of the remaining 10% of the shares in Cattamarra Farms; b. Cattamarra Farms. 4. Release EOC from any and all liabilities it may have, including, without limitation, its liability: <ol style="list-style-type: none"> a. under any debt or financial facility or agreement; b. for the inter-company debt due from EOC to EGO; and c. for its contingent right of indemnity arising out of its liability to the Proponent under the guarantee granted by it for the MIN Debt; 5. Transfer to EOC, any other assets owned by it or in its possession, but excluding: <ol style="list-style-type: none"> a. all of the cash at bank (including the Alcoa Funds and any funds held in trust by the Administrators in any capacity) which is to become Pool D; 6. Not prove for inter company loan amounts at any creditors meeting of EOC or under the Creditors Trust, in competition with the other creditors of EOC.
Assets of EMS	<p>Upon completion of the Condition Precedents, EMS will:</p> <ol style="list-style-type: none"> 1. Transfer to EOC any assets owned by it or in its possession. 2. Transfer to EOC any and all claims it has against and debts due from Wharf or Cattamarra Farms. 3. Release EOC from any and all claims.

Key Terms

Proponent Consideration	<p>In consideration for acquiring the assets of EGO and EMS, the Proponent will cause the following amounts to be paid into the Creditors Trust for the benefit of the creditors of the Empire Group:</p> <ol style="list-style-type: none"> 1. Pool A- \$155,000 to Small Unsecured Creditors (less than \$55,000 claims) of EOC. 2. Pool B- \$204,000 to Other Unsecured Creditors (more than \$55,000 claims) of EOC. 3. Pool C- \$320,000 for the benefit of the EOC Administrators' fees and costs, other EOC creditors that are not known to EOC at the date of this proposal. <p>Except in relation to Pool D, not prove for the debt the subject of its security, which is currently an amount of the order of \$15.1 million (plus interest plus enforcement costs), in competition with the other creditors of EOC;</p> <ol style="list-style-type: none"> 1. In relation to Pool D, reduce the amount for which it proves to the extent of \$4 million less: <ol style="list-style-type: none"> 1) the amounts paid to the Creditors Trust as contemplated above; and 2) the "holding costs" incurred as a consequence of the appointment of Receivers and Managers to certain of the assets of EOC.
Assets of and realisation of value from listed shell of EGO	<ul style="list-style-type: none"> • The Deed Administrators will, upon the DOCA becoming effective, take steps to attempt to locate a party who is prepared to pay for the opportunity to exploit the listed shell of EGO. • If the Deed Administrators can locate such a party within 90 days (or such longer period as may be agreed between the Deed Administrator and the Proponent), a meeting of the creditors of EGO will be called to vary the DOCA, so far as it relates to EGO, so as to facilitate the realisation of value from the listed shell of EGO. • The proceeds received from the realisation of the listed shell of EGO, after the reasonable costs and remuneration of the Deed Administrators, will be paid into Pool D. • If the listed shell of EGO cannot be realised within the time, the DOCA will terminate, so far as it relates to EGO, and EGO will be wound up.

Key Terms

Distribution to Unsecured Creditors

Though there is a pooling of assets, separate classes of creditors are to be established and funds are to be made available to the creditors of the EGO Group.

The Proponent will direct the Trustees of the Creditors Trust to pay the following amounts out of the Proponent's entitlement to a dividend as a creditor of Pool D, which funds will be made available to the unsecured creditors of EOC as follows:

1. **Debts due to Government and Statutory Authorities** - To the extent these debts are overdue and puts at risk any of the EOC Assets, these debts are to be paid in full out of the Proponent Dividend.
2. **Small Unsecured Creditors (Pool A)** - Unsecured creditors of EOC who have debts of less than \$55,000 will share on a pro-rata basis the sum of \$155,000 out of the Proponent Dividend.
3. **Other Creditors (Pool B)** - Unsecured creditors of EOC who have debts of more than \$55,000 will share on a pro-rata basis the sum of \$204,000 out of the Proponent Dividend. Creditors cannot reduce its claim, so as to attempt to fall within Pool A if the true debt is greater than \$55,000.
4. **Balancing Pool (Pool C)** - The Proponent directs the Trustee to pay the sum of \$320,000 out of the Proponent Dividend, to Pool C, and the Pool C funds will be applied:
 - (a) first, in satisfaction of the fees, costs, disbursements of the Administrators incurred as the administrators of EOC, up to a maximum of \$560,308.
 - (b) next, to any creditors of EOC who are not known to be creditors of EOC as at the date of this term sheet;
 - (c) If there is any excess in Pool C, after the payment of the EOC Administrators fees and any new creditors, it will be paid back to the Proponent.
5. **EGO Pool D** - Pool D will be made available to the creditors of EGO as follows:
 - (a) first to the administrators in their capacity as administrators of EGO and EMS, as Deed Administrators, Trustees and Liquidators, for the fees, costs and remuneration incurred by them in those capacities, up to a total cap of \$561,245;
 - (b) next, to Employees for their employee entitlements; and
 - (c) next, to the unsecured creditors of EGO, pro rata, but on the basis that:
 - a. the Proponent will only prove for the debt the subject of its security, reduced in the amount contemplated by 3.3(3); and
 - b. neither EGO nor EMS can prove as a creditor.

The cap on fees referred to at 8.2(1) will not operate with respect to the fees, costs and remuneration incurred by the Deed Administrators in realising the listed shell of EGO, which fees, costs and remuneration can only be borne out of the proceeds of the realisation of that listed shell.

7.3 Creditors Trust

The DOCA proposal requires the utilisation of a Creditors' Trust. The purpose of a Creditors' Trust will be to enable certain tasks ordinarily undertaken by the Deed Administrators (including but not limited to, the calling for and adjudication of creditors' proofs of debt) to be performed by the Trustees of the Creditors' Trust in order to facilitate the termination of the DOCA.

It is important that creditors understand that the Creditor's Trust is a separate legal structure to the corporate entity, EOC, EGO and EMS, which is presently subject to administration.

Under ASIC's Regulatory Guide 82, we provide the below information in regarding the utilisation of the Creditors' Trust in the DOCA.

Item	Information for creditors
Reason	<p>The purpose of the Creditors Trust will be to enable certain tasks ordinarily undertaken by deed administrators (including but not limited to, the calling for and adjudication upon the claims of unsecured creditors) to be performed by the Trustees of the Creditors Trust, in order to:</p> <ul style="list-style-type: none"> (a) facilitate the early termination of the DOCA so far as it relates to EOC, so that EOC avoids having to trade "subject to DOCA", which may adversely impact upon its ability to acquire goods and services and obtain credit; and (b) facilitate a realisation of the listed shell of EGO, in a way which is consistent with the expectations of potential proponents for the exploitation of the listed shell of EGO.
Key events	<p>Once the conditions precedents as set out above are met, the DOCA will be terminated and the control of the Company returned to newly appointed directors.</p> <p>The Proponent will then direct the Trustees to make certain payments to the creditors trust.</p>
Return	<p>As stated above, creditors with claims above \$55,000 are anticipated to receive a return of up to 9 cents in the dollar. Creditors with claims below \$55,000 are anticipated to receive a return of up to 25 cents in the dollar.</p>
Trustee particulars	<p>Martin Jones, Andrew Smith and Peter McCluskey will be the Deed Administrators, will have the necessary powers to administer the DOCA and will be entitled to exercise all rights, privileges, authorise and discretions conferred by the Company's constitution or otherwise by law on the directors to the exclusion of the directors during the DOCA. The Deed Administrators will assume of the role of Trustee of the Creditors Trust.</p>
Remuneration	<p>Refer to Annexure D.</p>
Indemnities	<p>The Administrators of EOC, are entitled to be indemnified out of, and will have a lien over:</p> <ul style="list-style-type: none"> (a) the cash held by EOC at the time of their appointment; and (b) Pool C. <p>for their remuneration, costs, fees and expenses for work done in the performance of their duties as Administrators of EOC.</p> <p>The Administrators of each of EGO and EMS, the Deed Administrators, the Trustees and the Liquidators are entitled to be indemnified out of and will have a lien over Pool D for their remuneration, costs, fees and expenses for the work due in those respective capacities (subject to the cap in 8.2(1)).</p>

Item	Information for creditors
Powers	<p>The Trustee of the new trust becomes solely responsible to the former creditors (now beneficiaries) for:</p> <ul style="list-style-type: none"> (a) Ensuring that the company and / or other third parties perform their obligations to the Trustee; (b) Determining how much each of the former creditors is entitled to receive from the trust; and (c) In due course, making any distribution to those former creditors. <p>In addition to the above, the Trustees are likely to have the following powers:</p> <ul style="list-style-type: none"> (a) To administer the Trust Fund; (b) To ensure that the Company fulfils its obligations under the DOCA and to take such legal proceedings or other steps as the Trustees think fit to enforce those obligations; (c) To fulfil the Trustees' obligations in terms of the DOCA; (d) To admit claims to proof in accordance with the provisions of the DOCA and the Trust Deed; (e) To make interim or other dividend payments to creditors or distributions of the Trust Fund; (f) To appoint agents to do any business or attend to any matter or affairs of the Trust that the Trustee is unable to do or that it is unreasonable to expect the Trustee to do in person; (g) To appoint a solicitor, accountant or other professionally qualified person to assist the Trustees; (h) To compromise any claim on such terms as the Trustees consider fit; (i) Having taken an assignment of all causes of action, to prosecute such of those actions as the Trustees consider fit; and (j) To do anything else that is necessary or convenient for administering the Trust. <p>These powers are provided for the benefit of creditors in determining whether to accept the proposed DOCA. However, these powers may be varied prior to finalisation of the Trust Deed.</p>
Claims	<p>The terms of section 556, 560 and 561 of the Corporations Act shall apply as if the references to "liquidator" were references to the "Trustee", references to "winding up" were references to the "Creditors Trust" and with such other modifications as are necessary to give effect to the terms of this Term Sheet.</p> <p>Sections 444DA and 444DB of the Act will apply to the DOCA.</p>
Intercompany debts	<p>For the purposes of proving under the Creditors Trust, intercompany debts will be ignored.</p>
Other creditor/ beneficiary differences	<p>A comparison of the protections and rights of creditors under the Act and of beneficiaries under the DOCA proposal.</p>
FEG	<p>Employees are not eligible for FEG assistance and employees are expected to receive 100 cents in the dollar.</p>
Compliance opinion	<p>We consider that the EOC and the Proponent will be able to comply with the terms of the Creditors Trust.</p>
Solvency statement	<p>All creditors' claims will be transferred into the Creditors Trust and the Proponent of the DOCA will ensure that the EOC has sufficient working capital. The Proponent has a market capitalisation of approximately \$3.3B.</p>
Tax (company / trust)	<p>Creditors should note that there may be income tax and stamp duty implications for the company and the Trust associated with the abovementioned proposal.</p> <p>The Trust may be required to register for GST purposes and apply for a new Tax File Number. In addition, the Trustees may also be responsible for lodging income tax returns for the trust with the ATO.</p>

Item	Information for creditors
Tax (creditor/ beneficiary)	<p>Our preliminary view is that by assigning creditors' claims to the Trust any dividend paid to creditors would be treated the same as if creditors had received the dividend from the Company under Administration. That is, we do not foresee any tax disadvantages to creditors with the proposed DOCA and Creditors Trust.</p> <p>The proposed DOCAs and Creditors' Trust also enables the Trustee to make distributions to the beneficiaries of the Trust (as opposed to the repayment of creditors' claims outlined above). Under this scenario however, the Trustee may be required to withhold tax from distributions to non-resident beneficiaries at the applicable tax rates.</p> <p>Creditors are encouraged to seek their own independent legal advice in relation to the possible taxation consequences of receiving a distribution from the proposed Creditor's Trust.</p>

7.4 Further information for creditors

Creditors should seek their own legal advice as to their rights and the effects of their position in entering into the DOCA.

Creditors can obtain further information from the ASIC website at www.asic.gov.au under Regulatory Resources – Insolvency – Insolvency for Creditors.

8 Statutory investigations

This section provides creditors with information on the preliminary investigations undertaken by the Administrators to date, and whether there have been any potential actions identified that may be pursued by a liquidator, if appointed.

8.1 Nature and scope of review

The Act requires an administrator to carry out preliminary investigations into a company's business, property, affairs and financial circumstances.

Investigations centre on transactions entered into by the Company that a liquidator might seek to void or otherwise challenge where the Company is wound up. Investigations allow an administrator to advise creditors what funds might become available to a liquidator such that creditors can properly assess whether to accept a DOCA proposal or resolve to wind up the Company. We investigated matters to the extent possible in the time available.

A liquidator may recover funds from certain voidable transactions or through other avenues; for example, through action seeking compensation for insolvent trading or breach of director duties. Funds recovered would be available to the general body of unsecured creditors including secured creditors but only to the extent of any shortfall incurred after realising their security.

A deed administrator does not have recourse to voidable transactions.

The Administrators' knowledge of the Company's affairs comes principally from the following sources:

- Discussions with the Directors, their advisors and key staff members.
- The Directors' RATA and questionnaire.
- Management accounts, books and records, board reports and financial statements.
- The Company's internal accounting system.
- Correspondence and discussions with the Company's creditors.
- An independent valuation of the Company's assets.
- Searches obtained from relevant statutory authorities.
- Records maintained by the ATO.
- Publicly available information.

8.2 Director and officers' responsibilities

Sections 180 to 184 of the Act set out the duties, obligations and responsibilities imposed on Directors which are designed to promote good governance and ensure that Directors act in the interests of the Company/Group. These duties include:

- Duty of care and diligence;
- Duty of good faith;
- Duty not to make improper use of position; and
- Duty not to make improper use of information.

Based on our investigations to date, we have not identified any offences the directors may have committed under the provisions of the Act.

Our investigations with respect of any breaches committed by the directors are continuing.

8.3 The Company's solvency

In order for a liquidator to recover funds through the voiding of certain transactions or through other legal action, such as seeking compensation from directors for insolvent trading, the Company's insolvency must be established at the relevant time.

There are two primary tests used in determining a company's solvency, at a particular date, namely:

- Balance sheet test; and
- Cash flow or commercial test.

The Courts have widely used the cash flow or commercial test in determining a company's solvency at a particular date along with several other indicators.

We have summarised below the insolvency indicators adopted by the Courts and the ASIC together with our comments in relation to the Company:

Insolvency indicator	Present	Date relevant to insolvency	Administrators' comments
Endemic shortage of working capital - balance sheet test			
Working capital position	N/A	N/A	Based on the Audited Financial Accounts, the Company recorded the following working capital ratios: <ul style="list-style-type: none"> - FY15 – 42.81 - FY16 – 4.63 - FY17 – 2.70 - FY18 YTD – 15.17 (per management accounts to 28 September 2017)
Net asset position	N/A	N/A	Based on the Audited Financial Accounts, the Company recorded the following net asset position: <ul style="list-style-type: none"> - FY15 – \$61.9M - FY16 – \$58.9M - FY17 – \$56M - FY18 YTD – 54.8M (per management accounts to insert date)
Ageing of creditors	Yes	September 2017	The Company maintained current aged creditors above 60% of total payables up to June 2017. This figure decreased to 35% in July 2017 before increasing to 39% as at our appointment. Outstanding creditors rarely increased above 60 days for the prior 6 months.
Inability to extend finance facilities and breaches of covenants	Yes	September 2017	The Company, via EOC, was unable to secure further funding from MIN and other parties following the operational issues at the Red Gully Project. EOC was unsuccessful, and on 13 September 2017 MIN issued a notice of demand and default to the Company in respect of a breach of the loan facility
Inability to meet other financial commitments / default on finance agreements	Yes	28 September 2017	EGO received a notice of demand from MIN on 26 September 2017. The notice demanded immediate repayment by EGO of A\$15.1M plus any accrued interest as the guarantor under the loan facility to EOC. EGO was unable to meet this demand and accordingly appointed administrators that day.
Availability of other cash resources – cash flow test			

Insolvency indicator	Present	Date relevant to insolvency	Administrators' comments
Profitability / trading losses	N/A	N/A	The Company recorded the following profits/(losses): <ul style="list-style-type: none"> - FY15: \$13.3M - FY16: \$(3.4M) - FY17: \$(4.7M) - FY18 YTD: \$(1.1M)
Cash flow difficulties	Yes	September 2017	The Company did not experience any cash flow difficulties up until the issues with the Red Gully Project arose.
No access to alternative sources of finance (including equity capital)	Yes	September 2017	Though the Company was listed on the ASX, given the issues associated with the Red Gully Project and capital raising timing requirements, it was unable to raise sufficient funds to repay the MIN debt within the presented time frame. The Company had also explored alternative finance options and had opened a data room however was unable to receive an offer before the Receivers and Managers were appointed to EOC.
Inability to dispose non-core assets	Yes	September 2017	We understand EOC was seeking to spin-off/JV its EOC Exploration Assets and had been attempting to do so for over 12 months with limited success. This would assist with funding and development.
Dishonoured payments	N/A	N/A	We are not aware of any dishonoured payments.
Overdue Commonwealth and State taxes	N/A	N/A	All statutory accounts were paid up to the date of our appointment, with the exception of payroll tax which fell due on 9 October 2017.
No forbearance from creditors / legal action threatened or commenced by creditors	N/A	N/A	We are not aware of any forbearances or legal actions either threatened or commenced by creditors.

8.4 Preliminary conclusion as to solvency

Having regard to the above analysis, it is our preliminary view that the Company was not insolvent for any material amount of time prior to our appointment on 28 September 2017 due to the following:

- The Company did not display any significant indicators of insolvency prior to September 2017; and
- The Company was able to satisfy its debts prior to being issued with the \$15.1M notice of demand from MIN.

A liquidator, if appointed, would need to conduct further investigations, and possibly conduct a public examination of relevant parties, to ultimately determine whether or not the Company became insolvent at that time or earlier.

8.5 Potential liquidator recoveries – insolvent trading

8.5.1 Directors' liability

Section 588G of the Act imposes a positive duty upon company directors to prevent insolvent trading. If a director is found guilty of an offence in contravening Section 588G, the Court may order him or her to pay compensation to the company equal to the amount of loss or damage suffered by its creditors.

The Court may also impose upon the directors one of two types of civil penalty orders, the first can include a fine or an order prohibiting the directors from participating in the management of a company. The second, where there is criminal intent and conviction, a director could also be imprisoned for up to five years.

This action is not a right that is available to an administrator or a deed administrator. Applications for compensation payable to the company are usually made by a liquidator, or in specified circumstances, a creditor.

The substantive elements of Section 588G are:

- A person must be a director of a company at a time when the company incurs a debt;
- The company must be insolvent at the time or becomes insolvent by incurring the debt; and
- The director must have reasonable grounds for suspecting that the company is insolvent or would become insolvent.

8.5.2 Directors' defences

The defences available to directors contained in Section 588H are:

- The directors had reasonable grounds at the time the debt was incurred to expect the company to be solvent and would remain solvent even after the debt was incurred;
- The directors relied on another competent and reliable person to provide information about whether or not the company was insolvent;
- The directors were ill or for some other good reason did not take part in the management of the company; and
- The directors took reasonable steps to prevent the incurring of debt.

8.5.3 Pursuing an insolvent trading claim

A liquidator must form an opinion as to the date of insolvency and determine the debts incurred from that date; thereby quantifying the loss to the company.

The costs of proceeding with an insolvent trading action must be considered.

Notwithstanding the above, for the reasons provided at section 8.4 we do not believe that there is a claim against the directors.

8.5.4 Holding company liability

Section 588V of the Act provides that a holding company may be held liable for the debts of a subsidiary in certain circumstances.

The substantive elements of Section 588V are:

- The corporation is the holding company at the time when the company incurs a debt;
- The subsidiary is insolvent at that time, or becomes insolvent by incurring that debt;
- The holding company, or one or more of its directors, is aware at that time that there are grounds for suspecting the subsidiary is insolvent; or
- Having regard to the nature and extent of the holding company's control of the subsidiary's affairs, then it would be reasonable to expect that:
 - The holding company would be aware of the subsidiary's financial position; or
 - The holding company's directors would also be aware of the subsidiary's financial position.

The defences the holding company may rely upon are set out in Section 588X and are essentially the same as those a director may rely upon under Section 588H.

Furthermore, the Courts have held that, as a defence to such proceedings, a holding company can off-set any claim by a liquidator under Section 588W against monies owing under an intercompany loan account.

Notwithstanding the above, for the reasons provided at section 8.4 we do not believe that there is a claim against EGO.

8.6 Adequacy of books and records

Section 286 of the Act requires a company to keep written financial records that correctly record and explain the company's transactions, financial position and performance and would enable true and fair financial statements to be prepared. The financial records must be retained for a period of seven years after the transactions covered by the records are completed.

The failure to maintain books and records in accordance with Section 286 provides a rebuttable presumption of insolvency which might be relied upon by a liquidator in an application for compensation for insolvent trading.

Based on my review of the books and records received, we are of the opinion that the Company's books and records were maintained in accordance with Section 286 of the Act to 28 September 2017.

8.7 Other matters arising from investigations

8.7.1 Falsification of books

Pursuant to Section 1307 of the Act, it is an offence for a person to engage in conduct that results in the concealment, destruction, mutilation or falsification of any securities of or belonging to the company or any books affecting or relating to affairs of the company.

If a breach is proven, Part 9.4 of the Act provides for criminal penalties only. Therefore, any breaches of Section 1307 will not result in recovery of funds by a liquidator.

The Administrators' preliminary investigations do not reveal any evidence of falsification of books.

8.7.2 False or misleading statements

Pursuant to Section 1308 of the Act, a company must not advertise or publish a misleading statement regarding the amount of its capital. It is an offence for a person to make or authorise a statement that, to the person's knowledge is false or misleading in a material particular.

The Administrators' preliminary investigations do not reveal any evidence of any false or misleading statements.

8.7.3 False information

Pursuant to Section 1309 of the Act, it is an offence for an officer or employee to make available or give information to a director, auditor, member, debenture holder, or trustee for debenture holders of the company that is to the knowledge of the officer or employee:

- False or misleading in a particular matter; or
- Has omitted from it a matter the omission of which renders the information misleading in a material respect.

The Administrators' preliminary investigations do not reveal any evidence of any false information.

9 Voidable transactions

This section informs creditors about potential voidable transactions that occurred prior to the appointment of the Administrators, and where the property of the Company was disposed of or dealt with, may be recovered by a liquidator.

A liquidator has the power to void certain transactions which are either not beneficial, or are detrimental, to a company. An administrator must identify any transactions that appear to be voidable by a liquidator.

Enclosed at **Annexure F** is a creditor information sheet published by ARITA. This information sheet details the types of transactions which a liquidator can seek to void, which include:

- Unfair preference payments;
- Uncommercial transactions;
- Unfair loans;
- Unreasonable director related transactions;
- Inappropriate related party transactions
- Creation of circulating security interests within 6 months of commencement of Administration; and
- Transactions for the purpose of defeating creditors

For the purposes of examining voidable transactions, the Liquidator would review transactions that occurred during the relevant time period (as prescribed under the Act), taking into consideration the “relation back day”. The relation back day for the Company is 28 September 2017 being, the date of our appointment as administrators.

9.1 Unfair preferences

An unfair preference payment is a transaction, generally occurring in the six months prior to the relation back day, between the company and a creditor, resulting in the creditor receiving from the company, in relation to an unsecured debt owed to the creditor, a greater amount than it would have received in relation to the debt in a winding up of the company. This period is extended up to four years for transactions entered into with a related entity.

A transaction can only be considered an unfair preference if the company was insolvent at the time the transaction took place, or the company became insolvent as a result of the transaction. For this reason, we do not believe any such transactions exist that a liquidator may recover, subject to a liquidator’s further investigations.

9.2 Uncommercial transactions

An uncommercial transaction is a transaction which a reasonable person in the place of the company would not have entered into, taking into account the benefits and the detriment to the company, the respective benefits to the other parties involved and any other related matters.

A liquidator must investigate transactions deemed to be uncommercial, in the period two years prior to the date of administration.

Based on the books and records in my possession I have not identified any transactions which would constitute uncommercial transactions.

9.3 Unfair loans

A liquidator must investigate loans to the company which may be considered unfair due to extortionate interest rates or charges.

Based on our preliminary investigations to date, we have not identified any unfair loans.

A liquidator, if appointed, may conduct further investigations in relation to any unfair loans.

9.4 Unreasonable director-related transactions

Section 588FDA of the Act refers to “unreasonable director-related transactions” and requires the liquidator to investigate such transactions, having regard to the detriment to the Company (if any) suffered as a consequence of the transaction.

The transaction must have been unreasonable, and entered into during the four years prior to the relation back day, regardless of the solvency at the time the transaction occurred. These can include remuneration, bonuses, loans, loan forgiveness and asset transfers to company officers with the four-year period ending on the relation-back date

Based on the books and records in our possession, we have not identified any transactions which would constitute unreasonable director-related transactions.

9.5 Voidable charges

A circulating security interest is voidable if the security interest was created during the six months ending on the relation back day, and the security interest was created to secure borrowings that were advanced prior to the creation of the security interest.

Based on the books and records in our possession, we have not identified any charges which would be voidable in the circumstances.

9.6 Arrangements to avoid employee entitlements

Part 5.8A of the Act aims to protect the entitlements of a company’s employees from agreements that deliberately defeat the recovery of those entitlements upon insolvency.

Under Section 596AB(1) of the Act, it is an offence for a person to enter into a transaction or relevant agreement with the intention of, or with intentions that include:

- Preventing recovery of employee entitlements; or
- Significantly reducing the amount of employee entitlements recoverable.

Based on our investigations to date, the Administrators have not identified any contraventions of Part 5.8A of the Act.

9.7 Summary of potential liquidator recoveries

At this stage, the Administrators do not consider that there will be any potential recoveries by a liquidator in the event that the Company is wound up

9.8 Directors’ ability to pay a liquidator’s claims

Given the Administrators do not consider there will be any potential recoveries from the Directors by a liquidator, they have not made any assessment as to the financial capacity of the Directors to meet any potential liquidator action.

9.9 Reports to the ASIC

Section 438D of the Act requires us to lodge a report with the ASIC should we become aware of:

- Any offences committed by a past or present officer of the Company;
- Evidence that money or property has been misapplied or retained;
- Evidence that a party is guilty of negligence, default, breach of duty or breach of trust in relation to the Company.

Creditors should be aware that any report lodged pursuant to Section 438D (or an investigative report lodged by a liquidator pursuant to Section 533 of the Act) is not available to the public.

10 Return to creditors

This section provides creditors with information on the estimated financial outcome to creditors together with the anticipated timing of any dividend.

10.1 Return to creditors

The table below outlines an estimated Low and High return for each class of creditor in both a Liquidation and a DOCA scenario.

Statement of Position	Liquidation		MIN DOCA	
Assets	High	Low	High	Low
Cash at Bank (Note)	3,206,580	3,087,885	3,206,580	3,206,580
Corporate Shell	-	-	600,000	250,000
Intercompany Loan- EOC	-	-	-	-
Shares in Cattamarra	46,086	23,043	-	-
Intercompany Loan- Cattamarra	474,980	237,490	-	-
Total Asset Realisations	3,727,646	3,348,418	3,806,580	3,456,580
Less:				
Trading Expenses	(90,000)	(90,000)	(90,000)	(90,000)
VA Fees and Costs (Incurred to 13 October 2017)	(61,031)	(61,031)	(61,031)	(61,031)
VA Fees and Costs to Meeting	(75,000)	(75,000)	(75,000)	(75,000)
DOCA / Creditors' Trust Fees and Costs / Liquidation	(80,000)	(80,000)	(50,000)	(50,000)
Legal Fees and Costs	(329,214)	(329,214)	(285,214)	(285,214)
Total Trading Expenses, Fees and Costs	(635,244)	(635,244)	(561,244)	(561,244)
Total Assets Available to Priority Creditors	3,092,402	2,713,173	3,245,335	2,895,335
Less: (Note)				
Salary and Wages	-	-	-	-
Superannuation on PILN	(63,194)	(63,194)	(63,194)	(63,194)
Leave Entitlements	(91,047)	(91,047)	(91,047)	(91,047)
PILN	(665,200)	(665,200)	(665,200)	(665,200)
Redundancy	(131,923)	(131,923)	(131,923)	(131,923)
Net Assets Available to Unsecured Creditors	2,204,232	1,825,004	2,357,165	2,007,165
Less:				
Unsecured Trade Creditors	(527,023)	(527,023)	(527,023)	(527,023)
Shortfall on Specifically Charged Assets	-	-	-	-
Payroll Tax	(13,000)	(13,000)	(13,000)	(13,000)
Australian Taxation Office	-	-	-	-
Shortfall on MIN Facility	(16,063,558)	(16,063,558)	(12,896,903)	(12,896,903)
Total Unsecured Claims	(16,603,581)	(16,603,581)	(13,436,926)	(13,436,926)
Overall Estimated Surplus / (Deficiency)	(14,399,349)	(14,778,577)	(11,079,760)	(11,429,760)
Dividend to Unsecured Creditors	0.13	0.11	0.18	0.15

Please note that the above calculations are estimates only and may change due to:

- The final amount realised from assets.
- Final adjudication of creditor claims.
- Cost of administration and the liquidation resulting from additional issues arising.

We provide the following comments in relation to the table above:

Cash at Bank

Pursuant to the terms of MIN's DOCA, all gas proceeds deposited into EGO's bank account by Alcoa are transferred into Pool D for the benefit of the creditors of EGO.

As mentioned previously, in circumstances where EGO is placed into Liquidation, the matter will be determined by the Federal Court of Australia on 13 November 2017. While our preliminary view is that at best only \$118K may need to be transferred to EOC, there is a risk that all proceeds (\$1.4M) deposited shortly before our appointment may be the property of EOC.

Corporate Shell

If the MIN DOCA is accepted, the Deed Administrators will have 90 days to find a suitable buyer to acquire the shell and relist EGO on the ASX. The high and low range of outcomes reflects our best estimates of market rates for corporate shells that do not have existing / operating assets attached.

If EGO is placed into Liquidation, no value for the Corporate Shell will be realised.

Intercompany Loan in EOC

As mentioned previously, EGO is an unsecured creditor of EOC in the amount of \$51M and in the ordinary course would be able to prove for that amount in the winding up of EOC.

On 28 September 2017, the Administrators received a letter from HSF on behalf of MIN which asked the Administrators of EGO to confirm that we would not cause EGO to purport to lodge a proof of debt in the administration of EOC. The letter claims that clause 12.13(a)(6) of the Facility Agreement acts to prevent EGO lodging a proof of debt in the administration of EOC.

Based on our preliminary view, we concluded that whether or not we ultimately agree with MIN as to the effect of clause 12.13 of the Facility Agreement is a matter upon which we require directions from the Court, as the interests of the creditors of both EOC and EGO are vitally affected.

In this regard, the determination of whether EGO is entitled to vote and prove for its intercompany debt in the administration of EOC was heard in the Federal Court on 17 October 2017 at 12.00pm AWST, however this has been adjourned further to 13 November 2017.

In circumstances where the Federal Court of Australia decides in favour of EGO, the creditors of EGO would receive an additional return from any distribution from the estate of EOC.

For the purposes of MIN's DOCA, all intercompany loans will not be able to prove in the Creditors Trust.

Shares and Intercompany Loan in Cattamarra

This relates to the estimated realisable value (100% in high and 50% in low) that the shares owned by EGO may be worth if the Cattamarra is liquidated and the land is sold.

If the MIN DOCA is accepted, the shares and loan will be transferred to EOC and owned by MIN through its ownership of EOC.

Estimated Administration Costs

These costs represent the Administrators best estimate of costs from the commencement of the Administration to the finalisation of the sale of EGO's assets and subsequent winding up.

As the MIN proposal has limited conditions, will not require certain matters to go back to court and can be completed (and funds distributed) in a relatively short period in comparison to a liquidation, the costs associated with MIN proposal are slightly less.

Priority Creditors

All representatives of EOC and EGO, with the exception of Mr Walker, were formally employed by EMS notwithstanding that all employee entitlements were paid by EGO.

Based on our investigations to date, the books and records of EGO and EMS and the operations of the EGO Group, the Administrators formed the opinion that the effective employer of the Empire Group's staff was EGO and not Empire Services. The effect of this was that all former employees of Empire Services would now be recognised as having been employed by EGO and enjoy the same statutory priorities to be paid entitlements that had accrued up until the date of our appointment.

Notwithstanding this position, we concluded that it was a matter upon which we require directions from the Court, as the interests of the creditors of both EGO and Empire Services are vitally affected. On 18 October 2017, the Court granted orders confirming that pursuant to s 90-15 of Schedule 2 (Insolvency Practice Schedule) of the Corporations Act 2001 (Cth) the Administrators were justified in treating each employee of the EGO Group as being an employee of EGO and having been so employed since the commencement of their employment.

We note that MIN which represents over 95% of the creditor value in EGO was appointed to review the evidence and, ultimately, agreed with the orders of the Court that the Administrators were seeking.

As at the date of this report, 10 of 13 employees have either resigned, been terminated or currently working out part of their notice.

Unsecured Trade Creditors

The estimated claims set out in our analysis represent what we consider to be all of the known creditors of EGO, however it is subject to adjudication of each creditors claim and may therefore increase or decrease in quantum.

Shortfall on MIN Facility

The variance between MINs claim in a liquidation versus MINs DOCA represents the amount of the debt that MIN is proposing not to prove for (\$4m less receivership costs, interest and DOCA contribution amounts) in Pool D of the creditors trust.

10.2 Estimated Return to Creditors

A summary of the estimated return to creditors under each outcome is as follows:

	Liquidation		MRL DOCA	
	High	Low	High	Low
Return to Unsecured Creditors	0.13	0.11	0.18	0.15

In regard to the analysis above and ignoring the qualitative features of each scenario, we note that in both a high and low scenario and assuming the intercompany loan issue is not determined in EGO's favour, the MIN DOCA presents a better return to creditors.

10.3 Timing of dividend

If the MIN DOCA proposal is accepted by creditors and completion occurs by the proposed due date of 17 November 2017, we would expect that the dividend distribution to creditors of EGO would occur by no later than 15 January 2018 and a further distribution to occur once the corporate shell has been realised.

In the case of a Liquidation, the dividend timing is unknown but will not be able to occur until at least the intercompany loan issue and Alcoa gas proceeds issue has been resolved in the Federal Court, the outcome and timing of which is presently unknown.

11 Administrators Opinion

Having assessed the alternative realisation options compared to the MIN DOCA Proposal, we recommend that it would be in the creditors' best interests to resolve to execute the MIN DOCA.

We are required to provide creditors with a statement setting out our opinion on whether it is in creditors' interests for the:

- Administration to end; or
- Company to execute a DOCA; or
- Company to be wound up; or
- Second Meeting be adjourned for a period not exceeding forty-five (45) business days.

Each of these options is considered below.

In forming our opinion, it is necessary to consider not only an estimate of the dividend creditors might expect and the likely costs under each option but the risks and issues associated with either accepting or rejecting the MIN DOCA proposal.

Issues for Creditors Consideration	MIN DOCA	Liquidation / Adjournment of Meeting
Return to Creditors / Sale Campaign	<ul style="list-style-type: none"> – The DOCA currently provides a more certain return to creditors than what a Liquidation may bring. – Creditors are estimated to receive between 15 and 18 cents in the dollar. – Considering that the sale process we have undertaken is in the early stages, it is difficult to assess whether MIN's DOCA proposal accurately reflects the market value of the assets and if in fact it is a transaction that will ultimately provide the best return to creditors. 	<ul style="list-style-type: none"> – Liquidation or an Adjournment of Meeting will allow the Administrators to resume the sale process that was being ran by Azure. – Previously, interested parties were due to provide non binding indicative offers to Azure by 3 November 2017. – As the sale process was suspended and interested parties have not had an opportunity to submit an indicative offer, it is unknown what, if any recapitalisation proposals (including EOC's assets) are received and whether they would provide creditors with a better return.
Employees	<ul style="list-style-type: none"> – Employees will receive 100 cents in the dollar under the MIN DOCA. 	<ul style="list-style-type: none"> – While it is expected that employees would receive 100 cents in a dollar in a liquidation or in circumstances that the Alcoa gas proceeds are found in EOC's favour, the timing of payment to employees is less certain.
Timing of Return	<ul style="list-style-type: none"> – We estimate that the dividend distribution to creditors of EOC would occur by no later than 15 January 2018. An interim dividend following realisation of the corporate shell would follow some time there after. 	<ul style="list-style-type: none"> – The dividend distribution will be subject to the length of the sale process and the terms of any offer ultimately accepted by the Liquidators / Administrators, but unlikely by no earlier than 28 February 2018.
Condition Precedents	The condition precedents to completion of the DOCA are as follows:	<ul style="list-style-type: none"> – While no alternative offer has been presented to the Administrators, we

Issues for Creditors Consideration	MIN DOCA	Liquidation / Adjournment of Meeting
	<ul style="list-style-type: none"> – that the creditors of EGO approve this DOCA; – the creditors of ECO approve this DOCA; – the creditors of EMS approve this DOCA; and – the creation of the Creditors Trust. <p>These are due to be completed by 17 November 2017 unless waived or extended by the Proponent.</p>	<p>do note that any sale of the Petroleum Assets directly to third parties (i.e not through a DOCA and acquiring the shares of EOC) would require DMIRS and other third party approval which may delay any completion.</p> <ul style="list-style-type: none"> – The MIN DOCA does not require DMIRS or other third party approval.
Funding	– N/A	– N/A
EGO Inter company loan	<ul style="list-style-type: none"> – If the MIN DOCA is approved then EGO will not be able to prove in respect of their intercompany loan of \$51m. – There will also be no need to seek court directions in regard to determining this issue and thus the costs of the administration will reduce. 	<ul style="list-style-type: none"> – If the MIN DOCA is not approved, the matter is currently scheduled to be heard in the Federal Court of Australia on 13 November 2017. – If the matter is found in the favour of EGO, EGO will be able to prove for the amount of \$51m which may significantly increase the returns to unsecured creditors, but of course subject to the realisable value of the assets in EOC.
Alcoa Funds	<ul style="list-style-type: none"> – If the MIN DOCA is approved Alcoa funds will form part of Pool D of the Creditors Trust and will not be available for distribution to unsecured creditors of EOC. 	<ul style="list-style-type: none"> – If the MIN DOCA is not approved, the matter is currently scheduled to be heard in the Federal Court of Australia on 13 November 2017. – If the matter is found in the favour of EOC, EGO may have reduced funds of between \$120k and \$1.4m available for distribution to creditors. – This would decrease the return to creditors by between approximately 1 to 8 cents in the dollar.
Pooling	<ul style="list-style-type: none"> – If the MIN DOCA is approved, a pooling of all of the assets and liabilities of the EGO Group does not occur, but rather creditors of EOC and EGO are split into the following creditors pools: <ul style="list-style-type: none"> – Pool A- EOC Creditors <\$55k – Pool B- EOC Creditors >\$55k – Pool C- EOC Other Creditors – Pool D- EGO and EMS Creditors. 	<ul style="list-style-type: none"> – It is arguable that if all entities of the EGO Group were placed into the Liquidation, a liquidation would proceed on a group (“pooled”) basis under Division 8 of Part 5.6 of the Corporations Act. – Any pooling arrangement would require the consent of creditors or court, and all entities to be placed into liquidation or the court, pooling may be difficult to achieve. – Our initial analysis suggest that EGO creditors may be between 2 cents worst off in a pooled liquidation than

Issues for Creditors Consideration	MIN DOCA	Liquidation / Adjournment of Meeting
	<ul style="list-style-type: none"> We have explored the notion of a pooled DOCA with MIN, however they have proceeded to submit the DOCA proposal presented within this report. 	the MRL DOCA in the high scenario, or 1 cent better off in a low MRL DOCA scenario.

11.1 Administration to end

The Company is insolvent and unable to pay its debts as and when they fall due. Accordingly, returning control of the Company to its Directors would be inappropriate and is not recommended.

11.2 DOCA

Having regard for all of the issues identified above, we are of the opinion that the DOCA proposal put forward by MIN should be accepted by creditors for the following reasons:

- In the absence of any other proposal, the MIN DOCA provides greater certainty regarding both timing and the return to creditors in a Liquidation or adjournment of the meeting.
- Allows the Administrators opportunity to find a party who may be willing to acquire the shell of EGO and relist on the ASX.
- A number of intercompany issues that are subject to court directions (which may increase or reduce the return to creditors) will be resolved and will reduce the costs and expenses of the Administration.

11.3 Winding up of the Company

In the scenario that creditors resolve to place the Company into Liquidation, a liquidator would be in a position to conduct detailed investigations into the conduct of directors and the financial affairs of the Company. A liquidator will also be empowered to:

- Complete the sale of assets in an orderly manner.
- Assist employees in applying for FEG for the payment of certain employee entitlements that cannot otherwise be funded by the Company.
- Pursue various potential recoveries under the Act.
- Distribute recoveries made in accordance with the priority provisions of the Act.
- Report to the ASIC on the results of investigations into the Company's affairs.

In circumstances where creditors of EGO did not approve the MIN DOCA, we believe that it would not be appropriate at this time for the Company to be wound up, but rather the meeting to be adjourned for up to 45 business days to allow the Administrators to complete their sale process and leave the option of a further DOCA being available open.

11.4 Adjournment of Second Meeting

For the reasons outlined above, we do not consider that it is in the interests of creditors to adjourn the meeting of creditors for up to 45 business days.

If creditors wish to adjourn the meeting, this additional period of time would allow the Administrators to conclude the sale process and better inform creditors and provide more certainty as to the assets values and potential recoveries which would lead to quantification as to the likely returns from the alternatives available. Notwithstanding this, an adjournment of the meeting may not necessarily provide creditors with greater certainty or a greater return than what is currently proposed by MIN.

A reconvened second meeting of creditors would be required to be held on or before 21 December 2017.

It is difficult to estimate the cost of adjourning the meeting of creditors. During the period of the adjournment, some costs will be incurred in continuing investigations that would otherwise be undertaken in a liquidation, while other costs will

relate more specifically reporting to creditors on the outcome of the investigation and to re-convening the second meeting of creditors (in the event that creditors resolve to adjourn the forthcoming meeting).

12 Further information and enquiries

The ASIC has released several insolvency information sheets to assist creditors, employees and shareholders with their understanding of the insolvency process. You can access the relevant ASIC information sheets at www.asic.gov.au.

We will advise creditors in writing of any additional matter that comes to our attention after the release of this Report, which in our view is material to creditors' consideration.

Should you have any enquiries, please contact Tim Rose on (08) 9214 1444 or by email at tim.rose@fh.com.au.

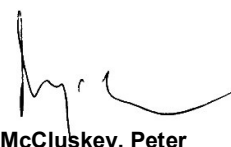
Dated this 25th day of October 2017



Andrew Smith
Joint and Several Administrators of
Empire Oil & Gas NL



Martin Jones



McCluskey, Peter

A – Receipts & Payments

	Total \$
Receipts	
Transfer from Pre-Appointment Bank Accounts.	3,176,785.10
Total receipts	3,176,785.10
Payments	
Employee Wages	93,133.01
Bin Hire	350.00
Internet	400.00
IT Expense	6,490.00
Lease Expense	18,753.29
Security	1,063.70
Total payments	120,190.00
Cash at bank at 25 October 2017	3,056,595.10

B – Notice of meeting of creditors

Notice of meeting of creditors

Insolvency Practice Rules (Corporations) 2016, Section 75-225

Empire Oil & Gas NL (Administrators Appointed) ACN 063 613 730 (the Company)

NOTICE is given that a meeting of creditors of the Company will be held on 2 November 2017 at 10.00am at the offices of Ferrier Hodgson, Level 28, 108 St Georges Terrace, PERTH WA 6000.

Agenda

1. To consider a statement by the Directors about the Company's business, property, affairs and financial circumstances.
2. To consider the circumstances leading to the appointment of the Administrators to the Company, details of the proposed Deed of Company Arrangement (if any) and the various options available to creditors.
3. To consider the report of the Administrators.
4. To resolve that:
 - The Company execute a Deed of Company Arrangement; or
 - The Administration should end; or
 - The Company be wound up; or
 - The Second Meeting be adjourned for a period not exceeding forty-five (45) business days.
5. If it is resolved that the Company be wound up, and an alternate Liquidator is proposed, consider whether creditors wish to appoint the alternate Liquidator.
6. If it is resolved that the Company be wound up, consider whether a Committee of Inspection is to be appointed, and if so, the members of that Committee.
7. If it is resolved that the Company be wound up, consider whether, subject to obtaining the approval of the Australian Securities & Investments Commission (**ASIC**) pursuant to Section 70-35 of Schedule 2 to the Act, the books and records of the Company and of the Liquidators may be disposed of by the Liquidators 12 months after the dissolution of the Company or earlier at the discretion of ASIC.
8. To fix the remuneration of the Administrators.
9. If it is resolved that the Company execute a Deed of Company Arrangement, to fix the remuneration of the Deed Administrators.
10. If it is resolved that the Company execute a Deed of Company Arrangement, to fix the remuneration of the Trustees of the Creditors Trust.
11. If it is resolved that the Company be wound up, to fix the remuneration of the Liquidators.
12. Any other business that may be lawfully brought forward.

For a person to be eligible to attend and vote at the meeting on your behalf, a Form 532, Appointment of Proxy, is to be completed and submitted by no later than 4.00PM AWST on 1 November 2017, to:

Empire Oil & Gas NL (Administrators Appointed)
c/- Ferrier Hodgson
Level 28, 108 St Georges Terrace, Perth WA 6000
Tel: 08 9214 1444
Fax: 08 9214 1400
Email: tim.rose@fh.com.au

Note:

A company may only be represented by proxy or by an attorney appointed pursuant to Insolvency Practice Rules (Corporations) 2016 (IPR) 75-25 and 75-150 or, by a representative appointed under Section 250D of the Act.

In accordance with IPR 75-85, creditors will not be entitled to vote at the meeting unless they have previously lodged particulars of their claim against the Company in accordance with the Corporations Regulations and that claim has been admitted, for voting purposes, wholly or in part.

Dated this 25th day of October 2017

A handwritten signature in black ink, appearing to be 'AS' with a stylized flourish.

Andrew Smith
Administrator

C – Appointment of proxy

Form 532 - Appointment of Proxy
Insolvency Practice Rules (Corporations) 2016, Section 75-25

Return to no later than 4.00pm on 1 November 2017 to:
Ferrier Hodgson, Level 28, 108 St Georges Terrace Perth WA 6000
Tel: 08 9214 1444
Fax: 08 9214 1400
Email: tim.rose@fh.com.au

Indebted Company: Empire Oil & Gas NL (Administrators Appointed) ACN 063 613 730
Date of Appointment: 28/09/2017

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

¹

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

² of

(address)

³ Tel:

⁴ Email:

B. Appointment of Person to Act as Proxy

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

¹ I/We, as named in Section A above, a creditor/employee/contributory/member of the Company, appoint

²

(name of person appointed as proxy)

³

⁴ or in his / her absence

(address of person appointed as proxy)

⁵

(name of person appointed as alternate proxy)

⁶

⁷ as *my / *our proxy

(address of person appointed as alternate proxy)

to vote at the meeting of creditors to be held on 2 November 2017 at 10.00AM AWST at Level 28, 108 St Georges Terrace, Perth, WA, 6000, or at any adjournment of that meeting in accordance with the instructions in Section C below.

C. Voting Instructions

¹ *My / *Our proxy, as named in Section B above, is entitled to act as *my / *our :

☐

² **general proxy**, to vote on *my / *our behalf **and / or**

☐

³ **special proxy**, to vote on *my / *our behalf specifically as follows:

Resolution	For	Against	Abstain
1. That, pursuant to Section 439C of the Corporations Act 2001 (the Act), the Company execute a Deed of Company Arrangement, under Part 5.3A of the Act, in the same form as the proposal statement presented to the meeting (even if it differs from the proposed Deed (if any) details of which accompanied the notice of meeting).	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2. That the Administration should end.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3. That the Company be wound up.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4. The Second Meeting be adjourned for a period not exceeding forty-five (45) business days.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5. That in the event that the Company is wound up and an alternate Liquidator is proposed, that the existing Liquidators be replaced and (<i>Alternative Appointee</i>) be appointed in their stead.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6. That a Committee of Inspection be appointed, the members of which are to be determined by the meeting.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Resolution	For	Against	Abstain
7. That, subject to obtaining the approval of the Australian Securities & Investments Commission (ASIC) pursuant to Section 70-35 of Schedule 2 to the Act, the books and records of the Company and of the Liquidators be disposed of by the Liquidators 12 months after the dissolution of the Company or earlier at the discretion of ASIC.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
8. That the remuneration of the Administrators, as set out in the Remuneration Approval Request Report dated 25 October 2017, for the period from 28 September 2017 to 13 October 2017 be fixed in the amount of \$55,134.50, plus any applicable GST, and may be paid.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
9. That the remuneration of the Administrators, as set out in the Remuneration Approval Request Report dated 25 October 2017, for the period from 14 October 2017 to 2 November 2017 be fixed up to a maximum amount of \$50,000, plus any applicable GST, but subject to upward revision by resolution of creditors, and that the Administrators be authorised to make periodic payments on account of such accruing remuneration as incurred.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
10. That the remuneration of the Administrators, as set out in the Remuneration Approval Request Report dated 25 October 2017, for the period from 2 November 2017 to execution of DOCA be fixed up to a maximum amount of \$10,000, plus any applicable GST, but subject to upward revision by resolution of creditors, and that the Administrators be authorised to make periodic payments on account of such accruing remuneration as incurred."	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
11. That the remuneration of the Deed Administrators, as set out in the Remuneration Approval Request Report dated 25 October 2017, for the period from the date of execution of the DOCA to completion be fixed up to a maximum amount of \$25,000, plus any applicable GST, but subject to upward revision by resolution of creditors, and that the Deed Administrators be authorised to make periodic payments on account of such accruing remuneration as incurred.			
12. That the remuneration of the Deed Administrators, as set out in the Remuneration Approval Request Report dated 25 October 2017, for the period from the date of execution of the Creditors Trust to completion be fixed up to a maximum amount of \$35,000, plus any applicable GST, but subject to upward revision by resolution of creditors, and that the Deed Administrators be authorised to make periodic payments on account of such accruing remuneration as incurred.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
13. That the remuneration of the Liquidators, as set out in the Remuneration Approval Request Report dated 25 October 2017, for the period from 2 November 2017 to completion be fixed up to a maximum amount of \$80,000, plus any applicable GST, but subject to upward revision by resolution of creditors, or the Committee of Inspection should one be appointed, and that the Liquidators be authorised to make periodic payments on account of such accruing remuneration as incurred.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

D. Signature

¹ Dated:

² Signature:

³ Name / Capacity:

Creditor Assistance Sheet: Completing a Proxy Form

Section A – Name and Contact Details of Person or Entity Entitled to Attend Meeting

1. Insert the full name of the employee, individual, sole trader, partnership or company that the debt is owed to.
2. Insert the address of the employee, individual, sole trader, partnership or company that the debt is owed to.
3. Insert the telephone number of the employee, individual, sole trader, partnership or company that the debt is owed to.
4. Insert the email address of the employee, individual, sole trader, partnership or company that the debt is owed to.

Section B – Appointment of Person to Act as Proxy

1. Cross out any wording that is **not** applicable. For example, if the employee/individual/sole trader/partnership/company is a creditor, cross out ‘*eligible employee creditor’, ‘*contributory’, ‘*debenture holder’ and ‘*member’.
2. Insert the name of the person who will be exercising the creditor’s vote at the meeting. If someone is attending the meeting in person, that person’s name should be inserted. Alternatively, if someone is unable to attend, but you still want to cast a vote at the meeting, then you can appoint the Chairperson of the meeting to vote on your behalf by inserting the words ‘the Chairperson’ here.
3. Insert the address of the person nominated at (2) that will be attending the meeting as proxy. If you have elected ‘the Chairperson’ because no one is attending in person, leave this row blank.
4. Cross out any wording that is **not** applicable.
5. If the person you have elected to attend is unavailable on the day, you may nominate a second person to attend in their absence. Alternatively, you can appoint the Chairperson of the meeting to vote on your behalf by inserting ‘the Chairperson’.
6. Insert the address of the second person here. If you have elected ‘the Chairperson’, leave this row blank.
7. Cross out any wording that is not applicable.

