

9 August 2018

**XTV Networks Ltd (Administrators Appointed)
ACN 124 251 396
Administrators' Report and Second Meeting of Creditors**

XTV Networks Ltd (Administrators Appointed) (**the Company**) provided copies of the Administrators' Report to Creditors prepared pursuant to section 438A of the Corporations Act 2001 (**the Act**) on Friday, 3 August 2018.

The Administrators have convened a meeting of the Company's creditors pursuant to section 439A of the Act at 3:00PM (AWST) on Tuesday, 14 August 2018.

Further details can be found at the Ferrier Hodgson website at:
www.ferrierhodgson.com/au/creditors/xtv-networks-limited-administrators-appointed.

Security Code: XTV



Wayne Rushton
Administrator

Encl.

3 August 2018

To Creditors

Dear Sir/Madam

XTV Networks Ltd (Administrators Appointed)
ACN 124 251 396 (**the Company**)

As you are aware, Martin Jones and I were appointed Administrators of the Company on 10 July 2018 pursuant to Section 436A of the Corporations Act 2001 (**the Act**).

We are now in a position to convene the second meeting of creditors 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 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 enter into a 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.

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

Report annexure	Document	Description
A	Notice of meeting of creditors (form 529)	<ul style="list-style-type: none">– Please note that the meeting is to be on Tuesday, 14 August 2018 commencing at 3:00pm (AWST).– You should arrive for registration at least 15 minutes prior to the meeting.
B	Appointment of proxy (form 532)	<ul style="list-style-type: none">– 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 finish 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 any 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 Liquidators, should creditors resolve that the company 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.

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 (AWST) on the day prior to the meeting. Forms can be sent by facsimile on +61 8 9214 1400 marked to the attention of Rebecca Wong or scanned and emailed to Rebecca.Wong@fh.com.au.

Should you have any questions regarding the administration or the report, please do not hesitate to contact Rebecca Wong of this office on +61 8 9214 1444.

Yours faithfully
XTV Networks Limited



Wayne Rushton
Administrator

Enc.

**XTV Networks Ltd
(Administrators Appointed)
ACN 124 251 396**

Voluntary Administrators' Report

3 August 2018

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Term	Description
ACN	Australian Company Number
Act	Corporations Act 2001
Administrators	Wayne Rushton and Martin Jones
APAAP	All present and after-acquired property – no exceptions
ARITA	Australian Restructuring, Insolvency & Turnaround Association
ASIC	Australian Securities & Investments Commission
ATO	Australian Taxation Office
AUD	Australian Dollar
Bergen	Bergen Global Opportunity Fund LLC
Code	ARITA Code of Professional Practice
COI	Committee of Inspection
Company	XTV Networks Ltd
Directors	Mr Winton Willesee, Ms Eryln Dale and Mr Harry Hill
DIRRI	Declaration of Independence, Relevant Relationships and Indemnities, pursuant to s436DA of the Act and Code.
DOCA	Deed of Company Arrangement
ERV	Estimated Realisable Value
FEG	Fair Entitlements Guarantee
First Meeting	First meeting of creditors held on Friday, 20 July 2018 at 11:00AM AWST
Former Directors	Mr Joseph Ward, Mr Charles Thomas, Mr Mark Canepa, Mr Thomas Reynolds and Mr Rocco Tassone
FY	Financial year
IPR	Insolvency Practice Rules (Corporations) 2016
PPSA	Personal Property Securities Act 2009 (Cth)
PPSR	Personal Property Securities Register
RATA	Report as to Affairs
Report	This report, prepared pursuant to IPR 75-225 and Section 438A of the Act
ROT	Retention of Title
Second Meeting	Second meeting held pursuant to IPR 75-225 and Section 439A of the Act, where creditors determine the future of the Company.
Secured Creditor	White Oak Ridge Capital LLC
USA Subsidiary	xTV Networks Inc. a subsidiary based in the USA.
USA	United States of America
USD	American Dollar