Section C – Voting Instructions

1. Cross out any wording that is not applicable.
2. Insert an ‘X’ in this box if you want the person who is attending the meeting to vote as they see fit on each of the resolutions in the ‘Resolution’ table. If you select this option, proceed to Section D, **unless** you wish to vote specifically on certain resolutions, in which case you also insert an ‘X’ in the special proxy box and select ‘For’, ‘Against’ or ‘Abstain’ on the resolutions. The person voting at the meeting will have discretion to vote as they see fit on any resolutions where you have **not** selected ‘For’, ‘Against’ or ‘Abstain’.
3. Insert an ‘X’ in this box if you want the person who is attending the meeting, to vote exactly in accordance with your instructions. If you select this option, you must select ‘For’, ‘Against’ or ‘Abstain’ for each of the resolutions in the ‘Resolution’ table. Do not tick more than one box for each resolution.

Section D – Signature Instructions

1. Insert the date that the proxy form is being signed.
2. The form should be signed by **one** of the following persons:
 - If the debt is owed to an employee/individual, then the individual that the debt is owed to; or
 - If the debt is owed to a sole trader, then the sole trader that the debt is owed to; or
 - If the debt is owed to a partnership, then one of the partners of the partnership; or
 - If the debt is owed to a company, then a duly authorised office of the company (normally a director or secretary of the company).
3. Insert the name of the person signing the form, and note their capacity (that is, their role):
 - If the debt is owed to a sole trader, note their capacity as proprietor, eg: “[Full name], proprietor”; or
 - If the debt is owed to a partnership, note their capacity as partner, eg: “[Full name], partner of the firm named in Section A above”; or
 - If the debt is owed to a company, note their capacity as director or secretary, eg: “[Full name], director/secretary of the company named in Section A above”]

D – Proof of debt

Form 535 Formal Proof of Debt or Claim Form
Corporations Act 2001, Regulation 5.6.49(2)

Return to:
Ferrier Hodgson Level 28, 108 St Georges Terrace, Perth WA
6000
Tel: 08 9214 1444
Fax: 08 9214 1400
Email: tim.rose@fh.com.au

Indebted Company: Empire Oil & Gas NL (Administrators Appointed) ACN 063 613 730
Date of Appointment: 28/09/2017

A. Name and Contact Details of Creditor

¹ _____ (the Creditor)

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

² of _____

(insert address)

³ Tel: _____

⁴ Email: _____

☐

Tick this box to elect to receive electronic notification of notices or documents, in accordance with Section 600G of the Corporations Act 2001, at the email address specified above.

B. Details of Debt or Claim

¹ Amount owing: _____

(insert dollars and cents, inclusive of GST if applicable)

² Nature of Debt or Claim: _____

(insert description of debt and/or reference any supporting documentation)

³ Select one of the following options:

☐

The Creditor is an unsecured creditor of the indebted Company

☐

The Creditor is a secured creditor of the indebted Company

☐

The Creditor is an employee / former employee of the indebted Company

☐

The Creditor is a related party (please indicate: secured / unsecured)

For all claims:

☐

⁴ I have attached supporting documentation to substantiate the Creditor's claim *(secured creditors must attach evidence of security)*

☐

⁵ 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 details and value of security where relevant)

C. Signature

¹ Dated: _____

² Signature: _____

³ Name / Capacity _____

Creditor Assistance Sheet: Completing a Proof of Debt Form

Section A – Name and Contact Details of Creditor

1. Insert the full name of the employee, individual, sole trader, partnership or company that the debt is owed to.
2. Insert the address of the employee, individual, sole trader, partnership or company that the debt is owed to.
3. Insert the telephone number of the employee, individual, sole trader, partnership or company that the debt is owed to.
4. Insert the email address of the employee, individual, sole trader, partnership or company that the debt is owed to.

Section B – Details of Debt or Claim

1. The amount owing should only include debts or claims which arose prior to the date of appointment.
2. Insert the currency if not Australian dollars.
3. Type of creditor: tick one of the options only.
4. For all claims, ensure supporting documentation is attached, such as invoices, statements, agreements.
5. For secured creditors, 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, indicate “refer attached” above and show them in a schedule in the following form:

Date	Drawer	Acceptor	Amount (\$)	Due Date

Section C – Signature Instructions

1. Insert the date that the proof of debt form is being signed.
2. The form should be signed by **one** of the following persons:
 - If the debt is owed to an employee/individual, then the individual that the debt is owed to; or
 - If the debt is owed to a sole trader, then the sole trader that the debt is owed to; or
 - If the debt is owed to a partnership, then one of the partners of the partnership; or
 - If the debt is owed to a company, then a duly authorised office of the company (normally a director or secretary of the company).
3. Insert the name of the person signing the form, and note their capacity (that is, their role):
 - If the debt is owed to a sole trader, note their capacity as proprietor, eg: “[Full name], proprietor”; or
 - If the debt is owed to a partnership, note their capacity as partner, eg: “[Full name], partner of the firm named in Section A above”; or
 - If the debt is owed to a company, note their capacity as director or secretary, eg: “[Full name], director/secretary of the company named in Section A above”]

E – Remuneration approval request

Schedule 2 to the Corporations Act 2001, Section 70-50
Insolvency Practice Rules (Corporations) 2016, Section 70-45

Empire Oil & Gas NL (Administrators Appointed) (the Company)
ACN 063 613 730

Remuneration Approval Request

This report contains the following information:

- Part 1: Declaration
- Part 2: Executive summary
- Part 3: Remuneration
- Part 4: Disbursements
- Part 5: Report on progress of the administration
- Part 6: Summary of receipts and payments
- Part 7: Questions
- Part 8: Approval of remuneration and internal disbursements
- Schedule A: Resolution 1 details
- Schedule B: Resolution 2 details
 - Resolution 3 details
 - Resolution 4 details
 - Resolution 5 details
 - Resolution 6 details

Next steps for creditors:

- Please review the contents of this report, which sets out the resolutions to be approved by creditors at the meeting of creditors on 2 November 2017.
- Refer to section 2.7 of the Voluntary Administrator's Report dated 25 October 2017 for details as to how you can attend the meeting of creditors in person or by proxy in order to vote on the resolutions contained in this report.

1. Declaration

We, Andrew Smith, Martin Jones and Peter McCluskey of Ferrier Hodgson, have undertaken a proper assessment of this remuneration claim for our appointment as Administrators of the Company in accordance with the Corporations Act 2001 (Cth) (**the Act**), the Australian Restructuring Insolvency & Turnaround Association (**ARITA**) Code of Professional Practice (**the Code**) 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.

2. Executive summary

2.1 Summary of remuneration approval sought for the Company

To date, no remuneration has been approved and paid in the administration of the Company. This remuneration report details approval sought for the following fees:

Period	Amount (ex GST) \$
Past remuneration approved:	Nil
Total past remuneration approved	Nil
Current remuneration approval sought:	
Voluntary administration	
<i>Resolution 1:</i> 28 September 2017 to 13 October 2017	55,134.50
<i>Resolution 2:</i> 14 October 2017 to 2 November 2017	50,000.00
Total approval sought – voluntary administration*	105,134.50
Deed of company arrangement (DOCA) (if applicable)	
<i>Resolution 3:</i> 2 November 2017 to execution of DOCA	10,000.00
<i>Resolution 4:</i> Date of execution of DOCA to completion	25,000.00
<i>Resolution 5:</i> Date of execution of the Creditors Trust to completion	35,000.00
Total approval sought – deed of company arrangement (if applicable)*	70,000.00
Liquidation (if applicable)	
<i>Resolution 6:</i> 2 November 2017 to completion of Liquidation	80,000.00
Total approval sought – liquidation (if applicable)*	80,000.00
* 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 Parts 2 and 3 for full details of the calculation and composition of the remuneration approval sought.

2.2 Comparison to estimate of costs provided to creditors in the Initial Remuneration Notice

The remuneration approval sought is consistent with the estimate of costs provided in the initial advice to creditors on remuneration included in my letter dated 29 September 2017, which estimated a cost to completion of the administration between \$200,000 to \$300,000 (excluding GST).

3. Remuneration

3.1 Remuneration claim resolutions

We will be seeking approval of the following resolutions with respect to remuneration. Details to support these resolutions are included in section 3.2.

Resolution 1:

"That the remuneration of the Administrators, as set out in the Remuneration Approval Request Report dated 25 October 2017, for the period from 28 September 2017 to 13 October 2017 be fixed in the amount of \$55,134.50, plus any applicable GST, and may be paid."

Resolution 2:

"That the remuneration of the Administrators, as set out in the Remuneration Approval Request Report dated 25 October 2017, for the period from 14 October 2017 to 2 November 2017 be fixed up to a maximum amount of \$50,000, plus any applicable GST, but subject to upward revision by resolution of creditors, and that the Administrators be authorised to make periodic payments on account of such accruing remuneration as incurred"

Please note that the above is an estimate only.

If costs exceed the estimate, creditors will be advised accordingly and further approval of the Administrators' remuneration will be sought in the future.

Resolution 3 (if applicable):

"That the remuneration of the Administrators, as set out in the Remuneration Approval Request Report dated 25 October 2017, for the period from 3 November 2017 to execution of DOCA be fixed up to a maximum amount of \$10,000, plus any applicable GST, but subject to upward revision by resolution of creditors, and that the Administrators be authorised to make periodic payments on account of such accruing remuneration as incurred."

Please note that the above is an estimate only.

If costs exceed the estimate, creditors will be advised accordingly and further approval of the Administrators' remuneration will be sought in the future.

Resolution 4 (if applicable):

"That the remuneration of the Deed Administrators, as set out in the Remuneration Approval Request Report dated 25 October 2017, for the period from the date of execution of the DOCA to completion be fixed up to a maximum amount of \$25,000, plus any applicable GST, but subject to upward revision by resolution of creditors, and that the Deed Administrators be authorised to make periodic payments on account of such accruing remuneration as incurred."

Please note that the above is an estimate only.

If costs exceed the estimate, creditors will be advised accordingly and further approval of the Administrators' remuneration will be sought in the future.

Resolution 5 (if applicable):

"That the remuneration of the Deed Administrators, as set out in the Remuneration Approval Request Report dated 25 October 2017, for the period from the date of execution of the Creditors Trust to completion be fixed up to a maximum amount of \$35,000, plus any applicable GST, but subject to upward revision by resolution of creditors, and that the Deed Administrators be authorised to make periodic payments on account of such accruing remuneration as incurred."

Please note that the above is an estimate only.

If costs exceed the estimate, creditors will be advised accordingly and further approval of the Administrators' remuneration will be sought in the future.

Resolution 6 (if applicable):

"That the remuneration of the Liquidators, as set out in the Remuneration Approval Request Report dated 25 October 2017, for the period from 3 November 2017 to completion be fixed up to a maximum amount of \$80,000, plus any applicable GST, but subject to upward revision by resolution of creditors, or the Committee of Inspection should one be appointed, and that the Liquidators be authorised to make periodic payments on account of such accruing remuneration as incurred."

Please note that the above is an estimate only.

If costs exceed the estimate, creditors will be advised accordingly and further approval of the Administrators' remuneration will be sought in the future.

3.2 Details of remuneration

The basis of calculating the remuneration claims are set out below, including the details of the major tasks performed and the costs associated with each of those major tasks.

3.2.1 Resolution 1: 28 September 2017 to 13 October 2017

Employee	Position	Rate (ex GST)	Total	Task Area								
				Assets		Creditors		Investigation		Administration		
				(\$/Hour)	(Hrs)	(\$)	(Hrs)	(\$)	(Hrs)	(\$)	(Hrs)	(\$)
Smith, Andrew	Partner	625	14.3	8,937.50	6.0	3,750.00	1.0	625.00	-	-	7.3	4,562.50
McCluskey, Peter	Partner	625	1.6	1,000.00	0.8	500.00	-	-	-	-	0.8	500.00
Jones, Martin	Partner	625	22.8	14,250.00	12.8	8,000.00	2.1	1,312.50	-	-	7.9	4,937.50
Powell, Sean	Director	550	0.9	495.00	-	-	-	-	0.9	495.00	-	-
Birch, Tom	Director	550	29.2	16,060.00	13.5	7,425.00	3.3	1,815.00	0.7	385.00	11.7	6,435.00
Chu, Kieran	Senior Manager	500	0.2	100.00	-	-	-	-	-	-	0.2	100.00
Stephens, Miranda	Assistant Manager	400	0.2	80.00	-	-	0.1	40.00	-	-	0.1	40.00
Collins, Bradley	Senior Analyst	350	2.8	980.00	-	-	-	-	2.8	980.00	-	-
Rose, Timothy	Analyst	310	28.8	8,928.00	3.3	1,023.00	17.1	5,301.00	0.2	62.00	8.2	2,542.00
Cohen-Cooke, Samuel	Analyst	310	0.2	62.00	-	-	0.2	62.00	-	-	-	-
Rassoul, Omeed	Analyst	310	0.3	93.00	-	-	0.3	93.00	-	-	-	-
Yusuf, Khadeeja	Accountant	270	8.4	2,268.00	-	-	-	-	-	-	8.4	2,268.00
Kast, Corina	Accountant	270	4.9	1,323.00	-	-	4.9	1,323.00	-	-	-	-
Robinson, Keith	Accountant Assistant	180	0.1	18.00	-	-	-	-	-	-	0.1	18.00
Titlestad, Jacqui	Team Assistant	180	3.0	540.00	-	-	-	-	-	-	3.0	540.00
Total (excluding GST)			101.3	55,134.50	36.4	20,698.00	24.1	9,248.50	4.6	1,922.00	36.2	19,117.00
GST				5,513.45								
Total (including GST)				60,647.95								
Average Hourly Rate				544.27		568.63		383.76		417.83		528.09

3.2.2 Resolution 2: 14 October 2017 to 2 November 2017

The below table sets out the expected costs for the major tasks likely to be performed by the Administrators and their staff for the period 14 October 2017 to 2 November 2017, which is the basis of the Resolution 2 claim. Please refer to Schedule B for further details with respect to the tasks likely to be performed.

Task	Hours	Amount \$
Assets	34.0	17,275.00
Creditors	25.0	8,395.00
Investigation	20.0	11,300.00
Administration	35.9	13,030.00
Total	114.9	50,000.00

3.2.3 Resolution 3: 2 November 2017 to execution of DOCA (if applicable)

The below table sets out the expected costs for the major tasks likely to be performed by the Administrators and their staff for the period from 2 November 2017 to execution of DOCA, which is the basis of the Resolution 3 claim. Please refer to Schedule B for further details with respect to the tasks likely to be performed.

Task	Hours	Amount \$
Assets	11.0	5,240.00
Creditors	5.0	1,960.00
Administration	7.0	2,800.00
Total	23.0	10,000.00

3.2.4 Resolution 4: Date of Execution of DOCA to completion (if applicable)

The below table sets out the expected costs for the major tasks likely to be performed by the Administrators and their staff for the period from the date of the execution of the DOCA to the completion, which is the basis of the Resolution 4 claim. Please refer to Schedule B for further details with respect to the tasks likely to be performed.

Task	Hours	Amount \$
Assets	27.5	13,425.00
Creditors	12.5	4,135.00
Administration	18.0	7,440.00
Total	58.0	25,000.00

3.2.5 Resolution 5: Date of Execution of the Creditors Trust to completion (if applicable)

The below table sets out the expected costs for the major tasks likely to be performed by the Administrators and their staff for the period from the date of the execution of the Creditors Trust to the completion, which is the basis of the Resolution 5 claim. Please refer to Schedule B for further details with respect to the tasks likely to be performed.

Task	Hours	Amount \$
Assets	21.0	7,823.00
Creditors	19.0	7,577.00
Dividend	35.0	11,956.00
Administration	22.0	7,644.00
Total	97.0	35,000.00

3.2.6 Resolution 6: 2 November 2017 to completion of Liquidation (if applicable)

The below table sets out the expected costs for the major tasks likely to be performed by the Liquidators and their staff for the period 2 November 2017 to the completion of the Liquidation, which is the basis of the Resolution 6 claim. Please refer to Schedule B for further details with respect to the tasks likely to be performed.

Task	Hours	Amount \$
Assets	30.0	10,680.00
Creditors	42.5	14,787.50
Investigation	30.0	12,587.50
Dividend	55.0	20,252.50
Administration	56.0	21,692.50
Total	213.5	80,000.00

Please note that the above is an estimate only. If costs exceed the estimate, creditors will be advised accordingly and further approval will be sought.

3.3 Total remuneration reconciliation

3.3.1 Comparison between current total and previous estimates

At this point in time we estimate that the total remuneration for this administration will be approximately \$105,134.50 (excluding GST). This includes the current approval amount being sought of \$105,134.50 (excluding GST).

The above estimate is consistent with the estimate of costs provided to creditors in the Initial Remuneration Notice included in our report dated 29 September 2017. The amount is subject to the following variables which may have a significant effect on the estimate:

- Length of sale process and/or DOCA
- Investigations into the affairs of the Company (if required)

3.3.2 Future remuneration requests

In preparing this report, we have made our best estimate at what we believe the administration will cost to complete and we do not anticipate that we will have to ask creditors to approve any further remuneration. However, should the administration 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 the cost of the administration, include:

- Length of sale process and/or DOCA
- Investigations into the affairs of the Company (if required)

3.4 Likely impact on dividends

The Administrators' remuneration and disbursements are a priority expense that ranks ahead of the payment of creditors, the work is necessary to undertake the administration.

We note that any dividend will ultimately be impacted by the realisations achieved by the Administrators and the value of creditor claims admitted to participate in the dividend.

4. Disbursements

4.1 Types of disbursements

Disbursements are divided into three types:

1. Externally provided professional services. These are recovered at cost. An example is legal fees.
2. Externally provided non-professional costs such as travel, accommodation and search fees. These disbursements are recovered at cost.
3. Internal disbursements such as photocopying, printing and postage. These disbursements, if charged to the administration, would generally be charged at cost; although if a data room is utilised, the fee will comprise an initial setup fee and then a fee based on the duration and size of the data room. Certain services provided by Ferrier Hodgson may require the processing of electronically stored information into specialist review platforms. Where these specialist resources are utilised, the fee will be based on units (e.g. number of computers), size (e.g. per gigabyte) and/or period of time (e.g. period of hosting). The relevant rates for internal disbursements are set out below:

Disbursement type	Charges (excl GST)
Advertising	At cost
Couriers	At cost
Data room hosting	Variable – see separate table below
eDiscovery services	Variable
Mileage reimbursement	\$0.66 per kilometre
Photocopying	At cost
Photocopying (outsourced)	At cost
Printing	At cost
Printing (outsourced)	At cost
Postage	At cost
Searches	At cost
Storage and storage transit	At cost
Telephone calls	At cost

Note: Above rates are applicable for the financial year ending 30 June 2018

Data room hosting fees by size (MB)	Charges per month (excl GST)
0-300	\$950
300-1000	\$950 + \$2.50/MB
1000-5000	\$2,500 + \$1.25/MB
5000+	\$7,500 + \$0.60/MB

4.2 Disbursements paid from the administration to Ferrier Hodgson to date

There have been no disbursements paid from the administration to Ferrier Hodgson to date. Future disbursements provided by Ferrier Hodgson will be charged to the administration on the same basis as the table in Part 4.1.

5. Report on progress of the administration

The Remuneration Approval Request must be read in conjunction with the Voluntary Administrator's Report to creditors dated 25 October 2017 which outlines the progress of the administration.

6. Summary of receipts and payments

A summary of receipts and payments for the period 14 September 2017 to 25 October 2017 is set out in the table below:

Receipts and payments	Total (incl GST) \$
Receipts	
Transfer from pre-appointment bank accounts	3,176,785.10
Total receipts	3,176,785.10
Payments	
Employee wages	93,133.01
Bin hire	350.00
Internet	400.00
IT expense	6,490.00
Lease expense	18,753.29
Security	1,063.70
Total payments	120,190.00
Closing cash at bank	3,056,595.10

7. Approval of remuneration and internal disbursements

For information about how approval of the resolutions for remuneration and internal disbursements will be sought, refer to Section 2.8 of the Voluntary Administrator's Report to creditors dated 25 October 2017.

8. Questions

If you require further information in respect of the above, or have other questions, please contact Timothy Rose of this office on (08) 9214 1444 .

The partners of Ferrier Hodgson are members of ARITA. Ferrier Hodgson follows the Code. A copy of the Code may be found on the ARITA website at www.arita.com.au.

An information sheet concerning approval of remuneration in external administrations can also be obtained from the Australian Securities & Investments Commission website at www.asic.gov.au.

Dated this 25th day of October 2017



Andrew Smith
Administrator

Schedule A – Resolution 1

The below table contains more detailed descriptions of the tasks performed within each task area performed by the Administrators and their staff for the period 28 September 2017 to 13 October 2017, which is the basis of the Resolution 1 claim in section 3.2.1.

Task area	General description	Includes
Assets 36.4 hours \$20,698.00 (excl GST)	Sale of business as a going concern	<ul style="list-style-type: none"> – Preparing a sales flyer and confidentiality agreement for a sale of the ASX listed shell – Liaising with potential purchasers – Discussions regarding MIN DOCA proposal
		<ul style="list-style-type: none"> – Liaising with valuers and auctioneers – Reviewing asset listings
	Plant and equipment	<ul style="list-style-type: none"> – Reviewing leasing documents – Liaising with owners / lessors
	Leasing	<ul style="list-style-type: none"> – Receive and follow up creditor enquiries via telephone and email – Maintaining creditor enquiry register – Review and prepare correspondence to creditors and their representatives via facsimile, email and post – Correspondence with committee of creditors members
Creditors 24.1 hours \$9,248.50 (excl GST)	Creditor enquiries	<ul style="list-style-type: none"> – Preparing and sending circular to creditors advising of our appointment and providing notice of the First Meeting
	Circular to Creditors	<ul style="list-style-type: none"> – Receipting and filing proofs of debt when not related to a dividend – Corresponding with OSR and ATO regarding proofs of debt when not related to a dividend
	Dealing with proofs of debt	<ul style="list-style-type: none"> – 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. – Respond to stakeholder queries and questions immediately following meeting
	Meeting of creditors	<ul style="list-style-type: none"> – Responding to any shareholder correspondence
	Shareholder enquires	<ul style="list-style-type: none"> – Collection of Company books and records – Reviewing Company's books and records – Review and preparation of Company nature and history – Conducting and summarising statutory searches – Preparation of comparative financial statements – Preparation of deficiency statement
Investigation 4.6 hours \$1,922.00 (excl GST)	Conducting investigation	

Task area	General description	Includes
Administration 36.20 hours \$19,117.00 (excl GST)		– Review of specific transactions and liaising with directors regarding certain transactions
	Correspondence	– General correspondence
	ASIC reporting	– Liaising with ASIC
	Insurance	– Identification of potential issues requiring attention of insurance specialists
		– Correspondence with insurer regarding initial and ongoing insurance requirements
		– Reviewing insurance policies
	Bank account administration	– Correspondence with previous brokers
		– Preparing correspondence opening accounts
		– Requesting bank statements
	ASIC Forms	– Bank account reconciliations
		– Correspondence with bank regarding specific transfers
		– Preparing and lodging ASIC forms including 505 etc
	ATO and other statutory reporting	– Correspondence with ASIC regarding statutory forms
	Court Orders	– Notification of appointment
		– Various correspondence with legal advisers regarding matters including, allocation of debtor proceeds and the validity of the inter-company loan
	Books and records / storage	– Correspondence with creditors regarding the same
		– Dealing with records in storage
	Financial Reporting Relief	– Sending job files to storage
		– Lodging an application for financial reporting relief and an extension of the AGM with the ASIC
		– Advising the ASX in respect of the same

Schedule B – Resolution 2

The below table contains more detailed descriptions of the tasks performed within each task area likely to be performed by the Administrators and their staff for the period 14 October 2017 to 2 November 2017, which is the basis of the Resolution 2 claim in section 3.2.2.

Task area	General description	Includes
Assets 34.0 hours \$17,275.00 (excl GST)	Sale of business as a going concern	<ul style="list-style-type: none"> – Liaising with potential purchasers – Counter-signing confidentiality agreement – Considering DOCA Proposal and liaising with DOCA proponent
	Plant and equipment	<ul style="list-style-type: none"> – Liaising with valuers, auctioneers and interested parties – Reviewing asset listings
	Creditor enquiries	<ul style="list-style-type: none"> – Receive and follow up creditor enquiries via telephone and email – Maintaining creditor enquiry register – Review and prepare correspondence to creditors and their representatives via facsimile, email and post – Correspondence with committee of creditors members
	Creditor reports	<ul style="list-style-type: none"> – Preparing report on results of investigation, meeting and general reports to creditors
Creditors 25.0 hours \$8,395.00 (excl GST)	Dealing with proofs of debt	<ul style="list-style-type: none"> – Receipting and filing proofs of debt when not related to a dividend – Corresponding with OSR regarding proofs of debt when not related to a dividend
	Meeting of creditors	<ul style="list-style-type: none"> – 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 – Preparation and lodgement of minutes of meetings with ASIC – Respond to stakeholder queries and questions immediately following meeting
	Shareholder enquires	<ul style="list-style-type: none"> – Correspondence with shareholders

Task area	General description	Includes
Investigation 20.0 hours \$11,300.00 (excl GST)	Conducting investigation	<ul style="list-style-type: none"> – Collection of Company books and records – Reviewing Company's books and records – 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 and liaising with directors regarding certain transactions
		Correspondence
		Document maintenance / file review / checklist
		Insurance
Administration 35.9 hours \$13,030.00 (excl GST)	Court Orders	<ul style="list-style-type: none"> – Identification of potential issues requiring attention of insurance specialists – Correspondence with insurer regarding initial and ongoing insurance requirements – Reviewing insurance policies – Correspondence with previous brokers
		<ul style="list-style-type: none"> – Various correspondence with legal advisers regarding matters including, allocation of debtor proceeds and the validity of the inter-company loan – Correspondence with creditors regarding the same
	Bank account administration	<ul style="list-style-type: none"> – Requesting bank statements – Bank account reconciliations – Correspondence with bank regarding specific transfers
	ASIC Forms	<ul style="list-style-type: none"> – Preparing and lodging ASIC forms – Correspondence with ASIC regarding statutory forms
	ATO and other statutory reporting	<ul style="list-style-type: none"> – Preparing BASs
	Planning / review	<ul style="list-style-type: none"> – Discussions regarding status / strategy of administration
	Books and records / storage	<ul style="list-style-type: none"> – Dealing with records in storage
		<ul style="list-style-type: none"> – Sending job files to storage

Schedule B – Resolution 3

The below table contains more detailed descriptions of the tasks performed within each task area likely to be performed by the Administrators and their staff for the period 2 November 2017 to the execution of the DOCA, which is the basis of the Resolution 3 claim in section 3.2.3.

Task area	General description	Includes
Assets 11.0 hours \$5,240.00 (excl GST)	Sale of ASX Listed Shell	<ul style="list-style-type: none"> – Liaising with potential purchasers – Assisting with due diligence – Internal meetings to discuss / review offers received
	DOCA Assets	<ul style="list-style-type: none"> – Liaising with DOCA proponent – Internal meetings – Finalising terms of the DOCA – Liaising with statutory authorities
Creditors 5.0 hours \$1,960.00 (excl GST)	Creditor enquiries	<ul style="list-style-type: none"> – Receive and follow up creditor enquiries via telephone and email – Review and prepare correspondence to creditors and their representatives via facsimile, email and post
	Creditor reports	<ul style="list-style-type: none"> – Preparing report on results of investigation, meeting and general reports to creditors
	Dealing with proofs of debt	<ul style="list-style-type: none"> – Receipting and filing proofs of debt when not related to a dividend – Adjudication of proofs of debts
	Shareholder enquires	<ul style="list-style-type: none"> – Correspondence with shareholders
Administration 7.0 hours \$2,800 (excl GST)	Correspondence	<ul style="list-style-type: none"> – General correspondence
	Document maintenance / file review / checklist	<ul style="list-style-type: none"> – Filing of documents – File reviews – Updating checklists
	Court Orders	<ul style="list-style-type: none"> – Various correspondence with legal advisers regarding matters including, allocation of debtor proceeds and the validity of the inter-company loan – Correspondence with creditors regarding the same
	Bank account administration	<ul style="list-style-type: none"> – Requesting bank statements – Bank account reconciliations – Correspondence with bank regarding specific transfers
	ASIC Forms	<ul style="list-style-type: none"> – Preparing and lodging ASIC forms – Correspondence with ASIC regarding statutory forms
	ATO and other statutory reporting	<ul style="list-style-type: none"> – Preparing BASs – Completing group certificates
	Planning / review	<ul style="list-style-type: none"> – Discussions regarding status / strategy of administration
	Books and records / storage	<ul style="list-style-type: none"> – Dealing with records in storage – Sending job files to storage

Schedule B – Resolution 4

The below table contains more detailed descriptions of the tasks performed within each task area likely to be performed by the Administrators and their staff for the period from the execution of the DOCA to completion, which is the basis of the Resolution 4 claim in section 3.2.4.

Task area	General description	Includes
Assets 27.5 hours \$13,425.00 (excl GST)	Sale of ASX Listed Shell	<ul style="list-style-type: none"> – Liaising with potential purchasers – Assisting with due diligence – Internal meetings to discuss / review offers received
	DOCA Assets	<ul style="list-style-type: none"> – Liaising with DOCA proponent – Internal meetings – Finalising terms of the DOCA – Liaising with statutory authorities
Creditors 12.5 hours \$4,315.00 (excl GST)	Creditor enquiries	<ul style="list-style-type: none"> – Receive and follow up creditor enquiries via telephone and email – Review and prepare correspondence to creditors and their representatives via facsimile, email and post
	Creditor reports	<ul style="list-style-type: none"> – Preparing report on results of investigation, meeting and general reports to creditors
	Dealing with proofs of debt	<ul style="list-style-type: none"> – Receipting and filing proofs of debt when not related to a dividend – Adjudication of proofs of debts
	Shareholder enquires	<ul style="list-style-type: none"> – Correspondence with shareholders
Administration 18.0 hours \$7,440.00 (excl GST)	Correspondence	<ul style="list-style-type: none"> – General correspondence
	Document maintenance / file review / checklist	<ul style="list-style-type: none"> – Filing of documents – File reviews – Updating checklists
	Court Orders	<ul style="list-style-type: none"> – Various correspondence with legal advisers regarding matters including, allocation of debtor proceeds and the validity of the inter-company loan – Correspondence with creditors regarding the same
	Bank account administration	<ul style="list-style-type: none"> – Requesting bank statements – Bank account reconciliations – Correspondence with bank regarding specific transfers
	ASIC Forms	<ul style="list-style-type: none"> – Preparing and lodging ASIC forms – Correspondence with ASIC regarding statutory forms
	ATO and other statutory reporting	<ul style="list-style-type: none"> – Preparing BASs – Completing group certificates

Task area	General description	Includes
	Planning / review	– Discussions regarding status / strategy of administration
	Books and records / storage	– Dealing with records in storage – Sending job files to storage

Schedule B – Resolution 5

The below table contains more detailed descriptions of the tasks performed within each task area likely to be performed by the Administrators and their staff for the period from the execution of the Creditors Trust to completion, which is the basis of the Resolution 5 claim in section 3.2.5.

Task area	General description	Includes
Assets 21.0 hours \$7,823.00 (excl GST)	Sale of ASX Listed Shell	<ul style="list-style-type: none"> – Liaising with potential purchasers – Internal meetings to discuss / review offers received – Drafting sale agreement and liaising with legal adviser and purchaser – Announcements to the ASX
	Creditors Trust Assets	<ul style="list-style-type: none"> – Handover of asset to DOCA proponent
	Leasing	<ul style="list-style-type: none"> – Liaising with owners / lessors – Tasks associated with disclaiming lease
	Creditor enquiries	<ul style="list-style-type: none"> – Receive and follow up creditor enquiries via telephone and email – Maintaining creditor enquiry register – Review and prepare correspondence to creditors and their representatives via facsimile, email and post – Correspondence with committee of creditors members
Creditors 19.0 hours \$7,577.00 (excl GST)	Creditor reports	<ul style="list-style-type: none"> – Preparing general reports and updates to creditors
	Dealing with proofs of debt	<ul style="list-style-type: none"> – Receipting and filing proofs of debt when not related to a dividend – Corresponding with OSR regarding proofs of debt when not related to a dividend
	Shareholder enquires	<ul style="list-style-type: none"> – Correspondence with shareholders – Preparing ASX announcements
Dividend 35.0 hours \$11,956.00 (excl GST)	Processing proofs of debt	<ul style="list-style-type: none"> – Preparation of correspondence to potential creditors inviting lodgement of proofs of debt – Receipt of proofs of debt – Maintain proof of debt register – Adjudicating proofs of debt – Request further information from claimants regarding proofs of debt – Preparation of correspondence to claimant advising outcome of adjudication

Task area	General description	Includes
Administration 22.0 hours \$7,644.00 (excl GST)	Dividend procedures	<ul style="list-style-type: none"> – 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 calculations – 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
	Correspondence	<ul style="list-style-type: none"> – General correspondence
	Document maintenance / file review / checklist	<ul style="list-style-type: none"> – First month, then six monthly administration review – Filing of documents – File reviews – Updating checklists
	Bank account administration	<ul style="list-style-type: none"> – Requesting bank statements – Bank account reconciliations – Correspondence with bank regarding specific transfers
	ASIC Forms	<ul style="list-style-type: none"> – Preparing and lodging ASIC forms – Correspondence with ASIC regarding statutory forms
	ATO and other statutory reporting	<ul style="list-style-type: none"> – Notification of appointment – Preparing BASs – Completing group certificates
	Finalisation	<ul style="list-style-type: none"> – Notifying ATO of finalisation – Cancelling ABN / GST / PAYG registration – Completing checklists – Finalising WIP
	Books and records / storage	<ul style="list-style-type: none"> – Dealing with records in storage – Sending job files to storage

Schedule B – Resolution 6

The below table contains more detailed descriptions of the tasks performed within each task area likely to be performed by the Administrators and their staff for the period 2 November 2017 to the completion of the Liquidation, which is the basis of the Resolution 5 claim in section 3.2.6.

Task area	General description	Includes
Assets 30.0 hours \$10,680.00 (excl GST)	Sale of Assets	<ul style="list-style-type: none"> – Liaising with potential purchasers – Internal meetings to discuss / review offers received
	Leasing	<ul style="list-style-type: none"> – Liaising with owners / lessors – Tasks associated with disclaiming leases
	Creditor enquiries	<ul style="list-style-type: none"> – Receive and follow up creditor enquiries via telephone and email – Maintaining creditor enquiry register – Review and prepare correspondence to creditors and their representatives via facsimile, email and post – Correspondence with committee of creditors members
	Creditor reports	<ul style="list-style-type: none"> – Preparing general reports and updates to creditors
Creditors 42.5 hours \$14,787.50 (excl GST)	Dealing with proofs of debt	<ul style="list-style-type: none"> – Receipting and filing proofs of debt when not related to a dividend – Corresponding with OSR and ATO regarding proofs of debt when not related to a dividend
	Meeting of creditors (if required)	<ul style="list-style-type: none"> – 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. – Preparation and lodgement of minutes of meetings with ASIC – Respond to stakeholder queries and questions immediately following meeting
	Shareholder enquires	<ul style="list-style-type: none"> – Correspondence with shareholders

Task area	General description	Includes
Investigation 30.0 hours \$12,587.50 (excl GST)	Conducting investigation	<ul style="list-style-type: none"> – Reviewing Company's books and records – 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 and liaising with directors regarding certain transactions – Preparation of investigation file – Lodgement of investigation with ASIC – Preparation and lodgement of supplementary report if required
	Examinations	<ul style="list-style-type: none"> – Preparing brief to solicitor – Liaising with solicitor(s) regarding examinations – Attendance at examination – Reviewing examination transcripts – Liaising with solicitor(s) regarding outcome of examinations and further actions available
	Litigation / recoveries	<ul style="list-style-type: none"> – Internal meetings to discuss status of litigation (if any) – Preparing brief to solicitors – Liaising with solicitors regarding recovery actions – Attending to negotiations – Attending to settlement matters
	ASIC reporting	<ul style="list-style-type: none"> – Preparing statutory investigation reports – Preparing affidavits seeking non-lodgement assistance – Liaising with ASIC
Dividend 55.0 hours \$20,252.50 (excl GST)	Processing proofs of debt	<ul style="list-style-type: none"> – Preparation of correspondence to potential creditors inviting lodgement of proofs of debt – Receipt of proofs of debt – Maintain proof of debt register – Adjudicating proofs of debt – Request further information from claimants regarding proofs of debt – Preparation of correspondence to claimant advising outcome of adjudication
	Correspondence	<ul style="list-style-type: none"> – General correspondence
Administration 56.0 hours 21,692.50 (excl GST)	Document maintenance / file review / checklist	<ul style="list-style-type: none"> – First month, then six monthly administration review – Filing of documents – File reviews – Updating checklists

Task area	General description	Includes
	Bank account administration	<ul style="list-style-type: none"> – Requesting bank statements – Bank account reconciliations – Correspondence with bank regarding specific transfers
	ASIC Forms	<ul style="list-style-type: none"> – Preparing and lodging ASIC forms – Correspondence with ASIC regarding statutory forms
	ATO and other statutory reporting	<ul style="list-style-type: none"> – Notification of appointment – Preparing BASs – Completing group certificates
	Finalisation	<ul style="list-style-type: none"> – Notifying ATO of finalisation – Cancelling ABN / GST / PAYG registration – Completing checklists – Finalising WIP
	Books and records / storage	<ul style="list-style-type: none"> – Dealing with records in storage – Sending job files to storage

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.



Term Sheet for Combined DOCA for Empire Oil Group of Companies being:

- Empire Oil & Gas NL
- Empire Oil Company (WA)
Limited
- Empire Services Pty Ltd

1. Proponent

Mineral Resources Limited

2. Purpose

2.1 The purpose of this term sheet is to record the terms of a combined Deed of Company Arrangement (**DOCA**) proposed by the Proponent for the entities in the Empire Oil Group of Companies (**Empire Group**), namely for:

- Empire Oil & Gas NL (**EGO**);
- Empire Oil Company (WA) Limited (**Empire WA**); and
- Empire Services Pty Ltd (**Empire Services**)

which DOCA will have the effect of:

- (a) effectively pooling the assets of the entities in the Empire Group;
- (b) ensuring that creditors of each entity in the Empire Group receive a better return than in liquidation;
- (c) transferring ownership of Empire WA to the Proponent in a way which:
 - provides certainty, both as the quantum and timing, as to the return to the unsecured creditors of Empire WA;
 - allows Empire WA to continue to trade;
 - gives many creditors an opportunity to trade with Empire WA in the future;
 - means that, once Empire WA is part of the MRL Group of Companies, Empire WA will have the financial backing of a substantial listed entity.
- (d) minimises holding costs and reduces the further administrators'/receivers' fees to be incurred; and
- (e) puts in place a structure which enables any value in the listed shell of EGO to be realised for the benefit of the creditors of EGO.

2.2 Upon the Proponent becoming the owner of Empire WA, the Proponent will ensure that Empire WA has sufficient working capital to enable Empire WA to:

- make all reasonable efforts to reopen the Red
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Gully Well and processing facility; and

- meet its obligations with respect to its various exploration tenements; and
- progress the exploitation of its various exploration tenements.

3. Acquisition of shares in Empire WA and other assets of Empire Oil

3.1 Upon the Empire WA Completion Event (see 9 below), EGO will:

- (1) transfer all of the shares in Empire WA to Proponent (or its nominee);
- (2) transfer to Empire WA, all of the shares it owns in Cattamarra Farms Pty Ltd (**Cattamarra Farms**); and
- (3) transfer to Empire WA, any other assets owned by it or in its possession:
 - (a) except for all of the cash at bank (including the Alcoa Funds and any funds held in trust by the Administrators in any capacity) which is to become Pool D;
 - (b) but including, without limitation:
 - any intellectual property associated with the assets owned by Empire WA or Cattamarra Farms (**Empire WA Assets**); and
 - any licences, approvals or other authorisations associated with the Empire WA Assets; and
 - all records associated with the operation of the Empire WA Assets, including all exploration, appraisal and production data, information and studies in its possession; and
 - any geological, geotechnical and geophysical records and reports associated with the Empire WA Assets; and
 - all production, operating and maintenance records and other documents which a reasonable and prudent operator would require to operate the Empire WA Assets;
- (4) transfer to Empire WA, any and all claims that it has against, or debts due from:
 - Wharf Resources PLC (**Wharf**), who is the holder of the remaining 10% of the shares in Cattamarra Farms; and
 - Cattamarra Farms; and
- (5) release Empire WA from any and all

liabilities it may have, including, without limitation, its liability:

- under any debt or financial facility or agreement;
- for the inter-company debt due from Empire WA to EOG (**Inter-company Debt**); and
- for its contingent right of indemnity arising out of its liability to the Proponent under the guarantee granted by it for the MRL Debt (**Right of Indemnity**); and

- (6) not prove for the amounts referred to in 3.1(4) at any creditors meeting of Empire WA or under the Creditors Trust, in competition with the other creditors of Empire WA.

3.2 Upon the Empire WA Completion Event, Empire Services will:

- (1) transfer to Empire WA any assets owned by it or in its possession, including without limitation:
- any intellectual property associated with the Empire WA Assets; and
 - any licences, approvals or other authorisations associated with the Empire WA Assets; and
 - all records associated with the operation of the Empire WA Assets, including all exploration, appraisal and production data, information and studies in its possession; and
 - any geological, geotechnical and geophysical records and reports associated with the Empire WA Assets; and
 - all production, operating and maintenance records and other documents which a reasonable and prudent operator would require to operate the Empire WA Assets;
- (2) transfer to Empire WA any and all claims it has against and debts due from, Wharf or Cattamarra Farms; and
- (3) release Empire WA from any and all claims it may have.

3.3 In consideration for 3.1 and 3.2, the Proponent will:

- (1) cause the payment of the amounts to the Creditors Trust referred to at 8.1, for the benefit of the creditors of Empire WA;



- (2) except in relation to Pool D and subject to 8.1(4)(c), not prove for the debt the subject of its security, which is currently an amount of the order of \$15.1 million (plus interest plus enforcement costs) (**MRL Debt**), in competition with the other creditors of Empire WA;
- (3) in relation to Pool D, reduce the amount for which it proves, as a consequence of EGO's guarantee of the MRL Debt, by \$4 million less:
 - the amounts paid to the Creditors Trust as contemplated at 6 below; and
 - the "holding costs" incurred as a consequence of the appointment of Receivers and Managers to certain of the assets of Empire WA.

4. Assets of and realisation of value from listed shell of EGO

- 4.1 Upon the Empire WA Completion Event, all of the cash at bank (including the Alcoa Funds and any funds held in trust by the Administrators in any capacity) will be transferred to Pool D of the Creditors Trust.
- 4.2 The Deed Administrators will, upon the DOCA becoming effective, take steps to attempt to locate a party who is prepared to pay for the opportunity to exploit the listed shell of EGO.
- 4.3 If the Deed Administrators can locate such a party within 90 days (or such longer period as may be agreed between the Deed Administrators and the Proponent), a meeting of the creditors of EGO may be called to vary the DOCA, so far as it relates to EGO, so as to facilitate the realisation of value from the listed shell of EGO.
- 4.4 The proceeds received from the realisation of the listed shell of EGO, after the reasonable costs and remuneration of the Deed Administrators, will be paid into Pool D.
- 4.5 If the listed shell of EGO cannot be realised within the time specified at 4.3, the DOCA will terminate, so far as it relates to EGO, and EGO will be wound up.

5. Empire Services

Upon the Empire WA Completion Event, the DOCA, so far as it relates to Empire Services, will terminate and Empire Services will be wound up.

6. Creditors Trust

- 6.1 A creditors trust will be established for the purposes of the DOCA and named "Empire Group Creditors Trust".
 - 6.2 The purpose of the Creditors Trust will be to enable certain tasks ordinarily undertaken by
-

deed administrators (including but not limited to, the calling for and adjudication upon the claims of unsecured creditors) to be performed by the Trustees of the Creditors Trust, in order to:

- (a) facilitate the early termination of the DOCA so far as it relates to Empire WA, so that Empire WA avoids having to trade "subject to DOCA", which may adversely impact upon its ability to acquire goods and services and obtain credit; and
- (b) facilitate a realisation of the listed shell of EGO, in a way which is consistent with the expectations of potential proponents for the exploitation of the listed shell of EGO.

6.4 For the purposes of proving under the Creditors Trust, intercompany debts will be ignored.

6.5 The funds available for distribution to creditors of the Empire Group will be as follows:

- (a) the debts due to the creditors of Empire WA will be satisfied by way of dividends out of the following sources:
 - (1) an amount which the Proponent causes to be paid pursuant to 8.1, in satisfaction of any debts due to Government and Statutory Authorities;
 - (2) Pool A, consisting of the sum of \$155,000, which the Proponent causes to be paid pursuant to 8.1;
 - (3) Pool B, consisting of the sum of \$204,000 which the Proponent causes to be paid pursuant to 8.1;
 - (4) Pool C, consisting of:
 - any cash at bank held by the administrators of Empire WA (but not including any funds held for the benefit of a joint venture in which Empire WA is a participant) at the Empire WA Completion Event; and
 - an amount of \$320,000, which the Proponent causes to be paid pursuant to 8.1; and
- (b) the debts due to the creditors of EGO and any employees of an entity in the Empire Group, will be satisfied by way of dividends out of Pool D, consisting all of the cash at bank (including the Alcoa Funds and any funds held in trust by the Administrators in any capacity) held by the Administrators of EGO at the Empire WA Completion Event;
- (c) The Proponent anticipates that there are no creditors of Empire Services other than Employees, who will participate in Pool D.



**7. Deed
Administrators/Trustees of
Creditors Trust**

- 7.1 Martin Jones, Andrew Smith and Peter McCluskey of Ferrier Hodgson (**Administrators**) will be the Deed Administrators and will have all of the necessary powers to administer the DOCA.
- 7.2 The Deed Administrators will become the trustees of the Creditors Trust.

**8. Distribution to Unsecured
Creditors**

- 8.1 The Proponent will direct the Trustees of the Creditors Trust to pay the following amounts out of the Proponent's entitlement to a dividend as a creditor of Pool D (Proponent Dividend), which funds will be made available to the unsecured creditors of Empire WA as follows:

(1) Debts due to Government and Statutory Authorities

- To the extent that any government or statutory authority or regulator is a creditor, and the non-payment of the debt to that authority or regulator puts at risk any of the Empire WA Assets, the Proponent directs the Trustees to pay such debts in full out of the Proponent Dividend.
- Currently, it is not anticipated that there will be any debts in this category.

(2) Small Unsecured Creditors (Pool A)

- The Proponent directs the Trustees to pay the sum of \$155,000 out of the Proponent Dividend to constitute Pool A, which funds will be distributed, pro rata, to the unsecured creditors of Empire WA who have debts of less than \$55,000 (other than Employees).
- It is anticipated that this will result in a return to these small unsecured creditors of the order of 25 cents in the dollar.

(3) Other Creditors (Pool B)

- The Proponent directs the Trustees to pay the sum of \$204,000 out of the Proponent Dividend to constitute Pool C, which fund will be distributed pro rata to the other unsecured creditors of Empire WA (other than the Proponent, Employees and Empire Oil).
- Subject to 8.1(4)(c), it is anticipated that this will result in a return to these creditors of approximately 9 cents in the dollar.

For the avoidance of doubt, a creditor cannot reduce its claim, so as to attempt to fall within Pool A, if the true debt is greater than \$55,000.



(4) Balancing Pool (Pool C)

The Proponent directs the Trustee to pay the sum of \$320,000 out of the Proponent Dividend, to Pool C, and the Pool C funds will be applied:

- (a) first, in satisfaction of the fees, costs, disbursements of the Administrators incurred as the administrators of Empire WA (Empire WA Administrators Fees), up to a maximum of \$560,308.
- (b) next, to any creditors of Empire WA who are not known to be creditors of Empire WA as at the date of this Term Sheet (New Creditors);
- (c) If there is any excess in Pool C, after the payment of the Empire Administrators Fees and any New Creditors, it will be paid back to the Proponent.

8.2 Pool D will be made available to the unsecured creditors of EGO as follows:

- (1) first to the administrators in their capacity as administrators of EGO and Empire Services, as Deed Administrators, Trustees and Liquidators, for the fees, costs and remuneration incurred by them in those capacities, up to a total cap of \$561,245
- (2) next, to Employees for their employee entitlements; and
- (3) next, to the unsecured creditors of EGO, pro rata, but on the basis that:
 - (i) the Proponent will only prove for the MRL Debt, reduced in the amount contemplated by 3.3(3); and
 - (ii) neither EGO nor Empire Services can prove as a creditor.

8.3 The cap on fees referred to at 8.2(1) will not operate with respect to the fees, costs and remuneration incurred by the Deed Administrators in giving effect to a transaction to realise the listed shell of EGO, which fees, costs and remuneration can only be borne out of the proceeds of the realisation of that listed shell.

9. Empire WA Completion Event

9.1 The Empire WA Completion Event will occur on the date which is 2 business days after the satisfaction of the last of the following Conditions Precedent:

- (a) that the creditors of EGO approve this DOCA;
-



- (b) the creditors of Empire WA approve this DOCA; and
- (c) the creditors of Empire Services approve this DOCA; and
- (d) the creation of the Creditors Trust;

9.2 Upon the Empire WA Completion Event occurring:

- (a) the DOCA will terminate in relation to Empire WA;
- (b) the transactions contemplated at 3.1 and 3.2 will occur;
- (c) the control of Empire WA will return to its then directors;
- (d) the DOCA will terminate in relation to Empire Services and it will be wound up.

9.3 The Conditions Precedent at 9.1 are for the benefit of the Proponent and may only be waived by the Proponent.

10. Other provisions of DOCA

10.1 Under the DOCA:

- the Administrators will become the Deed Administrators;
- the Deed Administrators will be obliged to give effect to the terms of the DOCA and provide all reasonable assistance in satisfying the Conditions Precedent;
- the claims of all creditors (other than the Proponent) will be released to the fullest extent possible; and
- the Creditors Trust will be created and the creditors of the Empire Group will only be entitled to participate as beneficiaries of the Creditors Trust.

10.2 During the period of the operation of the DOCA, any officer or member of an entity in the Empire Group or any creditor bound by the provisions of the DOCA must not make any application to wind up an entity in the Empire Group, continue such application or commence or continue any enforcement process in relation to the property of the Empire Group.

10.3 The DOCA will terminate:

- (a) for Empire WA, upon the Empire WA Completion Event, at which time control of Empire WA will revert to its then directors;
 - (b) for Empire Services, upon the Empire WA Completion Event, at which time Empire Services will be wound up and the Deed Administrators will become Liquidators; and
-



- (c) for EGO, if the DOCA is not varied within 90 days (or such longer period agreed by the Proponent) of the execution of this DOCA to facilitate the realisation of the listed shell of EGO, in which case and at which time EGO will be wound up and the Deed Administrators will become Liquidators.

10.4 The DOCA will have those other provisions which are usual in a DOCA of this nature.

11. Distribution of Trust Fund

11.1 The Trust Fund will be distributed by the Trustees as soon as reasonably practicable after the Empire WA Completion Event.

11.2 The terms of section 556, 560 and 561 of the Corporations Act shall apply as if the references to "liquidator" were references to the "Trustee", references to "winding up" were references to the "Creditors Trust" and with such other modifications as are necessary to give effect to the terms of this Term Sheet.

11.3 Sections 444DA and 444DB of the Act will apply to the DOCA.

12. Alcoa Funds

All funds received from Alcoa of Australia Ltd (in whatever capacity and by whatever Empire Group entity) will be paid into and included in Pool D.

13. Creditors Committee

There will not be a creditors committee under the DOCA.

14. Administrators/Trustees lien and remuneration

14.1 The Administrators of Empire WA, are entitled to be indemnified out of, and will have a lien over:

- (a) the cash held by Empire WA at the time of their appointment; and
- (b) Pool C,

for their remuneration, costs, fees and expenses for work done in the performance of their duties as Administrators of Empire WA

14.2 The Administrators of each of EOG and Empire Services, the Deed Administrators, the Trustees and the Liquidators are entitled to be indemnified out of and will have a lien over Pool D for their remuneration, costs, fees and expenses for the work due in those respective capacities (subject to the cap in 8.2(1) .

15. Termination of DOCA

15.1 In the event that the Empire WA Completion Event does not occur by 5pm on 17 November 2017 or such other date as is agreed between



the Proponent and the Deed Administrators, then the Deed Administrators may:

- (a) cause any or all of the entities in the Empire Group to be placed into liquidation; and/or
- (b) convene a meeting of creditors to vary or terminate the DOCA.

16. Other terms

- 16.1 Except for regulations 3(c) and 11, and except to the extent inconsistent with the terms of this Term Sheet, the terms and conditions contained in Schedule 8A of the Corporations Regulations will be incorporated into the DOCA.
- 16.2 Section 440D of the Act will apply while the DOCA is on foot.
- 16.3 The Deed Administrators will promptly apply for approval to the relevant minister, with respect to the deemed assignment of the section 34 Access Rights Instrument dated 24 October, arising out of the transfer in the shares in Empire WA to the Proponent.
- 16.4 The Deed Administrators will use their best endeavours to procure that a lease or other tenure arrangement, on terms satisfactory to the Proponent, is entered into between Cattamarra Farms and Empire WA, which formalises the existing tenure arrangement.

17. Directors

- 17.1 The Deed Administrators will have the power to appoint directors and remove directors of the entities of Empire Group.
- 17.2 Upon the occurrence of the Empire WA Completion Event, the directors of Empire WA will be:
 - Chris Ellison; and
 - Bruce Goulds.

18. Governing law

Western Australia.

Dated 25 October 2017



Signed by Chris Ellison for and on behalf of
Mineral Resources Limited

25 October 2017

To Creditors

Dear Sir/Madam

**Empire Oil Company (WA) Limited (Administrators Appointed) (the Company)
ABRN 009 475 423**

As you are aware, Martin Jones, McCluskey, Peter and I were appointed Administrators of the Company on 14 September 2017 pursuant to Section 436A of the Corporations Act 2001 (**the Act**).

We are now in a position to convene the second meeting of creditors of the Company in order to determine the Company's future.

Please find **enclosed** the Voluntary Administrator's Report pursuant to Insolvency Practice Rules (Corporations) 2016 75-225 and Section 438A of the Act. The report is also available to download from Ferrier Hodgson's website immediately from 26 October 2017 using the following link:

<https://www.ferrierhodgson.com/au/creditors/empire-oil-and-gas-nl>

The Voluntary Administrator's Report includes our opinion, with supporting reasons, on each of the following matters:

- Whether it would be in the creditors' interests for the Company to execute a Deed of Company Arrangement (**DOCA**).
- Whether it would be in the creditors' interests for the Company to be wound up.
- Whether it would be in the creditors' interests for the administration to end.
- Whether it would be in the creditors' interests for the Second Meeting of Creditors to be adjourned for a period not exceeding forty-five (45) business days.

The following documents in respect of the second meeting of creditors of the Company are **attached** to the report:

Report annexure	Document	Description
A	Notice of meeting of creditors (form 529)	– Please note that the meeting is to be held on 2 November 2017 commencing at 11.30am AWST
		– You should arrive for registration at least 15 minutes prior to the meeting.
B	Appointment of proxy (form 532)	– This form enables you to appoint a person to act on your behalf at the meeting.
		– Proxy forms submitted at the first meeting of creditors are not valid for this meeting.

Report annexure	Document	Description
C	Formal proof of debt (form 535)	<ul style="list-style-type: none"> – A person is not entitled to vote at the meeting unless they provide particulars of the debt or claim to the Administrators before the meeting. – If you submitted this form for the purposes of the first meeting of creditors, you do not need to submit another form for this meeting unless you seek to amend your claim. – All creditors must furnish full details of their claims, indicating whether they rank as secured, preferential or unsecured, and whether they claim title to any goods supplied to the Company or any lien over goods in their possession which are the property of the Company.
D	Remuneration Approval Request	<ul style="list-style-type: none"> – Details of time spent by category of staff at the rates applicable for such staff. – A summary of the work undertaken by the Administrators and their staff in the administration. – A summary of the likely tasks and estimated remuneration of the Deed Administrators and Liquidators, should creditors resolve that the Company execute a DOCA or be wound up.
E	Australian Restructuring, Insolvency and Turnaround Association (ARITA) Creditor Information Sheet	<ul style="list-style-type: none"> – Contains information regarding offences, recoverable transactions and insolvent trading, which may be pursued if the Company is placed into liquidation. – Creditors should review the ARITA information sheet in conjunction with section 9 of the Administrators' report.
F	Deed of Company Arrangement (DOCA) Proposal	<ul style="list-style-type: none"> – Term Sheet of the DOCA Proposal put forward by Mineral Resources Limited.

The proof of debt and proxy forms should be lodged with this office before the meeting and, in any event not later than 4.00pm on the day prior to the meeting. Forms can be sent by facsimile on (08) 9214 1400 marked to the attention of Tim Rose or scanned and emailed to tim.rose@fh.com.au.

Should you have any questions regarding the administration or the report, please do not hesitate to contact Tim Rose of this office on (08) 9214 1444.

Yours faithfully
Empire Oil Company (WA) Limited



Andrew Smith
Administrator

**Empire Oil Company (WA) Limited
(Administrators Appointed)
(Receivers and Managers Appointed)
ABRN 009 475 423**

Voluntary Administrator's Report

25 October 2017

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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 the issue of this Report may be the subject of a further written report and/or tabled at the Second Meeting.
- 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. We reserve the right to alter any conclusions reached based on any changed or additional information which may be provided to us between the date of this Report and the date of the Second Meeting (except where otherwise stated).
- In considering the options available to creditors and formulating our opinion and recommendation, we have necessarily made forecasts of asset realisations and total creditors' claims based on our best assessment in the circumstances. These forecasts and estimates may change as asset realisations progress and we receive creditor claims and consequently the outcome for creditors might differ from the information provided in this Report.
- Creditors should consider seeking their own independent legal advice as to their rights and the options available to them at the Second Meeting.

Glossary of terms

Term	Description
ABRN	Australian Business Registration Number
ACN	Australian Company Number
Act	Corporations Act 2001
Administrators	Andrew Smith, Martin Jones and Peter McCluskey
APAAP	All present and after-acquired property – no exceptions
ARITA	Australian Restructuring, Insolvency & Turnaround Association
ASIC	Australian Securities & Investments Commission
ASX	Australian Securities Exchange
ATO	Australian Taxation Office
Azure	Azure Capital
B	Billion
Cattamarra Farms	Cattamarra Farms Pty Ltd
Code	ARITA Code of Professional Practice
COI	Committee of Inspection
Company / EOC	Empire Oil Company (WA) Limited (Administrators Appointed) (Receivers and Managers Appointed)
Directors	Thomas Vincent, Antonino Iannello, Stuart Brown and Philip Garratt
DIRRI	Declaration of Independence, Relevant Relationships and Indemnities, pursuant to s436DA of the Act and Code
DOCA	Deed of Company Arrangement
EGO Group	Empire Oil and Gas NL, Empire Services Pty Ltd and Empire Oil Company (WA) Pty Ltd (Receivers and Managers Appointed) (All Administrators Appointed)
EGO	Empire Oil & Gas NL (Administrators Appointed)
EOC Petroleum Assets	Pipeline permit PL96, and exploration permits EP426, EP368, EP432, EP454, EP430, EP416, EP440, EP480
EMS	Empire Services Pty Ltd (Administrators Appointed)
ERV	Estimated Realisable Value
FEG	Fair Entitlements Guarantee
First Meeting	First meeting of creditors held on Tuesday, 26 September 2017 at 11:30am AWST
FY	Financial year
K	Thousand
KWM	King & Wood Mallesons

Term	Description
M	Million
MIN/Secured Creditor	Mineral Resources Limited (ASX: MIN)
PMSI	Purchase Money Security Interest
PPSA	Personal Property Securities Act 2009 (Cth)
PPSR	Personal Property Securities Register
RATA	Report as to Affairs
Receivers and Managers	Matthew Donnelly and Jason Tracy of Deloitte Restructuring Services
Red Gully Project	The Red Gully Project consist of exploration permit EP389 and production licences PL18 and PL19
Report	This report, prepared pursuant to Section 439A of the Act
Second Meeting	Second meeting held pursuant to Section 439A of the Act, where creditors determine the future of the Company

1 Executive summary

This section addresses frequently asked questions relating to the Administration of the Company including a summary of the estimated outcome for creditors. Full details are available throughout this Report.

Question	
What is the Company?	The Company is an onshore conventional gas and condensate producer and explorer with key assets in the Perth Basin in Western Australia. The Company owns and operated the Red Gully Project processing facility which runs close to the Dampier to Bunbury Natural Gas Pipeline and is 150kms from the city of Perth WA. The Company holds nine (9) exploration permits and two (2) production licences and one (1) pipeline licence.
What is the purpose of this Report?	The purpose of this Report is to table the findings of our investigations of the Company's business, property, affairs and financial circumstances, as well as our opinion on the four options available to creditors in deciding the future of the Company at the Second Meeting.
How did the Company business trade?	<p>The Company conducted gas and condensate production from its Red Gully Project. The Company was not operating at the date of our appointment as Administrators.</p> <p>The Company also conducted exploration activities within its eight (8) other exploration permits with particular focus on its prospects at Lockyer Deep (EP368) and Raven (EP432).</p>
What is the ownership structure of the Company?	<p>EGO is a company listed on the ASX under the code EGO. EGO is also the holding company for the EGO Group and holds 100% of the share capital of ES and EOC.</p> <p>Please refer to section 3.1 of this Report which provides a schematic of the EGO Group structure.</p>
Who is in control of the Company?	<p>The Receivers and Managers are responsible for the day-to-day management of the Red Gully Project which is comprised of exploration permit EP389 and production licences PL18 and PL19.</p> <p>The Administrators have taken control of the Company's remaining assets which comprises, amongst other things, the EOC Petroleum Assets. The Administrators have also engaged a corporate adviser to assist in the potential sale of the EOC Petroleum assets and have undertaken preliminary investigations into the affairs of the Company and the reasons for its failure.</p>
What is the current status of the Company?	<p>Prior to the Company being placed into Voluntary Administration, on 13 September 2017, Matthew Donnelly and Jason Tracy of Deloitte Restructuring Services were appointed Receivers and Managers to certain assets of the Company under the terms of a loan facility agreement provided by MIN.</p> <p>On 14 September 2017 we, Andrew Smith, Martin Jones and Peter McCluskey, were appointed as joint and several Administrators of the Company by the Directors pursuant to Section 436A of the Act.</p>

Question

Why do the Directors believe the Company became insolvent?

The Directors of the Company have provided us with the following reasons for its failure:

- *“The Company’s Red Gully Project was shut in August 2017 in order to conduct a static pressure survey for the 2017 reserves assessment. Once the well was re-opened, various technical errors resulted in the well not re-opening and production was ultimately halted. Over the later part of August 2017, many technical solutions were explored for the issue, however production still remained halted.*
- *The Company advised that they were to require external funding for remediation and re-opening of the well, and accordingly approached Mineral Resources Limited on the morning of 13 September 2017 to discuss a funding strategy. That afternoon, Mineral Resources Limited issued a notice of demand and default and Deloitte Restructuring were appointed Receivers and Managers that day. Accordingly, the Company entered into voluntary administration the following day.”*

Why do the Administrators believe the Company became insolvent?

The Administrators consider the reasons the Company failed include:

- The operational issues experienced at the Red Gully Project in August 2017, which resulted in lower operational performance and ultimately the cessation of business activities. The Company attempted to find alternative solutions to remove the liquid which was held up in the production tubing, however ultimately the Company was unsuccessful and the project has been in a state of care and maintenance since.
- Given the above, MIN issued EOC with a Notice of Demand and Default in respect of their loan facility agreement. Further, as a result of the breach in the loan facility agreement covenants, MIN exercised their right to appoint the Receivers and Managers.
- Given the appointment of the Receivers and Managers to the Company and that MIN’s debt totalled \$15M which was now due and payable by EOC and that pursuant to a corporate guarantee, EGO was also liable for MINs debt, there was no immediate funding available to the Company. In this regard, the Directors of EOC resolved that the Company was insolvent and to appoint the Administrators.

What is the purpose of the Second Meeting of Creditors?

To resolve the future of the Company. The options available include whether:

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

Additionally, the Second Meeting be adjourned for a period not exceeding forty-five (45) business days.

Question

On 6 October 2017, we appointed Azure to the role of corporate advisor in relation to the potential sale of the EOC petroleum assets, either through an asset sale or a recapitalisation of EGO.

Though the sale process has been temporarily suspended pending whether MIN's DOCA proposal which is set out in Section 7 of our report is approved by creditors, we provide an overview of the sale process run to date by Azure below:

Sale Process

- Parties have indicated an ability to meet a 3 November 2017 non-binding indicative offer deadline with an ability to move quickly to completion thereafter, albeit we note that there is no guarantee any such offers will actually be put forward.
- A number of parties have also expressed an interest in Red Gully.
- Summary of key interested parties below, noting the following:
 - 50+ parties contacted to date.
 - 7 parties signed CAs, sent process letter, provided data room access.
 - 6 parties have noted receipt of flyer / CA and will revert.
 - Interested parties that have expressed an interest have market capitalisation ranging from \$20m to \$8.8bn.

As at the date of this report, no interested party has advised an indicative value of what any non-binding offer may be and as such it is difficult to assess without doubt whether MIN's DOCA proposal achieves an outcome for creditors better than what a proper sale process may achieve.

In circumstances where creditors of EOC, EMS and EGO do not approve the MIN DOCA proposal, the Administrators will recommence the sale process with Azure.

DOCA Proposal

On 6 October 2017, a DOCA Proposal in relation to EOC was received from MIN. Since then, the Administrators have been working with MIN to develop and refine the terms of same. Based on the terms of the final DOCA Proposal, which now includes all the entities of the EGO Group, creditors of EOC with claims less than \$55,000 will receive a return of up to 25 cents in the dollar, whilst creditors with claims above \$55,000 will receive a return of up to 9.5 cents in the dollar.

If accepted, the effect of the DOCA will be that MIN will effectively control the EOC Petroleum Assets and the Red Gully Project by virtue of their 100% ownership of the EOC Shares.

MIN have advised the Administrators on several occasions that if their DOCA is not accepted by creditors, there is a real risk that their proposal will be withdrawn entirely or any subsequent proposal will provide a worse return for creditors

Please refer to **Section 7** for further information.

Question

The estimated return to creditors under the proposed DOCA scenario against a Liquidation scenario is set out below:

What is the estimated return to creditors?	Creditor class	Estimated dividend rate (c/\$)		
		DOCA	Liquidation (High)	Liquidation (Low)
	Secured	Nil	20.2	7.2
	Unsecured			
	Creditor debt greater than \$55K	9.0	20.2	7.2
	Creditor debt less than \$55K	25.0	20.2	7.2
	Related party	Nil	Nil	Nil

Please refer to **Section 10** for further information.

What do the Administrators recommend creditors should do?

Having assessed the alternative realisation options compared to the MIN DOCA Proposal, we recommend that it would be in the creditors' best interests to resolve to execute the MIN DOCA.

Please refer to **Section 11** for an outline of our reasons.

What claims will a liquidator investigate?

Whilst the Administrators have considered the underlying causes of the Company's failure, our investigations into claims arising from those matters are at an early stage.

The preliminary investigations have not identified any antecedent transactions.

The investigations undertaken to date in the Administration are detailed at **Section 8** of this report.

Where can I get more information?

If you require any further information, please see the Ferrier Hodgson website and/or contact the following:

Name: Tim Rose
Phone: (08) 9214 1444
Email: tim.rose@fh.com.au

2 Introduction

This section provides information on the entities subject to the Administration process, the objectives of the Administration, the purpose of this Report, details of meetings of creditors and a summary of the Administrators' remuneration.

2.1 Appointment of Voluntary Administrators

On 14 September 2017 we, Andrew Smith and Martin Jones, Peter McCluskey were appointed as joint and several Administrators of Empire Oil Company (WA) Pty Ltd (ABRN 009 475 423) by the Directors under Section 436A of the Act.

On 28 September 2017, the Directors further resolved to appoint us as joint and several Administrators of Empire Oil and Gas NL (ACN 063 613 730) and Empire Services Pty Ltd (ACN 081 594 112) under Section 436A of the Act.

2.2 Appointment of Receivers and Managers

On 13 September 2017, prior to the Company being placed into Voluntary Administration, Matthew Donnelly and Jason Tracy of Deloitte Restructuring were appointed Receivers and Managers of the Company under the terms of the security provided to MIN.

The Receivers represent predominantly the interests of the Secured Creditor, with their primary role being to realise sufficient secured assets to repay the debt owed to the Secured Creditor. The Receivers have, under the terms of their appointment, the power to manage the trading affairs of the Company.

2.3 Objective of voluntary administration

In a voluntary administration, Administrators are empowered by the Act to assume control of an insolvent company, superseding the powers of the Directors and Officers, to manage the company's affairs and deal with its assets in the interests of its creditors.

The intention of a voluntary administration is to maximise the prospects of a company continuing in existence or, if that is not possible, to achieve better returns to creditors than would be achieved by its immediate liquidation. During a voluntary administration there is a moratorium over most pre-administration creditor claims.

Administrators are also required to investigate the Company's affairs and report to creditors on the Administrator's opinion as to which outcome of the voluntary administration process is in the creditors' best interest, informing the creditors prior to their voting at the Second Meeting (please see Section 11 for further details).

2.4 Purpose and basis of this report

IPR 75-225 requires a voluntary administrator to provide a report (the **Voluntary Administrator's Report** or this **Report**) to all creditors ahead of the Second Meeting, outlining:

- Details regarding the business, property, affairs and financial circumstances of the entity under administration;
- The Administrator's opinion and recommendation on each of the options available to creditors; and
- If a DOCA is proposed, the details of the DOCA.

This Report also informs creditors about the preliminary investigations undertaken by the Administrators to date. Accordingly, the views formed in this Report are not final and may be subject to change. Any additional material issues that are identified subsequent to this Report may be subject to a further written report and/or tables at the forthcoming Second Meeting.

This Report has been prepared primarily from information obtained from the Company's books and records and discussions with the Directors. Although the Administrators have conducted certain investigations of the affairs of the Company, there may be matters which we are unaware of as an audit of the Company has not been undertaken.

In order to complete our Report, we have utilised information from:

- The ASIC;
- The PPSR;
- The Company's/EGO Group's book and records;
- Discussions with the Directors and former directors of the Company/Group;
- Discussions with key employees of EMS;
- Discussions with creditors of the Company; and
- Other public databases.

2.5 Declaration of independence, relevant relationships and indemnities

In accordance with Section 436DA of the Act and the Australian Restructuring, Insolvency & Turnaround Association (**ARITA**) Code of Professional Practice, a Declaration of Independence, Relevant Relationships and Indemnities (**DIRRI**) was enclosed with the Administrators' first communication to creditors (and tabled at the First Meetings of Creditors).

The DIRRI disclosed information regarding the Administrators' independence, prior personal or professional relationships with the Company or related parties and any indemnities received in relation to the appointment. This assessment identified no real or potential risks to the Administrators' independence.

There has been no change in the declaration since that time.

2.6 First Meeting of Creditors and Committee of Creditors

Section 436E of the Act requires the Administrators to convene the first meeting of creditors within eight (8) business days of being appointed.

The First Meeting of Creditors of the Company was held on Tuesday, 26 September 2017, at which the Administrators appointment was confirmed.

Creditors resolved at the First Meeting of Creditors to appoint a Committee of Inspection (**COI**). Details of the members of the COC's are available in the minutes of the First Meeting of Creditors.

Creditor	Representative
Lee Hughes	Haztech Solutions
Rob Anspach	Anspach Ag
Ian Dalton	Valmap Pty Ltd
Stuart Weston	Weston Petroleum Solutions
Rachel Rees	Empire Oil & Gas NL

Given the operational structure of the EGO Group, the Administrators undertook an investigation into the COI claims following the formation of the Committee. The Administrators considered that Ian Dalton of Valmap Pty Ltd and Stuart Weston of Weston Petroleum Consulting were creditors of EGO and not creditors of the Company. Both Ian Dalton and Stuart Weston resigned from the committee. Following the appointment of administrators to the EGO, being the parent Company of EOC, Rachel Rees resigned as a member of the COI also.

Please note that no information was provided to Valmap Pty Ltd, Weston Petroleum Consulting and EGO prior to their resignation from the Committee.

The remaining COI members are a representation of the major creditors in the Administration, accounting for approximately 17% of the unsecured creditors in value. Each member of the COI has executed an undertaking as to confidentiality and the Committee has been kept apprised and consulted with the Administrators in relation to:

- The proposed extension of the convening period of the Company.
- The DOCA proposal on foot by Mineral Resources Limited.

- The conduct of the administration generally.

The matters discussed at the only COI meeting to date is summarised in the following table.

Meeting date	Matters discussed	Resolutions passed
Monday, 9 October 2017	<ol style="list-style-type: none"> 1. Update on status of Administration; 2. Discuss the proposed application to the courts for the extension of the convening period; and 3. Discuss the draft DOCA proposal presented by MIN. 	No resolutions were passed.

We intend to convene a COI meeting prior to the second meeting to seek the COI's views regarding the proposed DOCA from MIN and options available.

2.7 Events Subsequent to the First Meeting of Creditors

Event Date	EGO Group Member	Summary of Event
22 September 2017	EOC	On 22 September 2017, the Court made orders under Article 17 of Schedule 1 of the Cross Border Insolvency Act 2008 recognising the New Zealand administration in Australia.
6 October 2017	EOC	On 6 October 2017, a draft DOCA term sheet was presented by MIN which in the first instance only extended to EOC.
13 October 2017	EOC, EMS and EGO	<p>The Court made orders extending the convening period from 13 October 2017 to 20 October 2017. The Administrators had initially sought that the convening period be extended to 11 December 2017, however after discussion with MIN as the largest creditor by value, it was agreed that an interim extension be sought.</p> <p>The administrators' reasons for the initial extension sought to 11 December 2017 were as follows:</p> <ol style="list-style-type: none"> 1. To adequately test the market for the sale of EOC's Petroleum Assets; 2. To allow adequate time to consider the MIN DOCA proposal; and 3. To obtain required directions including: <ol style="list-style-type: none"> a) Determining the gas sale proceeds received by EGO on the day of appointment; b) Determining the effective employer of the EMS employees; and c) Determining the rights to vote and prove the intercompany debts in the administration of the EGO Group. <p>These intercompany issues are discussed in greater detail at section 3.4 of the report.</p>
17 October 2017	EOC	<p>The Court made further orders extending the convening period from 20 October 2017 to 26 October 2017.</p> <p>This further short extension was agreed with MIN so that the convening periods of EGO, EMS and EOC would be aligned, while also providing the Administrators and MIN with further time to explore concurrent DOCA proposals also including EMS and EGO. Concurrent DOCAs would reduce the time and costs incurred by the EGO Group in seeking directions from the court</p>

in relation to Alcoa gas proceeds, employees and the intercompany debt determination.

The short extension was agreed on the following basis:

- The temporary suspension of the EOC sale process being undertaken by Azure and until such time that the 2nd creditors meeting of EOC creditors has been held to consider MRL's DOCA.
- The Voluntary Administrator to deal exclusively with MRL up to the second creditors' meeting.
- The Voluntary Administrators will present MRL's DOCA proposal to creditors.
- Any further extension (i.e. adjournment) of either the EOC, EMS or EGO 2nd meeting of creditors would be obtained through resolutions of creditors (i.e. not by the Court).

17 October 2017	EOC, EGO and EMS	<p>The Federal Court made orders that:</p> <ul style="list-style-type: none"> • The date of determining whether the gas proceeds received by EGO on the day of our appointment as Administrators of EOC be adjourned to be heard on 13 November 2017. • The date of determining who may be regarded as the employer of the Empire Group staff as to continue to be heard on 19 October 2017. • The date of determining whether EGO is able to vote its intercompany debt in the administration of EOC be adjourned to be heard on 13 November 2017.
18 October 2017	EGO and EMS	Orders are granted in the Federal Court of Australia determining all employees of EMS to be recognised as employees under EGO since the date of their employment.
19 October 2017	EOC, EGO and EMS	On 19 October 2017, MIN provided the Voluntary Administrators with a revised DOCA term sheet that incorporated all of the entities of the EGO Group.

2.8 Second Meeting of Creditors

Pursuant to Section 439A of the Act, the Second Meeting is convened for Thursday, 2 November 2017 at the offices of Ferrier Hodgson, Level 28, 108 St Georges Terrace, PERTH, WA, 6000 at 11.30AM. At the Second Meeting, creditors will decide the Company's future by voting on one of the following options:

- That the administration should end and control of the Company revert to its directors; or,
- That the Company should be wound up; or,
- That the Company execute a DOCA.

The Notice of Meeting of Creditors (Form 529) is attached at **Annexure A** along with an appointment of proxy form (**Annexure B**) and a proof of debt or claim form (**Annexure C**)

Creditors also have the opportunity to adjourn the Second Meeting for up to a period of 45 business days

Creditors who wish to participate in the Second Meeting must complete and submit the following forms to this office by 4:00pm on Wednesday, 1 November 2017.

Form	Comments
Appointment of proxy (form 532)	<ul style="list-style-type: none"> – Corporate creditors must appoint an individual to act on its behalf. – Individuals voting in person are not required to complete this form but must complete this form if a representative is appointed to vote on their behalf.

Form	Comments
	<ul style="list-style-type: none"> Please note that proxy forms submitted for the First Meeting are not valid for the Second Meeting. A new proxy form must be submitted.
Proof of debt (form 535)	<ul style="list-style-type: none"> Creditors must submit documentation to support the amount they have claimed (i.e. unpaid invoices, payslips). Creditors who have already submitted a proof of debt are not required to resubmit a proof of debt form unless the amount claimed has changed.

2.9 Remuneration

An Administrator's remuneration can only be fixed by resolution of a COI, the Company's creditors, or by application to the Court. In accordance with IPR 70-35 and the Code, an Initial Remuneration Notice was provided to creditors with our initial communication and tabled at the First Meeting of Creditors.

ARITA has issued an "Approving remuneration in external administrations" information sheet providing general information for creditors on the approval of an administrator's fees in a liquidation, a voluntary administration or a DOCA. This information sheet is available from the ARITA website (www.arita.com.au).

A summary of previously approved remuneration together with remuneration we will be seeking approval for at the Second Meeting of Creditors is as follows:

Period	Amount (ex GST) \$
Past remuneration approved:	Nil
Total past remuneration approved	Nil
Current remuneration approval sought:	
Voluntary administration	
<i>Resolution 1:</i> 14 September 2017 to 13 October 2017	154,277.00
<i>Resolution 2:</i> 14 October 2017 to 2 November 2017	80,000.00
Total approval sought – voluntary administration*	234,277.00
Deed of company arrangement (DOCA) (if applicable)	
<i>Resolution 3:</i> 2 November 2017 to execution of DOCA	25,000.00
<i>Resolution 3:</i> Execution of DOCA to completion	50,000.00
<i>Resolution 4:</i> Execution of Creditors Trust to completion	75,000.00
Total approval sought – deed of company arrangement (if applicable)*	150,000.00
Liquidation (if applicable)	
<i>Resolution 6:</i> 2 November 2017 to completion of Liquidation	200,000.00
Total approval sought – liquidation (if applicable)*	200,000.00

** 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 our Remuneration Approval Request Report at **Annexure D** for details of the key tasks undertaken throughout the course of the administration to date.

2.10 Non-disclosure of certain information

There are sections of this Report where we have considered it inappropriate to disclose certain information to creditors. Such information includes:

- Valuations of specific assets
- Valuation of the business
- Commercially sensitive prospective financial information (for example, projections / forecasts)

We recognise the need to provide creditors with complete disclosure of all necessary information relating to the Company. However, we believe this information is commercially sensitive and it is not in creditors' interests for us to disclose the information publicly at this stage.

Where necessary in this Report, we provide a combined figure for potential realisations of assets when comparing estimated dividends under the relevant options.

During consultations with the COI, we have disclosed such information to COI members to ensure that they are fully informed and would be able to consider the offers received from interested parties during the sale process.

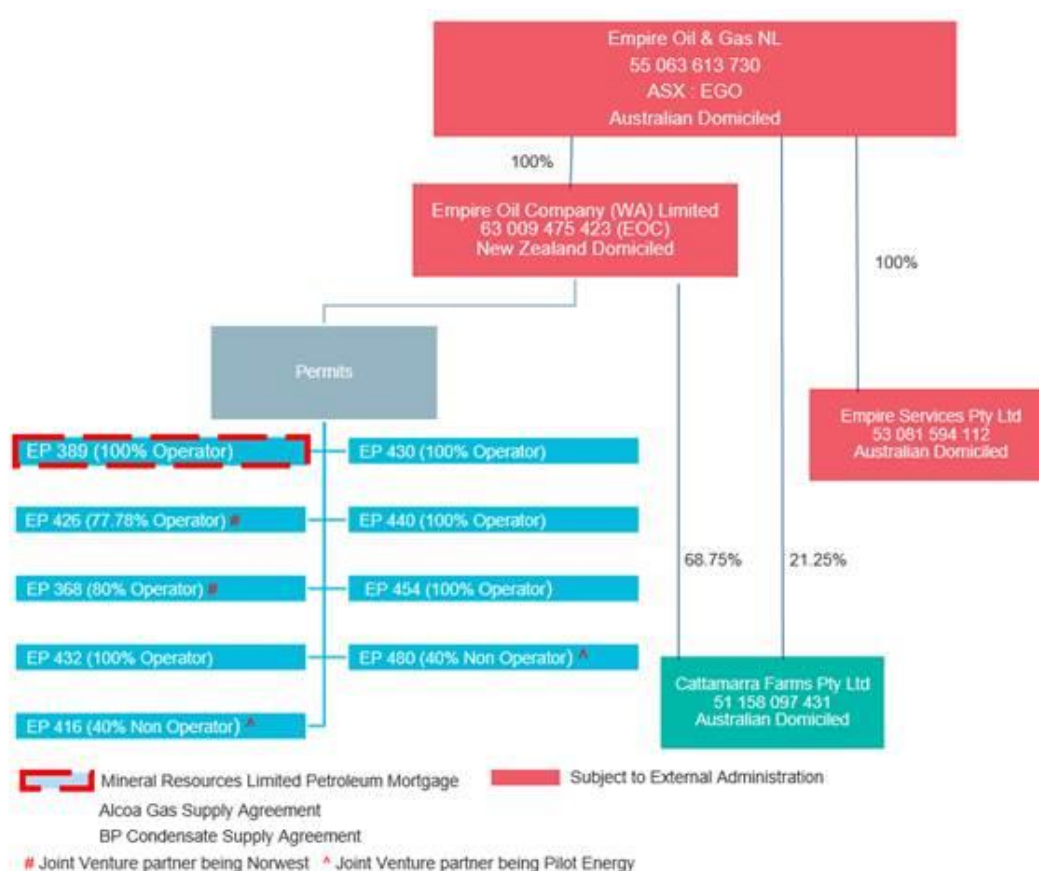
All information provided to COI members was disclosed under the strict terms of the undertaking as to confidentiality that each member signed prior to receiving such information.

3 Company information

This section provides creditors with information on the history of the Company and the circumstances leading up to the appointment of Administrators together with details of related entities including statutory information, and an overview of the operating businesses.

3.1 Group structure

A summary of the corporate structure of the Group is below:



Key points to note in relation to the corporate structure are:

- EOC and EMS are wholly owned subsidiaries of EGO.
- EGO is a public company listed on the ASX.
- EOC operates the Red Gully Project and holds all other exploration permits of the EGO Group.
- EMS employees 12 out of the 13 EGO Group staff.

3.2 Company history and events leading up to the administration

We provide the below summary of key events leading to the appointment of Voluntary Administrators:

Date	Event
11 May 1990	EOC is incorporated and registered in New Zealand.

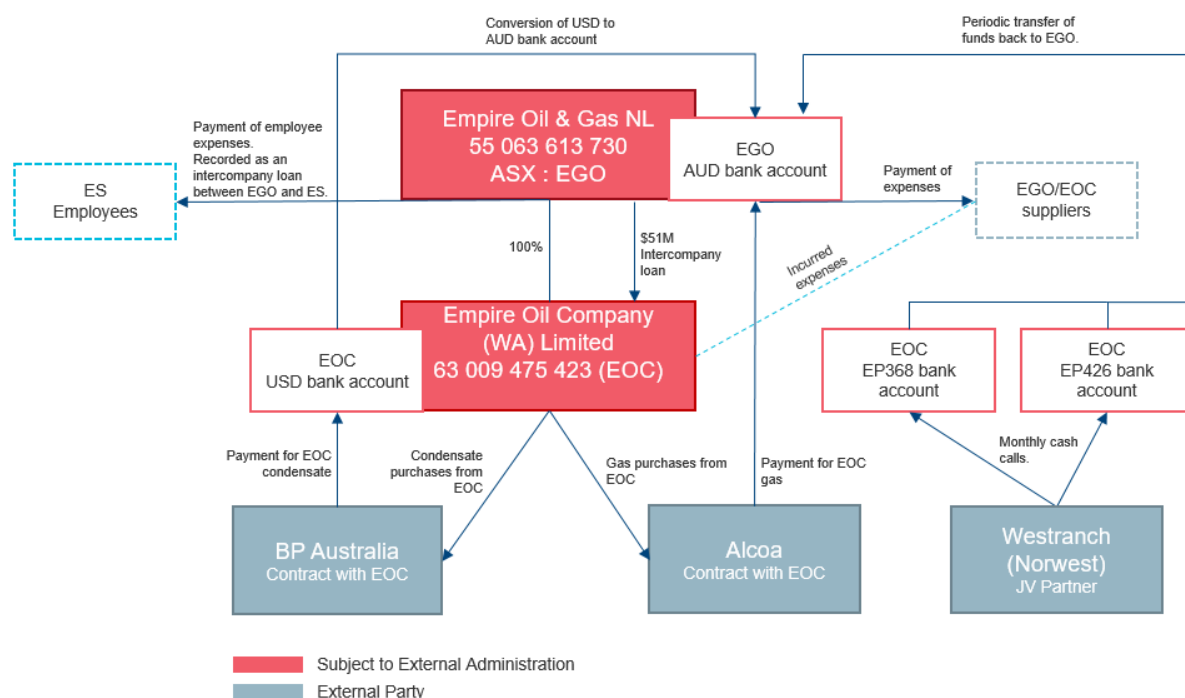
Date	Event
September 2013	Red Gully Project operations are commissioned and production is commenced.
August 2017 / September 2017	<p>Operations were ceased in August 2017 for a period of time in order to allow the Company to conduct a static pressure survey for the 2017 reserve assessment. Upon recommencement of operations liquid was effectively held up in the production tubing preventing the well from operating normally. Despite the Company undertaking a nitrogen gas lift to remove the liquid, the Company was unsuccessful. The Red Gully Project has been on care and maintenance since that date.</p> <p>While the Company was exploring possible options to restart the well, KWM engaged Ferrier Hodgson to complete a limited independent business review of the EGO Group. This report was provided to KWM on 7 September 2017.</p>
13 September 2017	MIN issued EOC with a Notice of Default and Demand and Deed of Appointment regarding the appointment of Matthew Donnelly and Jason Tracy of Deloitte Restructuring Services as Receivers and Managers in respect of the Red Gully Project assets.
14 September 2017	Andrew Smith, Martin Jones and Peter McCluskey of Ferrier Hodgson are appointed as joint and several Voluntary Administrators of EOC
26 September 2017	Angus Walker resigns as Chief Executive Officer of the EGO Group.
26 September 2017	MIN issue EGO with a notice of demand, demanding repayment of \$15.1M as guarantor for the EOC loan facility.
28 September 2017	Andrew Smith, Martin Jones and Peter McCluskey of Ferrier Hodgson are appointed as joint and several Voluntary Administrators of EMS and EGO.

3.3 Business operations

EOC has, in effect, two aspects to its business:

- (a) Natural Gas and condensate production and sale from the Company's Red Gully Project which includes infrastructure associated with a natural gas well located in Gingin, Western Australia. EOC has entered into two off-take agreements to sell the product of the Red Gully Project to third party customers.
- (b) Natural Gas exploration which is conducted from EOC's remaining exploration permits located in other areas of Western Australia. Certain of these permits are subject to joint venture arrangements.

In respect of the flow of funds between the EGO Group, it effectively operated as a single business unit. We detail below a schematic which outlines the flow of funds between the EGO Group:



Notwithstanding the above, we table below each company within the EGO Group and their respective responsibilities:

Business	Description	Scale
ES	Employed 12 out of 13 of the EGO Group employees.	12 employees
EGO	Responsible for the ASX Listing and operating the EGO Group business. EGO also employed the CEO, Angus Walker.	1 employee
EOC	Owned all EGO assets, including the Red Gully Project and exploration permits. Please note that a number of the exploration permits are the subject of joint venture agreements which are set out in section 6.2 of our report.	9 exploration permits 2 production licences 1 pipeline licence

3.4 Intercompany Issues

Given the nature of the operations outlined above and the treasury role performed by EGO, a number of issues have been identified (following our appointment over the EGO Group) that absent a suitable structured DOCA proposal (and creditor approval) will require Court directions. The issues are outlined below.

3.4.1 Treatment of Intercompany Loan

As identified above, EGO is an unsecured creditor of EOC in the amount of \$51m (based on EGO Group Records) and in the ordinary course would be able to prove for that amount in the winding up of EOC.

On 28 September 2017, the Administrators received a letter from HSF on behalf of MIN which asked the Administrators of EGO to confirm that we would not cause EGO to purport to lodge a proof of debt in the administration of EOC. The letter claims that clause 12.13(a)(6) of the Facility Agreement acts to prevent EGO lodging a proof of debt in the administration of EOC.

Based on our preliminary review, we concluded that whether or not we ultimately agree with MIN as to the effect of clause 12.13 of the Facility Agreement, given our role as administrators of both EOC and EGO and to remove any possible prejudice to creditors that we should seek directions from the Court, as the interests of the creditors of both EOC and EGO are vitally affected.

In this regard, the determination of whether EGO is entitled to vote and prove for its intercompany debt in the administration of EOC was to be heard in the Federal Court on 17 October 2017 at 12.00pm AWST, however this has been adjourned further to 13 November 2017.

3.4.2 Treatment of Alcoa Gas Proceeds

By reason of EOC not having an Australian bank account, EGO accepted certain deposits on behalf of EOC into its bank account that was denominated in Australian dollars. For example, the payment for gas sales made by EOC to Alcoa were made by Alcoa into the bank account of EGO and then the funds were used to pay EOC suppliers.

Prior to our appointment as Administrators of EGO, EGO received funds of \$1.4m from Alcoa on behalf of EOC. Ordinarily, EGO would then use these funds to pay liabilities incurred by other subsidiaries within the EGO Group.

Based on our preliminary review, we concluded that whether or not these are funds that EGO hold were on trust for EOC, it is a matter upon which we require directions from the Court, as the interests of the creditors of both EOC and EGO are vitally affected. In circumstances where these funds are found to be the property of EGO these would be available for EGO creditors only.

In this regard, the determination of whether the gas sale proceeds received by EGO on the day of our appointment as Administrators of EOC relating to sales by EOC should be retained by EGO or transferred to EOC was scheduled to be heard by the Federal Court on 23 October 2017 at 11.30am AWST. This date has been further adjourned to be heard on 13 November 2017.

3.4.3 Treatment of Empire Services employees

All representatives of EOC and EGO, with the exception of Mr Walker, were formally employed under contract by EMS notwithstanding that all employee entitlements were paid by EGO.

Based on our investigations to date, the books and records of EGO and Empire Services and the operations of the EGO Group, the Administrators formed the opinion that the effective employer of the EGO Group's staff was EGO and not Empire Services. The effect of this was that all former employees of EMS would now be recognised as having been employed by EGO and enjoy the same statutory priorities to be paid entitlements that had accrued up until the date of our appointment.

Notwithstanding this position, we concluded that it was a matter upon which we require directions from the Court, as the interests of the creditors of both EGO and EMS are vitally affected. On 18 October 2017, the Court granted orders confirming that pursuant to s 90-15 of Schedule 2 (Insolvency Practice Schedule) of the Corporations Act 2001 (Cth) the Administrators were justified in treating each employee of the EGO Group as being an employee of EGO and having been so employed since the commencement of their employment.

We note that MIN which represents over 95% of the creditor value in EGO and was appointed to review the evidence and, ultimately, accepted the orders that were proposed by the Administrators.

3.5 Statutory information

Statutory details of the Company extracted from ASIC's national database at the time of our appointment are summarised below.

Empire Oil Company (WA) Pty Ltd	
ABRN	009 475 423
Incorporation date	11 May 1990
Shareholder	Empire Oil & Gas NL
Registered address / principal place of business	G229 Stirling Highway, CLAREMONT WA 6010
Secretary	Rachel Rees

Source: ASIC

The Company's officers over the past 3 years were:

Name	Role	Appointment date	Resignation date
Thomas Fitzgerald Vincent	Director	12 October 2015	Current
Antonino Mario Iannello	Director	22 November 2013	Current
Philip James, Garratt	Director	5 May 2015	Current
Rachel Rees	Secretary	27 October 2015	Current
James Brett Lochran Heading	Director	22 November 2013	2 September 2015

Source: ASIC and Annual Report

A search of the National Personal Insolvency Index maintained by the Australian Financial Security Authority shows that the Company's current directors are not bankrupt or subject to a Personal Insolvency Agreement under Part X.

The ASIC database does not disclose the Company's shareholders. Based upon the Company's share register the Administrators consider the registered owner of EOC to be:

Registered Owner	Shares held	Description	Fully paid (\$)	% Issued Capital
EGO	7,633,334	Ordinary Shares	1,680,304	100

Source: Company's share register

3.6 Registered security interests

The PPSR discloses that 11 parties hold registered security interests on the PPSR. Details of the security interest holders are set out below:

Security interest holder	Date Created	Type of Security	PMSI	Amount \$
Allied Pumps Pty Ltd	19 July 2017	Other Goods	Yes	Unknown
BFA Investments Pty Ltd, GCS Personnel Services Pty Ltd, GCS Hire Pty Ltd, Safe and Sound Scaffolding Pty Ltd, GCS Facades Pty Ltd, GCS Integrated Services Pty Ltd, Global Construction Services Limited, GCS Access Pty Ltd, C.A.S.C. Constructions Pty Ltd	7 December 2013	Motor Vehicle / Other Goods	Yes	Unknown
BOC Limited	8 March 2013	Other Goods	Yes	Unknown
Cape Australia Onshore Pty Ltd	19 October 2015	Motor Vehicle / Other Goods	Yes	Unknown
Coregas Pty Ltd	9 July 2015	Other Goods	Yes	Unknown
Instant Toilets and Showers Pty Ltd	11 June 2014	Other Goods	Yes	Unknown
Klinger Limited	29 January 2014	Other Goods	Yes	Unknown

Mineral Resources Limited	11 August 2016	APAAP with Exceptions	Not Provided	Unknown
National Pump & Energy Ltd	11 November 2015	Motor Vehicle / Other Goods	Yes	Unknown
Onsite Rental Group Operations Pty Ltd	7 December 2016	Other Goods	Yes	Unknown
Perkal Pty Ltd	7 June 2013	Other Goods	Yes	Unknown

Source: PPSR searches undertaken on 9 October 2017

One secured creditor, MIN, holds a charge over the Red Gully Project of the Company, namely EP 389, PL18 and PL19.

The Administrators completed a detailed assessment of the registered security interests above and any further PPSA claims that were received. Where suppliers held valid security interests, we have dealt with the claims as appropriate.

3.7 Winding up applications

At the date of our appointment, there was no outstanding winding up applications against the Company.

4 Historical financial position

This section provides a summary of the financial performance of the Company during the period of FY15, FY16 and FY17.

4.1 Preparation of financial statements

The EGO Group prepared financial statements on a consolidated basis. The EGO Group's consolidated and audited financial statements were last prepared up to FY16 by Ernst & Young and the FY17 were being audited and were yet to be finalised upon our appointment.

Given the limited functionalities regarding the EGO Group's accounting system and the manner in which they historically prepared accounts, the Administrators have only been able to extract the EOC financial statements for FY15 and FY16 and the EOC management accounts in respect of FY17 and to the date of our appointment.

4.2 Summary profit and loss

A summary of the Company's profit and loss statements is presented below:

\$000s	Notes	FY15	FY16	FY17	As at 14 September 2017
Revenue	1	20,537	21,764	17,367	1,551
Cost of sales		(13,349)	(14,601)	(5,853)	(2,953)
Gross profit		7,188	7,163	11,513	(1,401)
<i>Gross profit margin</i>	2	35%	33%	66%	-90%
Other income		456	7	5	-
Other operating expenses		(76)	(21)	(1)	14
Impairment expense	3	-	(7,846)	(6,006)	-
General and administrative expenses		(69)	(158)	(133)	(67)
Finance costs		(97)	(108)	(82)	(1)
Total Expenses		(241)	(8,132)	(6,223)	(54)
Profit before income tax		7,402	(963)	5,295	(1,455)
Income tax (expense) / benefit		-	-	-	-
Exchange differences on translation of foreign operations		110	(51)	(21)	(33)
Net profit / (loss) for the period		7,513	(1,014)	5,274	(1,488)

Source: Company Annual Reports and Management Accounts

Key observations:

1. Sales revenue related to natural gas sales to Alcoa and condensate sales to BP. Overall sales decreased from \$21M in FY16 to \$17M in FY17.
2. Margins achieved by the Company improved significantly from FY16 to FY17. We understand that the improvement was driven by an increase in natural gas and condensate prices from FY16 to FY17.
3. The Company's greatest expense related to the impairment of the Company's oil and gas properties. Impairment also included depreciation expense of land, buildings, plant and equipment and fixtures and fittings.

4.3 Summary balance sheet

A summary of the Company's balance sheet is presented below:

\$000s	Notes	FY15	FY16	FY17	As at 14 September 2017
Current assets					
Cash and cash equivalents		381	585	1,334	77
Trade and other receivables	1	890	3,181	2,830	216
Inventories		32	84	67	53
Prepayments		65	57	-	-
Total current assets		1,368	3,907	4,230	347
Non-current assets					
Plant and equipment		1,695	2,066	1,308	1,263
Oil and gas properties	2	56,859	38,444	31,642	30,745
Exploration and evaluation assets		19,100	32,751	38,525	39,753
Other non-current assets		7	6	6	6
Total non-current assets		77,662	73,267	71,480	71,766
Total assets		79,030	77,175	75,711	72,113
Current liabilities					
Trade and other payables		2,108	1,373	1,454	2,937
Other liabilities		1,238	-	-	-
Non-interest bearing liabilities		16,955	15,793	-	-
Total current liabilities		20,301	17,166	1,454	2,937
Non-current liabilities					
Provisions		3,771	363	3,551	3,565
Related party loans	3	53,667	56,095	54,941	51,296
Total non-current liabilities		57,438	56,458	58,492	54,862
Total liabilities		77,739	73,624	59,946	57,798
Net assets	4	1,291	3,551	15,764	14,315
Equity					
Issued capital		1,848	1,848	1,848	1,848
Reserves		605	554	4,610	4,610
Accumulated losses		(1,162)	(2,110)	(664)	(664)
Equity attributable to equity holders of the parent		1,291	292	5,794	5,794

Source: Company Annual Reports and Management Accounts

Key observations:

1. A significant portion of the Company's current assets consisted of the Company's debtors. The Administrators of the EGO Group have collected all remaining debtors at the date of their appointment which totalled \$1.5M, though the allocation of such is subject to court directions.
2. The Company's non-current assets mainly comprised of the oil and gas properties, comprising of the Company's exploration permits (including the Red Gully Project), namely:

- EP 389 (100% Operator)
- EP 426 (77.78% Operator)
- EP 368 (80% Operator)
- EP 432 (100% Operator)
- EP 416 (40% Non-Operator)
- EP 430 (100% Operator)
- EP 440 (100% Operator)
- EP 454 (100% Operator)
- EP 480 (40% Non-Operator)

As discussed in section 6 of this Report, the Administrators have engaged Azure to undertake a sales process in respect of the EOC Petroleum Assets.

3. The related party loans related to an intercompany loan between EOC and EGO. The balance of the intercompany loan at our appointment in favour of EGO totalled \$51.1M.
4. The Company's net asset position increased year on year from FY15 to FY17. Overall the Company's net asset position at 30 June 2017 totalled \$5.7M, which was primarily driven by an increase in exploration and evaluation assets and a decrease in total liabilities.

5 Report as to affairs and director's reasons for failure

This section provides a summary of the report as to affairs submitted by the directors, together with a detailed explanation of the director's reasons for failure of the Company.

5.1 Report as to affairs

Section 438B of the Act requires the Directors to give an administrator a statement about the Company's business, property, affairs and financial circumstances.

We received the Directors' Statement on 2 October 2017, and it was lodged with ASIC on 4 October 2017.

In the Statement, the Directors detailed the Company's assets and liabilities at book value and ERV.

The Administrators have not audited the Company's records or the book values. The below schedule should not be used to determine the likely return to creditors as a number of realisable values are based on the Company's records and remain subject to the review of the Administrators and, in particular:

- The Administrators are not in a position to confirm (or otherwise) certain asset values as they are commercially sensitive and are not disclosed in this report.
- The value of creditor claims remains subject to change as further claims may be received and require adjudication.
- The table below does not provide for possible trading losses or professional costs associated with the administration process.

Further detail on the estimated return to creditors from the administration is contained in **Section 10**.

The following table summarises the assets and liabilities disclosed in the Directors' Statement:

\$000s	Ref	Book Value	Directors' ERV	Administrators' ERV
Assets				
Cash on hand	5.1.1	Nil	Nil	Nil
Cash at bank	5.1.1	31	31	76
Debtors	5.1.2	257	257	121
Inventory	5.1.3	53	53	Nil
Plant and equipment	5.1.4	352	Nil	Unascertained
Work in progress	5.1.5	2,363	Nil	Nil
Other assets	5.1.6	63	63	6
Total assets		3,119	404	203
Liabilities				
Secured creditors	5.1.6	Nil	Nil	15,100
Employees claims	5.1.7	Nil	Nil	Nil
PMSI claims	5.1.8	Nil	Nil	Nil
Unsecured creditors	5.1.9	1,568	1,568	54,093
Contingent claims	5.1.10	Nil	Nil	Nil
Total liabilities		1,568	1,568	18,193
Estimated surplus / deficiency		1,551	(1,164)	(69,024)

Notes

5.1.1 Cash

As at the date of our appointment, the Company's cash at bank held with the NAB totalled \$76K:

Account Name	Amount (\$)
Empire Oil Company (WA) Limited	31
EP 368	31
EP 426 JVWA	14
Total	76

We note that the EP 368 account (80% operator) and EP 426 JVWA account (77.78% operator) are in relation to Joint Venture agreements and our ability to draw on these funds is currently being considered.