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>XTV was ultimately founded in the USA in 2011 by Mr Joseph Ward and was involved in the development and distribution of cloud television technologies. In February 2015 the USA based company entered into a reverse takeover transaction with ASX listed Intercept Minerals Limited, which then became XTV Networks Limited. XTV Networks Limited was used predominately to raise equity on the ASX, with funds then passed to its USA Subsidiary to assist with its working capital.</p> <p>The Company ceased trading on the ASX in June 2016 and the USA Subsidiary entered Bankruptcy in October 2016.</p>
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?	<p>On 10 July 2018, Wayne Rushton and Martin Jones, were appointed as joint and several Administrators of the Company by the Directors under Section 436A of the Act.</p> <p>The Administrators have also undertaken preliminary investigations into the affairs of the Company and the reasons for its failure.</p>
Who is in control of the Company?	On appointment, the Administrators assumed control of the Company's operations and notified creditors and other stakeholders of their appointment.
What is the ownership structure of the Company?	The Company is listed on the ASX and has over 1,900 shareholders. We note that the Company does not have any related entities following the bankruptcy of its USA Subsidiary.
How did the Company's business trade?	The Company has not traded since June 2016. Prior to this its main function appears to have been the raising of capital for investment in and distribution of "cloud" based television and communications technologies, through its USA Subsidiary.
Why do the Directors believe the Company became insolvent?	<p>The current Directors of the Company, who have been in control since July 2017 have provided us with the following reason for its failure:</p> <ul style="list-style-type: none"> – The Company was unable to support itself as it no longer had any operations, was unable to generate its own internal revenues and relied solely on external funding.
Why do the Administrators believe the Company became insolvent?	We agree with the reason advised by the Directors of the Company and further note that, although the Company had the support of the former and current Secured Creditor since the USA Subsidiary was placed into bankruptcy, it would have had an ongoing reliance on external funding to meet any expenses incurred in the future, with no prospect of raising additional capital or generating internal revenues to cover expenses.

Question

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

The Administrators consider that the success of the Company was highly dependent on its investment in the USA Subsidiary. The USA Subsidiary incurred substantial overheads and expenses when compared to revenues being generated and was wholly dependent on the raising of capital from the Company and external debt providers to continue trading

In June 2016 the East West Bank called in its Loan of ~\$3,000,000, which was materially all of the available working capital of the Company and its USA Subsidiary. As a result the USA Subsidiary was unable to meet its ongoing operating costs, and it subsequently entered into Bankruptcy in October 2016.

With the loss of its USA Subsidiary and any potential revenues, current or future, the Company was unable to secure additional capital and relied on the support of the secured creditor to meet expenses relating to its ongoing listing on the ASX.

What was the outcome of the sale of business process?

Upon appointment, the Administrators immediately assessed the Company's financial position and available assets. The Administrators embarked on a sales process, with adverts appearing in Australian national newspapers and information being sent to contacts within the Ferrier Hodgson internal databases. We received several enquiries with regard to the sale, however after further discussions with relevant stakeholders, the only proposal remaining was that of the Secured Creditor, White Oak Ridge Capital LLC.

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.

What is the estimated return to creditors?

Under the proposed DOCA, the Company will undertake a 1 to 100 consolidation of existing shares and raise an additional \$500,000 through the issuing of new capital. The funds raised will first be used to pay the costs of the administration and the DOCA with the surplus to be retained by the Company.

After the capital raising has taken place, the Secured Creditor will be granted additional shares and options in the Company, in lieu of payment of its secured loan which will be converted to equity. Additionally, the pre-appointment debtors may be assigned to the Secured Creditor or its nominee.

We note that the DOCA does not provide for a return to the unsecured creditors of the Company, however we do not anticipate that there would be any recoveries available for unsecured creditors in a Liquidation, and therefore unsecured creditors are no worse off under the DOCA.

Should the Company enter into Liquidation, we do not anticipate that there would be a return for any class of creditor.

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

What do the Administrators recommend creditors should do?

We are of the opinion that creditors should accept the proposed DOCA as:

- It provides for consideration to the Secured Creditor of the Company;
- It preserves the Company's listing on the ASX and provides for a restructure of the Company's current shareholding; and
- Whilst there is no direct benefit to unsecured creditors of the Company, they would be no worse off than they would otherwise be in Liquidation.