5.1.2 Debtors

The Directors' RATA stated that the Company had the following debtor breakdown:

Debtor	Amount (\$)
Alcoa of Australia Ltd	119
BP Refinery (Kwinana) Pty Ltd	121
Norwest Energy NL	18
Total	257

To date the Administrators received \$121K from BP Refinery (Kwinana) Pty Ltd into the EOC USD bank account and the debtor balance owing from Alcoa has been paid into EGO's bank account. We are yet to receive the balance outstanding from Norwest Energy NL however we are undertaking enquiries into the same.

5.1.3 Inventory

The Directors RATA indicated outstanding inventory of approximately \$53K in relation to operating supplies at the Red Gully Project and condensate currently in storage. These inventory amounts are subject to the Receivers and Managers security and other validly registered security interests, and accordingly they will not be realisable assets for the benefit of the unsecured creditors of the Company.

5.1.4 Plant & equipment

The \$353K amount provided by the Directors in relation to the Company's plant and equipment is currently unascertained as we continue to inquire as to whether these assets are subject to the security of MIN. We advise that we have engaged Hymans valuers obtain a valuation of the assets of the Company and are awaiting the estimated values.

5.1.5 Work in Progress

The \$2.3M WIP value that the Directors have provided in the RATA is in relation to assets on site at the Red Gully Project on EP389. The Red Gully project is subject to the security of MRL and is not realisable for the benefit of the unsecured creditors of the Company.

5.1.6 Other assets

Other Assets in the Directors RATA consists of the following:

Other Assets	Balance
NAB Term Deposit Account	6
Prepayments	57
Total	63

The NAB \$6K term deposit may be released to the Administrators on call. The \$57K in prepayments relates to amounts already paid in relation to annual licenses, permits, shire rates and production licenses in relation to the Company's exploration permits.

5.1.7 Secured creditor

MIN holds a registered security interest over the Red Gully Project, specifically pertaining to EP389, PL18 and PL19. The current loan value outstanding totals \$15.1M and interest continues to accrue.

5.1.8 Employee claims

There are no employees employed through the Company.

5.1.9 PMSI claims

As at 14 September 2017, a PPSR search of the Company outlined the following PMSI registrations held over the Company:

PMSI Holder
BOC Limited
Allied Pumps Pty Ltd
Klinger Limited
Instant Toilets and Showers Pty Ltd
Coregas Pty Ltd
National Pump & Energy Ltd

We are yet to receive any further details relating to these PMSI holders claims, but understand that they relate to the Red Gully Project

5.1.10 Unsecured creditors

In their statement the Directors have recorded unsecured creditor claims totalling \$1,568,410.28. A summary of the unsecured creditors is outlined below:

\$000s	Directors' ERV	Administrators' ERV
Trade creditors	1,568	2,864
Statutory creditors	Nil	Nil
Related party creditors	Nil	51,074
Total	1,568	53,938

To date, the Administrators have received 52 proofs of debt from unsecured creditors totalling \$2,594,487.99.

We have also received MRL's proof of debt for \$15,100,000 plus interest. EGO currently has a \$51,074,396 claim against the Company for an intercompany loan agreement which is subject to Court Directions as to whether EGO may prove in EOC.

5.1.11 Contingent liabilities

No contingent liabilities have been identified at this point in time.

5.2 Omissions from statement

We have not identified any material omissions from the Directors' statement.

5.3 Directors' opinions as to the reasons for failure

The Directors have provided their views on the affairs of the Company and attribute the following reasons to its failure:

- *The Company's Red Gully Project was shut in August 2017 in order to conduct a static pressure survey for the 2017 reserves assessment. Once the well was re-opened, various technical errors resulted in the well not re-opening and production was ultimately halted. Over the later part of August 2017, many technical solutions were explored for the issue, however production still remained halted.*
- *The Company advised that they were to require external funding for remediation and the re-opening of the well, and accordingly approached Mineral Resources Limited on the morning of 13 September 2017 to discuss a funding strategy. That afternoon, Mineral Resources Limited issued a notice of demand and default and Deloitte Restructuring were appointed Receivers and Managers that day. Accordingly, the Company entered into voluntary administration the following day.*

5.4 Administrator's opinions as to the reasons for failure

Our preliminary view is that, in addition to the reasons identified by the Directors, the Company failed as a result of:

- The operational issues experienced at the Red Gully Project in August 2017, which resulted in lower operational performance and ultimately the cessation of business activities. The Company attempted to find alternative solutions to remove the liquid which was held up in the production tubing, however ultimately the Company was unsuccessful and the project has been in a state of care and maintenance since.
- Given the above, MIN issued EOC with a Notice of Demand and Default in respect of their loan facility agreement. Further, as a result of the breach in the loan facility agreement covenants, MIN exercised their right to appoint the Receivers and Managers.
- Given the appointment of the Receivers and Managers to the Company and that MIN's debt totalled \$15M which was now due and payable by EOC, EGO was unable to continue funding the Company. In this regard, the Directors of EOC resolved that the Company was insolvent and to appoint the Administrators.

6 The Administration to date and sale of business process

This section provides an overview of the conduct of the Administration, including the going concern sale process.

6.1 The business at commencement of the Administration

On appointment, the Administrators assumed control of the Company's business. Appropriate controls and systems were put in place with respect to cash, banking, purchase orders, stock control and reporting.

Given that the Red Gully Project is under the control of the Receivers and Managers, our management of the Company's business has been limited to the EOC Petroleum Assets. Further, no operational activities have been conducted in respect of the EOC Petroleum Assets since our appointment.

6.2 The sale of business process

On 6 October 2017, the Administrators engaged Azure as corporate adviser in relation to the potential sale of the EOC Petroleum Assets.

A summary of the exploration permits that are the subject of the Azure mandate include:

Licence/Permit	EOC	Norwest	Pilot Energy	Project	Area (km2)
PL96	80% (Operator)	20%		Red Gully Pipeline	N/A
EP426	100% (Operator)			North Erregulla Deep	1,162
EP368	77.78% (Operator)	22.22%		Lockyer Deep	600
EP432	100% (Operator)			Raven	1,185
EP454	100% (Operator)			Charger & Garibaldi	966
EP430	100% (Operator)			N/A	149
EP440	100% (Operator)			N/A	1,127
EP416	40%		60% (Operator)	Leschenault Prospect	621
EP480	40%		60% (Operator)	N/A	1,348
Total					7,158

On our appointment the Receivers and Managers initially advised the Administrators that their appointment extended to the EOC Petroleum Assets. In this regard, we were unable to engage a corporate adviser prior to 3 October 2017 by reason of the uncertainty surrounding the assets over which the Receivers and Managers were validly appointed. Upon receiving their confirmation on 3 October 2017 that they do not currently assert any rights over EOC's Petroleum Assets, we immediately commenced a sale of assets / restructuring campaign.

Azure had proposed an eight (8) to ten (10) week sales process to conduct a proper competitive sale process for the EOC Petroleum Assets.

The timetable for the sale process is as follows:

Date	Timing
Preparation of data-room, marketing materials and development of target list	1 week
Approach potential buyers and solicit non-binding indicative offers	2-3 weeks
Short list preferred parties, complete confirmatory due diligence, negotiate transaction documentation, solicit final offers	2-3 weeks
Select preferred party and execute transaction documentation	1-2 weeks

Given our subsequent appointment as voluntary administrators of EGO, a company that is listed on the Australian Securities Exchange (ASX), we envisaged that parties who may be interested in the exploration permits may wish to explore the acquisition of EGO by way of a recapitalisation. This may have added advantages on the basis that EGO has some carried forward tax losses that may make such a recapitalisation plan more attractive to a buyer.

Azure in conjunction with key employees developed a data room and prepared a short flyer / presentation that was distributed to all interested parties that had either previously expressed an interest in EOC's assets or had been targeted as part of the wider strategy.

Though the sale process has been temporary suspended pending the outcome of MIN's DOCA proposal which is set out in Section 7 of our report, we provide an overview of the sale process run to date by Azure below:

- Parties have indicated an ability to meet the 3 November 2017 non-binding indicative offer deadline with an ability to move quickly to completion thereafter, albeit there is no guarantee such offers will be ultimately put forward.
- A number of parties have also expressed an interest in Red Gully.
- Summary of key interested parties below, noting the following:
 - +50 parties contacted to date.
 - 7 parties signed CAs, sent process letter, provided data room access.
 - 6 parties have noted receipt of flyer / CA and will revert.
 - Interested parties that have expressed an interest have market capitalisations ranging from \$20m to \$8.8bn.
- As at the date of this report, no interested party has identified what the value of their non-binding offer may be if so put forward.

Considering that the sale process we have undertaken is in the early stages, it is difficult to assess whether MINs DOCA proposal accurately reflects the market value of the EOC Petroleum Assets and if in fact it is a transaction that will ultimately provide the best return to creditors.

In circumstances where creditors of EOC and EGO do not approve the MIN DOCA proposal, the Administrators will recommence the sale process with Azure.

6.3 Key trading results

Given the appointment of Administrators to the Company and available funding, the EOC Petroleum Assets will not be subject to further exploration activities. The Administrators continue to preserve the Company's remaining cash available for the Administration and the creditors of the Company.

7 Proposal for DOCA

On Friday, 6 October 2017 a DOCA Proposal in relation to EOC was received from MIN. Since then, the Administrators have been working with MIN to develop and refine the terms of the same.

Based on the terms of the final DOCA Proposal which now includes all entities of the EGO Group, creditors of EOC with claims of less than \$55,000 will receive a return of up to 25 cents in the dollar, whilst creditors with claims above \$55,000 will receive a return of up to 9.0 cents in the dollar.

7.1 Proposal received

We received a final signed DOCA term sheet proposal from MIN on 25 October 2017, a copy of which is attached at **Annexure F**. A draft DOCA and Creditors Trust is also available for inspection by creditors prior to the Second meeting of creditors.

We consider that the proposed DOCA complies with section 25.6.6 of the Code.

7.2 Key features of the proposal

MIN have advised the Administrators on several occasions that if their DOCA is not accepted by creditors, there is a real risk that their proposal will be withdrawn entirely or any subsequent proposal will provide a worse return for creditors

The key features of the proposal may be summarised as follows:

Key Terms	
Proponent	<ul style="list-style-type: none"> Mineral Resources Limited
Deed Administrators	<ul style="list-style-type: none"> The Administrators
Parties to the Deed	<ul style="list-style-type: none"> Empire Oil and Gas NL (Administrators Appointed) Empire Oil Company (WA) Pty Ltd (Administrators Appointed) (Receivers and Managers Appointed) Empire Services Pty Ltd (Administrators Appointed)
	<p>Upon the Proponent becoming the owner of EOC, the Proponent will:</p> <ul style="list-style-type: none"> make all reasonable efforts to reopen the Red Gully Well and processing facility; and meet its obligations with respect to the EOC Exploration Assets; and progress the exploitation of its various exploration tenements.
Purpose of the Deed	<p>Under the DOCA:</p> <ul style="list-style-type: none"> the Administrators will become the Deed Administrators; the claims of all creditors (other than the Proponent) will be released to the fullest extent possible; and the Creditors Trust will be created and the creditors of the EGO Group will only be entitled to participate as beneficiaries of the Creditors Trust.
Condition Precedents	<p>The condition precedents to completion of the DOCA are as follows:</p> <ol style="list-style-type: none"> that the creditors of EGO approve this DOCA; the creditors of EOC approve this DOCA; the creditors of EMS approve this DOCA; and the creation of the Creditors Trust.

Key Terms

	<p>Upon completion of the Condition Precedents occurring, the following events will occur:</p> <ol style="list-style-type: none"> 1. the DOCA will terminate in relation to EOC; 2. the acquisition of the shares in EOC and other assets of EGO by the Proponent will be completed. 3. the control of EOC will return to newly appointed directors; 4. the DOCA will terminate in relation to EMS and it will be wound up.
Key Events	
	<p>Upon completion of the Condition Precedents, EGO will:</p> <ol style="list-style-type: none"> 1. Transfer to the Proponent (or nominee) all of the shares it owns in EOC, the entity which owns the Red Gully Project and the EOC Petroleum Assets. 2. Transfer to EOC all of the shares it owns in Cattamarra Farms. 3. Transfer to EOC, any and all claims that it has against, or debts due from: <ol style="list-style-type: none"> a. Wharf Resources PLC, who is the holder of the remaining 10% of the shares in Cattamarra Farms; b. Cattamarra Farms. 4. Release EOC from any and all liabilities it may have, including, without limitation, its liability: <ol style="list-style-type: none"> a. under any debt or financial facility or agreement; b. for the inter-company debt due from EOC to EGO; and c. for its contingent right of indemnity arising out of its liability to the Proponent under the guarantee granted by it for the MIN Debt; 5. Transfer to EOC, any other assets owned by it or in its possession, but excluding: <ol style="list-style-type: none"> a. all of the cash at bank (including the Alcoa Funds and any funds held in trust by the Administrators in any capacity) which is to become Pool D; 6. Not prove for inter company loan amounts at any creditors meeting of EOC or under the Creditors Trust, in competition with the other creditors of EOC.
Assets of EGO	
	<p>Upon completion of the Condition Precedents, EMS will:</p> <ol style="list-style-type: none"> 1. Transfer to EOC any assets owned by it or in its possession. 2. Transfer to EOC any and all claims it has against and debts due from Wharf or Cattamarra Farms. 3. Release EOC from any and all claims.
Assets of EMS	

Key Terms

Proponent Consideration	<p>In consideration for acquiring the assets of EGO and EMS, the Proponent will cause the following amounts to be paid into the Creditors Trust for the benefit of the creditors of the Empire Group:</p> <ol style="list-style-type: none"> 1. Pool A- \$155,000 to Small Unsecured Creditors (less than \$55,000 claims) of EOC. 2. Pool B- \$204,000 to Other Unsecured Creditors (more than \$55,000 claims) of EOC. 3. Pool C- \$320,000 for the benefit of the EOC Administrators' fees and costs, other EOC creditors that are not known to EOC at the date of this proposal. <p>Except in relation to Pool D, not prove for the debt the subject of its security, which is currently an amount of the order of \$15.1 million (plus interest plus enforcement costs), in competition with the other creditors of EOC;</p> <ol style="list-style-type: none"> 1. In relation to Pool D, reduce the amount for which it proves to the extent of \$4 million less: <ol style="list-style-type: none"> 1) the amounts paid to the Creditors Trust as contemplated above; and 2) the "holding costs" incurred as a consequence of the appointment of Receivers and Managers to certain of the assets of EOC.
Assets of and realisation of value from listed shell of EGO	<ul style="list-style-type: none"> • The Deed Administrators will, upon the DOCA becoming effective, take steps to attempt to locate a party who is prepared to pay for the opportunity to exploit the listed shell of EGO. • If the Deed Administrators can locate such a party within 90 days (or such longer period as may be agreed between the Deed Administrator and the Proponent), a meeting of the creditors of EGO will be called to vary the DOCA, so far as it relates to EGO, so as to facilitate the realisation of value from the listed shell of EGO. • The proceeds received from the realisation of the listed shell of EGO, after the reasonable costs and remuneration of the Deed Administrators, will be paid into Pool D. • If the listed shell of EGO cannot be realised within the time, the DOCA will terminate, so far as it relates to EGO, and EGO will be wound up.

Key Terms

Distribution to Unsecured Creditors

Though there is a pooling of assets, separate classes of creditors are to be established and funds are to be made available to the creditors of the EGO Group.

The Proponent will direct the Trustees of the Creditors Trust to pay the following amounts out of the Proponent's entitlement to a dividend as a creditor of Pool D, which funds will be made available to the unsecured creditors of EOC as follows:

1. **Debts due to Government and Statutory Authorities** - To the extent these debts are overdue and puts at risk any of the EOC Assets, these debts are to be paid in full out of the Proponent Dividend.
2. **Small Unsecured Creditors (Pool A)** - Unsecured creditors of EOC who have debts of less than \$55,000 will share on a pro-rata basis the sum of \$155,000 out of the Proponent Dividend.
3. **Other Creditors (Pool B)** - Unsecured creditors of EOC who have debts of more than \$55,000 will share on a pro-rata basis the sum of \$204,000 out of the Proponent Dividend. Creditors cannot reduce its claim, so as to attempt to fall within Pool A if the true debt is greater than \$55,000.
4. **Balancing Pool (Pool C)** - The Proponent directs the Trustee to pay the sum of \$320,000 out of the Proponent Dividend, to Pool C, and the Pool C funds will be applied:
 - (a) first, in satisfaction of the fees, costs, disbursements of the Administrators incurred as the administrators of EOC, up to a maximum of \$560,308.
 - (b) next, to any creditors of EOC who are not known to be creditors of EOC as at the date of this term sheet;
 - (c) If there is any excess in Pool C, after the payment of the EOC Administrators fees and any new creditors, it will be paid back to the Proponent.
5. **EGO Pool D** - Pool D will be made available to the creditors of EGO as follows:
 - (a) first to the administrators in their capacity as administrators of EGO and EMS, as Deed Administrators, Trustees and Liquidators, for the fees, costs and remuneration incurred by them in those capacities, up to a total cap of \$561,245;
 - (b) next, to Employees for their employee entitlements; and
 - (c) next, to the unsecured creditors of EGO, pro rata, but on the basis that:
 - a. the Proponent will only prove for the debt the subject of its security, reduced in the amount contemplated by 3.3(3); and
 - b. neither EGO nor EMS can prove as a creditor.

The cap on fees referred to at 8.2(1) will not operate with respect to the fees, costs and remuneration incurred by the Deed Administrators in realising the listed shell of EGO, which fees, costs and remuneration can only be borne out of the proceeds of the realisation of that listed shell.

7.3 Creditors Trust

The DOCA proposal requires the utilisation of a Creditors' Trust. The purpose of a Creditors' Trust will be to enable certain tasks ordinarily undertaken by the Deed Administrators (including but not limited to, the calling for and adjudication of creditors' proofs of debt) to be performed by the Trustees of the Creditors' Trust in order to facilitate the termination of the DOCA.

It is important that creditors understand that the Creditor's Trust is a separate legal structure to the corporate entity, EOC, EGO and EMS, which is presently subject to administration.

Under ASIC's Regulatory Guide 82, we provide the below information in regarding the utilisation of the Creditors' Trust in the DOCA.

Item	Information for creditors
Reason	<p>The purpose of the Creditors Trust will be to enable certain tasks ordinarily undertaken by deed administrators (including but not limited to, the calling for and adjudication upon the claims of unsecured creditors) to be performed by the Trustees of the Creditors Trust, in order to:</p> <ul style="list-style-type: none"> (a) facilitate the early termination of the DOCA so far as it relates to EOC, so that EOC avoids having to trade "subject to DOCA", which may adversely impact upon its ability to acquire goods and services and obtain credit; and (b) facilitate a realisation of the listed shell of EGO, in a way which is consistent with the expectations of potential proponents for the exploitation of the listed shell of EGO.
Key events	<p>Once the conditions precedents as set out above are met, the DOCA will be terminated and the control of the Company returned to newly appointed directors.</p> <p>The Proponent will then direct the Trustees to make certain payments to the creditors trust.</p>
Return	<p>As stated above, creditors with claims above \$55,000 are anticipated to receive a return of up to 9 cents in the dollar. Creditors with claims below \$55,000 are anticipated to receive a return of up to 25 cents in the dollar.</p>
Trustee particulars	<p>Martin Jones, Andrew Smith and Peter McCluskey will be the Deed Administrators, will have the necessary powers to administer the DOCA and will be entitled to exercise all rights, privileges, authorise and discretions conferred by the Company's constitution or otherwise by law on the directors to the exclusion of the directors during the DOCA. The Deed Administrators will assume of the role of Trustee of the Creditors Trust.</p>
Remuneration	<p>Refer to Annexure D.</p>
Indemnities	<p>The Administrators of EOC, are entitled to be indemnified out of, and will have a lien over:</p> <ul style="list-style-type: none"> (a) the cash held by EOC at the time of their appointment; and (b) Pool C. <p>for their remuneration, costs, fees and expenses for work done in the performance of their duties as Administrators of EOC.</p> <p>The Administrators of each of EGO and EMS, the Deed Administrators, the Trustees and the Liquidators are entitled to be indemnified out of and will have a lien over Pool D for their remuneration, costs, fees and expenses for the work due in those respective capacities (subject to the cap in 8.2(1)).</p>

Item	Information for creditors
Powers	<p>The Trustee of the new trust becomes solely responsible to the former creditors (now beneficiaries) for:</p> <ul style="list-style-type: none"> (a) Ensuring that the company and / or other third parties perform their obligations to the Trustee; (b) Determining how much each of the former creditors is entitled to receive from the trust; and (c) In due course, making any distribution to those former creditors. <p>In addition to the above, the Trustees are likely to have the following powers:</p> <ul style="list-style-type: none"> (a) To administer the Trust Fund; (b) To ensure that the Company fulfils its obligations under the DOCA and to take such legal proceedings or other steps as the Trustees think fit to enforce those obligations; (c) To fulfil the Trustees' obligations in terms of the DOCA; (d) To admit claims to proof in accordance with the provisions of the DOCA and the Trust Deed; (e) To make interim or other dividend payments to creditors or distributions of the Trust Fund; (f) To appoint agents to do any business or attend to any matter or affairs of the Trust that the Trustee is unable to do or that it is unreasonable to expect the Trustee to do in person; (g) To appoint a solicitor, accountant or other professionally qualified person to assist the Trustees; (h) To compromise any claim on such terms as the Trustees consider fit; (i) Having taken an assignment of all causes of action, to prosecute such of those actions as the Trustees consider fit; and (j) To do anything else that is necessary or convenient for administering the Trust. <p>These powers are provided for the benefit of creditors in determining whether to accept the proposed DOCA. However, these powers may be varied prior to finalisation of the Trust Deed.</p>
Claims	<p>The terms of section 556, 560 and 561 of the Corporations Act shall apply as if the references to "liquidator" were references to the "Trustee", references to "winding up" were references to the "Creditors Trust" and with such other modifications as are necessary to give effect to the terms of this Term Sheet.</p> <p>Sections 444DA and 444DB of the Act will apply to the DOCA.</p>
Intercompany debts	<p>For the purposes of proving under the Creditors Trust, intercompany debts will be ignored.</p>
Other creditor/ beneficiary differences	<p>A comparison of the protections and rights of creditors under the Act and of beneficiaries under the DOCA proposal.</p>
FEG	<p>Employees are not eligible for FEG assistance and employees are expected to receive 100 cents in the dollar.</p>
Compliance opinion	<p>We consider that the EOC and the Proponent will be able to comply with the terms of the Creditors Trust.</p>
Solvency statement	<p>All creditors' claims will be transferred into the Creditors Trust and the Proponent of the DOCA will ensure that the EOC has sufficient working capital. The Proponent has a market capitalisation of approximately \$3.3B.</p>
Tax (company / trust)	<p>Creditors should note that there may be income tax and stamp duty implications for the company and the Trust associated with the abovementioned proposal.</p> <p>The Trust may be required to register for GST purposes and apply for a new Tax File Number. In addition, the Trustees may also be responsible for lodging income tax returns for the trust with the ATO.</p>

Item	Information for creditors
Tax (creditor/ beneficiary)	<p>Our preliminary view is that by assigning creditors' claims to the Trust any dividend paid to creditors would be treated the same as if creditors had received the dividend from the Company under Administration. That is, we do not foresee any tax disadvantages to creditors with the proposed DOCA and Creditors Trust.</p> <p>The proposed DOCAs and Creditors' Trust also enables the Trustee to make distributions to the beneficiaries of the Trust (as opposed to the repayment of creditors' claims outlined above). Under this scenario however, the Trustee may be required to withhold tax from distributions to non-resident beneficiaries at the applicable tax rates.</p> <p>Creditors are encouraged to seek their own independent legal advice in relation to the possible taxation consequences of receiving a distribution from the proposed Creditor's Trust.</p>

7.4 Further information for creditors

Creditors should seek their own legal advice as to their rights and the effects of their position in entering into the DOCA.

Creditors can obtain further information from the ASIC website at www.asic.gov.au under Regulatory Resources – Insolvency – Insolvency for Creditors.

8 Statutory investigations

This section provides creditors with information on the preliminary investigations undertaken by the Administrators to date, and whether there have been any potential actions identified that may be pursued by a liquidator, if appointed.

8.1 Nature and scope of review

The Act requires an administrator to carry out preliminary investigations into a company's business, property, affairs and financial circumstances.

We reiterate that the investigations are preliminary and have been limited for the following reasons:

- The Company's financial statements were prepared on a consolidated basis. Given the complexities in the Company's accounting software the Company has been unable to readily drill down on financial data and accordingly our initial investigations have been limited to the financial statements of EOC and the EGO Group bank statements.

Investigations centre on transactions entered into by the Company that a liquidator might seek to void or otherwise challenge where the Company is wound up. Investigations allow an administrator to advise creditors what funds might become available to a liquidator such that creditors can properly assess whether to accept a DOCA proposal or resolve to wind up the Company. We investigated matters to the extent possible in the time available.

A liquidator may recover funds from certain voidable transactions or through other avenues; for example, through action seeking compensation for insolvent trading or breach of director duties. Funds recovered would be available to the general body of unsecured creditors including secured creditors but only to the extent of any shortfall incurred after realising their security.

A deed administrator does not have recourse to voidable transactions.

The Administrators' knowledge of the Company's affairs comes principally from the following sources:

- Discussions with the Directors, their advisors and key staff members.
- The Directors' Statement and questionnaire.
- Management accounts, books and records, board reports and financial statements.
- Correspondence and discussions with the Company's creditors.
- Searches obtained from relevant statutory authorities.
- Records maintained by the ATO.
- Publicly available information.

8.2 Director and officers' responsibilities

Sections 180 to 184 of the Act set out the duties, obligations and responsibilities imposed on Directors which are designed to promote good governance and ensure that Directors act in the interests of the Company/Group. These duties include:

- Duty of care and diligence;
- Duty of good faith;
- Duty not to make improper use of position; and
- Duty not to make improper use of information.

Our investigations with respect of any breaches committed by the Directors are continuing, however at the date of this report we have not identified any breaches committed by the Directors.

8.3 The Company's solvency

In order for a liquidator to recover funds through the voiding of certain transactions or through other legal action, such as seeking compensation from directors for insolvent trading, the Company's insolvency must be established at the relevant time.

There are two primary tests used in determining a company's solvency, at a particular date, namely:

- Balance sheet test; and
- Cash flow or commercial test.

The Courts have widely used the cash flow or commercial test in determining a company's solvency at a particular date along with several other indicators.

We have summarised below the insolvency indicators adopted by the Courts and the ASIC together with our comments in relation to the Company:

Insolvency indicator	Present	Date relevant to insolvency	Administrators' comments
Endemic shortage of working capital - balance sheet test			
Working capital position	N/A	N/A	Based on the Audited Financial Accounts, the Company recorded the following working capital amounts: <ul style="list-style-type: none"> – FY15 – (\$18M) – FY16 – (\$13M) – FY17 – \$2.7M
Net asset position	N/A	N/A	The Company maintained a positive net asset position from FY15 to the date of our appointment. The net asset position was predominantly supported by the significant amount recorded in respect of Red Gully and the Company's exploration portfolio.
Ageing of creditors	Yes	September 2017	The Company maintained current aged creditors above 90% of total payables up to August 2017. We are aware that once the Red Gully Project operations ceased that the Company also ceased making payments whilst they considered various options available in fixing the operational issues. This resulted in the aged creditors deteriorating from 98% of creditors being outstanding for less than 30 days in August 2017 to 70% of creditors being outstanding for less than 30 days in September 2017.
Inability to extend finance facilities and breaches of covenants	Yes	13 September 2017	We understand that the Directors of the Company attempted to obtain further funding from MIN and other parties to remediate the operational issues at the Red Gully Project. The Company was unsuccessful in obtaining further finance. MIN issued a Notice of Demand and Default to the Company on 13 September 2017 in respect of a breach to the loan facility agreement.
Availability of other cash resources – cash flow test			
Profitability / trading losses	N/A	N/A	The Company recorded the following profits/(losses):

Insolvency indicator	Present	Date relevant to insolvency	Administrators' comments
			<ul style="list-style-type: none"> – FY15: \$7.5M – FY16: (\$1.01M) – FY17: \$5.09M <p>Please note that the loss reported in FY16 resulted given an impairment expense totalling \$7M.</p>
Cash flow difficulties	N/A	N/A	<p>Please refer to section 3.3 of this Report in respect of the flow of funds in respect of the EGO Group.</p> <p>Notwithstanding the complexities regarding the flow of funds between the EGO Group members and external parties we consider that the Company was not experiencing significant cashflow difficulties until the date of our appointment given that EGO was providing funding to EOC in respect of its debts.</p>
No access to alternative sources of finance (including equity capital)	N/A	N/A	<p>The Company obtained funding through EGO. EGO was unable to continue funding EOC after MIN issued the Notice of Demand and Default on 13 September 2017.</p> <p>We are not aware of any attempts by the Company to obtain alternative finance.</p>
Inability to dispose non-core assets	N/A	N/A	<p>The Company had established a data room and was attempting to find farm in / JV Partners to fund its exploration program. .</p>
Dishonoured payments	N/A	N/A	<p>We are not aware of any dishonoured cheques.</p>
Overdue Commonwealth and State taxes	N/A	N/A	<p>All statutory accounts were paid up to the date of our appointment, with the exception of payroll tax which fell due on 9 October 2017.</p>
No forbearance from creditors / legal action threatened or commenced by creditors	Yes	13 September 2017	<p>We are not aware of any forbearances or legal actions either threatened or commenced by creditors above the Notice of Demand and Default issued by MIN on 13 September 2017.</p>

8.4 Preliminary conclusion as to solvency

Having regard to the above analysis, it is our preliminary view that the Company was not insolvent for any material time prior to our appointment on 14 September 2017 due to the following:

- EGO was providing funding to the Company and could satisfy the Company's debts up until MIN issued the Notice of Demand and Default on 13 September 2017.

8.5 Potential liquidator recoveries – insolvent trading

8.5.1 Directors' liability

Section 588G of the Act imposes a positive duty upon company directors to prevent insolvent trading. If a director is found guilty of an offence in contravening Section 588G, the Court may order him or her to pay compensation to the company equal to the amount of loss or damage suffered by its creditors.

The Court may also impose upon the directors one of two types of civil penalty orders, the first can include a fine or an order prohibiting the directors from participating in the management of a company. The second, where there is criminal intent and conviction, a director could also be imprisoned for up to five years.

This action is not a right that is available to an administrator or a deed administrator. Applications for compensation payable to the company are usually made by a liquidator, or in specified circumstances, a creditor.

The substantive elements of Section 588G are:

- A person must be a director of a company at a time when the company incurs a debt;
- The company must be insolvent at the time or becomes insolvent by incurring the debt; and
- The director must have reasonable grounds for suspecting that the company is insolvent or would become insolvent.

8.5.2 Directors' defences

The defences available to directors contained in Section 588H are:

- The directors had reasonable grounds at the time the debt was incurred to expect the company to be solvent and would remain solvent even after the debt was incurred;
- The directors relied on another competent and reliable person to provide information about whether or not the company was insolvent;
- The directors were ill or for some other good reason did not take part in the management of the company; and
- The directors took reasonable steps to prevent the incurring of debt.

8.5.3 Pursuing an insolvent trading claim

A liquidator must form an opinion as to the date of insolvency and determine the debts incurred from that date; thereby quantifying the loss to the company.

The costs of proceeding with an insolvent trading action must be considered.

Notwithstanding the above, for the reasons provided at section 8.4 we do not believe that there is a claim against the directors.

8.5.4 Holding company liability

Section 588V of the Act provides that a holding company may be held liable for the debts of a subsidiary in certain circumstances.

The substantive elements of Section 588V are:

- The corporation is the holding company at the time when the company incurs a debt;
- The subsidiary is insolvent at that time, or becomes insolvent by incurring that debt;
- The holding company, or one or more of its directors, is aware at that time that there are grounds for suspecting the subsidiary is insolvent; or
- Having regard to the nature and extent of the holding company's control of the subsidiary's affairs, then it would be reasonable to expect that:
 - The holding company would be aware of the subsidiary's financial position; or
 - The holding company's directors would also be aware of the subsidiary's financial position.

The defences the holding company may rely upon are set out in Section 588X and are essentially the same as those a director may rely upon under Section 588H.

Furthermore, the Courts have held that, as a defence to such proceedings, a holding company can off-set any claim by a liquidator under Section 588W against monies owing under an intercompany loan account.

Notwithstanding the above, for the reasons provided at section 8.4 we do not believe that there is a claim against EGO.

8.6 Adequacy of books and records

Section 286 of the Act requires a company to keep written financial records that correctly record and explain the company's transactions, financial position and performance and would enable true and fair financial statements to be prepared. The financial records must be retained for a period of seven years after the transactions covered by the records are completed.

The failure to maintain books and records in accordance with Section 286 provides a rebuttable presumption of insolvency which might be relied upon by a liquidator in an application for compensation for insolvent trading.

Based on my review of the books and records received, we are of the opinion that the Company's books and records were maintained in accordance with Section 286 of the Act to 14 September 2017.

8.7 Other matters arising from investigations

8.7.1 Falsification of books

Pursuant to Section 1307 of the Act, it is an offence for a person to engage in conduct that results in the concealment, destruction, mutilation or falsification of any securities of or belonging to the company or any books affecting or relating to affairs of the company.

If a breach is proven, Part 9.4 of the Act provides for criminal penalties only. Therefore, any breaches of Section 1307 will not result in recovery of funds by a liquidator.

The Administrators' preliminary investigations do not reveal any evidence of falsification of books.

8.7.2 False or misleading statements

Pursuant to Section 1308 of the Act, a company must not advertise or publish a misleading statement regarding the amount of its capital. It is an offence for a person to make or authorise a statement that, to the person's knowledge is false or misleading in a material particular.

The Administrators' preliminary investigations do not reveal any evidence of any false or misleading statements.

8.7.3 False information

Pursuant to Section 1309 of the Act, it is an offence for an officer or employee to make available or give information to a director, auditor, member, debenture holder, or trustee for debenture holders of the company that is to the knowledge of the officer or employee:

- False or misleading in a particular matter; or
- Has omitted from it a matter the omission of which renders the information misleading in a material respect.

The Administrators' preliminary investigations do not reveal any evidence of any false information.

9 Voidable transactions

This section informs creditors about potential voidable transactions that occurred prior to the appointment of the Administrators, and where the property of the Company was disposed of or dealt with, may be recovered by a liquidator.

A liquidator has the power to void certain transactions which are either not beneficial, or are detrimental, to a company. An administrator must identify any transactions that appear to be voidable by a liquidator.

Enclosed at **Annexure E** is a creditor information sheet published by ARITA. This information sheet details the types of transactions which a liquidator can seek to void, which include:

- Unfair preference payments;
- Uncommercial transactions;
- Unfair loans;
- Unreasonable director related transactions;
- Inappropriate related party transactions
- Creation of circulating security interests within 6 months of commencement of Administration; and
- Transactions for the purpose of defeating creditors

For the purposes of examining voidable transactions, the Liquidator would review transactions that occurred during the relevant time period (as prescribed under the Act), taking into consideration the “relation back day”. The relation back day for the Company is 14 September 2017 being, the date of our appointment as administrators.

9.1 Unfair preferences

An unfair preference payment is a transaction, generally occurring in the six months prior to the relation back day, between the company and a creditor, resulting in the creditor receiving from the company, in relation to an unsecured debt owed to the creditor, a greater amount than it would have received in relation to the debt in a winding up of the company. This period is extended up to four years for transactions entered into with a related entity.

A transaction can only be considered an unfair preference if the Company was insolvent at the time the transaction took place, or the Company became insolvent as a result of the transaction. For this reason, we do not believe any such transactions exist that a liquidator may recover, subject to a liquidator’s further investigations.

9.2 Uncommercial transactions

An uncommercial transaction is a transaction which a reasonable person in the place of the company would not have entered into, taking into account the benefits and the detriment to the company, the respective benefits to the other parties involved and any other related matters.

A liquidator must investigate transactions deemed to be uncommercial, in the period two years prior to the date of administration.

Based on the books and records in my possession I have not identified any transactions which would constitute uncommercial transactions.

9.3 Unfair loans

A liquidator must investigate loans to the company which may be considered unfair due to extortionate interest rates or charges.

Based on our preliminary investigations to date, we have not identified any unfair loans.

A liquidator, if appointed, may conduct further investigations in relation to any unfair loans.

9.4 Unreasonable director-related transactions

Section 588FDA of the Act refers to “unreasonable director-related transactions” and requires the liquidator to investigate such transactions, having regard to the detriment to the Company (if any) suffered as a consequence of the transaction.

The transaction must have been unreasonable, and entered into during the four years prior to the relation back day, regardless of the solvency at the time the transaction occurred. These can include remuneration, bonuses, loans, loan forgiveness and asset transfers to company officers with the four-year period ending on the relation-back date

Based on the books and records in our possession, we have not identified any transactions which would constitute unreasonable director-related transactions.

9.5 Voidable charges

A circulating security interest is voidable if the security interest was created during the six months ending on the relation back day, and the security interest was created to secure borrowings that were advanced prior to the creation of the security interest.

Based on the books and records in our possession, we have not identified any charges which would be voidable in the circumstances.

9.6 Arrangements to avoid employee entitlements

Part 5.8A of the Act aims to protect the entitlements of a company’s employees from agreements that deliberately defeat the recovery of those entitlements upon insolvency.

Under Section 596AB(1) of the Act, it is an offence for a person to enter into a transaction or relevant agreement with the intention of, or with intentions that include:

- Preventing recovery of employee entitlements; or
- Significantly reducing the amount of employee entitlements recoverable.

As the Company did not have any employees, there are no possible claims in relation to such arrangement.

9.7 Summary of potential liquidator recoveries

At this stage, the Administrators do not consider that there will be any potential recoveries by a liquidator in the event that the Company is wound up.

9.8 Directors’ ability to pay a liquidator’s claims

Given the Administrators do not consider there will be any potential recoveries from the Directors by a liquidator, and accordingly we have not made any assessment as to the financial capacity of the Directors to meet any potential liquidator action.

9.9 Reports to the ASIC

Section 438D of the Act requires us to lodge a report with the ASIC should we become aware of:

- Any offences committed by a past or present officer of the Company;
- Evidence that money or property has been misapplied or retained;
- Evidence that a party is guilty of negligence, default, breach of duty or breach of trust in relation to the Company.

Creditors should be aware that any report lodged pursuant to Section 438D (or an investigative report lodged by a liquidator pursuant to Section 533 of the Act) is not available to the public.

10 Return to creditors

This section provides creditors with information on the estimated financial outcome to creditors together with the anticipated timing of any dividend.

10.1 Return to creditors

The table below outlines an estimated Low and High return for each class of creditor in a Liquidation and the estimated return to creditors in the DOCA proposed by MIN.

Statement of Position	MIN DOCA	Liquidation	
Assets Not Subject to MRL Security		High	Low
Cash at Bank	250,579	250,579	250,579
Alcoa Funds	-	118,695	-
Shares in Subsidiary (Cattamarra)	-	Confidential	Confidential
MIN Cash Consideration- Pool C	320,000	-	-
Exploration Permits and Licences (Other than EP389, L18 & L19)	-	Unknown	Unknown
Red Gully VA Realisation (Assume 50% of costs)	-	Unknown	Unknown
Total Asset Realisations	570,579	Confidential	Confidential
Less:			
EP Trading Expenses (31 December 2017)	-	(112,951)	(112,951)
VA Red Gully Specific Expenses to 31 December 2017	-	(510,339)	
VA Fees and Costs	(269,705)	(419,705)	(369,705)
DOCA / Creditors' Trust Fees and Costs	(110,271)	-	-
Liquidators Fees and Costs	-	(200,000)	(200,000)
Legal Fees and Costs	(115,603)	(215,603)	(165,603)
Advisor Fees	(75,000)	(495,000)	(435,000)
Total Costs	(570,579)	(1,953,598)	(1,283,259)
Total Assets Not Subject to MRL Security	-	3,819,948	1,616,423
Assets Subject to Non-Circulating interest			
EP389, L18 & L19 (Includes Red Gully infrastructure)	-	-	-
Debt Reduction	4,000,000	-	-
Total Assets Available to Secured Creditors	4,000,000	-	-
Receivership Costs			
Estimated R&M Trading Costs	(702,483)	(423,010)	(423,010)
Total Costs and Expenses of Receivership	(702,483)	(423,010)	(423,010)
Net Debt Reduction After Costs and Expenses	3,297,517	(423,010)	(423,010)
Less:			
MRL Facility Principal	(15,084,660)	(15,084,660)	(15,084,660)
MRL Facility Interest (to dividend distribution)	(430,761)	(555,889)	(555,889)
Surplus / (Shortfall) to MRL	(12,217,903)	(16,063,558)	(16,063,558)
Assets Available to Unsecured Creditors	-	3,819,948	1,616,423
Less: Unsecured Creditors			
Unsecured Trade Creditors	(2,863,923)	(2,863,923)	(2,863,923)
Intercompany Loan	-	-	-
Shortfall on Specifically Charged Assets	-	-	-
Payroll Tax	-	-	-
Australian Taxation Office	-	-	-

Shortfall on MIN Facility	(12,217,903)	(16,063,558)	(16,063,558)
Environmental Rehab- Red Gully	-	-	(3,600,000)
Contingent Liability (Alcoa / BP)	-	-	-
Total Unsecured Claims	(15,081,827)	(18,927,482)	(22,527,482)
Overall Estimated Surplus / (Deficiency)	(15,081,826)	(15,107,534)	(20,911,059)
Dividend to Unsecured Creditors	-	0.20	0.07
DOCA Contribution Available for Creditors	359,000	-	-

Shortfall to Employees	N/A	N/A	N/A
Shortfall to MRL	(12,217,903)	Confidential	Confidential
Shortfall to Unsecured Creditors	(2,504,923)	Confidential	Confidential

Return to Creditors Smaller than \$55k	0.256	0.202	0.072
Return to Creditors Larger than \$55k	0.090	0.202	0.072
MRL	-	0.202	0.072

Please note that the above calculations are estimates only and may change due to:

- The final amount realised from assets.
- Final adjudication of creditor claims.
- Cost of administration and the liquidation resulting from additional issues arising

We provide the following comments in relation to the table above:

Alcoa Funds

As mentioned previously, prior to our appointment as Administrators of EOC, EGO received funds of \$1.2m from Alcoa on behalf of EOC. EGO received a further \$118k after the date of our appointment as Administrators of EOC.

Based on our preliminary view, the Administrators consider that the better argument is that at best only \$118k may be available to creditors of EOC. In this regard, the determination of whether the gas sale proceeds received by EGO on the day of our appointment as Administrators of EOC relating to sales by EOC should be retained by EGO or transferred to EOC was scheduled to be heard by the Federal Court on 23 October 2017 at 11.30am AWST. This date has been further adjourned to be heard on 13 November 2017 at 10.30am AWST.

If the MIN DOCA is accepted, none of the Alcoa funds will be available for the benefit of the creditors of EOC.

Shares in Cattamarra

This relates to the estimated value that the shares owned by EOC may be worth if the Cattamarra is liquidated and the land is sold.

If the MIN DOCA is accepted, the shares will be owned by MIN through its ownership of EOC.

MRL Cash Consideration- Pool C

This relates to the amount paid by MIN into Pool C of the Creditors Trust.

Exploration Permits and Licences (other than the Red Gully Project)

As previously mentioned, on 6 October 2017, the Administrators engaged Azure as corporate adviser in relation to the potential sale of the EOC Petroleum Assets.

For the purposes of analysing the estimated returns to creditors in a Liquidation, or in circumstances where the MIN DOCA is not accepted and the sale process being ran by Azure is resumed, we have used an arbitrary range of estimated sale prices.

Based on our previous experience and following discussions with Azure, we note that:

- There are a variety of “yard-stick” valuation methods commonly used to value early stage oil & gas assets (e.g. A\$ per acre of exploration ground, A\$ per metre drilled, A\$ per PJ of Prospective Resources / Contingent Resources / Reserve).
- In Azure’s experience, it is difficult to accurately value early stage assets, such as the Exploration Permits, as “yard-stick” valuation methods produce a wide-range of values based on limited information and do not take in to account asset-specific or market-specific circumstances.

We therefore formed the view that the recommended approach was to determine what someone is willing to pay for the exploration permits by conducting a competitive sale process, which will best reflect the market value.

As the sale process was suspended and interested parties have not had an opportunity to submit an indicative offer, it is unknown what the market value of these exploration permits are and whether creditors may receive a better or worse return than what is currently proposed by MIN.

In regard to estimated realisable value of the exploration permits, we also make the following observations:

- Given the unfunded nature of the Administrators, and where the sale process resumes and extends for a significant period of time, the inability to properly maintain and preserve the exploration assets increases the risk of forfeiture from the DMIRS given the expenditure costs required to be committed in the short term.
- The ability to achieve a high-end of the range will be challenging in the current environment (i.e. administrator sale, decline in gas prices, WA frac moratorium, etc.)
- We have asked for informal indications of value, however interested parties have declined to provide guidance at this point stating they will submit their indicative offer on 3 November 2017.

Red Gully VA Realisation

This assumes that in circumstances where the MIN DOCA is not accepted, the Receivers and Manager retire and Red Gully is then the subject of the Administrators control.

In the high scenario, we have assumed that the Administrators are:

1. Able to obtain funding or reach an agreement with Red Gully operational creditors that would seek a deferment of payment of their costs until such time that the Administrators are able to sell Red Gully. We are presently unfunded.
2. DMIRS does not forfeit EOC’s permits and licenses the subject of the Red Gully Project while a sale process is undertaken.
3. The Administrators recover 50% of the costs incurred to sell Red Gully but any buyer assumes all remediation / environmental obligations that may arise, thus not crystallising as a further liability of EOC. No further value is recognised in regard to the realisation of the Red Gully Project.

In the low scenario, we have assumed that the Administrators are:

1. Unable to obtain funding and disclaim / hand back the Red Gully Project licenses to the DMIRS.
2. No value is recognised in regard to the realisation of the Red Gully Project and a contingent environmental liability of approximately \$3.6m is crystallised.

Estimated Administrator Costs

These costs represent the Administrators best estimate of costs from the commencement of the Administration to the finalisation of the sale of EOC’s assets and subsequent winding up.

As the MIN proposal has limited conditions, limited trading and asset exposure and can be completed (and funds distributed) in a relatively short period in comparison to a liquidation, the costs associated with MIN proposal are less.

Debt Reduction

This represents the amount of the debt that MIN is proposing not to prove for in the Administration and thereafter reduce its claim (less receivership costs, interest and DOCA contribution amounts) in Pool D of the Creditors Trust.

Receivership Costs

This represents the Receivers and Managers estimated professional fees and costs and Red Gully Project preservation costs associated with the Receivership and until completion of the DOCA. In a Liquidation scenario, we have assumed that in circumstances that the MIN proposal is not accepted, the Receivers and Managers retire immediately and thus their costs do not extend out any further.

MIN Facility Principal and Interest

If the MIN DOCA is accepted we have assumed that the distribution to creditors will be paid by no later than 15 January 2018 and therefore interest has been calculated up until this date.

If the MIN DOCA is not accepted and the sale process resumes, we have assumed for the purposes of this analysis that the distribution to creditors will be paid by no later than 28 February 2018 (which is uncertain and subject to the nature of the offers received) and therefore interest has been calculated up until this date.

Unsecured Trade Creditors

The estimated claims set out in our analysis represent what we consider to be all of the known creditors of EOC, however it is subject to adjudication of each creditors claim and may therefore increase or decrease in quantum.

10.2 Estimated Return to Creditors

A summary of the estimated return to creditors under each outcome is as follows:

	MRL DOCA	Liquidation	
Return to Creditors Smaller than \$55k	0.256	0.202	0.072
Return to Creditors Larger than \$55k	0.090	0.202	0.072
MRL	-	0.202	0.072

In regard to the analysis above and ignoring the qualitative features of each scenario, we note that:

- The EOC Petroleum Assets would need to be worth at least \$6m in a high scenario for creditors with claims less than \$55k to receive a better outcome through Liquidation.
- In circumstances where the EOC Petroleum Assets are worth no more than \$5m, creditors with claims more than \$55k would receive a better outcome through Liquidation.
- In circumstances where the Exploration Permits are worth no more than in a low scenario, all creditors would be worse off in Liquidation.

10.3 Timing of dividend

If the MIN DOCA proposal is accepted by creditors and completion occurs by the proposed due date of 17 November 2017, we would expect that the dividend distribution to creditors of EOC would occur by no later than 15 January 2018.

In the case of a Liquidation, the dividend timing will be subject to the length of the sale process and the terms of any offer ultimately accepted by the Liquidators, but unlikely by no earlier than 28 February 2018.

11 Administrators' opinion

Having assessed the alternative realisation options compared to the MIN DOCA Proposal, we recommend that it would be in the creditors' best interests to resolve to execute the MIN DOCA.

We are required to provide creditors with a statement setting out our opinion on whether it is in creditors' interests for the:

- Administration to end; **or**
- Company to execute a DOCA; **or**
- Company to be wound up; **or**
- Second Meeting be adjourned for a period not exceeding forty-five (45) business days.

Each of these options is considered below.

In forming our opinion, it is necessary to consider not only an estimate of the dividend creditors might expect and the likely costs under each option but the risks and issues associated with either accepting or rejecting the MIN DOCA proposal.

Issues for Creditors Consideration	MIN DOCA	Liquidation / Adjournment of Meeting
Return to Creditors / Sale Campaign	<ul style="list-style-type: none"> – The DOCA currently provides a more certain return to creditors than what a Liquidation / Adjournment of Meeting (sale process) may bring. – Smaller than \$55k creditors are estimated to receive up to 25.6c in the dollar and larger than \$55k creditors are estimated to receive up to 9.0c in the dollar. – Considering that the sale process we have undertaken is in the early stages, it is difficult to assess whether MIN's DOCA proposal accurately reflects the market value of the assets and if in fact it is a transaction that will ultimately provide the best return to creditors. 	<ul style="list-style-type: none"> – Liquidation or an Adjournment of Meeting will allow the Administrators to resume the sale process that was being ran by Azure. – Previously, interested parties were due to provide non binding indicative offers to Azure by 3 November 2017. – As the sale process was suspended and interested parties have not had an opportunity to submit an indicative offer, it is unknown what the market value of these exploration permits are and whether creditors may receive a better or worse return that what is currently proposed by MIN. – The EOC Petroleum Assets would need to be worth at least \$6m for creditors with claims less than \$55k to receive a better outcome through Liquidation. – In circumstances where the Exploration Permits are worth no more than \$5m, creditors with claims more than \$55k would receive a better outcome through Liquidation.
Timing of Return	<ul style="list-style-type: none"> – We estimate that the dividend distribution to creditors of EOC would occur by no later than 15 January 2018. 	<ul style="list-style-type: none"> – The dividend distribution will be subject to the length of the sale process and the terms of any offer ultimately accepted by the Liquidators

Issues for Creditors Consideration	MIN DOCA	Liquidation / Adjournment of Meeting
		/ Administrators, but unlikely by no earlier than 28 February 2018.
Conditions Precedent	<p>The conditions precedent to completion of the DOCA are as follows:</p> <ul style="list-style-type: none"> – that the creditors of EGO approve this DOCA; – the creditors of EOC approve this DOCA; – the creditors of EMS approve this DOCA; and – the creation of the Creditors Trust. <p>These are due to be completed by 17 November 2017 unless waived or extended by the Proponent.</p>	<ul style="list-style-type: none"> – While no alternative offer has been presented to the Administrators, we do note that any sale of the Petroleum Assets directly to third parties (i.e not through a DOCA and acquiring the shares of EOC) would require DMIRS and other third party approval which may delay any completion. – The MIN DOCA does not require DMIRS or other third party approval. – We also note that while not a condition precedent of a proposed transaction, approval would be required to assign the pipeline licence held by EOC.
Funding	<ul style="list-style-type: none"> – As the DOCA is expected to be completed by 17 November 2017, the Administrators are unlikely to be in an unfunded position. 	<ul style="list-style-type: none"> – In circumstances where the MIN DOCA is not accepted and the Receivers and Managers retire, the Administrators currently do not have sufficient funding to be able to preserve the Red Gully Project, based on existing cost structures. – Nor do we have sufficient funding to preserve the EOC Petroleum Assets for an extended period
EGO Inter company loan	<ul style="list-style-type: none"> – If the MIN DOCA is approved EGO will not be able to prove in respect of their intercompany loan of \$51m. – There will also be no need to seek court directions in regard to determining this issue and thus the costs of the administration will reduce. 	<ul style="list-style-type: none"> – If the MIN DOCA is not approved, the matter is currently scheduled to be heard in the Federal Court of Australia on 13 November 2017. – If the matter is found in the favour of EGO, EGO will be able to prove for the amount of \$51m which would significantly reduce the returns to unsecured creditors in a Liquidation. – In a Liquidation high scenario, this would reduce the return to creditors by approximately 15 cents in the dollar.
Alcoa Funds	<ul style="list-style-type: none"> – If the MIN DOCA is approved Alcoa funds will form part of Pool D of the Creditors Trust and will not be available for distribution to unsecured creditors of EOC. 	<ul style="list-style-type: none"> – If the MIN DOCA is not approved, the matter is currently scheduled to be heard in the Federal Court of Australia on 13 November 2017. – If the matter is found in the favour of EOC, EOC may have additional funds

Issues for Creditors Consideration	MIN DOCA	Liquidation / Adjournment of Meeting
		of between \$120k and \$1.4m available for distribution to creditors.
		– This would increase the return to creditors by between approximately 1 to 7 cents in the dollar.
Pooling	<ul style="list-style-type: none"> – If the MIN DOCA is approved, a pooling of all of the assets and liabilities of the EGO Group does not occur, but rather creditors of EOC and EGO are split into the following creditors pools: <ul style="list-style-type: none"> – Pool A- EOC Creditors <\$55k – Pool B- EOC Creditors >\$55k – Pool C- EOC Other Creditors – Pool D- EGO Creditors. – We have explored the notion of a pooled DOCA with MIN, however they have proceeded to submit the DOCA proposal presented within this report. 	<ul style="list-style-type: none"> – It is arguable that if all entities of the EGO Group were placed into the Liquidation, a liquidation would proceed on a group ("pooled") basis under Division 8 of Part 5.6 of the Corporations Act. – Any pooling arrangement would require the consent of creditors or court, and all entities to be placed into liquidation or the court, pooling may be difficult to achieve. – While our initial analysis suggest that larger than \$55k creditors would be approximately 7 cents better off in a pooled liquidation than the MRL DOCA, smaller than \$55k creditors would be approximately 9 cents worst off.

11.1 Administration to end

The Company is insolvent and unable to pay its debts as and when they fall due. Accordingly, returning control of the Company to its Directors would be inappropriate and is not recommended.

11.2 DOCA

Having regard for all of the issues identified above, we are of the opinion that the DOCA proposal put forward by MIN should be accepted by creditors for the following reasons:

- In the absence of any other proposal, the MIN DOCA provides greater certainty regarding both timing and the return to creditors in a Liquidation or adjournment of the meeting.
- Allows EOC to continue to trade and gives many creditors an opportunity to trade with EOC in the future.
- A number of intercompany issues that are subject to court directions (which may increase or reduce the return to creditors) will be resolved and will reduce the costs and expenses of the Administration.
- Minimises the funding risk of EOC and the risk of forfeiture of the EOC Petroleum Assets either by the DMIRS or the Joint Venture parties.
- MIN have advised the Administrators on several occasions that if their DOCA is not accepted by creditors, there is a real risk that their proposal will be withdrawn entirely or any subsequent proposal will provide a worse return for creditors.

11.3 Winding up of the Company

In the scenario that creditors resolve to place the Company into Liquidation, a liquidator would be in a position to conduct detailed investigations into the conduct of directors and the financial affairs of the Company. A liquidator will also be empowered to:

- Complete the sale of assets in an orderly manner.
- Assist employees in applying for FEG for the payment of certain employee entitlements that cannot otherwise be funded by the Company.
- Pursue various potential recoveries under the Act.
- Distribute recoveries made in accordance with the priority provisions of the Act.
- Report to the ASIC on the results of investigations into the Company's affairs.

In circumstances where creditors of EOC did not approve the MIN DOCA, we believe that it would not be appropriate at this time for the Company to be wound up, but rather the meeting to be adjourned for up to 45 business days to allow the Administrators to complete their sale process and leave the option of a further DOCA being available open.

11.4 Adjournment of Second Meeting

For the reasons outline above, we do not consider that it is in the interests of creditors to adjourn the meeting of creditors for up to 45 business days.

If creditors wish to adjourn the meeting, this additional period of time would allow the Administrators to conclude the sale process and better inform creditors and provide more certainty as to the assets values and potential recoveries which would lead to quantification as to the likely returns from the alternatives available. Notwithstanding this, an adjournment of the meeting may not necessarily provide creditors with greater certainty or a greater return that what is currently proposed by MIN.

A reconvened second meeting of creditors would be required to be held on or before 21 December 2017.

It is difficult to estimate the cost of adjourning the meeting of creditors. During the period of the adjournment, some costs will be incurred in continuing investigations that would otherwise be undertaken in a liquidation, while other costs will relate more specifically reporting to creditors on the outcome of the investigation and to re-convening the second meeting of creditors (in the event that creditors resolve to adjourn the forthcoming meeting).

12 Further information and enquiries

The ASIC has released several insolvency information sheets to assist creditors, employees and shareholders with their understanding of the insolvency process. You can access the relevant ASIC information sheets at www.asic.gov.au.

We will advise creditors in writing of any additional matter that comes to our attention after the release of this Report, which in our view is material to creditors' consideration.

Should you have any enquiries, please contact Tim Rose on (08) 9214 1483 or by email at tim.rose@fh.com.au.

Dated this 25th day of October 2017



Andrew Smith
Joint and Several Administrators of
Empire Oil Company (WA) Limited



Martin Jones



Peter McCluskey

A – Notice of meeting of creditors

Form 529

Notice of meeting of creditors

Insolvency Practice Rules (Corporations) 2016, Section 75-225

Empire Oil Company (WA) Limited

(Administrators Appointed) (Receivers and Managers Appointed) (the Company)

ABRN 009 475 423

NOTICE is given that a meeting of creditors of the Company will be held on 2 November 2017 at 11.30AM AWST at the offices of Ferrier Hodgson, Level 28, 108 St Georges Terrace, PERTH WA 6000.

Agenda

1. To consider a statement by the Directors about the Company's business, property, affairs and financial circumstances.
2. To consider the circumstances leading to the appointment of the Administrators to the Company and the various options available to creditors.
3. To consider the report of the Administrators.
4. To resolve that:
 - a) The Company execute a Deed of Company Arrangement; or
 - b) The Administration should end; or
 - c) The Company be wound up; or
 - d) The Second Meeting be adjourned for a period not exceeding forty-five (45) business days.
5. If it is resolved that the Company be wound up, and an alternate Liquidator is proposed, consider whether creditors wish to appoint the alternate Liquidator.
6. If it is resolved that the Company be wound up, consider whether a Committee of Inspection is to be appointed, and if so, the members of that Committee.
7. If it is resolved that the Company be wound up, consider whether, subject to obtaining the approval of the Australian Securities & Investments Commission (**ASIC**) pursuant to Section 70-35 of Schedule 2 to the Act, the books and records of the Company and of the Liquidators may be disposed of by the Liquidators 12 months after the dissolution of the Company or earlier at the discretion of ASIC.
8. To fix the remuneration of the Administrators.
9. If it is resolved that the Company execute a Deed of Company Arrangement, to fix the remuneration of the Deed Administrators.
10. If it is resolved that the Company execute a Deed of Company Arrangement, to fix the remuneration of the Trustees of the Creditors Trust.
11. If it is resolved that the Company be wound up, to fix the remuneration of the Liquidators.
12. Any other business that may be lawfully brought forward.

For a person to be eligible to attend and vote at the meeting on your behalf, a Form 532, Appointment of Proxy, is to be completed and submitted by no later than 4.00PM AWST on 1 November 2017, to:

Empire Oil Company (WA) Limited (Administrators Appointed) (Receivers and Managers Appointed)

c/- Ferrier Hodgson

Level 28, 108 St Georges Terrace, PERTH WA 6000

Tel: 08 9214 1444

Fax: 08 9214 1400

Email: tim.rose@fh.com.au

Note:

A company may only be represented by proxy or by an attorney appointed pursuant to Insolvency Practice Rules (Corporations) 2016 (IPR) 75-25 and 75-150 or, by a representative appointed under Section 250D of the Act.

In accordance with IPR 75-85, creditors will not be entitled to vote at the meeting unless they have previously lodged particulars of their claim against the Company in accordance with the Corporations Regulations and that claim has been admitted, for voting purposes, wholly or in part.

Dated this 25th day of October 2017

A handwritten signature in black ink, appearing to be 'AS' with a long horizontal stroke extending to the right.

Andrew Smith
Administrator

B – Appointment of proxy

Form 532 - Appointment of Proxy

Insolvency Practice Rules (Corporations) 2016, Section 75-25

Return to no later than 4pm on the day prior to the meeting to:
The offices of Ferrier Hodgson, Level 28, 108 St Georges
Terrace, PERTH WA 6000.

Tel: 08 9214 1444

Fax: 08 9214 1400

Email: tim.rose@fh.com.au

Indebted Company: Empire Oil Company (WA) Limited

(Administrators Appointed) (Receivers and Managers Appointed) ABRN 009 475 423

Date of Appointment: 14 September 2017

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

¹

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

² of

(address)

³ Tel:

⁴ Email:

B. Appointment of Person to Act as Proxy

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

¹ I/We, as named in Section A above, a creditor/employee/contributory/member of the Company, appoint

²

(name of person appointed as proxy)

³

⁴ or in his / her absence

(address of person appointed as proxy)

⁵

(name of person appointed as alternate proxy)

⁶

⁷ as *my / *our proxy

(address of person appointed as alternate proxy)

to vote at the meeting of creditors to be held on 2 November 2017 at 11.30AM AWST at Level 28, 108 St Georges Terrace, Perth, WA, 6000, or at any adjournment of that meeting in accordance with the instructions in Section C below.

C. Voting Instructions

¹ *My / *Our proxy, as named in Section B above, is entitled to act as *my / *our :

☐

² **general proxy**, to vote on *my / *our behalf **and / or**

☐

³ **special proxy**, to vote on *my / *our behalf specifically as follows:

Resolution	For	Against	Abstain
1. That, pursuant to Section 439C of the Corporations Act 2001 (the Act), the Company execute a Deed of Company Arrangement, under Part 5.3A of the Act, in the same form as the proposal statement presented to the meeting (even if it differs from the proposed Deed (if any) details of which accompanied the notice of meeting).	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2. That the Administration should end.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3. That the Company be wound up.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4. The Second Meeting be adjourned for a period not exceeding forty-five (45) business days.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5. That in the event that the Company is wound up and an alternate Liquidator is proposed, that the existing Liquidators be replaced and (Alternative Appointee) be appointed in their stead.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Resolution	For	Against	Abstain
6. That a Committee of Creditors be appointed, the members of which are to be determined by the meeting.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7. That, subject to obtaining the approval of the Australian Securities & Investments Commission (ASIC) pursuant to Section 70-35 of Schedule 2 to the Act, the books and records of the Company and of the Liquidators be disposed of by the Liquidators 12 months after the dissolution of the Company or earlier at the discretion of ASIC.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
8. That the remuneration of the Administrators, as set out in the Remuneration Approval Request Report dated 25 October 2017, for the period from 14 September 2017 to 13 October 2017 be fixed in the amount of \$154,277 plus any applicable GST, and may be paid."	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
9. That the remuneration of the Administrators, as set out in the Remuneration Approval Request Report dated 25 October 2017, for the period from 14 October 2017 to 2 November 2017 be fixed up to a maximum amount of \$80,000, plus any applicable GST, but subject to upward revision by resolution of creditors, and that the Administrators be authorised to make periodic payments on account of such accruing remuneration as incurred	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
10. That the remuneration of the Administrators, as set out in the Remuneration Approval Request Report dated 25 October 2017, for the period from 2 November 2017 to execution of DOCA be fixed up to a maximum amount of \$25,000, plus any applicable GST, but subject to upward revision by resolution of creditors, and that the Administrators be authorised to make periodic payments on account of such accruing remuneration as incurred.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
11. That the remuneration of the Deed Administrators, as set out in the Remuneration Approval Request Report dated 25 October 2017, for the period from the date of execution of the DOCA to completion be fixed up to a maximum amount of \$50,000, plus any applicable GST, but subject to upward revision by resolution of creditors, and that the Deed Administrators be authorised to make periodic payments on account of such accruing remuneration as incurred.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
12. That the remuneration of the Deed Administrators, as set out in the Remuneration Approval Request Report dated 25 October 2017, for the period from the date of execution of the Creditors Trust to completion be fixed up to a maximum amount of \$75,000, plus any applicable GST, but subject to upward revision by resolution of creditors, and that the Deed Administrators be authorised to make periodic payments on account of such accruing remuneration as incurred.			
13. That the remuneration of the Liquidators, as set out in the Remuneration Approval Request Report dated 25 October 2017, for the period from 2 November 2017 to completion be fixed up to a maximum amount of \$200,000, plus any applicable GST, but subject to upward revision by resolution of creditors, or the Committee of Inspection should one be appointed, and that the Liquidators be authorised to make periodic payments on account of such accruing remuneration as incurred.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

D. Signature

¹ Dated:

² Signature:

³ Name / Capacity:

Creditor Assistance Sheet: Completing a Proxy Form

Section A – Name and Contact Details of Person or Entity Entitled to Attend Meeting

1. Insert the full name of the employee, individual, sole trader, partnership or company that the debt is owed to.
2. Insert the address of the employee, individual, sole trader, partnership or company that the debt is owed to.
3. Insert the telephone number of the employee, individual, sole trader, partnership or company that the debt is owed to.
4. Insert the email address of the employee, individual, sole trader, partnership or company that the debt is owed to.

Section B – Appointment of Person to Act as Proxy

1. Cross out any wording that is **not** applicable. For example, if the employee/individual/sole trader/partnership/company is a creditor, cross out ‘*eligible employee creditor’, ‘*contributory’, ‘*debenture holder’ and ‘*member’.
2. Insert the name of the person who will be exercising the creditor’s vote at the meeting. If someone is attending the meeting in person, that person’s name should be inserted. Alternatively, if someone is unable to attend, but you still want to cast a vote at the meeting, then you can appoint the Chairperson of the meeting to vote on your behalf by inserting the words ‘the Chairperson’ here.
3. Insert the address of the person nominated at (2) that will be attending the meeting as proxy. If you have elected ‘the Chairperson’ because no one is attending in person, leave this row blank.
4. Cross out any wording that is **not** applicable.
5. If the person you have elected to attend is unavailable on the day, you may nominate a second person to attend in their absence. Alternatively, you can appoint the Chairperson of the meeting to vote on your behalf by inserting ‘the Chairperson’.
6. Insert the address of the second person here. If you have elected ‘the Chairperson’, leave this row blank.
7. Cross out any wording that is not applicable.

Section C – Voting Instructions

1. Cross out any wording that is not applicable.
2. Insert an ‘X’ in this box if you want the person who is attending the meeting to vote as they see fit on each of the resolutions in the ‘Resolution’ table. If you select this option, proceed to Section D, **unless** you wish to vote specifically on certain resolutions, in which case you also insert an ‘X’ in the special proxy box and select ‘For’, ‘Against’ or ‘Abstain’ on the resolutions. The person voting at the meeting will have discretion to vote as they see fit on any resolutions where you have **not** selected ‘For’, ‘Against’ or ‘Abstain’.
3. Insert an ‘X’ in this box if you want the person who is attending the meeting, to vote exactly in accordance with your instructions. If you select this option, you must select ‘For’, ‘Against’ or ‘Abstain’ for each of the resolutions in the ‘Resolution’ table. Do not tick more than one box for each resolution.

Section D – Signature Instructions

1. Insert the date that the proxy form is being signed.
2. The form should be signed by **one** of the following persons:
 - If the debt is owed to an employee/individual, then the individual that the debt is owed to; or
 - If the debt is owed to a sole trader, then the sole trader that the debt is owed to; or
 - If the debt is owed to a partnership, then one of the partners of the partnership; or
 - If the debt is owed to a company, then a duly authorised office of the company (normally a director or secretary of the company).
3. Insert the name of the person signing the form, and note their capacity (that is, their role):
 - If the debt is owed to a sole trader, note their capacity as proprietor, eg: “[Full name], proprietor”; or
 - If the debt is owed to a partnership, note their capacity as partner, eg: “[Full name], partner of the firm named in Section A above”; or
 - If the debt is owed to a company, note their capacity as director or secretary, eg: “[Full name], director/secretary of the company named in Section A above”]

C – Proof of debt

Form 535 Formal Proof of Debt or Claim Form
Corporations Act 2001, Regulation 5.6.49(2)

Return to:
Ferrier Hodgson
Tel: 08 9214 1444
Fax: 08 9214 1400
Email: Khadeeja.yusuf@fh.com.au

Indebted Company: Empire Oil Company (WA) Limited
(Administrators Appointed) (Receivers and Managers Appointed) ACN 009 475 423
Date of Appointment: 14 September 2017

A. Name and Contact Details of Creditor

¹

(the Creditor)

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

² of

(insert address)

³ Tel:

⁴ Email:

☐

Tick this box to elect to receive electronic notification of notices or documents, in accordance with Section 600G of the Corporations Act 2001, at the email address specified above.

B. Details of Debt or Claim

¹ Amount owing:

(insert dollars and cents, inclusive of GST if applicable)

² Nature of Debt or Claim:

(insert description of debt and/or reference any supporting documentation)

³ Select one of the following options:

☐

The Creditor is an unsecured creditor of the indebted Company

☐

The Creditor is a secured creditor of the indebted Company

☐

The Creditor is an employee / former employee of the indebted Company

For all claims:

☐

⁴ I have attached supporting documentation to substantiate the Creditor's claim *(secured creditors must attach evidence of security)*

☐

⁵ 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 details and value of security where relevant)

C. Signature

¹ Dated:

² Signature:

³ Name / Capacity

Creditor Assistance Sheet: Completing a Proof of Debt Form

Section A – Name and Contact Details of Creditor

1. Insert the full name of the employee, individual, sole trader, partnership or company that the debt is owed to.
2. Insert the address of the employee, individual, sole trader, partnership or company that the debt is owed to.
3. Insert the telephone number of the employee, individual, sole trader, partnership or company that the debt is owed to.
4. Insert the email address of the employee, individual, sole trader, partnership or company that the debt is owed to.

Section B – Details of Debt or Claim

1. The amount owing should only include debts or claims which arose prior to the date of appointment.
2. Insert the currency if not Australian dollars.
3. Type of creditor: tick one of the options only.
4. For all claims, ensure supporting documentation is attached, such as invoices, statements, agreements.
5. For secured creditors, 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, indicate "refer attached" above and show them in a schedule in the following form:

Date	Drawer	Acceptor	Amount (\$)	Due Date

Section C – Signature Instructions

1. Insert the date that the proof of debt form is being signed.
2. The form should be signed by **one** of the following persons:
 - If the debt is owed to an employee/individual, then the individual that the debt is owed to; or
 - If the debt is owed to a sole trader, then the sole trader that the debt is owed to; or
 - If the debt is owed to a partnership, then one of the partners of the partnership; or
 - If the debt is owed to a company, then a duly authorised office of the company (normally a director or secretary of the company).
3. Insert the name of the person signing the form, and note their capacity (that is, their role):
 - If the debt is owed to a sole trader, note their capacity as proprietor, eg: "[Full name], proprietor"; or
 - If the debt is owed to a partnership, note their capacity as partner, eg: "[Full name], partner of the firm named in Section A above"; or
 - If the debt is owed to a company, note their capacity as director or secretary, eg: "[Full name], director/secretary of the company named in Section A above"]

D – Remuneration approval request

Schedule 2 to the Corporations Act 2001, Section 70-50
Insolvency Practice Rules (Corporations) 2016, Section 70-45

Empire Oil Company (WA) Limited (Administrators Appointed) (the Company)
ABRN 63 009 475 423

Remuneration Approval Request

This report contains the following information:

- Part 1: Declaration
- Part 2: Executive summary
- Part 3: Remuneration
- Part 4: Disbursements
- Part 5: Report on progress of the administration
- Part 6: Summary of receipts and payments
- Part 7: Questions
- Part 8: Approval of remuneration and internal disbursements
- Schedule A: Resolution 1 details
- Schedule B: Resolution 2 details
 - Resolution 3 details
 - Resolution 4 details
 - Resolution 5 details
 - Resolution 6 details

Next steps for creditors:

- Please review the contents of this report, which sets out the resolutions to be approved by creditors at the meeting of creditors on 2 November 2017.
- Refer to section 2.7 of the Voluntary Administrator's Report dated 25 October 2017 for details as to how you can attend the meeting of creditors in person or by proxy in order to vote on the resolutions contained in this report.

1 Declaration

We, Andrew Smith, Martin Jones and Peter McCluskey of Ferrier Hodgson, have undertaken a proper assessment of this remuneration claim for our appointment as Administrators of the Company in accordance with the Corporations Act 2001 (Cth) (**the Act**), the Australian Restructuring Insolvency & Turnaround Association (**ARITA**) Code of Professional Practice (**the Code**) 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.

2 Executive Summary

2.1 Summary of remuneration approval sought for the Company

To date, no remuneration has been approved and paid in the administration of the Company. This remuneration report details approval sought for the following fees:

Period	Amount (ex GST) \$
Past remuneration approved:	Nil

Period	Amount (ex GST) \$
Total past remuneration approved	Nil
Current remuneration approval sought:	
Voluntary administration	
Resolution 1: 14 September 2017 to 13 October 2017	154,277.00
Resolution 2: 14 October 2017 to 2 November 2017	80,000.00
Total approval sought – voluntary administration*	234,277.00
Deed of company arrangement (DOCA) (if applicable)	
Resolution 3: 2 November 2017 to execution of DOCA	25,000.00
Resolution 3: Execution of DOCA to completion	50,000.00
Resolution 4: Execution of Creditors Trust to completion	75,000.00
Total approval sought – deed of company arrangement (if applicable)*	150,000.00
Liquidation (if applicable)	
Resolution 6: 2 November 2017 to completion of Liquidation	200,000.00
Total approval sought – liquidation (if applicable)*	200,000.00
* 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 Parts 2 and 3 for full details of the calculation and composition of the remuneration approval sought.

2.2 Comparison to estimate of costs provided to creditors in the Initial Remuneration Notice

The remuneration approval sought for the administration totals \$234,277 which is higher than the estimate of costs provided in the initial advice to creditors on remuneration included in our letter dated 18 September 2017, which estimated a cost to completion of the administration between \$100,000 to \$200,000 (excluding GST). The main reasons why our remuneration approval sought is higher than initially estimated is because of the following factors:

1. Discussion and correspondence with the Receivers and Managers and MIN in relation to their security, the DOCA proposal, and the various orders sought.
2. Various Orders were sought from the Federal Court of Australia in respect of the Alcoa gas proceeds sales and the intercompany loan treatment between EOC and EGO; and
3. Extension to the convening period.

3 Remuneration

3.1 Remuneration claim resolutions

We will be seeking approval of the following resolutions with respect to remuneration. Details to support these resolutions are included in section 0.

Resolution 1:

"That the remuneration of the Administrators, as set out in the Remuneration Approval Request Report dated 25 October 2017, for the period from 14 September 2017 to 13 October 2017 be fixed in the amount of \$154,277.00, plus any applicable GST, and may be paid."

Please note that the above is an estimate only.

If costs exceed the estimate, creditors will be advised accordingly and further approval of the Administrators' remuneration will be sought in the future.

Resolution 2:

"That the remuneration of the Administrators, as set out in the Remuneration Approval Request Report dated 25 October 2017, for the period from 14 October 2017 to 2 November 2017 be fixed up to a maximum amount of \$80,000, plus any applicable GST, but subject to upward revision by resolution of creditors, and that the Administrators be authorised to make periodic payments on account of such accruing remuneration as incurred"

Please note that the above is an estimate only.

If costs exceed the estimate, creditors will be advised accordingly and further approval of the Administrators' remuneration will be sought in the future.

Resolution 3 (if applicable):

"That the remuneration of the Administrators, as set out in the Remuneration Approval Request Report dated 25 October 2017, for the period from 2 November 2017 to the execution of the DOCA be fixed up to a maximum amount of \$25,000, plus any applicable GST, but subject to upward revision by resolution of creditors, and that the Administrators be authorised to make periodic payments on account of such accruing remuneration as incurred."

Please note that the above is an estimate only.

If costs exceed the estimate, creditors will be advised accordingly and further approval of the Administrators' remuneration will be sought in the future.

Resolution 4 (if applicable):

"That the remuneration of the Deed Administrators, as set out in the Remuneration Approval Request Report dated 25 October 2017, for the period from the date of execution of the DOCA to the completion be fixed up to a maximum amount of \$50,000, plus any applicable GST, but subject to upward revision by resolution of creditors, and that the Deed Administrators be authorised to make periodic payments on account of such accruing remuneration as incurred."

Please note that the above is an estimate only.

If costs exceed the estimate, creditors will be advised accordingly and further approval of the Administrators' remuneration will be sought in the future.

Resolution 5 (if applicable):

"That the remuneration of the Deed Administrators, as set out in the Remuneration Approval Request Report dated 25 October 2017, for the period from the date of execution of the Creditors Trust to the completion be fixed up to a maximum amount of \$75,000, plus any applicable GST, but subject to upward revision by resolution of creditors, and that the Deed Administrators be authorised to make periodic payments on account of such accruing remuneration as incurred."

Please note that the above is an estimate only.

If costs exceed the estimate, creditors will be advised accordingly and further approval of the Administrators' remuneration will be sought in the future.

Resolution 6 (if applicable):

"That the remuneration of the Liquidators, as set out in the Remuneration Approval Request Report dated 25 October 2017, for the period from 2 November 2017 to completion of the Liquidation be fixed up to a maximum amount of \$200,000, plus any applicable GST, but subject to upward revision by resolution of creditors, or the Committee of Inspection should one be appointed, and that the Liquidators be authorised to make periodic payments on account of such accruing remuneration as incurred."

Please note that the above is an estimate only.

If costs exceed the estimate, creditors will be advised accordingly and further approval of the Administrators' remuneration will be sought in the future.

3.2 Details of remuneration

The basis of calculating the remuneration claims are set out below, including the details of the major tasks performed and the costs associated with each of those major tasks.

3.2.1 Resolution 1: 14 September 2017 to 13 October 2017

The below table sets out time charged to each major task area performed by the Administrators and their staff for the period 14 September 2017 to 13 October 2017 which is the basis of the Resolution 1 claim. Please refer to Schedule A for further details with respect to the tasks performed.

Employee	Position	Rate (ex GST)	Total	Task Area								
				Assets		Creditors		Employees		Administration		
		(\$/Hour)	(Hrs)	(\$)	(Hrs)	(\$)	(Hrs)	(\$)	(Hrs)	(\$)	(Hrs)	(\$)
McCluskey, Peter	Partner	625	7.7	4,812.50	-	-	-	-	-	-	7.7	4,812.50
Smith, Andrew	Partner	625	86.8	54,250.00	38.8	24,250.00	7.0	4,375.00	-	-	41.0	25,625.00
Jones, Martin	Partner	625	1.7	1,062.50	-	-	-	-	-	-	1.7	1,062.50
Birch, Tom	Director	550	69.5	38,225.00	6.0	3,300.00	7.8	4,290.00	0.9	495.00	54.8	30,140.00
Flower, Michael	Assistant Manager	400	69.0	27,600.00	17.1	6,840.00	23.6	9,440.00	10.0	4,000.00	18.3	7,320.00
Stephens, Miranda	Practice Manager	400	0.1	40.00	-	-	0.1	40.00	-	-	-	-
Rose, Timothy	Analyst	310	68.1	21,111.00	3.1	961.00	41.4	12,834.00	-	-	23.6	7,316.00
Rassoul, Omeed	Analyst	310	3.0	930.00	-	-	3.0	930.00	-	-	-	-
Kast, Corina	Accountant	270	12.4	3,348.00	-	-	12.4	3,348.00	-	-	-	-
De Vattimo, Belinda	Accountant	270	1.1	297.00	-	-	1.1	297.00	-	-	-	-
Yusuf, Khadeeja	Accountant	270	8.1	2,187.00	-	-	7.9	2,133.00	-	-	0.2	54.00
Titlestad, Jacqui	Team Assistant	180	2.3	414.00	-	-	-	-	-	-	2.3	414.00
Total (excluding GST)			329.8	154,277.00	65.0	35,351.00	104.3	37,687.00	10.9	4,495.00	149.6	76,744.00
GST				15,427.70								
Total (including GST)				169,704.70								
Average Hourly Rate				467.79		543.86		361.33		412.39		512.99

3.2.2 Resolution 2: 14 October 2017 to 2 November 2017

The below table sets out the expected costs for the major tasks likely to be performed by the Administrators and their staff for the period 14 October 2017 to 2 November 2017, which is the basis of the Resolution 2 claim. Please refer to Schedule B for further details with respect to the tasks likely to be performed.

Task	Hours	Amount \$
Assets	62.2	15,625
Creditors	45.0	22,595
Investigation	40.0	28,250
Trade On	4.0	1,900
Administration	31.0	11,630
Total	182.2	80,000

3.2.3 Resolution 3: 2 November 2017 to execution of DOCA (if applicable)

The below table sets out the expected costs for the major tasks likely to be performed by the Administrators and their staff for the period from the date of the execution of the DOCA to the completion of the DOCA, which is the basis of the Resolution 3 claim. Please refer to Schedule B for further details with respect to the tasks likely to be performed.

Task	Hours	Amount \$
Assets	20.0	8,550
Creditors	28.0	10,500
Administration	14.0	5,950
Total	62.0	25,000

3.2.4 Resolution 4: Date of Execution of DOCA to completion (if applicable)

The below table sets out the expected costs for the major tasks likely to be performed by the Administrators and their staff for the period from the date of the execution of the DOCA to the completion, which is the basis of the Resolution 4 claim. Please refer to Schedule B for further details with respect to the tasks likely to be performed.

Task	Hours	Amount \$
Assets	49.0	21,450
Creditors	49.8	16,645
Administration	28.9	11,905
Total	127.7	50,000

3.2.5 Resolution 5: Date of Execution of the Creditors Trust to completion (if applicable)

The below table sets out the expected costs for the major tasks likely to be performed by the Administrators and their staff for the period from the date of the execution of the Creditors Trust to the completion, which is the basis of the Resolution 5 claim. Please refer to Schedule B for further details with respect to the tasks likely to be performed.

Task	Hours	Amount \$
Assets	43.0	16,987
Creditors	64.0	25,090
Dividend	46.0	17,893
Administration	38.0	15,030
Total	191.0	75,000

3.2.6 Resolution 6: 2 November 2017 to completion of Liquidation (if applicable)

The below table sets out the expected costs for the major tasks likely to be performed by the Administrators and their staff for the period 2 November 2017 to the completion of the Liquidation, which is the basis of the Resolution 6 claim. Please refer to Schedule B for further details with respect to the tasks likely to be performed.

Task	Hours	Amount \$
Assets	72.0	32,350
Creditors	101.9	38,625
Investigation	178.0	71,725
Dividend	94.0	34,075
Administration	56.0	23,225
Total	501.9	200,000

3.3 Total remuneration reconciliation

3.3.1 Comparison between current total and previous estimates

At this point in time we estimate that the total remuneration for this administration will be approximately \$234,277 (excluding GST). This includes the current approval amount being sought of \$234,277 (excluding GST).

The above estimate is higher than the estimate of costs provided to creditors in the Initial Remuneration Notice included in our report dated 18 September 2017. Reasons for this increase are outlined in section 2.2.

3.3.2 Future remuneration requests

In preparing this report, we have made our best estimate at what we believe the administration will cost to complete and we do not anticipate that we will have to ask creditors to approve any further remuneration. However, should the administration 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 the cost of the administration, include:

- Length of sale process and/or DOCA
- Investigations into the affairs of the Company (if required)

3.4 Likely impact on dividends

The Administrators' remuneration and disbursements are a priority expense that ranks ahead of the payment of creditors, the work is necessary to undertake the administration.

We note that any dividend will ultimately be impacted by the realisations achieved by the Administrators and the value of creditor claims admitted to participate in the dividend.

4 Disbursements

4.1 Types of disbursements

Disbursements are divided into three types:

- Externally provided professional services. These are recovered at cost. An example is legal fees.
- Externally provided non-professional costs such as travel, accommodation and search fees. These disbursements are recovered at cost.
- Internal disbursements such as photocopying, printing and postage. These disbursements, if charged to the administration, would generally be charged at cost; although if a data room is utilised, the fee will comprise an initial setup fee and then a fee based on the duration and size of the data room. Certain services provided by Ferrier Hodgson may require the processing of electronically stored information into specialist review platforms. Where these specialist resources are utilised, the fee will be based on units (e.g. number of computers), size (e.g. per gigabyte) and/or period of time (e.g. period of hosting). The relevant rates for internal disbursements are set out below:

Disbursement type	Charges (excl GST)
Advertising	At cost
Couriers	At cost
Data room hosting	Variable – see separate table below
eDiscovery services	Variable
Mileage reimbursement	\$0.66 per kilometre
Photocopying	At cost
Photocopying (outsourced)	At cost
Printing	At cost
Printing (outsourced)	At cost
Postage	At cost
Searches	At cost
Storage and storage transit	At cost
Telephone calls	At cost

Note: Above rates are applicable for the financial year ending 30 June 2018

Data room hosting fees by size (MB)	Charges per month (excl GST)
0-300	\$950
300-1000	\$950 + \$2.50/MB
1000-5000	\$2,500 + \$1.25/MB
5000+	\$7,500 + \$0.60/MB

4.2 Disbursements paid from the administration to Ferrier Hodgson to date

There have been no disbursements paid from the administration to Ferrier Hodgson to date. Future disbursements provided by Ferrier Hodgson will be charged to the administration on the same basis as the table in Part 4.1.

5 Report on progress of the administration

The Remuneration Approval Request must be read in conjunction with the Voluntary Administrator's Report to creditors dated 25 October 2017 which outlines the progress of the administration.

6 Summary of receipts and payments

A summary of receipts and payments for the period 14 September 2017 to 25 October 2017 is set out in the table below:

Receipts and payments	Total (incl GST) \$
Receipts	
Transfer from pre-appointment bank accounts	150,579.19
Total receipts	150,579.19
Payments	
N/A	Nil
Total payments	Nil
Closing cash at bank	150,579.19

7 Approval of remuneration

For information about how approval of the resolutions for remuneration will be sought, refer to Section 2.8 of the Voluntary Administrator's Report to creditors dated 25 October 2017.

8 Questions

If you require further information in respect of the above, or have other questions, please contact Timothy Rose of this office on (08) 9214 1444 .

The partners of Ferrier Hodgson are members of ARITA. Ferrier Hodgson follows the Code. A copy of the Code may be found on the ARITA website at www.arita.com.au.

An information sheet concerning approval of remuneration in external administrations can also be obtained from the Australian Securities & Investments Commission website at www.asic.gov.au.

Dated this 25th day of October 2017



Andrew Smith
Administrator

Schedule A – Resolution 1

The below table contains more detailed descriptions of the tasks performed within each task area performed by the Administrators and their staff for the period 14 September 2017 to 13 October 2017, which is the basis of the Resolution 1 claim in section 3.2.1.

Task area	General description	Includes
Assets 65.0 hours \$35,351.00 (excl GST)	Sale of business as a going concern	<ul style="list-style-type: none"> – Preparing data room – Liaising with interested parties – Liaising with solicitors regarding the sales process generally – Engaging Azure to undertake a sales process in respect of the EOC Petroleum Assets – Drafting sales flyers, a sale process letter and confidentiality agreement for Azure – Counter-signing confidentiality agreements
		<ul style="list-style-type: none"> – Liaising with valuers, auctioneers – Requesting valuation
		<ul style="list-style-type: none"> – All tasks associated with charged asset
		<ul style="list-style-type: none"> – Corresponding with exploration manager regarding the preservation of the exploration permits – Review of exploration permit requirements
		<ul style="list-style-type: none"> – Receipt and close out debtor ledger – Considering flow of funds between the EGO Group and EOCs entitlement to debtor proceeds
	Plant and equipment	
Creditors 104.3 hours \$37,687.00 (excl GST)	Assets subject to specific charges	
	Exploration Permits	
	Debtors	
	Creditor enquiries	<ul style="list-style-type: none"> – Receive and follow up creditor enquiries via telephone and email – Maintaining creditor enquiry register – Review and prepare correspondence to creditors and their representatives via facsimile, email and post – Correspondence with committee of inspection members
	Secured creditor correspondence	<ul style="list-style-type: none"> – Responding to secured creditor's queries – Meetings with secured creditor
	Committee of inspection	<ul style="list-style-type: none"> – Meeting preparation and holding the first meeting of the Committee of Inspection – Drafting minutes of meeting
	Circular to creditors	<ul style="list-style-type: none"> – Preparing and sending the first circular to creditors advising of our appointment and providing notice of the First Meeting
	Dealing with proofs of debt	<ul style="list-style-type: none"> – Receipting and filing proofs of debt when not related to a dividend – Corresponding with OSR regarding proofs of debt when not related to a dividend

Task area	General description	Includes
	Meeting of creditors	<ul style="list-style-type: none"> – 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. – Respond to stakeholder queries and questions immediately following meeting
Employees		
10.9 hours \$4,495.00 (excl GST)	Correspondence	<ul style="list-style-type: none"> – Correspondence with employees of EMS – Meetings with Receivers and Managers regarding staffing requirements
Administration	Correspondence	<ul style="list-style-type: none"> – General correspondence
149.6 hours \$76,744.00 (excl GST)	Document maintenance / file review / checklist	<ul style="list-style-type: none"> – Filing of documents – File reviews – Updating checklists
	Insurance	<ul style="list-style-type: none"> – Identification of potential issues requiring attention of insurance specialists – Correspondence with insurer regarding initial and ongoing insurance requirements – Reviewing insurance policies
	Bank account administration	<ul style="list-style-type: none"> – Preparing correspondence opening accounts – Requesting bank statements – Bank account reconciliations – Correspondence with bank regarding specific transfers
	ASIC Forms	<ul style="list-style-type: none"> – Preparing and lodging ASIC forms – Correspondence with ASIC regarding statutory forms
	ATO and other statutory reporting	<ul style="list-style-type: none"> – Notification of appointment
	Planning / review	<ul style="list-style-type: none"> – Discussions regarding status / strategy of administration
	Court Orders	<ul style="list-style-type: none"> – Various correspondence with legal advisers regarding matters including, an extension to the convening period, allocation of debtor proceeds and the validity of the inter-company loan – Correspondence with creditors regarding the same
	Books and records / storage	<ul style="list-style-type: none"> – Dealing with records in storage – Sending job files to storage

Schedule B – Resolution 2

The below table contains more detailed descriptions of the tasks performed within each task area likely to be performed by the Administrators and their staff for the period 14 October 2017 to 2 November 2017, which is the basis of the Resolution 2 claim in section 3.2.2:

Task area	General description	Includes
Assets 62.2 hours \$15,625.00 (excl GST)	Sale of business as a going concern	– Executing confidentiality agreements
		– Various correspondence with Azure regarding sales process in conjunction with the MIN DOCA proposal
		– Various correspondence with MIN in respect of their DOCA Proposal
		– Review and considering DOCA proposal
	Plant and equipment	– Liaising with valuers and auctioneers – Reviewing asset listings
Creditors 45.0 hours \$22,595.00 (excl GST)	Exploration Assets	– Meeting with exploration manager – Ascertaining EOC exploration assets preservation requirements and documenting the same
	Assets subject to specific charges	– All tasks associated with charged assets
	Creditor enquiries	– Receive and follow up creditor enquiries via telephone and email
		– Maintaining creditor enquiry register
		– Review and prepare correspondence to creditors and their representatives via facsimile, email and post
		– Correspondence with committee of creditors members
Investigation	Secured creditor reporting	– Liaising with secured creditor – Responding to secured creditor's queries
	Creditor reports	– Preparing report on results of investigation, meeting and general reports to creditors
	Dealing with proofs of debt	– Receipting and filing proofs of debt when not related to a dividend
		– Corresponding with OSR regarding proofs of debt 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 – Preparation and lodgement of minutes of meetings with ASIC – Respond to stakeholder queries and questions immediately following meeting
Investigation	Conducting investigation	– Collection of Company books and records
		– Reviewing Company's books and records

Task area	General description	Includes
40.0 hours \$28,250.00 (excl GST)		<ul style="list-style-type: none"> – 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 and liaising with directors regarding certain transactions
Trade on		
4.0 hours \$1,900.00 (excl GST)	Budgeting and financial reporting	<ul style="list-style-type: none"> – Reviewing Company's budgets and financial statements – Preparing budgets
Administration 31.0 hours \$11,630.00 (excl GST)	Correspondence	<ul style="list-style-type: none"> – General correspondence
	Document maintenance / file review / checklist	<ul style="list-style-type: none"> – First month administration review – Filing of documents – File reviews – Updating checklists
	Court Orders	<ul style="list-style-type: none"> – Various correspondence with legal advisers regarding matters including, an extension to the convening period, allocation of debtor proceeds and the validity of the inter-company loan – Correspondence with creditors regarding the same
	Insurance	<ul style="list-style-type: none"> – Correspondence with insurer regarding ongoing insurance requirements – Reviewing insurance policies – Correspondence with previous brokers
	Bank account administration	<ul style="list-style-type: none"> – Requesting bank statements – Bank account reconciliations – Correspondence with bank regarding specific transfers
	ASIC forms	<ul style="list-style-type: none"> – Preparing and lodging ASIC forms – Correspondence with ASIC regarding statutory forms
	ATO and other statutory reporting	<ul style="list-style-type: none"> – Preparing BASs
	Planning / review	<ul style="list-style-type: none"> – Discussions regarding status / strategy of administration
	Books and records / storage	<ul style="list-style-type: none"> – Dealing with records in storage – Sending job files to storage

Schedule B – Resolution 3

The below table contains more detailed descriptions of the tasks performed within each task area likely to be performed by the Administrators and their staff for the period 2 November 2017 to the execution of the DOCA, which is the basis of the Resolution 3 claim in section 3.2.23:

Task area	General description	Includes
Assets 20.0 hours \$8,500.00 (excl GST)	Sale of business as a going concern	<ul style="list-style-type: none"> – Work associated with the finalisation of the DOCA terms – Liaising with DOCA proponent – Internal meetings – Liaising with statutory authorities
	Exploration Assets	<ul style="list-style-type: none"> – Maintaining the EOC Exploration Asset
Creditors 28.0 hours \$10,500.00 (excl GST)	Creditor enquiries	<ul style="list-style-type: none"> – Receive and follow up creditor enquiries via telephone and email – Review and prepare correspondence to creditors and their representatives via facsimile, email and post
	Secured creditor reporting	<ul style="list-style-type: none"> – Preparing reports to secured creditor – Responding to secured creditor's queries
	Creditor reports	<ul style="list-style-type: none"> – Preparing report on results of investigation, meeting and general reports to creditors
	Dealing with proofs of debt	<ul style="list-style-type: none"> – Receipting and filing proofs of debt when not related to a dividend – Adjudication of proofs of debts
Administration 14.0 hours \$5,950.00 (excl GST)	Correspondence	<ul style="list-style-type: none"> – General correspondence
	Document maintenance / file review / checklist	<ul style="list-style-type: none"> – Filing of documents – File reviews – Updating checklists
	ASIC Forms	<ul style="list-style-type: none"> – Preparing and lodging ASIC forms – Correspondence with ASIC regarding statutory forms
	ATO and other statutory reporting	<ul style="list-style-type: none"> – Notification of appointment – Preparing BASs – Completing group certificates
	Finalisation	<ul style="list-style-type: none"> – Notifying ATO of finalisation – Cancelling ABN / GST / PAYG registration – Completing checklists – Finalising WIP
	Planning / review	<ul style="list-style-type: none"> – Discussions regarding status / strategy of administration
	Books and records / storage	<ul style="list-style-type: none"> – Dealing with records in storage – Sending job files to storage

Schedule B – Resolution 4

The below table contains more detailed descriptions of the tasks performed within each task area likely to be performed by the Administrators and their staff for the period from to the execution of the DOCA to completion, which is the basis of the Resolution 4 claim in section 3.2.24:

Task area	General description	Includes
Assets 49.0 hours \$21,450.00 (excl GST)	Sale of business as a going concern	<ul style="list-style-type: none"> – Liaising with DOCA proponent – Internal meetings – Liaising with statutory authorities
	Exploration Assets	<ul style="list-style-type: none"> – Maintaining EOC Exploration Assets
Creditors 49.8 hours \$16,645.00 (excl GST)	Creditor enquiries	<ul style="list-style-type: none"> – Receive and follow up creditor enquiries via telephone and email – Review and prepare correspondence to creditors and their representatives via facsimile, email and post
	Secured creditor reporting	<ul style="list-style-type: none"> – Preparing reports to secured creditor – Responding to secured creditor's queries
	Creditor reports	<ul style="list-style-type: none"> – Preparing report on results of investigation, meeting and general reports to creditors
	Dealing with proofs of debt	<ul style="list-style-type: none"> – Receipting and filing proofs of debt when not related to a dividend – Adjudication of proofs of debts
Administration 28.9 hours \$11,905.00 (excl GST)	Correspondence	<ul style="list-style-type: none"> – General correspondence
	Document maintenance / file review / checklist	<ul style="list-style-type: none"> – Filing of documents – File reviews – Updating checklists
	ASIC Forms	<ul style="list-style-type: none"> – Preparing and lodging ASIC forms – Correspondence with ASIC regarding statutory forms
	ATO and other statutory reporting	<ul style="list-style-type: none"> – Notification of appointment – Preparing BASs – Completing group certificates
	Finalisation	<ul style="list-style-type: none"> – Notifying ATO of finalisation – Cancelling ABN / GST / PAYG registration – Completing checklists – Finalising WIP
	Planning / review	<ul style="list-style-type: none"> – Discussions regarding status / strategy of administration
	Books and records / storage	<ul style="list-style-type: none"> – Dealing with records in storage – Sending job files to storage

Schedule B – Resolution 5

The below table contains more detailed descriptions of the tasks performed within each task area likely to be performed by the Administrators and their staff for the period from the execution of the Creditors Trust to the completion, which is the basis of the Resolution 5 claim in section 3.2.25:

Task area	General description	Includes
Assets		
43.0 hours \$16,987.00 (excl GST)	Creditors Trust Assets	<ul style="list-style-type: none"> – Preservation of assets held in creditors trust in anticipation of distribution to creditors – Handover of asset to DOCA proponent
Creditors	Creditor enquiries	<ul style="list-style-type: none"> – Receive and follow up creditor enquiries via telephone and email – Maintaining creditor enquiry register – Review and prepare correspondence to creditors and their representatives via facsimile, email and post
64.0 hours \$25,090.00 (excl GST)	Creditor reports	<ul style="list-style-type: none"> – Preparing general reports and updates to creditors
	Dealing with proofs of debt	<ul style="list-style-type: none"> – Receipting and filing proofs of debt when not related to a dividend
	Processing proofs of debt	<ul style="list-style-type: none"> – Preparation of correspondence to potential creditors inviting lodgement of proofs of debt – Receipt of proofs of debt – Maintain proof of debt register – Adjudicating proofs of debt – Request further information from claimants regarding proofs of debt – Preparation of correspondence to claimant advising outcome of adjudication
Dividend		
46.0 hours \$17,893.00 (excl GST)	Dividend procedures	<ul style="list-style-type: none"> – 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 calculations – 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	Correspondence	<ul style="list-style-type: none"> – General correspondence
38.0 hours \$15,030.00 (excl GST)	Document maintenance / file review / checklist	<ul style="list-style-type: none"> – First month, then six monthly administration review – Filing of documents – File reviews – Updating checklists
	Bank account administration	<ul style="list-style-type: none"> – Preparing correspondence closing accounts – Requesting bank statements

Task area	General description	Includes
		<ul style="list-style-type: none"> – Bank account reconciliations – Correspondence with bank regarding specific transfers
	ASIC Forms	<ul style="list-style-type: none"> – Preparing and lodging ASIC forms – Correspondence with ASIC regarding statutory forms
	ATO and other statutory reporting	<ul style="list-style-type: none"> – Notification of appointment – Preparing BASs – Completing group certificates
	Finalisation	<ul style="list-style-type: none"> – Notifying ATO of finalisation – Cancelling ABN / GST / PAYG registration – Completing checklists – Finalising WIP
	Books and records / storage	<ul style="list-style-type: none"> – Dealing with records in storage – Sending job files to storage

Schedule B – Resolution 6

The below table contains more detailed descriptions of the tasks performed within each task area likely to be performed by the Administrators and their staff for the period 2 November 2017 to the completion of the Liquidation, which is the basis of the Resolution 5 claim in section 3.2.26.

Task area	General description	Includes
Assets 72.0 hours \$32,350.00 (excl GST)	Sale of business as a going concern	<ul style="list-style-type: none"> – Liaising with Azure regarding the sale process – Countersigning confidentiality agreements – Meetings to consider offers received and liaising with potential purchasers – Considering terms of an asset sale agreement in the instance the EOC Petroleum Assets are sold
	Plant and equipment	<ul style="list-style-type: none"> – Liaising with valuers, auctioneers and interested parties – Reviewing asset listings
	Assets subject to specific charges	<ul style="list-style-type: none"> – All tasks associated with realising a charged assets
	Exploration Assets	<ul style="list-style-type: none"> – Maintaining EOC Exploration Assets
	Creditor enquiries	<ul style="list-style-type: none"> – Receive and follow up creditor enquiries via telephone and email – Maintaining creditor enquiry register – Review and prepare correspondence to creditors and their representatives via facsimile, email and post – Correspondence with committee of creditors members
Creditors 101.9 hours \$38,625.00 (excl GST)	Creditor reports	<ul style="list-style-type: none"> – Preparing general reports and updates to creditors
	Dealing with proofs of debt	<ul style="list-style-type: none"> – Receipting and filing proofs of debt when not related to a dividend – Corresponding with OSR regarding proofs of debt when not related to a dividend
	Meeting of creditors (if required)	<ul style="list-style-type: none"> – 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. – Preparation and lodgement of minutes of meetings with ASIC – Respond to stakeholder queries and questions immediately following meeting

Task area	General description	Includes
Investigation	Conducting investigation	<ul style="list-style-type: none"> – Reviewing Company's books and records – 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 and liaising with directors regarding certain transactions – Preparation of investigation file – Lodgement of investigation with ASIC – Preparation and lodgement of supplementary report if required
178.0 hours \$71,725.00 (excl GST)	Examinations	<ul style="list-style-type: none"> – 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	<ul style="list-style-type: none"> – Internal meetings to discuss status of litigation – Preparing brief to solicitors – Liaising with solicitors regarding recovery actions – Attending to negotiations – Attending to settlement matters
	ASIC reporting	<ul style="list-style-type: none"> – Preparing statutory investigation reports – Preparing affidavits seeking non-lodgement assistance – Liaising with ASIC
Dividend	Processing proofs of debt	<ul style="list-style-type: none"> – Preparation of correspondence to potential creditors inviting lodgement of proofs of debt – Receipt of proofs of debt – Maintain proof of debt register – Adjudicating proofs of debt – Request further information from claimants regarding proofs of debt – Preparation of correspondence to claimant advising outcome of adjudication
94.0 hours \$34,075.00 (excl GST)	Dividend procedures	<ul style="list-style-type: none"> – 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 calculations – Preparation of correspondence to creditors announcing declaration of dividend – Advertise announcement of dividend – Preparation of distribution – Preparation of dividend file

Task area	General description	Includes
Administration 56.0 hours \$23,225.00 (excl GST)		<ul style="list-style-type: none"> – Preparation of payment vouchers to pay dividend – Preparation of correspondence to creditors enclosing payment of dividend
	Correspondence	<ul style="list-style-type: none"> – General correspondence
	Document maintenance / file review / checklist	<ul style="list-style-type: none"> – First month, then six monthly administration review – Filing of documents – File reviews – Updating checklists
	Bank account administration	<ul style="list-style-type: none"> – Preparing correspondence closing accounts – Requesting bank statements – Bank account reconciliations – Correspondence with bank regarding specific transfers
	ASIC Forms	<ul style="list-style-type: none"> – Preparing and lodging ASIC forms – Correspondence with ASIC regarding statutory forms
	ATO and other statutory reporting	<ul style="list-style-type: none"> – Notification of appointment – Preparing BASs – Completing group certificates
	Finalisation	<ul style="list-style-type: none"> – Notifying ATO of finalisation – Cancelling ABN / GST / PAYG registration – Completing checklists – Finalising WIP
	Books and records / storage	<ul style="list-style-type: none"> – Dealing with records in storage – Sending job files to storage

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.