Question

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 identified a complaint that the Former Directors of the Company may have committed offences pursuant to s1309 of the Act in providing materially misleading or misstated information to entice other investors to loan funds to the Company by way of convertible debt.

A Liquidator would have to undertake significant work to determine whether any claim existed, however we note that the damage claimed is in respect of the secured debt of the Company. Given that the secured creditor is supportive of the DOCA and will convert the full value of its debt into equity, we do not expect that the net returns of any litigation would lead to a better outcome for creditors.

These, and other potential claims will require further investigation by a liquidator if appointed.

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:

Phone: (08) 9214 1444

E-mail: Rebecca.wong@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 10 July 2018, Wayne Rushton and Martin Jones, were appointed as joint and several Administrators of the Company by the Directors under Section 436A of the Act.

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 Administrators' 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).

2.3 Purpose and basis of this report

IPR 75-225 requires a voluntary administrator to provide a report (the **Voluntary Administrators' 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 Administrators' 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 after this Report may be subject to a further written report and/or tabled 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 books and records;
- Discussions with the Directors and former directors of the Company;
- Discussions with creditors of the Company; and
- Other public databases.

2.4 Context of this Report

- This Report is based on 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 Meeting 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 Friday, 20 July 2018 at 11:00AM AWST, at which the Administrators appointment was confirmed.

Creditors resolved at the First Meeting of Creditors not to appoint a COI.

2.7 Second Meeting of Creditors

Pursuant to Section 439A of the Act, the Second Meeting is convened for Tuesday, 14 August 2018 at the offices of Ferrier Hodgson in Perth, Level 28, 108 St Georges Terrace, Perth WA 6000 at 3:00PM (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 is attached (**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 to enable further investigations to be undertaken.

Creditors who wish to participate in the Second Meeting must complete and submit the following forms to this office by 4:00pm (AWST) on 13 August 2018.

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.

2.8 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:

Remuneration period	Amount (\$ ex GST)
Remuneration previously approved by COI	
Remuneration to be approved at Second Meeting of Creditors	
Voluntary Administration – 10 July 2018 to 27 July 2018	26,283.50
Voluntary Administration – 27 July 2018 to 14 August 2018	10,716.50
Voluntary Administration (if applicable) – 15 August 2018 to execution of DOCA	3,000.00
Estimated total remuneration – Voluntary Administration	\$40,000.00
DOCA (if applicable) – Execution of DOCA to completion	10,000.00
Liquidation (if applicable) – 15 August 2018 to completion	30,000.00
Estimated total remuneration – if proceed to DOCA	\$50,000.00
Estimated total remuneration – if proceed to Liquidation	\$90,000.00

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.

2.9 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:

- Valuation of the business
- Details of offers received during the sale process

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 Company history and events leading up to the administration

XTV was ultimately founded in the USA in 2011 by Mr Joseph Ward and was involved in the development and distribution of cloud television technologies. In February 2015 the USA based company entered into a reverse takeover transaction with ASX listed Intercept Minerals Limited, which then became XTV Networks Limited. We understand that in the intervening years, the Company developed its technologies and approached companies including Microsoft and UTS to assist with funding and distribution of its products.

The Company focused on the development and distribution of cloud television technology in Australia and the USA, with the ASX listed Company predominately used to raise funds for investments in Australia and overseas, whilst its USA Subsidiary was responsible for operations. The Company raised ~\$19M in equity from the market throughout 2015 and 2016.

In March 2016 the Company received \$3M in financing from East West Bank. The loans were secured and were subject to certain liquidity and financial covenants.

In May 2016 the Company entered into an agreement with Bergen to raise USD\$2M through an unsecured interest free convertible investment on the basis that these funds would be used to assist with the Company's working capital.

In early June 2016 East West Bank advised the Company that it was in default of the loan agreement and demanded repayment of the full \$3M. On 21 June 2016, the Company utilised the majority of its cash reserves to repay the Bank, leaving the USA Subsidiary with no available working capital to continue trading.

The Company ceased to trade on the ASX on 16 June 2016 and the Former Directors subsequently resigned in June and July of that year.

On 16 September 2016, creditors of the USA Subsidiary petitioned for its bankruptcy, which came into effect on or around 26 October 2016. The Company has not recovered any amounts from bankruptcy of its USA Subsidiary and is not expected to do so.

The Company has maintained its ASX listing with the support of Bergen. On 6 July 2018 Bergen assigned its debt and security position to White Oak Ridge Capital. At this stage the Directors contemplated that unless a restructure were to take place, the Company would be unable to pay additional future expenses without continued reliance on external funding from the Secured Creditor and accordingly appointed Administrators.

Below is a timeline of key events which took place in the years leading up to our appointment:

Date	Event
February 2015	The Company completed a reverse acquisition of Intercept Minerals Ltd after raising ~\$6M in capital.
May 2015	A placement of 102M shares at AU\$0.029 was completed raising ~\$2.9M.
July 2015	A placement of 572M options at AU\$0.001 was completed raising ~\$570K.
March 2016	The Company received USD\$3M in financing from East West Bank secured against the Company's IP.
May 2016	Bergen Global Opportunity Fund entered into an unsecured interest-free convertible investment of USD\$2M.
June 2016	The Company suspended trading on the ASX.
June 2016	Rocco Tassone and Charles Thomas resign from the board.
July 2016	East West Bank were repaid their loan, and Bergen was subsequently granted security.
July 2016	Joseph Ward and Thomas Reynolds resigned from the board.
September 2016	Creditors of the USA Subsidiary petitioned for its bankruptcy.
October 2016	The Company's Subsidiary entered Bankruptcy in the USA.
July 2018	The secured debts held by Bergen were assigned to White Oak Ridge Capital.
July 2018	The Directors contemplated the ongoing expense requirements, and resolved that the Company would likely be insolvent unless the secured creditor continued to loan funds indefinitely.
July 2018	Wayne Rushton and Martin Jones were appointed Administrators by a resolution of the Directors.

3.2 Business operations

The Company had not traded in the two years prior to appointment of Administrators.

3.3 Statutory information

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

XTV Networks Ltd	
ACN	124 251 396
Incorporation date	5 March 2007
Registered address / principal place of business	Suite 5, 145 Stirling Highway Nedlands WA 6009

Source: ASIC

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

Name	Role	Appointment date	Resignation date
Winton Willesee	Director	7 July 2016	-
Harry Hill	Director	10 August 2016	-
Erlyn Dale	Director and Secretary	7 July 2016	-
Mark Canepa	Director	2 February 2015	10 August 2016
Joseph Ward	Director	2 February 2015	7 July 2016
Thomas Reynolds	Director	2 February 2015	7 July 2016
Rocco Tassone	Director	2 February 2015	23 June 2016
Charles Thomas	Director	2 February 2015	23 June 2016

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 Directors are not bankrupt or subject to a Personal Insolvency Agreement under Part X.

Provided below is a list of the largest registered shareholders of the Company as at appointment:

Registered Owner	Shares held	Fully paid	% Issued Capital
Lindfield Nom SVCS PI	309,305,069	Yes	25.51
UST-Global Private Ltd	158,984,159	Yes	13.11
BNP Paribas Noms PL	60,650,000	Yes	5.00
BNP Paribas Nom PL IB Au Noms Retail C	49,542,185	Yes	4.09
Safar Michael	35,000,000	Yes	2.89
Wamsley W T + Scully A E	21,732,833	Yes	1.79
Valley Inno	14,766,387	Yes	1.22
Fountain Wealth	14,753,263	Yes	1.22
Laszkiewicz Jakub	9,634,767	Yes	0.79
Citicorp Nom PL	9,020,918	Yes	0.74
Thomas Chloe	8,333,334	Yes	0.69
Kcirtap Sec PL	8,333,333	Yes	0.69
Tassone Melissa	8,333,333	Yes	0.69
Euthenia Tyche PL	7,442,525	Yes	0.61
Castle Lindsay	4,800,000	Yes	0.40
Il James V Barnett	4,778,442	Yes	0.39
Mistry Poonam	4,712,857	Yes	0.39
Williams Kael Joseph	4,000,000	Yes	0.33
Hunt Robert Jesse	4,000,000	Yes	0.33
Lukins Brian	3,978,580	Yes	0.33
Other	470,430,162	Yes	38.79
Total	1,212,532,147		100%