Term Sheet for Combined DOCA for
Empire Oil Group of Companies
being:

- Empire Oil & Gas NL
- Empire Oil Company (WA)
Limited
- Empire Services Pty Ltd

1. Proponent

Mineral Resources Limited

2. Purpose

2.1 The purpose of this term sheet is to record the terms of a combined Deed of Company Arrangement (**DOCA**) proposed by the Proponent for the entities in the Empire Oil Group of Companies (**Empire Group**), namely for:

- Empire Oil & Gas NL (**EGO**);
- Empire Oil Company (WA) Limited (**Empire WA**); and
- Empire Services Pty Ltd (**Empire Services**)

which DOCA will have the effect of:

- (a) effectively pooling the assets of the entities in the Empire Group;
- (b) ensuring that creditors of each entity in the Empire Group receive a better return than in liquidation;
- (c) transferring ownership of Empire WA to the Proponent in a way which:
 - provides certainty, both as the quantum and timing, as to the return to the unsecured creditors of Empire WA;
 - allows Empire WA to continue to trade;
 - gives many creditors an opportunity to trade with Empire WA in the future;
 - means that, once Empire WA is part of the MRL Group of Companies, Empire WA will have the financial backing of a substantial listed entity.
- (d) minimises holding costs and reduces the further administrators'/receivers' fees to be incurred; and
- (e) puts in place a structure which enables any value in the listed shell of EGO to be realised for the benefit of the creditors of EGO.

2.2 Upon the Proponent becoming the owner of Empire WA, the Proponent will ensure that Empire WA has sufficient working capital to enable Empire WA to:

- make all reasonable efforts to reopen the Red
-



Gully Well and processing facility; and

- meet its obligations with respect to its various exploration tenements; and
- progress the exploitation of its various exploration tenements.

3. Acquisition of shares in Empire WA and other assets of Empire Oil

3.1 Upon the Empire WA Completion Event (see 9 below), EGO will:

- (1) transfer all of the shares in Empire WA to Proponent (or its nominee);
- (2) transfer to Empire WA, all of the shares it owns in Cattamarra Farms Pty Ltd (**Cattamarra Farms**); and
- (3) transfer to Empire WA, any other assets owned by it or in its possession:
 - (a) except for all of the cash at bank (including the Alcoa Funds and any funds held in trust by the Administrators in any capacity) which is to become Pool D;
 - (b) but including, without limitation:
 - any intellectual property associated with the assets owned by Empire WA or Cattamarra Farms (**Empire WA Assets**); and
 - any licences, approvals or other authorisations associated with the Empire WA Assets; and
 - all records associated with the operation of the Empire WA Assets, including all exploration, appraisal and production data, information and studies in its possession; and
 - any geological, geotechnical and geophysical records and reports associated with the Empire WA Assets; and
 - all production, operating and maintenance records and other documents which a reasonable and prudent operator would require to operate the Empire WA Assets;
- (4) transfer to Empire WA, any and all claims that it has against, or debts due from:
 - Wharf Resources PLC (**Wharf**), who is the holder of the remaining 10% of the shares in Cattamarra Farms; and
 - Cattamarra Farms; and
- (5) release Empire WA from any and all

liabilities it may have, including, without limitation, its liability:

- under any debt or financial facility or agreement;
- for the inter-company debt due from Empire WA to EOG (**Inter-company Debt**); and
- for its contingent right of indemnity arising out of its liability to the Proponent under the guarantee granted by it for the MRL Debt (**Right of Indemnity**); and

- (6) not prove for the amounts referred to in 3.1(4) at any creditors meeting of Empire WA or under the Creditors Trust, in competition with the other creditors of Empire WA.

3.2 Upon the Empire WA Completion Event, Empire Services will:

- (1) transfer to Empire WA any assets owned by it or in its possession, including without limitation:
- any intellectual property associated with the Empire WA Assets; and
 - any licences, approvals or other authorisations associated with the Empire WA Assets; and
 - all records associated with the operation of the Empire WA Assets, including all exploration, appraisal and production data, information and studies in its possession; and
 - any geological, geotechnical and geophysical records and reports associated with the Empire WA Assets; and
 - all production, operating and maintenance records and other documents which a reasonable and prudent operator would require to operate the Empire WA Assets;
- (2) transfer to Empire WA any and all claims it has against and debts due from, Wharf or Cattamarra Farms; and
- (3) release Empire WA from any and all claims it may have.

3.3 In consideration for 3.1 and 3.2, the Proponent will:

- (1) cause the payment of the amounts to the Creditors Trust referred to at 8.1, for the benefit of the creditors of Empire WA;



- (2) except in relation to Pool D and subject to 8.1(4)(c), not prove for the debt the subject of its security, which is currently an amount of the order of \$15.1 million (plus interest plus enforcement costs) (**MRL Debt**), in competition with the other creditors of Empire WA;
- (3) in relation to Pool D, reduce the amount for which it proves, as a consequence of EGO's guarantee of the MRL Debt, by \$4 million less:
 - the amounts paid to the Creditors Trust as contemplated at 6 below; and
 - the "holding costs" incurred as a consequence of the appointment of Receivers and Managers to certain of the assets of Empire WA.

4. Assets of and realisation of value from listed shell of EGO

- 4.1 Upon the Empire WA Completion Event, all of the cash at bank (including the Alcoa Funds and any funds held in trust by the Administrators in any capacity) will be transferred to Pool D of the Creditors Trust.
- 4.2 The Deed Administrators will, upon the DOCA becoming effective, take steps to attempt to locate a party who is prepared to pay for the opportunity to exploit the listed shell of EGO.
- 4.3 If the Deed Administrators can locate such a party within 90 days (or such longer period as may be agreed between the Deed Administrators and the Proponent), a meeting of the creditors of EGO may be called to vary the DOCA, so far as it relates to EGO, so as to facilitate the realisation of value from the listed shell of EGO.
- 4.4 The proceeds received from the realisation of the listed shell of EGO, after the reasonable costs and remuneration of the Deed Administrators, will be paid into Pool D.
- 4.5 If the listed shell of EGO cannot be realised within the time specified at 4.3, the DOCA will terminate, so far as it relates to EGO, and EGO will be wound up.

5. Empire Services

Upon the Empire WA Completion Event, the DOCA, so far as it relates to Empire Services, will terminate and Empire Services will be wound up.

6. Creditors Trust

- 6.1 A creditors trust will be established for the purposes of the DOCA and named "Empire Group Creditors Trust".
 - 6.2 The purpose of the Creditors Trust will be to enable certain tasks ordinarily undertaken by
-

deed administrators (including but not limited to, the calling for and adjudication upon the claims of unsecured creditors) to be performed by the Trustees of the Creditors Trust, in order to:

- (a) facilitate the early termination of the DOCA so far as it relates to Empire WA, so that Empire WA avoids having to trade "subject to DOCA", which may adversely impact upon its ability to acquire goods and services and obtain credit; and
- (b) facilitate a realisation of the listed shell of EGO, in a way which is consistent with the expectations of potential proponents for the exploitation of the listed shell of EGO.

6.4 For the purposes of proving under the Creditors Trust, intercompany debts will be ignored.

6.5 The funds available for distribution to creditors of the Empire Group will be as follows:

- (a) the debts due to the creditors of Empire WA will be satisfied by way of dividends out of the following sources:
 - (1) an amount which the Proponent causes to be paid pursuant to 8.1, in satisfaction of any debts due to Government and Statutory Authorities;
 - (2) Pool A, consisting of the sum of \$155,000, which the Proponent causes to be paid pursuant to 8.1;
 - (3) Pool B, consisting of the sum of \$204,000 which the Proponent causes to be paid pursuant to 8.1;
 - (4) Pool C, consisting of:
 - any cash at bank held by the administrators of Empire WA (but not including any funds held for the benefit of a joint venture in which Empire WA is a participant) at the Empire WA Completion Event; and
 - an amount of \$320,000, which the Proponent causes to be paid pursuant to 8.1; and
- (b) the debts due to the creditors of EGO and any employees of an entity in the Empire Group, will be satisfied by way of dividends out of Pool D, consisting all of the cash at bank (including the Alcoa Funds and any funds held in trust by the Administrators in any capacity) held by the Administrators of EGO at the Empire WA Completion Event;
- (c) The Proponent anticipates that there are no creditors of Empire Services other than Employees, who will participate in Pool D.



**7. Deed
Administrators/Trustees of
Creditors Trust**

- 7.1 Martin Jones, Andrew Smith and Peter McCluskey of Ferrier Hodgson (**Administrators**) will be the Deed Administrators and will have all of the necessary powers to administer the DOCA.
- 7.2 The Deed Administrators will become the trustees of the Creditors Trust.

**8. Distribution to Unsecured
Creditors**

- 8.1 The Proponent will direct the Trustees of the Creditors Trust to pay the following amounts out of the Proponent's entitlement to a dividend as a creditor of Pool D (Proponent Dividend), which funds will be made available to the unsecured creditors of Empire WA as follows:

**(1) Debts due to Government and Statutory
Authorities**

- To the extent that any government or statutory authority or regulator is a creditor, and the non-payment of the debt to that authority or regulator puts at risk any of the Empire WA Assets, the Proponent directs the Trustees to pay such debts in full out of the Proponent Dividend.
- Currently, it is not anticipated that there will be any debts in this category.

(2) Small Unsecured Creditors (Pool A)

- The Proponent directs the Trustees to pay the sum of \$155,000 out of the Proponent Dividend to constitute Pool A, which funds will be distributed, pro rata, to the unsecured creditors of Empire WA who have debts of less than \$55,000 (other than Employees).
- It is anticipated that this will result in a return to these small unsecured creditors of the order of 25 cents in the dollar.

(3) Other Creditors (Pool B)

- The Proponent directs the Trustees to pay the sum of \$204,000 out of the Proponent Dividend to constitute Pool C, which fund will be distributed pro rata to the other unsecured creditors of Empire WA (other than the Proponent, Employees and Empire Oil).
- Subject to 8.1(4)(c), it is anticipated that this will result in a return to these creditors of approximately 9 cents in the dollar.

For the avoidance of doubt, a creditor cannot reduce its claim, so as to attempt to fall within Pool A, if the true debt is greater than \$55,000.



(4) Balancing Pool (Pool C)

The Proponent directs the Trustee to pay the sum of \$320,000 out of the Proponent Dividend, to Pool C, and the Pool C funds will be applied:

- (a) first, in satisfaction of the fees, costs, disbursements of the Administrators incurred as the administrators of Empire WA (Empire WA Administrators Fees), up to a maximum of \$560,308.
- (b) next, to any creditors of Empire WA who are not known to be creditors of Empire WA as at the date of this Term Sheet (New Creditors);
- (c) If there is any excess in Pool C, after the payment of the Empire Administrators Fees and any New Creditors, it will be paid back to the Proponent.

8.2 Pool D will be made available to the unsecured creditors of EGO as follows:

- (1) first to the administrators in their capacity as administrators of EGO and Empire Services, as Deed Administrators, Trustees and Liquidators, for the fees, costs and remuneration incurred by them in those capacities, up to a total cap of \$561,245
- (2) next, to Employees for their employee entitlements; and
- (3) next, to the unsecured creditors of EGO, pro rata, but on the basis that:
 - (i) the Proponent will only prove for the MRL Debt, reduced in the amount contemplated by 3.3(3); and
 - (ii) neither EGO nor Empire Services can prove as a creditor.

8.3 The cap on fees referred to at 8.2(1) will not operate with respect to the fees, costs and remuneration incurred by the Deed Administrators in giving effect to a transaction to realise the listed shell of EGO, which fees, costs and remuneration can only be borne out of the proceeds of the realisation of that listed shell.

9. Empire WA Completion Event

9.1 The Empire WA Completion Event will occur on the date which is 2 business days after the satisfaction of the last of the following Conditions Precedent:

- (a) that the creditors of EGO approve this DOCA;
-



- (b) the creditors of Empire WA approve this DOCA; and
- (c) the creditors of Empire Services approve this DOCA; and
- (d) the creation of the Creditors Trust;

9.2 Upon the Empire WA Completion Event occurring:

- (a) the DOCA will terminate in relation to Empire WA;
- (b) the transactions contemplated at 3.1 and 3.2 will occur;
- (c) the control of Empire WA will return to its then directors;
- (d) the DOCA will terminate in relation to Empire Services and it will be wound up.

9.3 The Conditions Precedent at 9.1 are for the benefit of the Proponent and may only be waived by the Proponent.

10. Other provisions of DOCA

10.1 Under the DOCA:

- the Administrators will become the Deed Administrators;
- the Deed Administrators will be obliged to give effect to the terms of the DOCA and provide all reasonable assistance in satisfying the Conditions Precedent;
- the claims of all creditors (other than the Proponent) will be released to the fullest extent possible; and
- the Creditors Trust will be created and the creditors of the Empire Group will only be entitled to participate as beneficiaries of the Creditors Trust.

10.2 During the period of the operation of the DOCA, any officer or member of an entity in the Empire Group or any creditor bound by the provisions of the DOCA must not make any application to wind up an entity in the Empire Group, continue such application or commence or continue any enforcement process in relation to the property of the Empire Group.

10.3 The DOCA will terminate:

- (a) for Empire WA, upon the Empire WA Completion Event, at which time control of Empire WA will revert to its then directors;
 - (b) for Empire Services, upon the Empire WA Completion Event, at which time Empire Services will be wound up and the Deed Administrators will become Liquidators; and
-



- (c) for EGO, if the DOCA is not varied within 90 days (or such longer period agreed by the Proponent) of the execution of this DOCA to facilitate the realisation of the listed shell of EGO, in which case and at which time EGO will be wound up and the Deed Administrators will become Liquidators.

10.4 The DOCA will have those other provisions which are usual in a DOCA of this nature.

11. Distribution of Trust Fund

11.1 The Trust Fund will be distributed by the Trustees as soon as reasonably practicable after the Empire WA Completion Event.

11.2 The terms of section 556, 560 and 561 of the Corporations Act shall apply as if the references to "liquidator" were references to the "Trustee", references to "winding up" were references to the "Creditors Trust" and with such other modifications as are necessary to give effect to the terms of this Term Sheet.

11.3 Sections 444DA and 444DB of the Act will apply to the DOCA.

12. Alcoa Funds

All funds received from Alcoa of Australia Ltd (in whatever capacity and by whatever Empire Group entity) will be paid into and included in Pool D.

13. Creditors Committee

There will not be a creditors committee under the DOCA.

14. Administrators/Trustees lien and remuneration

14.1 The Administrators of Empire WA, are entitled to be indemnified out of, and will have a lien over:

- (a) the cash held by Empire WA at the time of their appointment; and
- (b) Pool C,

for their remuneration, costs, fees and expenses for work done in the performance of their duties as Administrators of Empire WA

14.2 The Administrators of each of EOG and Empire Services, the Deed Administrators, the Trustees and the Liquidators are entitled to be indemnified out of and will have a lien over Pool D for their remuneration, costs, fees and expenses for the work due in those respective capacities (subject to the cap in 8.2(1) .

15. Termination of DOCA

15.1 In the event that the Empire WA Completion Event does not occur by 5pm on 17 November 2017 or such other date as is agreed between



the Proponent and the Deed Administrators, then the Deed Administrators may:

- (a) cause any or all of the entities in the Empire Group to be placed into liquidation; and/or
- (b) convene a meeting of creditors to vary or terminate the DOCA.

16. Other terms

- 16.1 Except for regulations 3(c) and 11, and except to the extent inconsistent with the terms of this Term Sheet, the terms and conditions contained in Schedule 8A of the Corporations Regulations will be incorporated into the DOCA.
- 16.2 Section 440D of the Act will apply while the DOCA is on foot.
- 16.3 The Deed Administrators will promptly apply for approval to the relevant minister, with respect to the deemed assignment of the section 34 Access Rights Instrument dated 24 October, arising out of the transfer in the shares in Empire WA to the Proponent.
- 16.4 The Deed Administrators will use their best endeavours to procure that a lease or other tenure arrangement, on terms satisfactory to the Proponent, is entered into between Cattamarra Farms and Empire WA, which formalises the existing tenure arrangement.

17. Directors

- 17.1 The Deed Administrators will have the power to appoint directors and remove directors of the entities of Empire Group.
- 17.2 Upon the occurrence of the Empire WA Completion Event, the directors of Empire WA will be:
 - Chris Ellison; and
 - Bruce Goulds.

18. Governing law

Western Australia.

Dated 25 October 2017


Signed by Chris Ellison for and on behalf of
Mineral Resources Limited

25 October 2017

To Creditors

Dear Sir/Madam

**Empire Services Pty Ltd (Administrators Appointed) (the Company)
ACN 081 594 112**

As you are aware, Martin Jones, McCluskey, Peter and I were appointed Administrators of the Company on 14 September 2017 pursuant to Section 436A of the Corporations Act 2001 (**the Act**).

We are now in a position to convene the second meeting of creditors of the Company in order to determine the Company's future.

Please find **enclosed** the Voluntary Administrator's Report pursuant to Insolvency Practice Rules (Corporations) 2016 75-225 and Section 438A of the Act. The report is also available to download from Ferrier Hodgson's website immediately from 26 October 2017 using the following link:

<https://www.ferrierhodgson.com/au/creditors/empire-oil-and-gas-nl>

The Voluntary Administrator's Report includes our opinion, with supporting reasons, on each of the following matters:

- Whether it would be in the creditors' interests for the Company to execute a Deed of Company Arrangement (**DOCA**).
- Whether it would be in the creditors' interests for the Company to be wound up.
- Whether it would be in the creditors' interests for the administration to end.
- Whether it would be in the creditors' interests for the Second Meeting of Creditors to be adjourned for a period not exceeding forty-five (45) business days.

The following documents in respect of the second meeting of creditors of the Company are **attached** to the report:

Report annexure	Document	Description
A	Notice of meeting of creditors (form 529)	– Please note that the meeting is to be held on 2 November 2017 commencing at 1.00PM AWST.
		– You should arrive for registration at least 15 minutes prior to the meeting.
B	Appointment of proxy (form 532)	– This form enables you to appoint a person to act on your behalf at the meeting.
		– Proxy forms submitted at the first meeting of creditors are not valid for this meeting.

Report annexure	Document	Description
C	Formal proof of debt (form 535)	<ul style="list-style-type: none"> – A person is not entitled to vote at the meeting unless they provide particulars of the debt or claim to the Administrators before the meeting. – If you submitted this form for the purposes of the first meeting of creditors, you do not need to submit another form for this meeting unless you seek to amend your claim. – All creditors must furnish full details of their claims, indicating whether they rank as secured, preferential or unsecured, and whether they claim title to any goods supplied to the Company or any lien over goods in their possession which are the property of the Company.
D	Remuneration Approval Request	<ul style="list-style-type: none"> – Details of time spent by category of staff at the rates applicable for such staff. – A summary of the work undertaken by the Administrators and their staff in the administration. – A summary of the likely tasks and estimated remuneration of the Deed Administrators and Liquidators, should creditors resolve that the Company execute a DOCA or be wound up.
E	Australian Restructuring, Insolvency and Turnaround Association (ARITA) Creditor Information Sheet	<ul style="list-style-type: none"> – Contains information regarding offences, recoverable transactions and insolvent trading, which may be pursued if the Company is placed into liquidation. – Creditors should review the ARITA information sheet in conjunction with section 9 of the Administrators' report.
F	Deed of Company Arrangement (DOCA) Proposal	<ul style="list-style-type: none"> – Term Sheet of the DOCA Proposal put forward by Mineral Resources Limited.

The proof of debt and proxy forms should be lodged with this office before the meeting and, in any event not later than 4.00pm on the day prior to the meeting. Forms can be sent by facsimile on (08) 9214 1400 marked to the attention of Tim Rose or scanned and emailed to tim.rose@fh.com.au.

Should you have any questions regarding the administration or the report, please do not hesitate to contact Tim Rose of this office on (08) 9214 1444.

Yours faithfully
Empire Services Pty Ltd



Andrew Smith
Administrator

**Empire Services Pty Ltd
(Administrators Appointed)
ACN 081 594 112**

Voluntary Administrators' Report

25 October 2017

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Glossary of terms

Term	Description
ABRN	Australian Business Registration Number
ACN	Australian Company Number
Act	Corporations Act 2001
Administrators / the Proponent / the Trustees	Andrew Smith, Martin Jones and Peter McCluskey
APAAP	All present and after-acquired property – no exceptions
ARITA	Australian Restructuring, Insolvency & Turnaround Association
ASIC	Australian Securities & Investments Commission
ATO	Australian Taxation Office
Azure	Azure Capital Limited
Code	ARITA Code of Professional Practice
COI	Committee of Inspection
Company / EMS	Empire Services Pty Ltd (Administrators Appointed)
Creditors Trust	The Creditors Trust subject to the MIN DOCA Proposal. The Trustee of the Creditors Trust is set to be the Administrators.
Directors	Thomas Vincent, Antonino Iannello, Stuart Brown and Philip Garratt
DIRRI	Declaration of Independence, Relevant Relationships and Indemnities, pursuant to s436DA of the Act and Code
DOCA	Deed of Company Arrangement
EGO	Empire Oil & Gas NL (Administrators Appointed)
EGO Group	Empire Oil and Gas NL, Empire Services Pty Ltd and Empire Oil Company (WA) Pty Ltd (Receivers and Managers Appointed) (All Administrators Appointed)
EOC	Empire Oil Company (WA) Limited (Administrators Appointed) (Receivers and Managers Appointed)
EOC Petroleum Assets	Pipeline permit PL96, and exploration permits EP426, EP368, EP432, EP454, EP430, EP416, EP440, EP480
ERV	Estimated Realisable Value
FEG	Fair Entitlements Guarantee
First Meeting	First meeting of creditors held on Tuesday, 10 October 2017 at 12:00pm AWST
FY	Financial year
HSF	Herbert Smith Freehills
K	Thousand
KWM	King & Wood Mallesons

Term	Description
M	Million
MIN/Secured Creditor	Mineral Resources Limited (ASX: MIN)
PMSI	Purchase Money Security Interest
PPSA	Personal Property Securities Act 2009 (Cth)
PPSR	Personal Property Securities Register
Proponent Dividend	Funds available to the Administrators however subject to the terms of the DOCA
RATA	Report as to Affairs
Receivers and Managers	Matthew Donnelly and Jason Tracy of Deloitte Restructuring Services
Red Gully Project	The Red Gully Project consists of exploration permit EP389 and production licences PL18 and PL19
Report	This report, prepared pursuant to Section 439A of the Act
Second Meeting	Second meeting held pursuant to Section 439A of the Act, where creditors determine the future of the Company
Secured Debt	MIN's debt outstanding which totals \$15.1M plus interest and enforcement costs.

1 Executive summary

This section addresses frequently asked questions relating to the Administration of the Company including a summary of the estimated outcome for creditors. Full details are available throughout this Report.

Question	
What is the Company?	EMS is the 100% owned subsidiary of EGO. EMS was established to employ the employees of the EGO Group.
What is the purpose of this Report?	The purpose of this Report is to table the findings of our investigations of 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 at the Second Meeting.
What is the current status of the Company?	On 28 September 2017, Andrew Smith, Martin Jones and Peter McCluskey, were appointed as joint and several Administrators of the Company by the Directors under Section 436A of the Act.
Who is in control of the Company?	<p>On appointment, the Administrators assumed control of the Company's operations and notified employees, creditors and other stakeholders of their appointment. The Administrators then conducted an urgent financial and commercial review of the Company with the assistance of key personnel and communications with key stakeholders including customers and suppliers.</p> <p>The Administrators have also undertaken preliminary investigations into the affairs of the Company and the reasons for its failure.</p>
What is the ownership structure of the Company?	<p>EMS is a 100% owned subsidiary of EGO. EGO is a company listed on the Australian Securities Exchange (ASX:EGO) and holds 100% of the share capital of both EMS and EOC.</p> <p>Please refer to section 3.1 of this Report which provides a schematic of the EGO Group structure.</p>
How did the Company's business trade?	The Company operated in conjunction with the EGO Group operating the Red Gully Project and exploring the EOC Petroleum Assets. The Company's sole purpose was to employ the EGO Group employees.

Question

Why do the Directors believe the Company became insolvent?

The Directors of the Company have provided us with the following reasons for its failure:

- *“The EOC’s Red Gully Project was shut in August 2017 in order to conduct a static pressure survey for the 2017 reserves assessment. Once the well was re-opened, various technical errors resulted in the well not re-opening and production was ultimately halted.*
- *The Company advised that they were to require external funding for remediation and re-opening of the well, and accordingly approached MIN on the morning of 13 September 2017 to discuss a funding strategy. That afternoon, MIN issued a notice of demand and default and Deloitte Restructuring were appointed Receivers and Managers that day. Accordingly, EOC entered into voluntary administration the following day.*
- *EGO received its own notice of demand from MIN of 26 September 2017. The notice demanded immediate repayment by EGO of A\$15.1 million plus any accrued interest. This notice was issued to EGO as the guarantor under the loan facility.*
- *The directors of EGO and EMS urgently and carefully assessed all reasonable options for EGO and EMS. The directors determined that there were no courses of action available for EGO to pay the sum demand by MIN, taking into account:*
 - a) The substantial assets of EOC not being available to EGO in light of the appointment of Receivers to those assets*
 - b) The cash reserves available to the EGO;*
 - c) MIN had indicated to EGO that MIN was not willing to compromise in respect of the subsidiary (and the issuance of the notice to EGO supported the view that there was no reasonable prospect of reaching a compromise);*
 - d) EGO had, on behalf of EOC, for some time, been exploring the market for investment participation to fund the EGO Group without success; and*
 - e) There was no reasonable prospect that an investor would emerge to satisfy MIN’s demand for immediate repayment of the loan facility.*
- *The Directors ultimately decided that it could not develop one or more courses of action that were reasonably likely to lead to a better outcome for EGO and EMS other than the immediate appointment of voluntary administrators.”*

Why do the Administrators believe the Company became insolvent?

Our preliminary view is that, in addition to the reasons identified by the Directors, the Company failed as a result of:

- MIN, the secured creditor of EOC, issued EGO with a Notice of Demand in respect of their loan facility agreement which had been guaranteed by EGO.
- Given the appointment of the Receivers and Managers to EOC and that MIN’s debt totalled \$15.1M which in turn was also now payable by EGO, EGO (the ultimate holding company) was unable to continue funding EOC and EMS. In this regard, the Directors of EMS resolved that the Company was insolvent and appointed voluntary administrators.

Question

What were the underlying causes of the Company's failure?

The Administrators consider the reasons the Company failed include:

- Given EGO funded EMS, the Company became insolvent when EGO received a notice of demand from MIN which it was unable to satisfy and accordingly appointed the Administrators.
- As a result of the appointment of the Administrators, EGO would have been unable to continue funding EMS and accordingly the Directors simultaneously appointed the Administrators over EMS.
- Please note that although EMS had not guaranteed the MIN \$15.1M debt, it would have been unlikely that EMS would have been able to obtain alternative funding to satisfy accruing employee entitlements.

What is the purpose of the Second Meeting of Creditors?

To resolve the future of the Company. The options available include whether:

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

Treatment of Employees

On 18 October 2017, an Order was made in the Federal Court of Australia pursuant to section 90-15 of Schedule 2 of the Insolvency Practice Schedule of the Act, confirming that all employee of EMS are justified as being employees of EGO and having been so employed by EGO since the commencement of their employment.

Accordingly, all employees of EMS are now able to submit a claim in the administration of EGO and able to benefit from the realisations available in EGO.

Sale Process

As the Company's assets are limited to plant and equipment with a book value of approximately \$50K and are associated with the Red Gully Project. The Administrators have not yet taken steps to realise the plant and equipment.

DOCA Proposal

On 6 October 2017, a DOCA Proposal in relation to EOC was received from MIN. Since then, the Administrators have been working with MIN to develop and refine the terms of same.

Based on the terms of the final DOCA Proposal it now includes all the entities of the EGO Group, including EMS.

Please refer to Section 7 for further information.

What is the estimated return to creditors?

In Liquidation, creditors would receive no return as any realisable value from plant and equipment will be consumed by the costs of the Administration.

As all employees of EMS are now able to submit a priority claim in the administration of EGO and able to benefit from the asset realisation available to the creditors of EGO there are no other known creditors of EMS. As such there is not anticipated to be any return to creditors, however the fees and costs of the Administration will be paid out of the Pool D of the Creditors Trust.

Upon completion of the MIN DOCA, the DOCA so far as it relates to EMS will terminate and EMS will be wound up.

Question

What do the Administrators recommend creditors should do?

As all employees of EMS are now able to submit a priority claim in the administration of EGO and able to benefit from the asset realisation available to the creditors of EGO there are no other known creditors of EMS. As such there is not anticipated to be any return to creditors, however the fees and costs of the Administration will be paid out of the Pool D of the Creditors Trust.

In Liquidation, creditors would receive no return.

In this regard, we recommend that creditors accept the DOCA proposal presented by MIN.

What claims will a liquidator investigate?

Whilst the Administrators have considered the underlying causes of the Company's failure, our investigations into claims arising from those matters are at an early stage.

The preliminary investigations have not identified any antecedent transactions.

The investigations undertaken to date in the Administration are detailed at **Section 8** of this report

Where can I get more information?

If you require any further information, please see the Ferrier Hodgson website and/or contact the following:

Creditor queries

Phone: (08) 9214 1444

E-mail: tim.rose@fh.com.au

Employee queries

Phone: (08) 9214 1444

E-mail: tim.rose@fh.com.au

2 Introduction

This section provides information on the entities subject to the Administration process, the objectives of the Administration, the purpose of this Report, details of meetings of creditors and a summary of the Administrators' remuneration.

2.1 Appointment of Voluntary Administrators

On 28 September 2017, Andrew Smith, Martin Jones and Peter McCluskey, were appointed as joint and several Administrators of the Company by the Directors under Section 436A of the Act.

We were also appointed by the Directors of the EGO Group as joint and several Administrators under Section 436A of the Act of Empire Oil Company (WA) Pty Ltd (ABRN 009 475 423) on 14 September 2017 and Empire Oil and Gas NL (ACN 063 613 730) on 28 September 2017.

2.2 Objective of voluntary administration

In a voluntary administration, Administrators are empowered by the Act to assume control of an insolvent company, superseding the powers of the Directors and Officers, to manage the company's affairs and deal with its assets in the interests of its creditors.

The intention of a voluntary administration is to maximise the prospects of a company continuing in existence or, if that is not possible, to achieve better returns to creditors than would be achieved by its immediate liquidation. During a voluntary administration there is a moratorium over most pre-administration creditor claims.

Administrators are also required to investigate the Company's affairs and report to creditors on the Administrator's opinion as to which outcome of the voluntary administration process is in the creditors' best interest, informing the creditors prior to their voting at the Second Meeting (please see Section 10 for further details).

2.3 Purpose and basis of this report

IPR 75-225 requires a voluntary administrator to provide a report (the **Voluntary Administrator's Report** or this **Report**) to all creditors ahead of the Second Meeting, outlining:

- Details regarding the business, property, affairs and financial circumstances of the entity under administration;
- The Administrator's opinion and recommendation on each of the options available to creditors; and
- If a DOCA is proposed, the details of the DOCA.

This Report also informs creditors about the preliminary investigations undertaken by the Administrators to date. Accordingly, the views formed in this Report are not final and may be subject to change. Any additional material issues that are identified subsequent to this Report may be subject to a further written report and/or tables at the forthcoming Second Meeting.

This Report has been prepared primarily from information obtained from the Company's books and records and discussions with the Directors. Although the Administrators have conducted certain investigations of the affairs of the Company, there may be matters which we are unaware of as an audit of the Company has not been undertaken.

In order to complete our Report, we have utilised information from:

- The ASIC;
- The PPSR;
- The Company's/Group's book and records;
- Discussions with the Directors of the Company;
- Discussions with key employees of the Company;
- Discussions with creditors of the Company; and
- Other public databases.

2.4 Context of this Report

This Report is based upon our preliminary investigations to date. Any additional material issues that are identified subsequent to the issue of this Report may be the subject of a further written report and/or tabled at the Second Meeting.

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. We reserve the right to alter any conclusions reached based on any changed or additional information which may be provided to us between the date of this Report and the date of the Second Meeting (except where otherwise stated).

In considering the options available to creditors and formulating our opinion and recommendation, we have necessarily made forecasts of asset realisations and total creditors' claims based on our best assessment in the circumstances. These forecasts and estimates may change as asset realisations progress and we receive creditor claims and consequently the outcome for creditors might differ from the information provided in this Report.

Creditors should consider seeking their own independent legal advice as to their rights and the options available to them at the Second Meeting.

2.5 Declaration of independence, relevant relationships and indemnities

In accordance with Section 436DA of the Act and the Code, a DIRRI was enclosed with the Administrators' first communication to creditors (and tabled at the First Meetings of Creditors).

The DIRRI disclosed information regarding the Administrators' independence, prior personal or professional relationships with the Company or related parties and any indemnities received in relation to the appointment. This assessment identified no real or potential risks to the Administrators' independence.

There has been no change in the declaration since that time.

2.6 First Meeting of Creditors and Committee of Inspection

Section 436E of the Act requires the Administrators to convene the first meeting of creditors within eight business days of being appointed.

The First Meeting of Creditors of the Company was held on 10 October 2017 at which the Administrators appointment was confirmed.

Creditors resolved at the First Meeting of Creditors not to appoint a COI.

2.7 Events Subsequent to the First Meeting of Creditors

Event Date	EGO Group Member	Summary of Event
6 October 2017	EOC	On 6 October 2017, a draft DOCA term sheet was presented by MIN which in the first instance only extended to EOC.
13 October 2017	EOC, EMS and EGO	<p>The Court made orders extending the convening period from 13 October 2017 to 20 October 2017. The Administrators had initially sought that the convening period be extended to 11 December 2017, however after feedback from MIN it was agreed that an interim extension be sought.</p> <p>The administrators' reasons for the initial extension sought to 11 December 2017 were as follows:</p> <ol style="list-style-type: none"> 1. To adequately test the market for the sale of EOC's Petroleum Assets; 2. To allow adequate time to consider the MIN DOCA proposal; and 3. To obtain required directions including: <ol style="list-style-type: none"> a) Determining the gas sale proceeds received by EGO on the day of appointment; b) Determining the effective employer of the EMS employees; and

- c) Determining the rights to vote and prove of the intercompany debts in the administration of the EGO Group.

These intercompany issues are discussed in greater detail at section 3.4 of the report.

17 October 2017	EOC	<p>The Court made further orders extending the convening period from 20 October 2017 to 26 October 2017.</p> <p>This further short extension was agreed with MIN so that the convening periods of EGO, EMS and EOC would be aligned, while also providing the Administrators and MIN with further time to explore concurrent DOCA proposals also including EMS and EGO. Concurrent DOCAs would reduce the time and costs incurred by the EGO Group in seeking directions from the court in relation to Alcoa gas proceeds, employees and the intercompany debt determination.</p> <p>The short extension was agreed on the following basis:</p> <ul style="list-style-type: none"> • The temporary suspension of the EOC sale process being undertaken by Azure and until such time that the 2nd creditors meeting of EOC creditors has been held to consider MIN's DOCA. • The Voluntary Administrator to deal exclusively with MRL up to the second creditors' meeting. • The Voluntary Administrators will present MIN's DOCA proposal to creditors. • Any further extension (i.e. adjournment) of either the EOC, EMS or EGO 2nd meeting of creditors would be obtained through resolutions of creditors (i.e. not by the Court).
17 October 2017	EOC, EGO and EMS	<p>The Federal Court made orders that:</p> <ul style="list-style-type: none"> • The date of determining whether the gas proceeds received by EGO on the day of our appointment as Administrators of EOC be adjourned to be heard on 13 November 2017. • The date of determining who may be regarded as the employer of the Empire Group staff as to continue to be heard on 19 October 2017. • The date of determining whether EGO is able to vote its intercompany debt in the administration of EOC be adjourned to be heard on 13 November 2017.
18 October 2017	EGO and EMS	<p>Orders are granted in the Federal Court of Australia determining all employees of EMS to be recognised as employees under EGO since the date of their employment.</p>
19 October 2017	EOC, EGO and EMS	<p>On 19 October 2017, MIN provided the Voluntary Administrators with a revised DOCA term sheet that incorporated all of the entities of the EGO Group.</p>

2.8 Second Meeting of Creditors

Pursuant to Section 439A of the Act, the Second Meeting is convened for 2 November 2017 at the offices of Ferrier Hodgson, Level 28, 108 St Georges Terrace, Perth, WA, 6000 at 1.00PM AWST. At the Second Meeting, creditors will decide the Company's future by voting on one of the following options:

- That the administration should end and control of the Company revert to its directors; or,
- That the Company should be wound up; or,

- That the Company execute a DOCA.

The Notice of Meeting of Creditors (Form 529) is attached at **Annexure A** along with an appointment of proxy form (**Annexure B**) and a proof of debt or claim form (**Annexure C**).

Creditors have the opportunity to adjourn the Second Meeting for up to a period of 45 business days.

Creditors who wish to participate in the Second Meeting must complete and submit the following forms to this office by 4:00pm on Wednesday, 1 November 2017.

Form	Comments
Appointment of proxy (form 532)	<ul style="list-style-type: none"> – Corporate creditors must appoint an individual to act on its behalf. – Individuals voting in person are not required to complete this form but must complete this form if a representative is appointed to vote on their behalf. – Please note that proxy forms submitted for the First Meeting are not valid for the Second Meeting. A new proxy form must be submitted.
Proof of debt (form 535)	<ul style="list-style-type: none"> – Creditors must submit documentation to support the amount they have claimed (i.e. unpaid invoices, payslips). – Creditors who have already submitted a proof of debt are not required to resubmit a proof of debt form unless the amount claimed has changed.

2.9 Remuneration

An Administrator's remuneration can only be fixed by resolution of a COI, the Company's creditors, or by application to the Court. In accordance with IPR 70-35 and the Code, an Initial Remuneration Notice was provided to creditors with our initial communication and tabled at the First Meeting of Creditors.

ARITA has issued an "Approving remuneration in external administrations" information sheet providing general information for creditors on the approval of an administrator's fees in a liquidation, a voluntary administration or a DOCA. This information sheet is available from the ARITA website (www.arita.com.au).

A summary of previously approved remuneration together with remuneration we will be seeking approval for at the Second Meeting of Creditors is as follows:

Period	Amount (ex GST) \$
Past remuneration approved:	Nil
Total past remuneration approved	Nil
Current remuneration approval sought:	
Voluntary administration	
<i>Resolution 1:</i> 28 September 2017 to 13 October 2017	11,996.00
<i>Resolution 2:</i> 14 October 2017 to 2 November 2017	25,000.00
Total approval sought – voluntary administration*	36,996.00
Deed of company arrangement (DOCA) (if applicable)	
<i>Resolution 3:</i> 2 November 2017 to execution of DOCA	5,000.00
<i>Resolution 4:</i> Date of execution of DOCA to completion	20,000.00
Total approval sought – deed of company arrangement (if applicable)*	25,000.00
Liquidation (if applicable)	

Period	Amount (ex GST) \$
Resolution 5: 2 November 2017 to completion of Liquidation	25,000.00
Total approval sought – liquidation (if applicable)*	25,000.00
<i>* 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.</i>	

Please refer to our Remuneration Approval Request at **Annexure D** for details of the key tasks undertaken throughout the course of the administration to date.

2.10 Non-disclosure of certain information

There are sections of this Report where we have considered it inappropriate to disclose certain information to creditors. Such information includes:

- Valuations of specific assets
- Valuation of the business
- Details of offers received during the sale process
- Commercially sensitive prospective financial information (for example, projections / forecasts)

We recognise the need to provide creditors with complete disclosure of all necessary information relating to the Company. However, we believe this information is commercially sensitive and it is not in creditors' interests for us to disclose the information publicly at this stage.

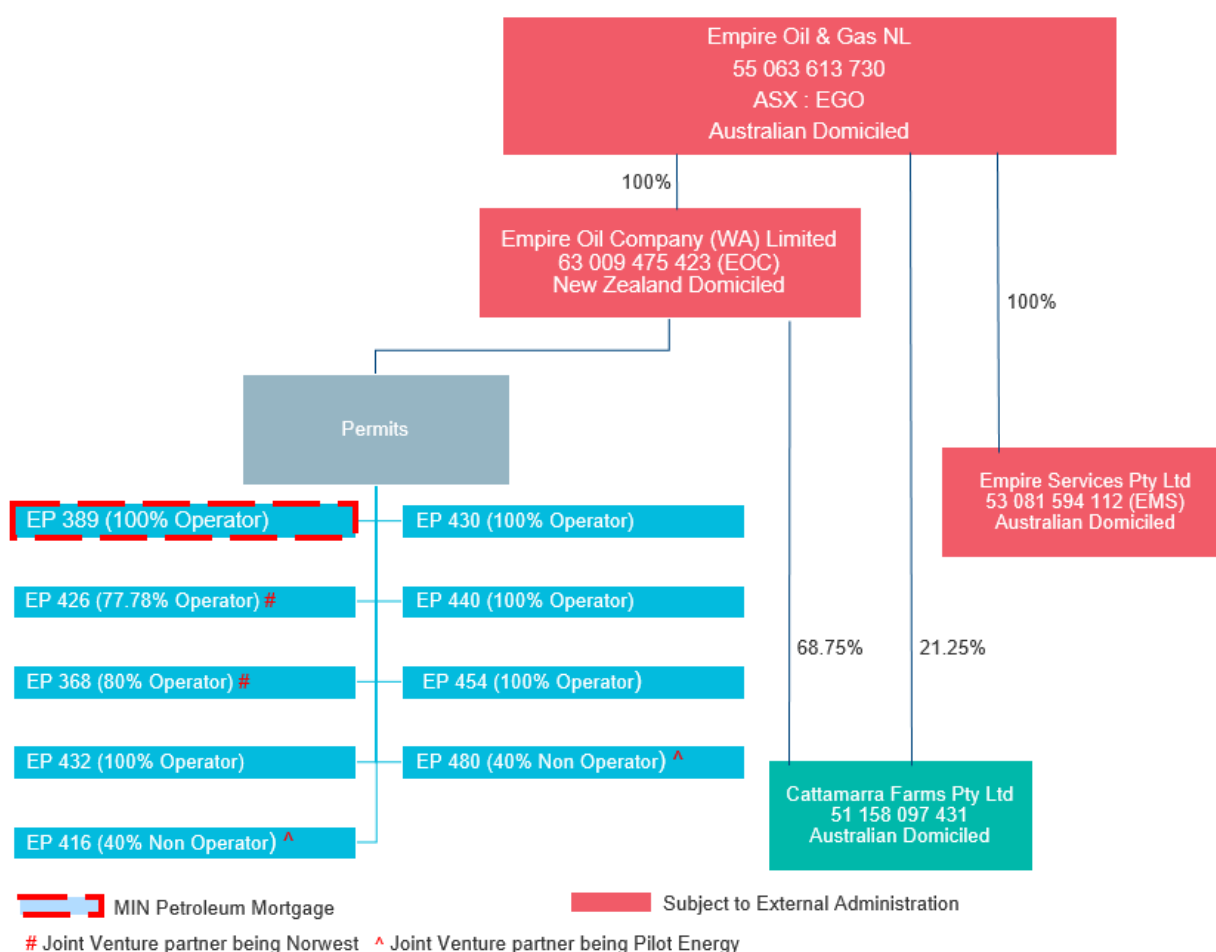
Where necessary in this Report, we provide a combined figure for potential realisations of assets when comparing estimated dividends under the relevant options.

3 Company information

This section provides creditors with information on the history of the Company and the circumstances leading up to the appointment of Administrators together with details of related entities including statutory information, and an overview of the operating businesses.

3.1 Group structure

A summary of the corporate structure of the EGO Group is provided below:



Key points to note in relation to the corporate structure are:

- EOC and EMS are wholly owned subsidiaries of EGO.
- EGO is a public company listed on the ASX.
- EOC operates the Red Gully Project and holds all other exploration permits of the EGO Group.
- EMS employees 12 out of the 13 EGO Group staff.

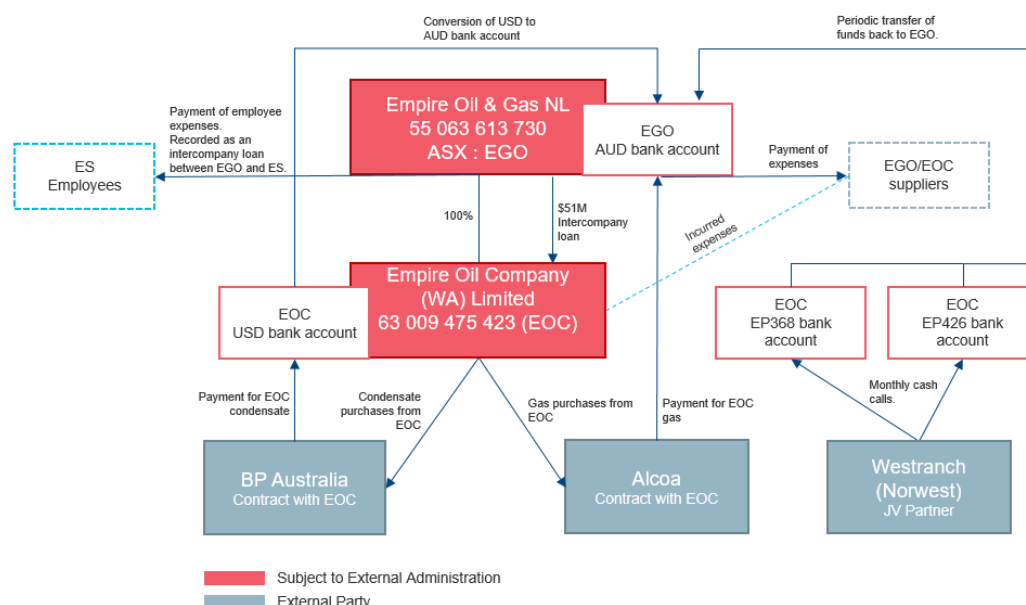
3.2 Company history and events leading up to the administration

Date	Event
10 February 1998	EMS is incorporated.
August 2017	<p>Operations were ceased in August 2017 for a period of time in order to allow EOC to conduct a static pressure survey for the 2017 reserve assessment. Upon recommencement of operations liquid was effectively held up in the production tubing preventing the well from operating normally. Despite EOC undertaking a nitrogen gas lift to remove the liquid, they were unsuccessful and the Red Gully Project has been in a state of care and maintenance since that date.</p> <p>While the Company was exploring possible options to restart the well, KWM engaged Ferrier Hodgson to complete a limited independent business review of the EGO Group. This report was provided to KWM on 7 September 2017.</p>
13 September 2017	MIN issued EOC with a Notice of Default and Demand and Deed of Appointment regarding the appointment of Matthew Donnelly and Jason Tracy of Deloitte Restructuring Services as Receivers and Managers in respect of the Red Gully Project assets.
14 September 2017	Andrew Smith, Martin Jones and Peter McCluskey of Ferrier Hodgson are appointed as joint and several Voluntary Administrators of EOC
26 September 2017	Angus Walker resigns as Chief Executive Officer of the EGO Group.
26 September 2017	MIN issued a notice of demand on EGO demanding the immediate repayment of the \$15.1M facility as guarantor for EOC under the loan facility agreement.
28 September 2017	The Directors resolved to appoint Andrew Smith, Martin Jones and Peter McCluskey of Ferrier Hodgson as joint and several Voluntary Administrators of EMS and EGO.

3.3 Business operations

EMS's sole purpose is to provide employees for the benefit of the EGO Group. It has no other operating functions.

In respect of the flow of funds between the EGO Group, it effectively operates as a single business unit. We detail below a schematic which outlines the flow of funds between the EGO Group:



We table below each company within the EGO Group and their respective responsibilities:

Business	Description	Scale
EMS	Employed 12 out of 13 of the EGO Group employees.	12 employees
EGO	Responsible for the ASX Listing and operating the EGO Group business. EGO also employed the CEO, Angus Walker.	1 employee
EOC	Owned all EGO assets, including the Red Gully Project and exploration permits.	9 exploration permits 2 production licences 1 pipeline licence

3.4 Intercompany Issues

Given the nature of the operations outlined above and the treasury role performed by EGO, a number of issues have been identified (following our appointment over the EGO Group) that absent a suitable structured DOCA proposal (and creditor approval) will require Court directions. The issues are outlined below.

3.4.1 Treatment of Intercompany Loan

As identified above, EGO is an unsecured creditor of EOC in the amount of \$51m (based on EGO Group Records) and in the ordinary course would be able to prove for that amount in the winding up of EOC.

On 28 September 2017, the Administrators received a letter from HSF on behalf of MIN which asked the Administrators of EGO to confirm that we would not cause EGO to purport to lodge a proof of debt in the administration of EOC. The letter claims that clause 12.13(a)(6) of the Facility Agreement acts to prevent EGO lodging a proof of debt in the administration of EOC.

Based on our preliminary review, we concluded that whether or not we ultimately agree with MIN as to the effect of clause 12.13 of the Facility Agreement, given our role as administrators of both EOC and EGO and to remove any possible prejudice to creditors that we should seek directions from the Court, as the interests of the creditors of both EOC and EGO are vitally affected.

In this regard, the determination of whether EGO is entitled to vote and prove for its intercompany debt in the administration of EOC was to be heard in the Federal Court on 17 October 2017 at 12.00pm AWST, however this has been adjourned further to 13 November 2017.

3.4.2 Treatment of Alcoa Gas Proceeds

By reason of EOC not having an Australian bank account, EGO accepted certain deposits on behalf of EOC into its bank account that was denominated in Australian dollars. For example, the payment for gas sales made by EOC to Alcoa were made by Alcoa into the bank account of EGO and then the funds were used to pay EOC suppliers.

Prior to our appointment as Administrators of EGO, EGO received funds of \$1.4m from Alcoa on behalf of EOC. Ordinarily, EGO would then use these funds to pay liabilities incurred by other subsidiaries within the EGO Group.

Based on our preliminary review, we concluded that whether or not these are funds that EGO hold were on trust for EOC, it is a matter upon which we require directions from the Court, as the interests of the creditors of both EOC and EGO are vitally affected. In circumstances where these funds are found to be the property of EGO these would be available for EGO creditors only.

In this regard, the determination of whether the gas sale proceeds received by EGO on the day of our appointment as Administrators of EOC relating to sales by EOC should be retained by EGO or transferred to EOC was scheduled to be heard by the Federal Court on 23 October 2017 at 11.30am AWST. This date has been further adjourned to be heard on 13 November 2017.

3.4.3 Treatment of Empire Services employees

All representatives of EOC and EGO, with the exception of Mr Walker, were formally employed under contract by EMS notwithstanding that all employee entitlements were paid by EGO.