Source: ASIC

3.4 Registered security interests

The PPSR discloses that one (1) party holds a registered security interests on the PPSR. We understand that the majority of the security interests relate to a registered AIIPAAP. Details of the security interest holders are set out below:

Security interest holder	Date created	Type of security	Amount \$
White Oak Ridge Capital	8 July 2016	All PAAP, Exceptions	5,052,640.69
Total			\$5,052,640.69

Source: PPSR searches undertaken on 25 July 2018

Bergen held a charge over the whole or substantially the whole of the property of the Company. This charge was registered on the PPSR on 8 July 2016. On or around 6 July 2018 Bergen assigned the debt and its security to White Oak Ridge Capital. Further details of the registered security interests are available to creditors on request.

4 Historical financial position

This section provides a summary of the financial performance of the Company.

4.1 Preparation of financial statements

The Company's financial statements have been prepared up to 31 December 2017 and have been audited by Crowe Horwath. The financial statements prepared after FY15 are not prepared on a consolidated basis, given the bankruptcy of the USA Subsidiary, and the subsequent limitations on access to its financial information.

As the Company was not trading prior to our appointment it did not keep detailed management accounts, other than those which are exportable from its MYOB accounting system.

4.2 Summary profit and loss

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

\$Aud	HY 31/12/17	FY 30/06/17	FY 30/06/16 ¹	FY 30/06/15 ²
Revenue	-	-	487,658	671,639
Gross profit	-	-	487,658	671,639
Other income	-	3	-	26,378
Depreciation and amortisation expense	-	-	-	(42,436)
Employee benefits expense	-	-	-	(2,285,842)
Director Fees	(10,892)	(26,808)	(88,642)	-
Share-based payment	-	-	(366,954)	(3,820,147)
Compliance and regulatory expenses	-	(52,703)	-	-
Legal & Consultant costs	(75,805)	(198,131)	(577,814)	(808,264)
Corporate and administrative costs	(31,188)	(53,892)	(1,525,085)	(1,268,344)
Interest expense	(206,876)	(372,395)	(29,499)	(38,265)
Diminution in investment in subsidiary	-	-	(2,120,681)	-
Non-recovery of loans to subsidiary	-	-	(5,240,588)	-
Other expenses	(5,613)	(299)	(290,929)	-
Foreign Exchange gains/(losses)	-	-	179,243	38,517
Profit before income tax	(328,056)*	(704,225)	(9,573,292)	(6,855,126)
Income tax (expense) / benefit	-	-	-	-
Net profit / (loss) for the period	(328,056)	(704,225)	(9,573,292)	(6,855,126)

Source: Company Annual Reports

¹ FY 16 statements were reported in USD. In order to see a comparison between the reports we have used the rate of AUD/0.7426 being the closing exchange rate of the reserve bank as at 30/06/2016.

² FY 15 statements were reported in USD. In order to see a comparison between the reports we have used the rate of AUD/0.7680 being the closing exchange rate of the reserve bank as at 30/06/2015

Key observations:

- The Company has not traded since June 2016 and no revenue has been generated over the last two (2) financial years.
- We understand that revenues generated in FY15 and FY16 relate to the operations carried out by the USA Subsidiary and interest incurred on intercompany loans provided by the Company to the USA Subsidiary. We have been advised that this appears to be a book entry only, and interest payments were not received by the Company.
- The operating costs and overheads in FY15 and FY16 are significant in comparison to the revenues and were unsustainable. We are of the understanding these expenses related to the USA Subsidiary.
- The USA Subsidiary entered bankruptcy in October 2016. This has been retrospectively accounted for in the write down of the investment in the USA Subsidiary and loans to the USA Subsidiary.
- The \$3.82M in share based payments recorded in 2015 was in consideration of the reverse takeover of Intercept Minerals Ltd. and associated payments for advisory and consultancy fees.
- Legal & Consultant costs relate predominately to expenses incurred in complying with the Company's and Directors' duties under the Act and with the ASX.
- Interest expenses for the 31 December 2017 accounts and 30 June 2017 accounts relate to accruing interest on the Secured Loan.