Based on our investigations to date, the books and records of EGO and EMS and the operations of the EGO Group, the Administrators formed the opinion that the employer of the EGO Group's staff was EGO and not EMS. The effect of this was that all former employees of EMS would now be recognised as having been employed by EGO and enjoy the same statutory priorities to be paid entitlements that had accrued up until the date of our appointment.

Notwithstanding this position, we concluded that it was a matter upon which we require directions from the Court, as the interests of the creditors of both EGO and EMS are vitally affected. On 18 October 2017, the Court granted orders confirming that pursuant to s 90-15 of Schedule 2 (Insolvency Practice Schedule) of the Corporations Act 2001 (Cth) the Administrators were justified in treating each employee of the EGO Group as being an employee of EGO and having been so employed since the commencement of their employment.

We note that MIN (95% creditor in value) was appointed to review the evidence and, ultimately, accepted the orders that were proposed by the Administrators.

3.5 Statutory information

Statutory details for the Company extracted from ASIC's national database at the time of our appointment are summarised below:

Empire Services Pty Ltd	
ACN	081 594 112
Incorporation date	10 February 1998

Shareholder	Empire Oil & Gas NL
Registered address / principal place of business	229 Stirling Highway CLAREMONT WA 6010
Secretary	Rachel Rees

Source: ASIC

The Company's officers over the past 3 years were:

Name	Role	Appointment date	Resignation date
Thomas Fitzgerald Vincent	Director	12 October 2015	Current
Antonino Mario Iannello	Director	26 November 2013	Current
Philip James, Garratt	Director	5 May 2015	Current
Stuart Anthony Brown	Director	20 January 2014	Current
Rachel Rees	Secretary/Local Agent	23 February 2015	Current
James Brett Lochran Heading	Director	26 November 2013	2 September 2015

Source: ASIC and Annual Report

A search of the National Personal Insolvency Index maintained by the Australian Financial Security Authority shows that the Company's current directors are not bankrupt or subject to a Personal Insolvency Agreement under Part X.

The ASIC database discloses the Company's shareholders to be:

Registered Owner	Shares held	Description	Fully paid	% Issued Capital
Empire Oil & Gas NL	2	Ordinary	Yes	100%

Source: ASIC

3.6 Registered security interests

The PPSR discloses that 6 parties hold registered security interests on the PPSR. Details of the security interest holders are set out below:

Security interest holder	Date created	Type of security	Amount \$
Force Corp Pty Ltd	18 May 2012	Motor Vehicle	Unknown
Energy Power Systems Australia Pty Ltd	20 June 2012	Motor Vehicle / Other Goods	Unknown
Aggreko Generator Rentals Pty Limited	14 September 2012	Other Goods	Unknown
Ausco Modular Pty Limited	22 March 2013	Other Goods	Unknown
Fuelfix Pty Ltd	26 June 2013	Other Goods	Unknown
CAPS Australia Pty Ltd	31 January 2014	Other Goods	Unknown
Total			Unknown

Source: PPSR searches undertaken on 28 September 2017

The Administrators completed a detailed assessment of the registered security interests above and any further PPSA claims that were received. Where suppliers held valid security interests, we have dealt with the claims as appropriate.

3.7 Winding up applications

At the date of our appointment, there was no outstanding winding up applications against the Company.

4 Historical financial position

This section provides a summary of the financial performance of the Company during the period of FY15, FY16 and FY17.

4.1 Preparation of financial statements

The EGO Group prepared financial statements on a consolidated basis. The EGO Group's consolidated and audited financial statements were last prepared up to FY16 by Ernst & Young and the FY17 were being audited and were yet to be finalised upon our appointment.

Given the limited functionalities regarding the EGO Group's accounting system and the manner in which they historically prepared accounts, the Administrators have only been able to extract the EMS financial statements for FY15 and FY16 and the EMS management accounts in respect of FY17 and to the date of our appointment.

Our review of the EGO Group records indicates that the Company also prepared consolidated monthly management reports, cash flows and budgets and variance reports.

4.2 Summary profit and loss

A summary of the Company's profit and loss statements is presented below:

\$000s	Notes	FY 15	FY16	FY 17	YTD 28 September 2017
Revenue		-	-	-	-
Cost of sales		-	-	-	-
Gross profit		-	-	-	-
<i>Gross profit margin</i>		-	-	-	-
Other income		101	8	15	2
Depreciation Expense		(101)	(51)	(51)	(10)
Impairment Expense		(1,793)	-	-	-
General and administrative expenses		(228)	(271)	(12)	(3)
Employee and contractor expenses		(1,347)	(1,509)	(2,885)	(909)
Finance expenses		(2)	(13)	-	-
Recharged Costs	1	432	1,034	3,448	998
Total Expenses		(3,041)	(810)	500	75
Profit before income tax		(2,940)	(802)	515	78
Income tax (expense) / benefit		-	-	-	-
Net profit / (loss) for the period	2	(2,940)	(802)	515	78

Source: Company Annual Reports and Management Accounts

Key observations:

1. As EMS only existed for the purposes of processing employee wages, it incurred net losses over FY15 & FY16.
2. EMS recorded 'recharged costs' that were payable to EMS for the provision of employment services to EGO and EOC. Significant increases in 'recharge costs' over FY17 to 28 September 2017 resulted in the Company recording a net profit for those periods.

Although EGO paid all creditors of behalf of EMS, they were incurred on the income statement and balance sheet of EMS.

4.3 Summary balance sheet

A summary of the Company's balance sheet is presented below:

\$000s	Notes	FY15	FY16	FY17	YTD 28 September 2017
Current assets					
Cash and cash equivalents	1	162	143	123	123
Trade and other receivables		1	1	1	2
Total current assets		163	145	124	125
Non-current assets					
Plant and equipment	2	403	114	62	52
Other Assets - Related Party Loans	3	(8,303)	(8,868)	(8,231)	(8,226)
Total non-current assets		(7,900)	(8,754)	(8,169)	(8,175)
Total assets		(7,737)	(8,610)	(8,045)	(8,050)
Current liabilities					
Trade and other payables		-	71	80	96
Provisions	4	289	151	192	94
Other current liabilities		4	-	-	-
Total current liabilities		293	223	272	190
Total liabilities		293	223	272	190
Net assets		(8,030)	(8,832)	(8,317)	(8,240)
Equity					
Issued capital					
Retained earnings		(5,090)	(8,030)	(8,832)	(8,317)
Net Income		(2,940)	(802)	515	78
Total equity		(8,030)	(8,832)	(8,317)	(8,240)

Source: Company Annual Reports and Management Accounts

Key observations:

1. Although EMS does not operate from its bank account, the current EMS effective cash balance recorded within the accounts totalled \$123K at the date of our appointment.
2. Plant and equipment consisted of vehicles, portable buildings and associated assets. We have not yet finalised our analysis in respect PMSI security interests which may be secured against the assets and accordingly we are unable to confirm whether plant and equipment is available to the ordinary unsecured creditors of the Company. This plant and equipment was used at the Red Gully Project.
3. The related party loan balance is in relation to the funding EMS received from EGO for payment of employee wages and oncosts.
4. Provisions consisted of all employee related entitlements and associated statutory accruals in respect of the same. Please refer to section 5.1.4 of this Report which provides an outline in respect of the total entitlements outstanding at the date of our appointment. As per the Federal Court Order dated 18 October 2017, all employee entitlements will be recognised under the EGO administration.

5 Report as to affairs and director's reasons for failure

This section provides a summary of the report as to affairs submitted by the directors, together with a detailed explanation of the director's reasons for failure of the Company

5.1 Report as to affairs

Section 438B of the Act requires the Directors to give an administrator a RATA about the Company's business, property, affairs and financial circumstances.

We received the Directors' RATA on 13 October 2017, and it was lodged with the ASIC on 20 October 2017.

In the RATA, the Directors detailed the Company's assets and liabilities at book value and ERV.

The Administrators have not audited the Company's records or the book values. The below schedule should not be used to determine the likely return to creditors as a number of realisable values are based on the Company's records and remain subject to the review of the Administrators and, in particular:

- The Administrators are not in a position to confirm (or otherwise) certain asset values as they are commercially sensitive and are not disclosed in this report.
- The value of creditor claims remains subject to change as further claims may be received and require adjudication.
- The table below does not provide for possible trading losses or professional costs associated with the administration process.

Further detail on the estimated return to creditors from the administration is contained in **Section 10**.

The following table summarises the assets and liabilities disclosed in the Directors' RATA:

\$000s	Ref	Book Value	Directors' ERV	Administrators' ERV Low	Administrators' ERV High
Assets					
Cash on hand	5.1.1	Nil	Nil	Nil	Nil
Cash at bank	5.1.1	Nil	Nil	Nil	Nil
Debtors		Nil	Nil	Nil	Nil
Inventory		Nil	Nil	Nil	Nil
Plant and equipment	5.1.2	52	52	Unascertained	Unascertained
Other assets	5.1.3	123	123	Unascertained	Unascertained
Total assets		175	175	Unascertained	Unascertained
Liabilities					
Secured creditors		Nil	Nil	Nil	Nil
Employees claims	5.1.4	851	851	Nil	Nil
PMSI claims	5.1.5	Nil	Nil	Unascertained	Unascertained
Unsecured creditors	5.1.6	Nil	Nil	Nil	Nil
Contingent claims		Nil	Nil	Nil	Nil
Total liabilities		851	851	Nil	Nil
Estimated surplus / deficiency		(676)	(676)	Unascertained	Unascertained

Notes

5.1.1 Cash

The Company operated one bank account with NAB, however no transactions ever passed through the account. All creditor (employee) amounts were processed through the EGO bank accounts.

5.1.2 Plant & equipment

The Directors' RATA reported plant and equipment valued at \$52K. The plant and equipment of the Company is currently subject to a valuation and accordingly the administrators ERV has been determined as unascertained.

5.1.3 Other assets

The \$123K detailed as 'other assets' is in relation to term deposits accounts held with NAB. NAB have informed us that this amount is in regard to a bank guarantee held by the Company's lease holder that we expect to be realisable for the EGO Group once the lease is disclaimed by the administrators (pending the terms of the bank guarantee).

5.1.4 Employee claims

A breakdown of outstanding employee entitlements as at 28 September 2017 is detailed below:

\$000s	Amount outstanding
Unpaid wages	Nil
Superannuation on PILN	33
Annual leave	86
Long service leave	Nil
Redundancy	132
PILN	347
Total	598

On 18 October 2017, an Order was made in the Federal Court of Australia pursuant to section 90-15 of Schedule 2 of the Insolvency Practice Schedule of the Act, confirming that all employees of EMS are justified as being employees of EGO and having been so employed by EGO since the commencement of their employment.

Accordingly, all employees of EMS are now able to submit a claim in the administration of EGO and able to benefit from the realisations available to the creditors of EGO.

5.1.5 PMSI claims

As at 28 September 2017, a PPSR search of the Company outlined the following PMSI registrations held over the Company:

PMSI Holder
Force Corp Pty Ltd
Energy Power Systems Australia Pty Limited
Aggreko Generator Rentals Pty Limited
Ausco Modular Pty Limited
CAPS Australia Pty Ltd
Fuelfix Pty Ltd

We are yet to receive any further details relating to these PMSI holders claims,

5.1.6 Unsecured creditors

The Directors' RATA indicated that the Company does not have any unsecured creditors. To date the Administrators have not received any creditor claims for EMS.

5.2 Omissions from RATA

We have not identified any material omissions from the Directors' RATA.

5.3 Directors' opinions as to the reasons for failure

The Directors have provided their views on the affairs of the Company and attribute the following reasons to its failure:

- *"The EOC's Red Gully Project was shut in August 2017 in order to conduct a static pressure survey for the 2017 reserves assessment. Once the well was re-opened, various technical errors resulted in the well not re-opening and production was ultimately halted.*
- *The Company advised that they were to require external funding for remediation and re-opening of the well, and accordingly approached MIN on the morning of 13 September 2017 to discuss a funding strategy. That afternoon, MIN issued a notice of demand and default and Deloitte Restructuring were appointed Receivers and Managers that day. Accordingly, EOC entered into voluntary administration the following day.*
- *EGO received its own notice of demand from MIN of 26 September 2017. The notice demanded immediate repayment by EGO of A\$15.1 million plus any accrued interest. This notice was issued to EGO as the guarantor under the loan facility.*
- *The directors of the EGO and EMS urgently and carefully assessed all reasonable options for EGO and EMS. The directors determined that there were no courses of action available for EGO to pay the sum demanded by MIN, taking into account:*
 - a) *The substantial assets of EOC not being available to EGO in light of the appointment of Receivers to those assets*
 - b) *The cash reserves available to the EGO;*
 - c) *MIN had indicated to EGO that MIN was not willing to compromise in respect of the subsidiary (and the issuance of the notice to EGO supported the view that there was no reasonable prospect of reaching a compromise);*
 - d) *EGO had, on behalf of EOC, for some time, been exploring the market for investment participation to fund the EGO Group without success; and*
 - e) *There was no reasonable prospect that an investor would emerge to satisfy MIN's demand for immediate repayment of the loan facility.*
- *The Directors ultimately decided that it could not develop one or more courses of action that were reasonably likely to lead to a better outcome for EGO and EMS other than the immediate appointment of voluntary administrators".*

5.4 Administrator's opinions as to the reasons for failure

Our preliminary view is that, in addition to the reasons identified by the Directors, the Company failed as a result of:

- Given EGO funded EMS, the Company became insolvent when EGO received a notice of demand from MIN which it was unable to satisfy and accordingly appointed the Administrators.
- As a result of the appointment of the Administrators, EGO would have been unable to continue funding EMS and accordingly the Directors simultaneously appointed the Administrators over EMS.
- Please note that although EMS had not guaranteed the MIN \$15.1M debt, it would have been unlikely that EMS would have been able to obtain alternative funding to satisfy accruing employee entitlements.

6 The Administration to date and sale of business process

This section provides an overview of the conduct of the Administration, including the trading of the business and the going concern sale process.

6.1 The business at commencement of the Administration

On appointment, the Administrators assumed control of the Company's business. As no operations were undertaken under the Company, no trading controls and systems were required to be put in place.

We conducted an urgent assessment of the business. In particular, we:

- Reviewed employee contracts and calculated employee pre-appointment entitlements;
- Continued employment of certain staff essentially required to assist with the EOC Petroleum Asset sale process and financial information requirements of the Administrators;
- Liaised with Receivers and Managers in respect of staffing requirements for Red Gully operations and prepared recharge invoices to the Receivers and Managers in respect of the same;
- Made payment of employee monthly payroll;
- Liaised with statutory authorities;
- Made application to the Court in respect of treatment of employees as being employed by EGO for the purposes of the administration process;
- Conducted meetings with Directors, senior management and staff;
- Sought a valuation in relation to the EGO Group's assets; and
- Reviewed the adequacy of the insurances policies held by the Company.

Following the assessment of essential staff resources required by the Administrators, nine (9) of the twelve (12) employees were provided with notice of termination. The other three (3) employees which have not been provided notice are currently assisting the Receivers and Managers with the Red Gully project.

6.2 The sale of business process

As the Company's assets are limited to plant and equipment with a book value of approximately \$50k and is associated with Red Gully, the Administrators have not yet taken steps to realise the plant and equipment.

We do note that on 6 October 2017, the Administrators engaged Azure as a corporate advisor in relation to the potential sale of the EOC Petroleum Assets. Two (2) employees of EMS have been retained to 15 November 2017 to assist with the sale campaign.

7 Proposal for DOCA

On Friday, 6 October 2017 a DOCA Proposal in relation to EOC was received from MIN. Since then, the Administrators have been working with MIN to develop and refine the terms of the same.

Based on the terms of the final DOCA Proposal which now includes all entities of the EGO Group, creditors (except intercompany loans) of EMS are expected to receive a return of between 18 and 15 cents in the dollar.

7.1 Proposal received

We have received a final signed DOCA term sheet proposal from MIN on 25 October 2017, a copy of which is attached at Annexure F. A draft DOCA and Creditors Trust is also available for inspection by creditors prior to the Second Meeting.

We consider that the proposed DOCA complies with section 25.6.6 of the Code.

7.2 Key features of the proposal

MIN has advised that if the DOCA is not accepted by creditors, no alternative DOCA will be put forward by MIN.

The key features of the proposal may be summarised as followed:

Key Terms	
Proponent	<ul style="list-style-type: none"> Mineral Resources Limited
Deed Administrators	<ul style="list-style-type: none"> The Administrators
Parties to the Deed	<ul style="list-style-type: none"> Empire Oil and Gas NL (Administrators Appointed) Empire Oil Company (WA) Pty Ltd (Administrators Appointed) (Receivers and Managers Appointed) Empire Services Pty Ltd (Administrators Appointed)
Purpose of the Deed	<p>Upon the Proponent becoming the owner of EOC, the Proponent will:</p> <ul style="list-style-type: none"> make all reasonable efforts to reopen the Red Gully Well and processing facility; and meet its obligations with respect to the EOC Exploration Assets; and progress the exploitation of its various exploration tenements. <p>Under the DOCA:</p> <ul style="list-style-type: none"> the Administrators will become the Deed Administrators; the claims of all creditors (other than the Proponent) will be released to the fullest extent possible; and the Creditors Trust will be created and the creditors of the EGO Group will only be entitled to participate as beneficiaries of the Creditors Trust.
Condition Precedents	<p>The condition precedents to completion of the DOCA are as follows:</p> <ol style="list-style-type: none"> that the creditors of EGO approve this DOCA; the creditors of EOC approve this DOCA; the creditors of EMS approve this DOCA; and the creation of the Creditors Trust.

Key Terms

Key Events	<p>Upon completion of the Condition Precedents occurring, the following events will occur:</p> <ol style="list-style-type: none"> 1. the DOCA will terminate in relation to EOC; 2. the acquisition of the shares in EOC and other assets of EGO by the Proponent will be completed. 3. the control of EOC will return to newly appointed directors; 4. the DOCA will terminate in relation to EMS and it will be wound up.
Assets of EGO	<p>Upon completion of the Condition Precedents, EGO will:</p> <ol style="list-style-type: none"> 1. Transfer to the Proponent (or nominee) all of the shares it owns in EOC, the entity which owns the Red Gully Project and the EOC Petroleum Assets. 2. Transfer to EOC all of the shares it owns in Cattamarra Farms. 3. Transfer to EOC, any and all claims that it has against, or debts due from: <ol style="list-style-type: none"> a. Wharf Resources PLC, who is the holder of the remaining 10% of the shares in Cattamarra Farms; b. Cattamarra Farms. 4. Release EOC from any and all liabilities it may have, including, without limitation, its liability: <ol style="list-style-type: none"> a. under any debt or financial facility or agreement; b. for the inter-company debt due from EOC to EGO; and c. for its contingent right of indemnity arising out of its liability to the Proponent under the guarantee granted by it for the MIN Debt; 5. Transfer to EOC, any other assets owned by it or in its possession, but excluding: <ol style="list-style-type: none"> a. all of the cash at bank (including the Alcoa Funds and any funds held in trust by the Administrators in any capacity) which is to become Pool D; 6. Not prove for inter company loan amounts at any creditors meeting of EOC or under the Creditors Trust, in competition with the other creditors of EOC.
Assets of EMS	<p>Upon completion of the Condition Precedents, EMS will:</p> <ol style="list-style-type: none"> 1. Transfer to EOC any assets owned by it or in its possession. 2. Transfer to EOC any and all claims it has against and debts due from Wharf or Cattamarra Farms. 3. Release EOC from any and all claims.

Key Terms

Proponent Consideration	<p>In consideration for acquiring the assets of EGO and EMS, the Proponent will cause the following amounts to be paid into the Creditors Trust for the benefit of the creditors of the Empire Group:</p> <ol style="list-style-type: none"> 1. Pool A- \$155,000 to Small Unsecured Creditors (less than \$55,000 claims) of EOC. 2. Pool B- \$204,000 to Other Unsecured Creditors (more than \$55,000 claims) of EOC. 3. Pool C- \$320,000 for the benefit of the EOC Administrators' fees and costs, other EOC creditors that are not known to EOC at the date of this proposal. <p>Except in relation to Pool D, not prove for the debt the subject of its security, which is currently an amount of the order of \$15.1 million (plus interest plus enforcement costs), in competition with the other creditors of EOC;</p> <ol style="list-style-type: none"> 1. In relation to Pool D, reduce the amount for which it proves to the extent of \$4 million less: <ol style="list-style-type: none"> 1) the amounts paid to the Creditors Trust as contemplated above; and 2) the "holding costs" incurred as a consequence of the appointment of Receivers and Managers to certain of the assets of EOC.
Assets of and realisation of value from listed shell of EGO	<ul style="list-style-type: none"> • The Deed Administrators will, upon the DOCA becoming effective, take steps to attempt to locate a party who is prepared to pay for the opportunity to exploit the listed shell of EGO. • If the Deed Administrators can locate such a party within 90 days (or such longer period as may be agreed between the Deed Administrator and the Proponent), a meeting of the creditors of EGO will be called to vary the DOCA, so far as it relates to EGO, so as to facilitate the realisation of value from the listed shell of EGO. • The proceeds received from the realisation of the listed shell of EGO, after the reasonable costs and remuneration of the Deed Administrators, will be paid into Pool D. • If the listed shell of EGO cannot be realised within the time, the DOCA will terminate, so far as it relates to EGO, and EGO will be wound up.

Key Terms

Distribution to Unsecured Creditors

Though there is a pooling of assets, separate classes of creditors are to be established and funds are to be made available to the creditors of the EGO Group.

The Proponent will direct the Trustees of the Creditors Trust to pay the following amounts out of the Proponent's entitlement to a dividend as a creditor of Pool D, which funds will be made available to the unsecured creditors of EOC as follows:

1. **Debts due to Government and Statutory Authorities** - To the extent these debts are overdue and puts at risk any of the EOC Assets, these debts are to be paid in full out of the Proponent Dividend.
2. **Small Unsecured Creditors (Pool A)** - Unsecured creditors of EOC who have debts of less than \$55,000 will share on a pro-rata basis the sum of \$155,000 out of the Proponent Dividend.
3. **Other Creditors (Pool B)** - Unsecured creditors of EOC who have debts of more than \$55,000 will share on a pro-rata basis the sum of \$204,000 out of the Proponent Dividend. Creditors cannot reduce its claim, so as to attempt to fall within Pool A if the true debt is greater than \$55,000.
4. **Balancing Pool (Pool C)** - The Proponent directs the Trustee to pay the sum of \$320,000 out of the Proponent Dividend, to Pool C, and the Pool C funds will be applied:
 - (a) first, in satisfaction of the fees, costs, disbursements of the Administrators incurred as the administrators of EOC, up to a maximum of \$560,308.
 - (b) next, to any creditors of EOC who are not known to be creditors of EOC as at the date of this term sheet;
 - (c) If there is any excess in Pool C, after the payment of the EOC Administrators fees and any new creditors, it will be paid back to the Proponent.
5. **EGO Pool D** - Pool D will be made available to the creditors of EGO as follows:
 - (a) first to the administrators in their capacity as administrators of EGO and EMS, as Deed Administrators, Trustees and Liquidators, for the fees, costs and remuneration incurred by them in those capacities, up to a total cap of \$561,245;
 - (b) next, to Employees for their employee entitlements; and
 - (c) next, to the unsecured creditors of EGO, pro rata, but on the basis that:
 - a. the Proponent will only prove for the debt the subject of its security, reduced in the amount contemplated by 3.3(3); and
 - b. neither EGO nor EMS can prove as a creditor.

The cap on fees referred to at 8.2(1) will not operate with respect to the fees, costs and remuneration incurred by the Deed Administrators in realising the listed shell of EGO, which fees, costs and remuneration can only be borne out of the proceeds of the realisation of that listed shell.

7.3 Creditors Trust

The DOCA proposal requires the utilisation of a Creditors' Trust. The purpose of a Creditors' Trust will be to enable certain tasks ordinarily undertaken by the Deed Administrators (including but not limited to, the calling for and adjudication of creditors' proofs of debt) to be performed by the Trustees of the Creditors' Trust in order to facilitate the termination of the DOCA.

It is important that creditors understand that the Creditor's Trust is a separate legal structure to the corporate entity, EOC, EGO and EMS, which is presently subject to administration.

Under ASIC's Regulatory Guide 82, we provide the below information in regarding the utilisation of the Creditors' Trust in the DOCA.

Item	Information for creditors
Reason	<p>The purpose of the Creditors Trust will be to enable certain tasks ordinarily undertaken by deed administrators (including but not limited to, the calling for and adjudication upon the claims of unsecured creditors) to be performed by the Trustees of the Creditors Trust, in order to:</p> <ul style="list-style-type: none"> (a) facilitate the early termination of the DOCA so far as it relates to EOC, so that EOC avoids having to trade "subject to DOCA", which may adversely impact upon its ability to acquire goods and services and obtain credit; and (b) facilitate a realisation of the listed shell of EGO, in a way which is consistent with the expectations of potential proponents for the exploitation of the listed shell of EGO.
Key events	<p>Once the conditions precedents as set out above are met, the DOCA will be terminated and the control of the Company returned to newly appointed directors.</p> <p>The Proponent will then direct the Trustees to make certain payments to the creditors trust.</p>
Return	<p>As stated above, creditors with claims above \$55,000 are anticipated to receive a return of up to 9 cents in the dollar. Creditors with claims below \$55,000 are anticipated to receive a return of up to 25 cents in the dollar.</p>
Trustee particulars	<p>Martin Jones, Andrew Smith and Peter McCluskey will be the Deed Administrators, will have the necessary powers to administer the DOCA and will be entitled to exercise all rights, privileges, authorise and discretions conferred by the Company's constitution or otherwise by law on the directors to the exclusion of the directors during the DOCA. The Deed Administrators will assume of the role of Trustee of the Creditors Trust.</p>
Remuneration	<p>Refer to Annexure D.</p>
Indemnities	<p>The Administrators of EOC, are entitled to be indemnified out of, and will have a lien over:</p> <ul style="list-style-type: none"> (a) the cash held by EOC at the time of their appointment; and (b) Pool C. <p>for their remuneration, costs, fees and expenses for work done in the performance of their duties as Administrators of EOC.</p> <p>The Administrators of each of EGO and EMS, the Deed Administrators, the Trustees and the Liquidators are entitled to be indemnified out of and will have a lien over Pool D for their remuneration, costs, fees and expenses for the work due in those respective capacities (subject to the cap in 8.2(1)).</p>

Item	Information for creditors
Powers	<p>The Trustee of the new trust becomes solely responsible to the former creditors (now beneficiaries) for:</p> <ul style="list-style-type: none"> (a) Ensuring that the company and / or other third parties perform their obligations to the Trustee; (b) Determining how much each of the former creditors is entitled to receive from the trust; and (c) In due course, making any distribution to those former creditors. <p>In addition to the above, the Trustees are likely to have the following powers:</p> <ul style="list-style-type: none"> (a) To administer the Trust Fund; (b) To ensure that the Company fulfils its obligations under the DOCA and to take such legal proceedings or other steps as the Trustees think fit to enforce those obligations; (c) To fulfil the Trustees' obligations in terms of the DOCA; (d) To admit claims to proof in accordance with the provisions of the DOCA and the Trust Deed; (e) To make interim or other dividend payments to creditors or distributions of the Trust Fund; (f) To appoint agents to do any business or attend to any matter or affairs of the Trust that the Trustee is unable to do or that it is unreasonable to expect the Trustee to do in person; (g) To appoint a solicitor, accountant or other professionally qualified person to assist the Trustees; (h) To compromise any claim on such terms as the Trustees consider fit; (i) Having taken an assignment of all causes of action, to prosecute such of those actions as the Trustees consider fit; and (j) To do anything else that is necessary or convenient for administering the Trust. <p>These powers are provided for the benefit of creditors in determining whether to accept the proposed DOCA. However, these powers may be varied prior to finalisation of the Trust Deed.</p>
Claims	<p>The terms of section 556, 560 and 561 of the Corporations Act shall apply as if the references to "liquidator" were references to the "Trustee", references to "winding up" were references to the "Creditors Trust" and with such other modifications as are necessary to give effect to the terms of this Term Sheet.</p> <p>Sections 444DA and 444DB of the Act will apply to the DOCA.</p>
Intercompany debts	<p>For the purposes of proving under the Creditors Trust, intercompany debts will be ignored.</p>
Other creditor/ beneficiary differences	<p>A comparison of the protections and rights of creditors under the Act and of beneficiaries under the DOCA proposal.</p>
FEG	<p>Employees are not eligible for FEG assistance and employees are expected to receive 100 cents in the dollar.</p>
Compliance opinion	<p>We consider that the EOC and the Proponent will be able to comply with the terms of the Creditors Trust.</p>
Solvency statement	<p>All creditors' claims will be transferred into the Creditors Trust and the Proponent of the DOCA will ensure that the EOC has sufficient working capital. The Proponent has a market capitalisation of approximately \$3.3B.</p>
Tax (company / trust)	<p>Creditors should note that there may be income tax and stamp duty implications for the company and the Trust associated with the abovementioned proposal.</p> <p>The Trust may be required to register for GST purposes and apply for a new Tax File Number. In addition, the Trustees may also be responsible for lodging income tax returns for the trust with the ATO.</p>

Item	Information for creditors
Tax (creditor/ beneficiary)	<p>Our preliminary view is that by assigning creditors' claims to the Trust any dividend paid to creditors would be treated the same as if creditors had received the dividend from the Company under Administration. That is, we do not foresee any tax disadvantages to creditors with the proposed DOCA and Creditors Trust.</p> <p>The proposed DOCAs and Creditors' Trust also enables the Trustee to make distributions to the beneficiaries of the Trust (as opposed to the repayment of creditors' claims outlined above). Under this scenario however, the Trustee may be required to withhold tax from distributions to non-resident beneficiaries at the applicable tax rates.</p> <p>Creditors are encouraged to seek their own independent legal advice in relation to the possible taxation consequences of receiving a distribution from the proposed Creditor's Trust.</p>

7.4 Further information for creditors

Creditors should seek their own legal advice as to their rights and the effects of their position in entering into the DOCA.

Creditors can obtain further information from the ASIC website at www.asic.gov.au under Regulatory Resources – Insolvency – Insolvency for Creditors.

8 Statutory investigations

This section provides creditors with information on the preliminary investigations undertaken by the Administrators to date, and whether there have been any potential actions identified that may be pursued by a liquidator, if appointed.

8.1 Nature and scope of review

The Act requires an administrator to carry out preliminary investigations into a company's business, property, affairs and financial circumstances.

Investigations centre on transactions entered into by the Company that a liquidator might seek to void or otherwise challenge where the Company is wound up. Investigations allow an administrator to advise creditors what funds might become available to a liquidator such that creditors can properly assess whether to accept a DOCA proposal or resolve to wind up the Company. We investigated matters to the extent possible in the time available.

A liquidator may recover funds from certain voidable transactions or through other avenues; for example, through action seeking compensation for insolvent trading or breach of director duties. Funds recovered would be available to the general body of unsecured creditors including secured creditors but only to the extent of any shortfall incurred after realising their security.

A deed administrator does not have recourse to voidable transactions.

The Administrators' knowledge of the Company's affairs comes principally from the following sources:

- Discussions with the Directors, their advisors and key staff members.
- The Directors' RATA and questionnaire.
- Management accounts, books and records, board reports and financial statements.
- The Company's internal accounting system.
- Searches obtained from relevant statutory authorities.
- Records maintained by the ATO.
- Publicly available information.

8.2 Director and officers' responsibilities

Sections 180 to 184 of the Act set out the duties, obligations and responsibilities imposed on Directors which are designed to promote good governance and ensure that Directors act in the interests of the Company. These duties include:

- Duty of care and diligence;
- Duty of good faith;
- Duty not to make improper use of position; and
- Duty not to make improper use of information.

Based on our investigations to date, we have not identified any offences the directors may have committed under the provisions of the Act.

8.3 The Company's solvency

In order for a liquidator to recover funds through the voiding of certain transactions or through other legal action, such as seeking compensation from directors for insolvent trading, the Company's insolvency must be established at the relevant time.

There are two primary tests used in determining a company's solvency, at a particular date, namely:

- Balance sheet test; and
- Cash flow or commercial test.

The Courts have widely used the cash flow or commercial test in determining a company's solvency at a particular date along with several other indicators.

We have summarised below the insolvency indicators adopted by the Courts and the ASIC together with our comments in relation to the Company:

Insolvency indicator	Present	Date relevant to insolvency	Administrators' comments
Endemic shortage of working capital - balance sheet test			
Working capital position	FY15	N/A	<p>Based on the Financial Accounts, the Company recorded the following working capital ratios:</p> <ul style="list-style-type: none"> – FY15 – 0.55 – FY16 – 0.65 – FY17 – 0.46 <p>The Company maintained a low working capital ratio, however given the nature of the EGO Group business (i.e. EGO made payment in respect of EMS's liabilities) we do not consider low working capital to be an indicator of insolvency.</p>
Net asset position	FY15	N/A	<p>The Company has had a net asset deficiency since FY15 to the date of our appointment, however given the nature of the EGO Group business i.e. EGO made payment in respect of EMS's liabilities we do not consider low working capital to be an indicator of insolvency.</p>
Ageing of creditors	N/A	N/A	<p>The Company's creditors consisted of employees who were paid up in full to the date of our appointment as administrators and an intercompany loan balance which was not due and payable at the date of our appointment. All statutory liabilities (superannuation, PAYG and payroll tax) was payable by EGO.</p>
Inability to extend finance facilities and breaches of covenants	N/A	N/A	<p>The Company did not have any finance facilities.</p>
Inability to meet other financial commitments / default on finance agreements	N/A	N/A	<p>N/A.</p>
Availability of other cash resources – cash flow test			
Profitability / trading losses	N/A	N/A	<p>The Company reported a net loss for FY15 and FY16 however reported a net profit for FY17 and to the date of our appointment.</p> <p>The profits in FY17 was due to an increase in the recharged costs applied against EGO and EOC. We do not consider the losses in FY15 and FY16 to be a relevant insolvency indicator as the Company.</p>
Cash flow difficulties	N/A	N/A	<p>Given the Company's debts were paid by EGO, EMS was never subject to cash flow difficulties.</p>

Insolvency indicator	Present	Date relevant to insolvency	Administrators' comments
No access to alternative sources of finance (including equity capital)	N/A	N/A	The Company obtained its finance from EGO. EGO was able to fund EMS up to the date of the appointment of the Administrators.
Inability to dispose non-core assets	N/A	N/A	We are not aware of any attempts to dispose of non-core assets.
Dishonoured payments	N/A	N/A	We have not identified any dishonoured cheques.
Overdue Commonwealth and State taxes	N/A	N/A	All statutory liabilities were processed on a consolidated basis under the EGO Group. As at the date of our appointment all statutory liabilities were paid in full with the exception of payroll tax which fell due on 9 October 2017.
No forbearance from creditors / legal action threatened or commenced by creditors	N/A	N/A	N/A

8.4 Preliminary conclusion as to solvency

Having regard to the above analysis, it is our preliminary view that the Company was not insolvent for any time prior to our appointment on 28 September 2017 due to the following:

- EGO was providing funding to the Company and could satisfy the Company's debts (i.e. pay employees) up until MIN issued the Notice of Demand on 26 September 2017 in relation to its guarantee to EOC.

8.5 Potential liquidator recoveries – insolvent trading

8.5.1 Directors' liability

Section 588G of the Act imposes a positive duty upon company directors to prevent insolvent trading. If a director is found guilty of an offence in contravening Section 588G, the Court may order him or her to pay compensation to the company equal to the amount of loss or damage suffered by its creditors.

The Court may also impose upon the directors one of two types of civil penalty orders, the first can include a fine or an order prohibiting the directors from participating in the management of a company. The second, where there is criminal intent and conviction, a director could also be imprisoned for up to five years.

This action is not a right that is available to an administrator or a deed administrator. Applications for compensation payable to the company are usually made by a liquidator, or in specified circumstances, a creditor.

The substantive elements of Section 588G are:

- A person must be a director of a company at a time when the company incurs a debt;
- The company must be insolvent at the time or becomes insolvent by incurring the debt; and
- The director must have reasonable grounds for suspecting that the company is insolvent or would become insolvent.

8.5.2 Directors' defences

The defences available to directors contained in Section 588H are:

- The directors had reasonable grounds at the time the debt was incurred to expect the company to be solvent and would remain solvent even after the debt was incurred;
- The directors relied on another competent and reliable person to provide information about whether or not the company was insolvent;

- The directors were ill or for some other good reason did not take part in the management of the company; and
- The directors took reasonable steps to prevent the incurring of debt.

8.5.3 Pursuing an insolvent trading claim

A liquidator must form an opinion as to the date of insolvency and determine the debts incurred from that date; thereby quantifying the loss to the company.

The costs of proceeding with an insolvent trading action must be considered.

Notwithstanding the above, for the reasons provided at section 8.4 we do not believe that there is a claim against the directors.

8.5.4 Holding company liability

Section 588V of the Act provides that a holding company may be held liable for the debts of a subsidiary in certain circumstances.

The substantive elements of Section 588V are:

- The corporation is the holding company at the time when the company incurs a debt;
- The subsidiary is insolvent at that time, or becomes insolvent by incurring that debt;
- The holding company, or one or more of its directors, is aware at that time that there are grounds for suspecting the subsidiary is insolvent; or
- Having regard to the nature and extent of the holding company's control of the subsidiary's affairs, then it would be reasonable to expect that:
 - The holding company would be aware of the subsidiary's financial position; or
 - The holding company's directors would also be aware of the subsidiary's financial position.

The defences the holding company may rely upon are set out in Section 588X and are essentially the same as those a director may rely upon under Section 588H.

Furthermore, the Courts have held that, as a defence to such proceedings, a holding company can off-set any claim by a liquidator under Section 588W against monies owing under an intercompany loan account.

Notwithstanding the above, for the reasons provided at section 7.8 we do not believe that there is a claim against EGO.

8.6 Adequacy of books and records

Section 286 of the Act requires a company to keep written financial records that correctly record and explain the company's transactions, financial position and performance and would enable true and fair financial statements to be prepared. The financial records must be retained for a period of seven years after the transactions covered by the records are completed.

The failure to maintain books and records in accordance with Section 286 provides a rebuttable presumption of insolvency which might be relied upon by a liquidator in an application for compensation for insolvent trading.

Based on my review of the books and records received, we are of the opinion that the Company's books and records were maintained in accordance with Section 286 of the Act to 28 September 2017.

8.7 Other matters arising from investigations

8.7.1 Falsification of books

Pursuant to Section 1307 of the Act, it is an offence for a person to engage in conduct that results in the concealment, destruction, mutilation or falsification of any securities of or belonging to the company or any books affecting or relating to affairs of the company.

If a breach is proven, Part 9.4 of the Act provides for criminal penalties only. Therefore, any breaches of Section 1307 will not result in recovery of funds by a liquidator.

The Administrators' preliminary investigations do not reveal any evidence of falsification of books.

8.7.2 False or misleading statements

Pursuant to Section 1308 of the Act, a company must not advertise or publish a misleading statement regarding the amount of its capital. It is an offence for a person to make or authorise a statement that, to the person's knowledge is false or misleading in a material particular.

The Administrators' preliminary investigations do not reveal any evidence of any false or misleading statements.

8.7.3 False information

Pursuant to Section 1309 of the Act, it is an offence for an officer or employee to make available or give information to a director, auditor, member, debenture holder, or trustee for debenture holders of the company that is to the knowledge of the officer or employee:

- False or misleading in a particular matter; or
- Has omitted from it a matter the omission of which renders the information misleading in a material respect.

The Administrators' preliminary investigations do not reveal any evidence of any false information.

9 Voidable transactions

This section informs creditors about potential voidable transactions that occurred prior to the appointment of the Administrators, and where the property of the Company was disposed of or dealt with, may be recovered by a liquidator.

A liquidator has the power to void certain transactions which are either not beneficial, or are detrimental, to a company. An administrator must identify any transactions that appear to be voidable by a liquidator.

Enclosed at **Annexure E** is a creditor information sheet published by ARITA. This information sheet details the types of transactions which a liquidator can seek to void, which include:

- Unfair preference payments;
- Uncommercial transactions;
- Unfair loans;
- Unreasonable director related transactions;
- Inappropriate related party transactions;
- Creation of circulating security interests within 6 months of commencement of Administration; and
- Transactions for the purpose of defeating creditors.

For the purposes of examining voidable transactions, the Liquidator would review transactions that occurred during the relevant time period (as prescribed under the Act), taking into consideration the “relation back day”. The relation back day for the Company is 28 September 2017 being, the date of our appointment as administrators.

9.1 Unfair preferences

An unfair preference payment is a transaction, generally occurring in the six months prior to the relation back day, between the company and a creditor, resulting in the creditor receiving from the company, in relation to an unsecured debt owed to the creditor, a greater amount than it would have received in relation to the debt in a winding up of the company. This period is extended up to four years for transactions entered into with a related entity.

A transaction can only be considered an unfair preference if the Company was insolvent at the time the transaction took place, or the Company became insolvent as a result of the transaction. For this reason, we do not believe any such transactions exist that a liquidator may recover, subject to a liquidator’s further investigations.

9.2 Uncommercial transactions

An uncommercial transaction is a transaction which a reasonable person in the place of the company would not have entered into, taking into account the benefits and the detriment to the company, the respective benefits to the other parties involved and any other related matters.

A liquidator must investigate transactions deemed to be uncommercial, in the period two years prior to the date of administration.

Based on the books and records in my possession we have not identified any transactions which would constitute uncommercial transactions.

9.3 Unfair loans

A liquidator must investigate loans to the company which may be considered unfair due to extortionate interest rates or charges.

Based on our preliminary investigations to date, we have not identified any unfair loans.

A liquidator, if appointed, may conduct further investigations in relation to any unfair loans.

9.4 Unreasonable director-related transactions

Section 588FDA of the Act refers to “unreasonable director-related transactions” and requires the liquidator to investigate such transactions, having regard to the detriment to the Company (if any) suffered as a consequence of the transaction.

The transaction must have been unreasonable, and entered into during the four years prior to the relation back day, regardless of the solvency at the time the transaction occurred. These can include remuneration, bonuses, loans, loan forgiveness and asset transfers to company officers with the four-year period ending on the relation-back date

Based on the books and records in our possession, we have not identified any transactions which would constitute unreasonable director-related transactions.

9.5 Voidable charges

A circulating security interest is voidable if the security interest was created during the six months ending on the relation back day, and the security interest was created to secure borrowings that were advanced prior to the creation of the security interest.

Based on the books and records in our possession, we have not identified any charges which would be voidable in the circumstances.

9.6 Arrangements to avoid employee entitlements

Part 5.8A of the Act aims to protect the entitlements of a company’s employees from agreements that deliberately defeat the recovery of those entitlements upon insolvency.

Under Section 596AB(1) of the Act, it is an offence for a person to enter into a transaction or relevant agreement with the intention of, or with intentions that include:

Based on our investigations to date, we have not identified any transactions or arrangements to avoid employee entitlements.

9.7 Summary of potential liquidator recoveries

At this stage, the Administrators do not consider that there will be any potential recoveries by a liquidator in the event that the Company is wound up.

9.8 Directors’ ability to pay a liquidator’s claims

Given the Administrators do not consider there will be any potential recoveries from the Directors by a liquidator, they have not made any assessment as to the financial capacity of the Directors to meet any potential liquidator action.

9.9 Reports to the ASIC

We have not identified any offences that require reporting to the ASIC pursuant to Section 438D of the Act.

Section 438D of the Act requires us to lodge a report with the ASIC should we become aware of:

- Any offences committed by a past or present officer of the Company;
- Evidence that money or property has been misapplied or retained; and
- Evidence that a party is guilty of negligence, default, breach of duty or breach of trust in relation to the Company.

Creditors should be aware that any report lodged pursuant to Section 438D (or an investigative report lodged by a liquidator pursuant to Section 533 of the Act) is not available to the public.

10 Return to creditors

This section provides creditors with information on the estimated financial outcome to creditors together with the anticipated timing of any dividend.

10.1 Return to creditors

On 18 October 2017, an Order was made in the Federal Court of Australia pursuant to section 90-15 of Schedule 2 of the Insolvency Practice Schedule of the Act, confirming that all employees of EMS are justified as being employees of EGO and having been so employed by EGO since the commencement of their employment.

Accordingly, all employees of EMS are now able to submit a priority claim in the administration of EGO and able to benefit from the asset realisation available to the creditors of EGO.

As there are no other known creditors of EMS, there is not anticipated to be any return to creditors, however the fees and costs of the Administration will be paid out of the Pool D of the Creditors Trust.

Creditor class	Estimated dividend rate (c/\$)		
	DOCA	Liquidation (High)	Liquidation (Low)
Unsecured Creditors	Nil	Nil	Nil
Employees	N/A	N/A	N/A

10.2 Timing of dividend

As there are no other known creditors of EMS, there is not anticipated to be any return to creditors and therefore no dividend will be payable.

11 Statement by Administrators

We recommend that it would be in the creditors' best interests to resolve to execute the DOCA proposal presented by MIN.

We are required to provide creditors with a statement setting out our opinion on whether it is in creditors' interests for the:

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

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

11.1 Administration to end

The Company is insolvent and unable to pay its debts as and when they fall due. Accordingly, returning control of the Company to its Directors would be inappropriate and is not recommended.

11.2 DOCA

In Liquidation, creditors would receive no return as any realisable value from plant and equipment will be consumed by the costs of the Administration.

As all employees of EMS are now able to submit a priority claim in the administration of EGO and able to benefit from the asset realisation available to the creditors of EGO there are no other known creditors of EMS. As such there is not anticipated to be any return to creditors, however the fees and costs of the Administration will be paid out of the Pool D of the Creditors Trust.

Upon completion of the MIN DOCA, the DOCA so far as it relates to EMS will terminate and EMS will be wound up.

In this regard, we recommend that creditors accept the DOCA proposal presented by MIN.

11.3 Winding up of the Company

In the scenario that creditors resolve to place the Company into Liquidation, a liquidator would be in a position to conduct detailed investigations into the conduct of directors and the financial affairs of the Company. A liquidator will also be empowered to:

- Complete the sale of assets in an orderly manner.
- Assist employees in applying for FEG for the payment of certain employee entitlements that cannot otherwise be funded by the Company.
- Pursue various potential recoveries under the Act.
- Distribute recoveries made in accordance with the priority provisions of the Act.
- Report to the ASIC on the results of investigations into the Company's affairs.

In circumstances where creditors of EMS did not approve the MIN DOCA, we believe that it would not be appropriate at this time for the Company to be wound up, but rather the meeting to be adjourned for up to 45 business days to allow the Administrators to complete their sale process and leave the option of a further DOCA being available open.

11.4 Adjournment of Second Meeting

For the reasons outline above, we do not consider that it is in the interests of creditors to adjourn the meeting of creditors for up to 45 business days.

If creditors wish to adjourn the meeting, this additional period of time would allow the Administrators to conclude the sale process and better inform creditors and provide more certainty as to the assets values and potential recoveries which would lead to quantification as to the likely returns from the alternatives available. Notwithstanding this, an

adjournment of the meeting may not necessarily provide creditors with greater certainty or a greater return than what is currently proposed by MIN.

A reconvened second meeting of creditors would be required to be held on or before 21 December 2017.

It is difficult to estimate the cost of adjourning the meeting of creditors. During the period of the adjournment, some costs will be incurred in continuing investigations that would otherwise be undertaken in a liquidation, while other costs will relate more specifically reporting to creditors on the outcome of the investigation and to re-convening the second meeting of creditors (in the event that creditors resolve to adjourn the forthcoming meeting).

12 Further information and enquiries

The ASIC has released several insolvency information sheets to assist creditors, employees and shareholders with their understanding of the insolvency process. You can access the relevant ASIC information sheets at www.asic.gov.au.

We will advise creditors in writing of any additional matter that comes to our attention after the release of this Report, which in our view is material to creditors' consideration.

Should you have any enquiries, please contact Tim Rose on (08) 9214 1444 or by email at tim.rose@fh.com.au.

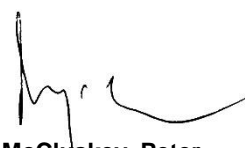
Dated this 25th day of October 2017



Andrew Smith
Joint and Several Administrators of
Empire Services Pty Ltd



Martin Jones



McCluskey, Peter

A – Notice of meeting of creditors

Notice of meeting of creditors

Insolvency Practice Rules (Corporations) 2016, Section 75-225

Empire Services Pty Ltd (Administrators Appointed) ACN 081 594 112 (the Company)

NOTICE is given that a meeting of creditors of the Company will be held on Thursday, 2 November 2017 at 1.00PM AWST at the offices of Ferrier Hodgson, Level 28, 108 St Georges Terrace, Perth, WA, 6000

Agenda

1. To consider a statement by the Directors about the Company's business, property, affairs and financial circumstances.
2. To consider the report of the Administrators.
3. To resolve that:
 - The Company execute a Deed of Company Arrangement; or
 - The Administration should end; or
 - The Company be wound up; or
 - The Second Meeting be adjourned for a period not exceeding forty-five (45) business days.
4. If it is resolved that the Company be wound up, and an alternate Liquidator is proposed, consider whether creditors wish to appoint the alternate Liquidator.
5. If it is resolved that the Company be wound up, consider whether a Committee of Inspection is to be appointed, and if so, the members of that Committee.
6. If it is resolved that the Company be wound up, consider whether, subject to obtaining the approval of the Australian Securities & Investments Commission (**ASIC**) pursuant to Section 70-35 of Schedule 2 to the Act, the books and records of the Company and of the Liquidators may be disposed of by the Liquidators 12 months after the dissolution of the Company or earlier at the discretion of ASIC.
7. To fix the remuneration of the Administrators.
8. If it is resolved that the Company execute a Deed of Company Arrangement, to fix the remuneration of the Deed Administrators.
9. If it is resolved that the Company be wound up, to fix the remuneration of the Liquidators.
10. Any other business that may be lawfully brought forward.

For a person to be eligible to attend and vote at the meeting on your behalf, a Form 532, Appointment of Proxy, is to be completed and submitted by no later than 4:00PM AWST on 1 November 2017, to:

Empire Services Pty Ltd (Administrators Appointed)
c/- Ferrier Hodgson

Tel: 08 9214 1444
Fax: (08) 9214 1400
Email: tim.rose@fh.com.au

Note:

A company may only be represented by proxy or by an attorney appointed pursuant to Insolvency Practice Rules (Corporations) 2016 (IPR) 75-25 and 75-150 or, by a representative appointed under Section 250D of the Act.

In accordance with IPR 75-85, creditors will not be entitled to vote at the meeting unless they have previously lodged particulars of their claim against the Company in accordance with the Corporations Regulations and that claim has been admitted, for voting purposes, wholly or in part.

Dated this 25th day of October 2017



Andrew Smith
Administrator

B – Appointment of proxy

Form 532 - Appointment of Proxy

Insolvency Practice Rules (Corporations) 2016, Section 75-25

Return to no later than 4.00PM AWST on 1 November 2017 to:
Ferrier Hodgson

Tel: 08 9214 1444

Fax: 08 9214 1400

Email: tim.rose@fh.com.au

Indebted Company: Empire Services Pty Ltd (Administrators Appointed) ACN 081 594 112

Date of Appointment: 28/09/2017

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

¹

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

² of

(address)

³ Tel:

⁴ Email:

B. Appointment of Person to Act as Proxy

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

¹ I/We, as named in Section A above, a creditor/employee/contributory/member of the Company, appoint

²

(name of person appointed as proxy)

³

⁴ or in his / her absence

(address of person appointed as proxy)

⁵

(name of person appointed as alternate proxy)

⁶

⁷ as *my / *our proxy

(address of person appointed as alternate proxy)

to vote at the meeting of creditors to be held on 2 November 2017 at 1.00PM at the offices of Ferrier Hodgson, Level 28, 108 St Georges Terrace, PERTH, WA, 6000, or at any adjournment of that meeting in accordance with the instructions in Section C below.

C. Voting Instructions

¹ *My / *Our proxy, as named in Section B above, is entitled to act as *my / *our :

☐

² general proxy, to vote on *my / *our behalf and / or

☐

³ special proxy, to vote on *my / *our behalf specifically as follows:

Resolution	For	Against	Abstain
1. That, pursuant to Section 439C of the Corporations Act 2001 (the Act), the Company execute a Deed of Company Arrangement, under Part 5.3A of the Act, in the same form as the proposal statement presented to the meeting (even if it differs from the proposed Deed (if any) details of which accompanied the notice of meeting).	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2. That the Administration should end.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3. That the Company be wound up.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4. The Second Meeting be adjourned for a period not exceeding forty-five (45) business days.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5. That in the event that the Company is wound up and an alternate Liquidator is proposed, that the existing Liquidators be replaced and (Alternative Appointee) be appointed in their stead.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6. That a Committee of Inspection be appointed, the members of which are to be determined by the meeting.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Resolution	For	Against	Abstain
7. That, subject to obtaining the approval of the Australian Securities & Investments Commission (ASIC) pursuant to Section 70-35 of Schedule 2 to the Act, the books and records of the Company and of the Liquidators be disposed of by the Liquidators 12 months after the dissolution of the Company or earlier at the discretion of ASIC.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
8. That the remuneration of the Administrators, as set out in the Remuneration Approval Request Report dated 25 October 2017, for the period from 28 September 2017 to 13 October 2017 be fixed in the amount of \$11,996.00, plus any applicable GST, and may be paid.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
9. That the remuneration of the Administrators, as set out in the Remuneration Approval Request Report dated 25 October 2017, for the period from 14 October 2017 to 2 November 2017 be fixed up to a maximum amount of \$25,000.00, plus any applicable GST, but subject to upward revision by resolution of creditors, and that the Administrators be authorised to make periodic payments on account of such accruing remuneration as incurred.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
10. That the remuneration of the Administrators, as set out in the Remuneration Approval Request Report dated 25 October 2017, for the period from 2 November 2017 to execution of DOCA be fixed up to a maximum amount of \$5,000.00, plus any applicable GST, but subject to upward revision by resolution of creditors, and that the Administrators be authorised to make periodic payments on account of such accruing remuneration as incurred."	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
11. That the remuneration of the Deed Administrators, as set out in the Remuneration Approval Request Report dated 25 October 2017, for the period from the date of execution of the Deed of Company Arrangement to completion of DOCA be fixed up to a maximum amount of \$20,000.00, plus any applicable GST, but subject to upward revision by resolution of creditors, and that the Deed Administrators be authorised to make periodic payments on account of such accruing remuneration as incurred.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
12. That the remuneration of the Liquidators, as set out in the Remuneration Approval Request Report dated 25 October 2017, for the period from 2 November 2017 to completion be fixed up to a maximum amount of \$25,000.00, plus any applicable GST, but subject to upward revision by resolution of creditors, or the Committee of Inspection should one be appointed, and that the Liquidators be authorised to make periodic payments on account of such accruing remuneration as incurred.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

D. Signature

¹ Dated:

² Signature:

³ Name / Capacity:

Creditor Assistance Sheet: Completing a Proxy Form

Section A – Name and Contact Details of Person or Entity Entitled to Attend Meeting

1. Insert the full name of the employee, individual, sole trader, partnership or company that the debt is owed to.
2. Insert the address of the employee, individual, sole trader, partnership or company that the debt is owed to.
3. Insert the telephone number of the employee, individual, sole trader, partnership or company that the debt is owed to.
4. Insert the email address of the employee, individual, sole trader, partnership or company that the debt is owed to.

Section B – Appointment of Person to Act as Proxy

1. Cross out any wording that is **not** applicable. For example, if the employee/individual/sole trader/partnership/company is a creditor, cross out ‘*eligible employee creditor’, ‘*contributory’, ‘*debenture holder’ and ‘*member’.
2. Insert the name of the person who will be exercising the creditor’s vote at the meeting. If someone is attending the meeting in person, that person’s name should be inserted. Alternatively, if someone is unable to attend, but you still want to cast a vote at the meeting, then you can appoint the Chairperson of the meeting to vote on your behalf by inserting the words ‘the Chairperson’ here.
3. Insert the address of the person nominated at (2) that will be attending the meeting as proxy. If you have elected ‘the Chairperson’ because no one is attending in person, leave this row blank.
4. Cross out any wording that is **not** applicable.
5. If the person you have elected to attend is unavailable on the day, you may nominate a second person to attend in their absence. Alternatively, you can appoint the Chairperson of the meeting to vote on your behalf by inserting ‘the Chairperson’.
6. Insert the address of the second person here. If you have elected ‘the Chairperson’, leave this row blank.
7. Cross out any wording that is not applicable.

Section C – Voting Instructions

1. Cross out any wording that is not applicable.
2. Insert an ‘X’ in this box if you want the person who is attending the meeting to vote as they see fit on each of the resolutions in the ‘Resolution’ table. If you select this option, proceed to Section D, **unless** you wish to vote specifically on certain resolutions, in which case you also insert an ‘X’ in the special proxy box and select ‘For’, ‘Against’ or ‘Abstain’ on the resolutions. The person voting at the meeting will have discretion to vote as they see fit on any resolutions where you have **not** selected ‘For’, ‘Against’ or ‘Abstain’.
3. Insert an ‘X’ in this box if you want the person who is attending the meeting, to vote exactly in accordance with your instructions. If you select this option, you must select ‘For’, ‘Against’ or ‘Abstain’ for each of the resolutions in the ‘Resolution’ table. Do not tick more than one box for each resolution.

Section D – Signature Instructions

1. Insert the date that the proxy form is being signed.
2. The form should be signed by **one** of the following persons:
 - If the debt is owed to an employee/individual, then the individual that the debt is owed to; or
 - If the debt is owed to a sole trader, then the sole trader that the debt is owed to; or
 - If the debt is owed to a partnership, then one of the partners of the partnership; or
 - If the debt is owed to a company, then a duly authorised office of the company (normally a director or secretary of the company).
3. Insert the name of the person signing the form, and note their capacity (that is, their role):
 - If the debt is owed to a sole trader, note their capacity as proprietor, eg: “[Full name], proprietor”; or
 - If the debt is owed to a partnership, note their capacity as partner, eg: “[Full name], partner of the firm named in Section A above”; or
 - If the debt is owed to a company, note their capacity as director or secretary, eg: “[Full name], director/secretary of the company named in Section A above”]

C – Proof of debt

Form 535 Formal Proof of Debt or Claim Form
Corporations Act 2001, Regulation 5.6.49(2)

Return to:
Ferrier Hodgson
Tel: 08 9214 1444
Fax: 08 9214 1400
Email: tim.rose@fh.com.au

Indebted Company: Empire Services Pty Ltd (Administrators Appointed) ACN 081 594 112
Date of Appointment: 28/09/2017

A. Name and Contact Details of Creditor

¹ _____ (the Creditor)

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

² of

(insert address)

³ Tel:

⁴ Email:

☐

Tick this box to elect to receive electronic notification of notices or documents, in accordance with Section 600G of the Corporations Act 2001, at the email address specified above.

B. Details of Debt or Claim

¹ Amount owing:

(insert dollars and cents, inclusive of GST if applicable)

² Nature of Debt or Claim:

(insert description of debt and/or reference any supporting documentation)

³ Select one of the following options:

☐

The Creditor is an unsecured creditor of the indebted Company

☐

The Creditor is a secured creditor of the indebted Company

☐

The Creditor is an employee / former employee of the indebted Company

☐

The Creditor is a related party (please indicate: secured / unsecured)

For all claims:

☐

⁴ I have attached supporting documentation to substantiate the Creditor's claim *(secured creditors must attach evidence of security)*

☐

⁵ 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 details and value of security where relevant)

C. Signature

¹ Dated:

² Signature:

³ Name / Capacity

Creditor Assistance Sheet: Completing a Proof of Debt Form

Section A – Name and Contact Details of Creditor

1. Insert the full name of the employee, individual, sole trader, partnership or company that the debt is owed to.
2. Insert the address of the employee, individual, sole trader, partnership or company that the debt is owed to.
3. Insert the telephone number of the employee, individual, sole trader, partnership or company that the debt is owed to.
4. Insert the email address of the employee, individual, sole trader, partnership or company that the debt is owed to.

Section B – Details of Debt or Claim

1. The amount owing should only include debts or claims which arose prior to the date of appointment.
2. Insert the currency if not Australian dollars.
3. Type of creditor: tick one of the options only.
4. For all claims, ensure supporting documentation is attached, such as invoices, statements, agreements.
5. For secured creditors, 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, indicate "refer attached" above and show them in a schedule in the following form:

Date	Drawer	Acceptor	Amount (\$)	Due Date

Section C – Signature Instructions

1. Insert the date that the proof of debt form is being signed.
2. The form should be signed by **one** of the following persons:
 - If the debt is owed to an employee/individual, then the individual that the debt is owed to; or
 - If the debt is owed to a sole trader, then the sole trader that the debt is owed to; or
 - If the debt is owed to a partnership, then one of the partners of the partnership; or
 - If the debt is owed to a company, then a duly authorised office of the company (normally a director or secretary of the company).
3. Insert the name of the person signing the form, and note their capacity (that is, their role):
 - If the debt is owed to a sole trader, note their capacity as proprietor, eg: "[Full name], proprietor"; or
 - If the debt is owed to a partnership, note their capacity as partner, eg: "[Full name], partner of the firm named in Section A above"; or
 - If the debt is owed to a company, note their capacity as director or secretary, eg: "[Full name], director/secretary of the company named in Section A above"]

D – Remuneration approval request

Schedule 2 to the Corporations Act 2001, Section 70-50
Insolvency Practice Rules (Corporations) 2016, Section 70-45

Empire Services Pty Ltd (Administrators Appointed) (the Company)
ACN 081 594 112

Remuneration Approval Request

This report contains the following information:

- Part 1: Declaration
- Part 2: Executive summary
- Part 3: Remuneration
- Part 4: Disbursements
- Part 5: Report on progress of the administration
- Part 6: Summary of receipts and payments
- Part 7: Questions
- Part 8: Approval of remuneration and internal disbursements
- Schedule A: Resolution 1 details
- Schedule B: Resolution 2 details
 - Resolution 3 details
 - Resolution 4 details
 - Resolution 5 details

Next steps for creditors:

- Please review the contents of this report, which sets out the resolutions to be approved by creditors at the meeting of creditors on 2 November 2017.
- Refer to section 2.8 of the Voluntary Administrator's Report dated 25 October 2017 for details as to how you can attend the meeting of creditors in person or by proxy in order to vote on the resolutions contained in this report.

1. Declaration

We, Andrew Smith, Martin Jones and Peter McCluskey of Ferrier Hodgson, have undertaken a proper assessment of this remuneration claim for our appointment as Administrators of the Company in accordance with the Corporations Act 2001 (Cth) (**the Act**), the Australian Restructuring Insolvency & Turnaround Association (**ARITA**) Code of Professional Practice (**the Code**) 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.

2. Executive summary

2.1 Summary of remuneration approval sought for the Company

To date, no remuneration has been approved and paid in the administration of the Company. This remuneration report details approval sought for the following fees:

Period	Amount (ex GST) \$
Past remuneration approved:	Nil
Total past remuneration approved	Nil
Current remuneration approval sought:	

Period	Amount (ex GST) \$
Voluntary administration	
Resolution 1: 28 September 2017 to 13 October 2017	11,996.00
Resolution 2: 14 October 2017 to 2 November 2017	25,000.00
Total approval sought – voluntary administration*	36,996.00
Deed of company arrangement (DOCA) (if applicable)	
Resolution 3: 2 November 2017 to execution of DOCA	5,000.00
Resolution 4: Date of execution of DOCA to completion	20,000.00
Total approval sought – deed of company arrangement (if applicable)*	25,000.00
Liquidation (if applicable)	
Resolution 5: 2 November 2017 to completion of Liquidation	25,000.00
Total approval sought – liquidation (if applicable)*	25,000.00
* 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 Parts 2 and 3 for full details of the calculation and composition of the remuneration approval sought.

2.2 Comparison to estimate of costs provided to creditors in the Initial Remuneration Notice

The remuneration approval is lower than the estimate of costs provided in the initial advice to creditors on remuneration included in my letter dated 29 September 2017, which estimated a cost to completion of the administration between \$75,000 to \$125,000 (excluding GST).

3. Remuneration

3.1 Remuneration claim resolutions

We will be seeking approval of the following resolutions with respect to remuneration. Details to support these resolutions are included in section 3.2.

Resolution 1:

"That the remuneration of the Administrators, as set out in the Remuneration Approval Request Report dated 25 October 2017, for the period from 28 September 2017 to 13 October 2017 be fixed in the amount of \$11,996.00, plus any applicable GST, and may be paid."

Resolution 2:

"That the remuneration of the Administrators, as set out in the Remuneration Approval Request Report dated 25 October 2017, for the period from 14 October 2017 to 2 November 2017 be fixed up to a maximum amount of \$25,000.00, plus any applicable GST, but subject to upward revision by resolution of creditors, and that the Administrators be authorised to make periodic payments on account of such accruing remuneration as incurred".

Please note that the above is an estimate only.

If costs exceed the estimate, creditors will be advised accordingly and further approval of the Administrators' remuneration will be sought in the future.

Resolution 3 (if applicable):

“That the remuneration of the Administrators, as set out in the Remuneration Approval Request Report dated 25 October 2017, for the period from 2 November 2017 to execution of DOCA be fixed up to a maximum amount of \$5,000, plus any applicable GST, but subject to upward revision by resolution of creditors, and that the Administrators be authorised to make periodic payments on account of such accruing remuneration as incurred.”

Please note that the above is an estimate only.

If costs exceed the estimate, creditors will be advised accordingly and further approval of the Administrators' remuneration will be sought in the future.

Resolution 4 (if applicable):

“That the remuneration of the Deed Administrators, as set out in the Remuneration Approval Request Report dated 25 October 2017, for the period from the date of execution of the DOCA to completion of DOCA be fixed up to a maximum amount of \$20,000, plus any applicable GST, but subject to upward revision by resolution of creditors, and that the Deed Administrators be authorised to make periodic payments on account of such accruing remuneration as incurred.”

Please note that the above is an estimate only.

If costs exceed the estimate, creditors will be advised accordingly and further approval of the Administrators' remuneration will be sought in the future.

Resolution 5 (if applicable):

“That the remuneration of the Liquidators, as set out in the Remuneration Approval Request Report dated 25 October 2017, for the period from 2 November 2017 to completion be fixed up to a maximum amount of \$25,000, plus any applicable GST, but subject to upward revision by resolution of creditors, or the Committee of Inspection should one be appointed, and that the Liquidators be authorised to make periodic payments on account of such accruing remuneration as incurred.”

Please note that the above is an estimate only.

If costs exceed the estimate, creditors will be advised accordingly and further approval of the Administrators' remuneration will be sought in the future.

3.2 Details of remuneration

The basis of calculating the remuneration claims are set out below, including the details of the major tasks performed and the costs associated with each of those major tasks.

3.2.1 Resolution 1: 28 September 2017 to 13 October 2017

Employee	Position	Rate	Total		Task Area							
		(ex GST)			Creditors		Employees		Investigation		Administration	
		(\$/Hour)	(Hrs)	(\$)	(Hrs)	(\$)	(Hrs)	(\$)	(Hrs)	(\$)	(Hrs)	(\$)
Smith, Andrew	Partner	625	3.2	2,000.00	1.0	625.00	1.9	1,187.50	-	-	0.3	187.50
Birch, Tom	Director	550	6.1	3,355.00	0.3	165.00	2.3	1,265.00	1.1	605.00	2.4	1,320.00
Flower, Michael	Assistant Manager	400	3.6	1,440.00	-	-	3.4	1,360.00	-	-	0.2	80.00
Stephens, Miranda	Practice Manager	400	0.1	40.00	0.1	40.00	-	-	-	-	-	-
Rose, Timothy	Analyst	310	10.9	3,379.00	6.1	1,891.00	3.3	1,023.00	-	-	1.5	465.00
Yusuf, Khadeeja	Accountant	270	5.4	1,458.00	-	-	-	-	-	-	5.4	1,458.00
Titlestad, Jacqui	Team Assistant	180	1.8	324.00	0.1	18.00	-	-	-	-	1.7	306.00
Total (excluding GST)			23.9	11,996.00	7.6	2,739.00	10.9	4,835.50	1.1	605.00	11.5	3,816.50
GST				1,199.60								
Total (including GST)				13,195.60								
Average Hourly Rate				501.92	360.39	443.62	550.00	331.87				

3.2.2 Resolution 2: 14 October 2017 to 2 November 2017

The below table sets out the expected costs for the major tasks likely to be performed by the Administrators and their staff for the period 14 October 2017 to 2 November 2017, which is the basis of the Resolution 2 claim. Please refer to Schedule B for further details with respect to the tasks likely to be performed.

Task	Hours	Amount \$
Creditors	8.5	6,585.00
Employees	22.0	6,762.50
Investigation	9.4	4,622.50
Administration	19.0	7,030.00
Total	58.9	25,000.00

3.2.3 Resolution 3: 2 November 2017 to execution of DOCA (if applicable)

The below table sets out the expected costs for the major tasks likely to be performed by the Administrators and their staff for the period from 2 November 2017 to execution of DOCA, which is the basis of the Resolution 3 claim. Please refer to Schedule B for further details with respect to the tasks likely to be performed.

Task	Hours	Amount \$
Creditors	5.5	2,047.50
Employees	3.0	1,297.50
Administration	5.0	1,655.00
Total	13.5	5,000.00

3.2.4 Resolution 4: Date of Execution of DOCA to completion (if applicable)

The below table sets out the expected costs for the major tasks likely to be performed by the Administrators and their staff for the period from the date of the execution of the DOCA to the completion of the DOCA, which is the basis of the Resolution 4 claim. Please refer to Schedule B for further details with respect to the tasks likely to be performed.

Task	Hours	Amount \$
Creditors	7.0	2,735.00
Employees	9.5	3,840.00
Investigation	5.9	2,552.50
Dividend	17.0	6,042.50
Administration	15.0	4,830.00
Total	54.4	20,000.00

3.2.5 Resolution 5: 2 November 2017 to completion of Liquidation (if applicable)

The below table sets out the expected costs for the major tasks likely to be performed by the Liquidators and their staff for the period 2 November 2017 to the completion of the Liquidation, which is the basis of the Resolution 5 claim. Please refer to Schedule B for further details with respect to the tasks likely to be performed.

Task	Hours	Amount \$
Creditors	8.5	3,040.00
Employees	15.0	5,630.00
Investigation	9.5	5,097.50
Dividend	13.0	4,650.00
Administration	18.4	6,582.50
Total	64.4	25,000.00

Please note that the above is an estimate only. If costs exceed the estimate, creditors will be advised accordingly and further approval will be sought.

3.3 Total remuneration reconciliation

3.3.1 Comparison between current total and previous estimates

At this point in time we estimate that the total remuneration for this administration will be approximately \$36,996 (excluding GST). This includes the current approval amount being sought of \$36,996 (excluding GST).

The above estimate is less than the estimate of costs provided to creditors in the Initial Remuneration Notice included in our report dated 29 September 2017. The amount is subject to the following variables which may have a significant effect on the estimate:

- Length of sale process and/or DOCA.
- Investigations into the affairs of the Company (if required).

3.3.2 Future remuneration requests

In preparing this report, we have made our best estimate at what we believe the administration will cost to complete and we do not anticipate that we will have to ask creditors to approve any further remuneration. However, should the administration 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 the cost of the administration, include:

- Length of sale process and/or DOCA.
- Investigations into the affairs of the Company (if required).

3.4 Likely impact on dividends

The Administrators' remuneration and disbursements are a priority expense that ranks ahead of the payment of creditors, the work is necessary to undertake the administration.

We note that any dividend will ultimately be impacted by the realisations achieved by the Administrators and the value of creditor claims admitted to participate in the dividend.

4. Disbursements

4.1 Types of disbursements

Disbursements are divided into three types:

- Externally provided professional services. These are recovered at cost. An example is legal fees.
- Externally provided non-professional costs such as travel, accommodation and search fees. These disbursements are recovered at cost.
- Internal disbursements such as photocopying, printing and postage. These disbursements, if charged to the administration, would generally be charged at cost; although if a data room is utilised, the fee will comprise an initial setup fee and then a fee based on the duration and size of the data room. Certain services provided by Ferrier Hodgson may require the processing of electronically stored information into specialist review platforms. Where these specialist resources are utilised, the fee will be based on units (e.g. number of computers), size

(e.g. per gigabyte) and/or period of time (e.g. period of hosting). The relevant rates for internal disbursements are set out below:

Disbursement type	Charges (excl GST)
Advertising	At cost
Couriers	At cost
Data room hosting	Variable – see separate table below
eDiscovery services	Variable
Mileage reimbursement	\$0.66 per kilometre
Photocopying	At cost
Photocopying (outsourced)	At cost
Printing	At cost
Printing (outsourced)	At cost
Postage	At cost
Searches	At cost
Storage and storage transit	At cost
Telephone calls	At cost

Note: Above rates are applicable for the financial year ending 30 June 2018

Data room hosting fees by size (MB)	Charges per month (excl GST)
0-300	\$950
300-1000	\$950 + \$2.50/MB
1000-5000	\$2,500 + \$1.25/MB
5000+	\$7,500 + \$0.60/MB

4.2 Disbursements paid from the administration to Ferrier Hodgson to date

There have been no disbursements paid from the administration to Ferrier Hodgson to date. Future disbursements provided by Ferrier Hodgson will be charged to the administration on the same basis as the table in Part 4.1.

5. Report on progress of the administration

The Remuneration Approval Request must be read in conjunction with the Voluntary Administrator's Report to creditors dated 25 October 2017 which outlines the progress of the administration.

6. Summary of receipts and payments

There have been no receipts and payments in the administration to date.

7. Approval of remuneration and internal disbursements

For information about how approval of the resolutions for remuneration and internal disbursements will be sought, refer to Section 2.9 of the Voluntary Administrator's Report to creditors dated 25 October 2017.

8. Questions

If you require further information in respect of the above, or have other questions, please contact Timothy Rose of this office on (08) 9214 1444 .

The partners of Ferrier Hodgson are members of ARITA. Ferrier Hodgson follows the Code. A copy of the Code may be found on the ARITA website at www.arita.com.au.

An information sheet concerning approval of remuneration in external administrations can also be obtained from the Australian Securities & Investments Commission website at www.asic.gov.au.

Dated this 25th day of October 2017



Andrew Smith
Administrator

Schedule A – Resolution 1

The below table contains more detailed descriptions of the tasks performed within each task area performed by the Administrators and their staff for the period 28 September 2017 to 13 October 2017, which is the basis of the Resolution 1 claim in section 3.2.1.

Task area	General description	Includes
Creditors	Circular to Creditors	<ul style="list-style-type: none"> Preparing and sending a circular to creditors advising of our appointment and providing notice of the First Meeting
	Dealing with proofs of debt	<ul style="list-style-type: none"> Receipting and filing proofs of debt when not related to a dividend
	Meeting of creditors	<ul style="list-style-type: none"> Preparation of meeting notices, proxies and advertisements 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. Respond to stakeholder queries and questions immediately following meeting
7.6 hours \$2,739.00 (excl GST)		
Employees	Employee enquiries	<ul style="list-style-type: none"> Receive and follow up employee enquiries via telephone Maintain employee enquiry register Review and prepare correspondence to creditors and their representatives via facsimile, email and post Preparation of material in regard to the Federal Court of Australia application regarding the treatment of employee claims
10.9 hours \$4,835.50 (excl GST)		
Investigation	Conducting investigation	<ul style="list-style-type: none"> Collection of Company books and records Reviewing Company's books and records 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 and liaising with directors regarding certain transactions
1.1 hours \$605.00 (excl GST)		
Administration	Insurance	<ul style="list-style-type: none"> Identification of potential issues requiring attention of insurance specialists Correspondence with insurer regarding initial and ongoing insurance requirements Reviewing insurance policies Correspondence with previous brokers
	Court Orders	<ul style="list-style-type: none"> Various correspondence with legal advisers regarding employees claim in EGO and obtaining orders in respect of the same
	ASIC Forms	<ul style="list-style-type: none"> Preparing and lodging ASIC forms Correspondence with ASIC regarding statutory forms

Task area	General description	Includes
	ATO and other statutory reporting	– Notification of appointment
	Planning / review	– Discussions regarding status / strategy of administration
	Books and records / storage	– Dealing with records in storage – Sending job files to storage

Schedule B – Resolution 2

The below table contains more detailed descriptions of the tasks performed within each task area likely to be performed by the Administrators and their staff for the period 14 October 2017 to 2 November 2017, which is the basis of the Resolution 2 claim in section 3.2.12.

Task area	General description	Includes
Creditors	Creditor reports	<ul style="list-style-type: none"> Preparing report on results of investigation, meeting and general reports to creditors
	Dealing with proofs of debt	<ul style="list-style-type: none"> Receipting and filing proofs of debt when not related to a dividend Corresponding with OSR and ATO regarding proofs of debt when not related to a dividend
	Meeting of creditors	<ul style="list-style-type: none"> 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 Preparation and lodgement of minutes of meetings with ASIC Respond to stakeholder queries and questions immediately following meeting
8.5 hours \$6,585.00 (excl GST)		
Employees	Employee enquiries	<ul style="list-style-type: none"> Receive and follow up employee enquiries via telephone Maintain employee enquiry register Review and prepare correspondence to creditors and their representatives via facsimile, email and post Preparation of letters to employees advising of their entitlements and options available
	Workers compensation claims	<ul style="list-style-type: none"> Review insurance policies Receipt of claim Liaising with claimant Liaising with insurers regarding claims Correspondence with insurer regarding initial and ongoing workers' compensation insurance requirements
22.0 hours \$6,762.50 (excl GST)		
Investigation	Conducting investigation	<ul style="list-style-type: none"> Reviewing Company's books and records 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 and liaising with directors regarding certain transactions
9.4 hours \$4,622.00 (excl GST)		

Task area	General description	Includes
Administration 19.0 hours \$7,030.00 (excl GST)	Court Orders	<ul style="list-style-type: none"> – Various correspondence with legal advisers regarding the employees claim in EGO and obtaining orders in respect of the same
	Insurance	<ul style="list-style-type: none"> – Identification of potential issues requiring attention of insurance specialists – Correspondence with insurer regarding initial and ongoing insurance requirements – Reviewing insurance policies – Correspondence with previous brokers
	Bank account administration	<ul style="list-style-type: none"> – Preparing correspondence opening accounts – Requesting bank statements – Bank account reconciliation
	ASIC Forms	<ul style="list-style-type: none"> – Preparing and lodging ASIC forms – Correspondence with ASIC regarding statutory forms
	ATO and other statutory reporting	<ul style="list-style-type: none"> – Notification of appointment
	Planning / review	<ul style="list-style-type: none"> – Discussions regarding status / strategy of administration
	Books and records / storage	<ul style="list-style-type: none"> – Dealing with records in storage – Sending job files to storage
	Document maintenance / file review / checklist	<ul style="list-style-type: none"> – Filing of documents – File reviews – Updating checklists

Schedule B – Resolution 3

The below table contains more detailed descriptions of the tasks performed within each task area likely to be performed by the Administrators and their staff for the period 2 November 2017 to the execution of the DOCA, which is the basis of the Resolution 3 claim in section 3.2.3.

Task area	General description	Includes
Creditors 5.5 hours \$2,047.50 (excl GST)	Creditor reports	– Preparing report on results of investigation, meeting and general reports to creditors
	Dealing with proofs of debt	– Receipting and filing proofs of debt when not related to a dividend
Employees 3.0 hours \$1,297.50 (excl GST)	Employee enquiries	– Receive and follow up employee enquiries via telephone
		– Review and prepare correspondence to creditors and their representatives via facsimile, email and post
		– Preparation of letters to employees advising of their entitlements and options available
		– Receive and prepare correspondence in response to employees' objections to leave entitlements
	Correspondence	– General correspondence
	Document maintenance / file review / checklist	– First month, then six monthly administration review – Filing of documents – File reviews – Updating checklists
Administration 5.0 hours \$1,655.00 (excl GST)	Insurance	– Identification of potential issues requiring attention of insurance specialists – Correspondence with insurer regarding initial and ongoing insurance requirements – Reviewing insurance policies – Correspondence with previous brokers
	Bank account administration	– Requesting bank statements – Bank account reconciliations – Correspondence with bank regarding specific transfers
	ASIC Forms	– Preparing and lodging ASIC forms – Correspondence with ASIC regarding statutory forms
	ATO and other statutory reporting	– Preparing BASs – Completing group certificates
	Books and records / storage	– Dealing with records in storage – Sending job files to storage

Schedule B – Resolution 4

The below table contains more detailed descriptions of the tasks performed within each task area likely to be performed by the Administrators and their staff for the period from the execution of the DOCA to completion of the DOCA, which is the basis of the Resolution 4 claim in section 3.2.4

Task area	General description	Includes
Creditors	Creditor reports	– Preparing general reports and updates to creditors
7.0 hours \$2,735.00 (excl GST)	Dealing with proofs of debt	– Receipting and filing proofs of debt when not related to a dividend
Employees	Employee enquiries	– Receive and follow up employee enquiries via telephone
9.5 hours \$3,840.00 (excl GST)	Calculation of entitlements	– Calculation of employee entitlements where applicable
	Other employee issues	– Other employee related matters
Investigation	Conducting investigation	<ul style="list-style-type: none"> – Conducting and summarising statutory searches – Preparation of comparative financial statements – Preparation of deficiency statement – Review of specific transactions and liaising with directors regarding certain transactions – Preparation of investigation file – Lodgement of investigation with ASIC – Preparation and lodgement of supplementary report if required
5.9 hours \$2,552.50 (excl GST)	ASIC reporting	<ul style="list-style-type: none"> – Preparing statutory investigation reports – Preparing affidavits seeking non-lodgement assistance – Liaising with ASIC
Dividend	Processing proofs of debt	<ul style="list-style-type: none"> – Preparation of correspondence to potential creditors inviting lodgement of proofs of debt – Receipt of proofs of debt – Maintain proof of debt register – Adjudicating proofs of debt – Request further information from claimants regarding proofs of debt – Preparation of correspondence to claimant advising outcome of adjudication
17.0 hours \$6,042.50 (excl GST)		

Task area	General description	Includes
Administration 15.0 hours \$4,830.00 (excl GST)	Dividend procedures	<ul style="list-style-type: none"> – Preparation of correspondence to employees or 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 calculations – Preparation of correspondence to employees or 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
	Correspondence	<ul style="list-style-type: none"> – General correspondence
	Document maintenance / file review / checklist	<ul style="list-style-type: none"> – First month, then six monthly administration review – Filing of documents – File reviews – Updating checklists
	Insurance	<ul style="list-style-type: none"> – Identification of potential issues requiring attention of insurance specialists – Correspondence with insurer regarding initial and ongoing insurance requirements – Reviewing insurance policies – Correspondence with previous brokers
	Bank account administration	<ul style="list-style-type: none"> – Requesting bank statements – Bank account reconciliations – Correspondence with bank regarding specific transfers
	ASIC Forms	<ul style="list-style-type: none"> – Preparing and lodging ASIC forms – Correspondence with ASIC regarding statutory forms
	ATO and other statutory reporting	<ul style="list-style-type: none"> – Notification of appointment – Preparing BASs – Completing group certificates
	Finalisation	<ul style="list-style-type: none"> – Notifying ATO of finalisation – Cancelling ABN / GST / PAYG registration – Completing checklists – Finalising WIP
	Planning / review	<ul style="list-style-type: none"> – Discussions regarding status / strategy of administration
	Books and records / storage	<ul style="list-style-type: none"> – Dealing with records in storage

Task area	General description	Includes
		– Sending job files to storage

Schedule B – Resolution 5

The below table contains more detailed descriptions of the tasks performed within each task area likely to be performed by the Administrators and their staff for the period 2 November 2017 to the completion of the Liquidation, which is the basis of the Resolution 5 claim in section 3.2.5.

Task area	General description	Includes
Creditors 8.5 hours \$3,040.00 (excl GST)	Creditor enquiries	<ul style="list-style-type: none"> – Receive and follow up creditor enquiries via telephone and email – Maintaining creditor enquiry register – Review and prepare correspondence to creditors and their representatives via facsimile, email and post
	Creditor reports	<ul style="list-style-type: none"> – Preparing report on results of investigation, meeting and general reports to creditors
	Dealing with proofs of debt	<ul style="list-style-type: none"> – Receipting and filing proofs of debt when not related to a dividend – Corresponding with OSR and ATO regarding proofs of debt when not related to a dividend
	Meeting of creditors (if required)	<ul style="list-style-type: none"> – 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. – Preparation and lodgement of minutes of meetings with ASIC – Respond to stakeholder queries and questions immediately following meeting
Employees 15.0 hours \$5,630.00 (excl GST)	Employee enquiries	<ul style="list-style-type: none"> – Receive and follow up employee enquiries via telephone – Review and prepare correspondence to creditors and their representatives via facsimile, email and post
	Calculation of entitlements	<ul style="list-style-type: none"> – Calculating employee entitlements – Reviewing employee files and Company books and records
Investigation 9.5 hours \$5,097.50 (excl GST)	Conducting investigation	<ul style="list-style-type: none"> – Collection of Company books and records – Reviewing Company's books and records – Review and preparation of Company nature and history – Conducting and summarising statutory searches – Preparation of comparative financial statements – Preparation of deficiency statement

Task area	General description	Includes
		<ul style="list-style-type: none"> – Review of specific transactions and liaising with directors regarding certain transactions – Preparation of investigation file – Lodgement of investigation with ASIC – Preparation and lodgement of supplementary report if required
	ASIC reporting	<ul style="list-style-type: none"> – Preparing statutory investigation reports – Preparing affidavits seeking non-lodgement assistance – Liaising with ASIC
	Processing proofs of debt	<ul style="list-style-type: none"> – Preparation of correspondence to potential creditors inviting lodgement of proofs of debt – Receipt of proofs of debt – Maintain proof of debt register – Adjudicating proofs of debt – Request further information from claimants regarding proofs of debt – Preparation of correspondence to claimant advising outcome of adjudication
Dividend 13.0 hours \$4,650.00 (excl GST)	Dividend procedures	<ul style="list-style-type: none"> – 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 calculations – 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
	Correspondence	<ul style="list-style-type: none"> – General correspondence
Administration 18.4 hours \$6,582.50 (excl GST)	Document maintenance / file review / checklist	<ul style="list-style-type: none"> – First month, then six-monthly administration review – Filing of documents – File reviews – Updating checklists
	Insurance	<ul style="list-style-type: none"> – Identification of potential issues requiring attention of insurance specialists – Correspondence with insurer regarding initial and ongoing insurance requirements – Reviewing insurance policies – Correspondence with previous brokers
	Bank account administration	<ul style="list-style-type: none"> – Preparing correspondence and closing accounts

Task area	General description	Includes
		<ul style="list-style-type: none"> – Requesting bank statements – Bank account reconciliations – Correspondence with bank regarding specific transfers
	ASIC Forms	<ul style="list-style-type: none"> – Preparing and lodging ASIC forms – Correspondence with ASIC regarding statutory forms
	ATO and other statutory reporting	<ul style="list-style-type: none"> – Notification of appointment – Preparing BASs – Completing group certificates
	Finalisation	<ul style="list-style-type: none"> – Notifying ATO of finalisation – Cancelling ABN / GST / PAYG registration – Completing checklists – Finalising WIP
	Planning / review	<ul style="list-style-type: none"> – Discussions regarding status / strategy of administration
	Books and records / storage	<ul style="list-style-type: none"> – Dealing with records in storage – Sending job files to storage

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.



Term Sheet for Combined DOCA for
Empire Oil Group of Companies
being:

- Empire Oil & Gas NL
- Empire Oil Company (WA)
Limited
- Empire Services Pty Ltd

1. Proponent

Mineral Resources Limited

2. Purpose

2.1 The purpose of this term sheet is to record the terms of a combined Deed of Company Arrangement (**DOCA**) proposed by the Proponent for the entities in the Empire Oil Group of Companies (**Empire Group**), namely for:

- Empire Oil & Gas NL (**EGO**);
- Empire Oil Company (WA) Limited (**Empire WA**); and
- Empire Services Pty Ltd (**Empire Services**)

which DOCA will have the effect of:

- (a) effectively pooling the assets of the entities in the Empire Group;
- (b) ensuring that creditors of each entity in the Empire Group receive a better return than in liquidation;
- (c) transferring ownership of Empire WA to the Proponent in a way which:
 - provides certainty, both as the quantum and timing, as to the return to the unsecured creditors of Empire WA;
 - allows Empire WA to continue to trade;
 - gives many creditors an opportunity to trade with Empire WA in the future;
 - means that, once Empire WA is part of the MRL Group of Companies, Empire WA will have the financial backing of a substantial listed entity.
- (d) minimises holding costs and reduces the further administrators'/receivers' fees to be incurred; and
- (e) puts in place a structure which enables any value in the listed shell of EGO to be realised for the benefit of the creditors of EGO.

2.2 Upon the Proponent becoming the owner of Empire WA, the Proponent will ensure that Empire WA has sufficient working capital to enable Empire WA to:

- make all reasonable efforts to reopen the Red
-



Gully Well and processing facility; and

- meet its obligations with respect to its various exploration tenements; and
- progress the exploitation of its various exploration tenements.

3. Acquisition of shares in Empire WA and other assets of Empire Oil

3.1 Upon the Empire WA Completion Event (see 9 below), EGO will:

- (1) transfer all of the shares in Empire WA to Proponent (or its nominee);
- (2) transfer to Empire WA, all of the shares it owns in Cattamarra Farms Pty Ltd (**Cattamarra Farms**); and
- (3) transfer to Empire WA, any other assets owned by it or in its possession:
 - (a) except for all of the cash at bank (including the Alcoa Funds and any funds held in trust by the Administrators in any capacity) which is to become Pool D;
 - (b) but including, without limitation:
 - any intellectual property associated with the assets owned by Empire WA or Cattamarra Farms (**Empire WA Assets**); and
 - any licences, approvals or other authorisations associated with the Empire WA Assets; and
 - all records associated with the operation of the Empire WA Assets, including all exploration, appraisal and production data, information and studies in its possession; and
 - any geological, geotechnical and geophysical records and reports associated with the Empire WA Assets; and
 - all production, operating and maintenance records and other documents which a reasonable and prudent operator would require to operate the Empire WA Assets;
- (4) transfer to Empire WA, any and all claims that it has against, or debts due from:
 - Wharf Resources PLC (**Wharf**), who is the holder of the remaining 10% of the shares in Cattamarra Farms; and
 - Cattamarra Farms; and
- (5) release Empire WA from any and all

liabilities it may have, including, without limitation, its liability:

- under any debt or financial facility or agreement;
- for the inter-company debt due from Empire WA to EOG (**Inter-company Debt**); and
- for its contingent right of indemnity arising out of its liability to the Proponent under the guarantee granted by it for the MRL Debt (**Right of Indemnity**); and

- (6) not prove for the amounts referred to in 3.1(4) at any creditors meeting of Empire WA or under the Creditors Trust, in competition with the other creditors of Empire WA.

3.2 Upon the Empire WA Completion Event, Empire Services will:

- (1) transfer to Empire WA any assets owned by it or in its possession, including without limitation:
- any intellectual property associated with the Empire WA Assets; and
 - any licences, approvals or other authorisations associated with the Empire WA Assets; and
 - all records associated with the operation of the Empire WA Assets, including all exploration, appraisal and production data, information and studies in its possession; and
 - any geological, geotechnical and geophysical records and reports associated with the Empire WA Assets; and
 - all production, operating and maintenance records and other documents which a reasonable and prudent operator would require to operate the Empire WA Assets;
- (2) transfer to Empire WA any and all claims it has against and debts due from, Wharf or Cattamarra Farms; and
- (3) release Empire WA from any and all claims it may have.

3.3 In consideration for 3.1 and 3.2, the Proponent will:

- (1) cause the payment of the amounts to the Creditors Trust referred to at 8.1, for the benefit of the creditors of Empire WA;



- (2) except in relation to Pool D and subject to 8.1(4)(c), not prove for the debt the subject of its security, which is currently an amount of the order of \$15.1 million (plus interest plus enforcement costs) (**MRL Debt**), in competition with the other creditors of Empire WA;
- (3) in relation to Pool D, reduce the amount for which it proves, as a consequence of EGO's guarantee of the MRL Debt, by \$4 million less:
 - the amounts paid to the Creditors Trust as contemplated at 6 below; and
 - the "holding costs" incurred as a consequence of the appointment of Receivers and Managers to certain of the assets of Empire WA.

4. Assets of and realisation of value from listed shell of EGO

- 4.1 Upon the Empire WA Completion Event, all of the cash at bank (including the Alcoa Funds and any funds held in trust by the Administrators in any capacity) will be transferred to Pool D of the Creditors Trust.
- 4.2 The Deed Administrators will, upon the DOCA becoming effective, take steps to attempt to locate a party who is prepared to pay for the opportunity to exploit the listed shell of EGO.
- 4.3 If the Deed Administrators can locate such a party within 90 days (or such longer period as may be agreed between the Deed Administrators and the Proponent), a meeting of the creditors of EGO may be called to vary the DOCA, so far as it relates to EGO, so as to facilitate the realisation of value from the listed shell of EGO.
- 4.4 The proceeds received from the realisation of the listed shell of EGO, after the reasonable costs and remuneration of the Deed Administrators, will be paid into Pool D.
- 4.5 If the listed shell of EGO cannot be realised within the time specified at 4.3, the DOCA will terminate, so far as it relates to EGO, and EGO will be wound up.

5. Empire Services

Upon the Empire WA Completion Event, the DOCA, so far as it relates to Empire Services, will terminate and Empire Services will be wound up.

6. Creditors Trust

- 6.1 A creditors trust will be established for the purposes of the DOCA and named "Empire Group Creditors Trust".
 - 6.2 The purpose of the Creditors Trust will be to enable certain tasks ordinarily undertaken by
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deed administrators (including but not limited to, the calling for and adjudication upon the claims of unsecured creditors) to be performed by the Trustees of the Creditors Trust, in order to:

- (a) facilitate the early termination of the DOCA so far as it relates to Empire WA, so that Empire WA avoids having to trade "subject to DOCA", which may adversely impact upon its ability to acquire goods and services and obtain credit; and
- (b) facilitate a realisation of the listed shell of EGO, in a way which is consistent with the expectations of potential proponents for the exploitation of the listed shell of EGO.

6.4 For the purposes of proving under the Creditors Trust, intercompany debts will be ignored.

6.5 The funds available for distribution to creditors of the Empire Group will be as follows:

- (a) the debts due to the creditors of Empire WA will be satisfied by way of dividends out of the following sources:
 - (1) an amount which the Proponent causes to be paid pursuant to 8.1, in satisfaction of any debts due to Government and Statutory Authorities;
 - (2) Pool A, consisting of the sum of \$155,000, which the Proponent causes to be paid pursuant to 8.1;
 - (3) Pool B, consisting of the sum of \$204,000 which the Proponent causes to be paid pursuant to 8.1;
 - (4) Pool C, consisting of:
 - any cash at bank held by the administrators of Empire WA (but not including any funds held for the benefit of a joint venture in which Empire WA is a participant) at the Empire WA Completion Event; and
 - an amount of \$320,000, which the Proponent causes to be paid pursuant to 8.1; and
- (b) the debts due to the creditors of EGO and any employees of an entity in the Empire Group, will be satisfied by way of dividends out of Pool D, consisting all of the cash at bank (including the Alcoa Funds and any funds held in trust by the Administrators in any capacity) held by the Administrators of EGO at the Empire WA Completion Event;
- (c) The Proponent anticipates that there are no creditors of Empire Services other than Employees, who will participate in Pool D.



7. Deed Administrators/Trustees of Creditors Trust

- 7.1 Martin Jones, Andrew Smith and Peter McCluskey of Ferrier Hodgson (**Administrators**) will be the Deed Administrators and will have all of the necessary powers to administer the DOCA.
- 7.2 The Deed Administrators will become the trustees of the Creditors Trust.

8. Distribution to Unsecured Creditors

- 8.1 The Proponent will direct the Trustees of the Creditors Trust to pay the following amounts out of the Proponent's entitlement to a dividend as a creditor of Pool D (Proponent Dividend), which funds will be made available to the unsecured creditors of Empire WA as follows:

(1) Debts due to Government and Statutory Authorities

- To the extent that any government or statutory authority or regulator is a creditor, and the non-payment of the debt to that authority or regulator puts at risk any of the Empire WA Assets, the Proponent directs the Trustees to pay such debts in full out of the Proponent Dividend.
- Currently, it is not anticipated that there will be any debts in this category.

(2) Small Unsecured Creditors (Pool A)

- The Proponent directs the Trustees to pay the sum of \$155,000 out of the Proponent Dividend to constitute Pool A, which funds will be distributed, pro rata, to the unsecured creditors of Empire WA who have debts of less than \$55,000 (other than Employees).
- It is anticipated that this will result in a return to these small unsecured creditors of the order of 25 cents in the dollar.

(3) Other Creditors (Pool B)

- The Proponent directs the Trustees to pay the sum of \$204,000 out of the Proponent Dividend to constitute Pool C, which fund will be distributed pro rata to the other unsecured creditors of Empire WA (other than the Proponent, Employees and Empire Oil).
- Subject to 8.1(4)(c), it is anticipated that this will result in a return to these creditors of approximately 9 cents in the dollar.

For the avoidance of doubt, a creditor cannot reduce its claim, so as to attempt to fall within Pool A, if the true debt is greater than \$55,000.



(4) Balancing Pool (Pool C)

The Proponent directs the Trustee to pay the sum of \$320,000 out of the Proponent Dividend, to Pool C, and the Pool C funds will be applied:

- (a) first, in satisfaction of the fees, costs, disbursements of the Administrators incurred as the administrators of Empire WA (Empire WA Administrators Fees), up to a maximum of \$560,308.
- (b) next, to any creditors of Empire WA who are not known to be creditors of Empire WA as at the date of this Term Sheet (New Creditors);
- (c) If there is any excess in Pool C, after the payment of the Empire Administrators Fees and any New Creditors, it will be paid back to the Proponent.

8.2 Pool D will be made available to the unsecured creditors of EGO as follows:

- (1) first to the administrators in their capacity as administrators of EGO and Empire Services, as Deed Administrators, Trustees and Liquidators, for the fees, costs and remuneration incurred by them in those capacities, up to a total cap of \$561,245
- (2) next, to Employees for their employee entitlements; and
- (3) next, to the unsecured creditors of EGO, pro rata, but on the basis that:
 - (i) the Proponent will only prove for the MRL Debt, reduced in the amount contemplated by 3.3(3); and
 - (ii) neither EGO nor Empire Services can prove as a creditor.

8.3 The cap on fees referred to at 8.2(1) will not operate with respect to the fees, costs and remuneration incurred by the Deed Administrators in giving effect to a transaction to realise the listed shell of EGO, which fees, costs and remuneration can only be borne out of the proceeds of the realisation of that listed shell.

9. Empire WA Completion Event

9.1 The Empire WA Completion Event will occur on the date which is 2 business days after the satisfaction of the last of the following Conditions Precedent:

- (a) that the creditors of EGO approve this DOCA;
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- (b) the creditors of Empire WA approve this DOCA; and
- (c) the creditors of Empire Services approve this DOCA; and
- (d) the creation of the Creditors Trust;

9.2 Upon the Empire WA Completion Event occurring:

- (a) the DOCA will terminate in relation to Empire WA;
- (b) the transactions contemplated at 3.1 and 3.2 will occur;
- (c) the control of Empire WA will return to its then directors;
- (d) the DOCA will terminate in relation to Empire Services and it will be wound up.

9.3 The Conditions Precedent at 9.1 are for the benefit of the Proponent and may only be waived by the Proponent.

10. Other provisions of DOCA

10.1 Under the DOCA:

- the Administrators will become the Deed Administrators;
- the Deed Administrators will be obliged to give effect to the terms of the DOCA and provide all reasonable assistance in satisfying the Conditions Precedent;
- the claims of all creditors (other than the Proponent) will be released to the fullest extent possible; and
- the Creditors Trust will be created and the creditors of the Empire Group will only be entitled to participate as beneficiaries of the Creditors Trust.

10.2 During the period of the operation of the DOCA, any officer or member of an entity in the Empire Group or any creditor bound by the provisions of the DOCA must not make any application to wind up an entity in the Empire Group, continue such application or commence or continue any enforcement process in relation to the property of the Empire Group.

10.3 The DOCA will terminate:

- (a) for Empire WA, upon the Empire WA Completion Event, at which time control of Empire WA will revert to its then directors;
 - (b) for Empire Services, upon the Empire WA Completion Event, at which time Empire Services will be wound up and the Deed Administrators will become Liquidators; and
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- (c) for EGO, if the DOCA is not varied within 90 days (or such longer period agreed by the Proponent) of the execution of this DOCA to facilitate the realisation of the listed shell of EGO, in which case and at which time EGO will be wound up and the Deed Administrators will become Liquidators.

10.4 The DOCA will have those other provisions which are usual in a DOCA of this nature.

11. Distribution of Trust Fund

11.1 The Trust Fund will be distributed by the Trustees as soon as reasonably practicable after the Empire WA Completion Event.

11.2 The terms of section 556, 560 and 561 of the Corporations Act shall apply as if the references to "liquidator" were references to the "Trustee", references to "winding up" were references to the "Creditors Trust" and with such other modifications as are necessary to give effect to the terms of this Term Sheet.

11.3 Sections 444DA and 444DB of the Act will apply to the DOCA.

12. Alcoa Funds

All funds received from Alcoa of Australia Ltd (in whatever capacity and by whatever Empire Group entity) will be paid into and included in Pool D.

13. Creditors Committee

There will not be a creditors committee under the DOCA.

14. Administrators/Trustees lien and remuneration

14.1 The Administrators of Empire WA, are entitled to be indemnified out of, and will have a lien over:

- (a) the cash held by Empire WA at the time of their appointment; and
- (b) Pool C,

for their remuneration, costs, fees and expenses for work done in the performance of their duties as Administrators of Empire WA

14.2 The Administrators of each of EOG and Empire Services, the Deed Administrators, the Trustees and the Liquidators are entitled to be indemnified out of and will have a lien over Pool D for their remuneration, costs, fees and expenses for the work due in those respective capacities (subject to the cap in 8.2(1) .

15. Termination of DOCA

15.1 In the event that the Empire WA Completion Event does not occur by 5pm on 17 November 2017 or such other date as is agreed between



the Proponent and the Deed Administrators, then the Deed Administrators may:

- (a) cause any or all of the entities in the Empire Group to be placed into liquidation; and/or
- (b) convene a meeting of creditors to vary or terminate the DOCA.

16. Other terms

- 16.1 Except for regulations 3(c) and 11, and except to the extent inconsistent with the terms of this Term Sheet, the terms and conditions contained in Schedule 8A of the Corporations Regulations will be incorporated into the DOCA.
- 16.2 Section 440D of the Act will apply while the DOCA is on foot.
- 16.3 The Deed Administrators will promptly apply for approval to the relevant minister, with respect to the deemed assignment of the section 34 Access Rights Instrument dated 24 October, arising out of the transfer in the shares in Empire WA to the Proponent.
- 16.4 The Deed Administrators will use their best endeavours to procure that a lease or other tenure arrangement, on terms satisfactory to the Proponent, is entered into between Cattamarra Farms and Empire WA, which formalises the existing tenure arrangement.

17. Directors

- 17.1 The Deed Administrators will have the power to appoint directors and remove directors of the entities of Empire Group.
- 17.2 Upon the occurrence of the Empire WA Completion Event, the directors of Empire WA will be:
 - Chris Ellison; and
 - Bruce Goulds.

18. Governing law

Western Australia.

Dated 25 October 2017



Signed by Chris Ellison for and on behalf of
Mineral Resources Limited