- Other expenses relate to Foreign Exchange adjustments.
- There is a discrepancy in the HY17 accounts in the amount of \$2.3K due to the foreign exchange adjustments being shown as income rather than an expense, the exclusion of insurance expenses in the amount of \$8.5k and other sundry amounts of \$380. We do not believe these discrepancies materially impact the Company's financial statements.

4.3 Summary balance sheet

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

\$AUD	As at 31/12/17	As at 30/06/17	As at 30/06/16 ¹	As at 30/06/15 ²
Current assets				
Cash and cash equivalents	62,211	53,894	27,690	5,809,944
Trade and other receivables	8,744	6,328	9,068	20,305
Other current assets	-	8,018	32,068	473,795
Total current assets	70,955	68,240	68,827	6,304,044
Current liabilities				
Trade and other payables	(223,858)	(152,455)	(124,546)	(449,852)
Financial liabilities	(3,764,914)	(3,505,547)	(2,965,131)	(731,618)
Total current liabilities	(3,988,772)	(3,658,002)	(3,089,687)	(1,181,470)
Working capital	(3,917,817)	(3,589,762)	(3,089,687)	5,122,574
Non-current assets				
Property Plant & Equipment	-	-	-	60,027
Intangible assets – internally developed software	-	-	-	573,667
Total non-current assets	(3,988,772)	(3,658,002)	(3,089,687)	633,694
Net assets	(3,917,817)	(3,589,762)	(3,089,687)	5,756,268
Equity				
Issued capital	19,286,516	19,286,516	19,286,516	19,511,825
Reserves	994,710	994,710	787,688	879,421
Retained earnings	(24,199,043)	(23,870,987)	(23,163,891)	(14,637,978)
Total equity	(3,917,817)	(3,589,762)	(3,089,687)	5,756,268

Source: Company Annual Reports

¹ FY 16 statements were reported in USD. In order to see a comparison between the reports we have used the rate of AUD/0.7426 being the closing exchange rate of the reserve bank.

² FY 15 statements were reported in USD. In order to see a comparison between the reports we have used the rate of AUD/0.7680 being the closing exchange rate of the reserve bank as at 30/06/2015.

Key observations:

- The Company continued to receive financial support from Bergen, reflected in the increase in cash at bank between each financial year.
- Trade payables relate predominately to outstanding consulting and Director fees owed to Azalea Consulting and Harry Hill. Azalea Consulting and Harry Hill have provided written confirmation that they did not intend for the invoices to be paid until such time when the Company had sufficient funds to meet the invoices, or an insolvency event occurred.
- The company's cash on hand as at 30 June 2015 came from capital raisings undertaken in February and May of 2015. These funds ultimately appear to have been loaned to the USA Subsidiary, and were unrecoverable upon the USA Subsidiary entering into bankruptcy in October 2016.
- As the accounts are reported on a consolidated basis, the investment Company's investment in the USA Subsidiary does not appear as an asset of the Company.
- The Property Plant & Equipment and Intangible assets were held by the USA Subsidiary and not available to the Company unless any recoveries are made from the USA Bankruptcy proceedings, which seems unlikely.

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 17 July 2018.

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:

\$Aud	Ref	Book Value	Directors' ERV	Administrators' ERV Low	Administrators' ERV High
Assets					
Cash at bank	5.1.1	8,797	8,797	8,500	9,000
Other assets	5.1.2	123,160	Unknown	Nil	123,160
Total assets		131,957	Unknown	8,500	131,957
Liabilities					
Secured creditors	5.1.3	5,052,640	5,052,640	5,052,640	5,052,640
Unsecured creditors	5.1.4	226,698	226,698	309,600	309,600
Total liabilities		5,279,338	5,279,338	5,362,240	5,362,240
Estimated surplus / deficiency		(5,147,381)	Unknown	(5,353,740)	(5,230,283)

Notes

5.1.1 Cash

Cash at bank comes from two (2) Company operated bank accounts held with the NAB, one of which was a USD account holding USD\$6,772.73. We note that we have converted USD to AUD using the closing rate published by the Australian Reserve Bank on 10 July 2018 being AUD/0.7457.

5.1.2 Other assets

Other assets relate to loans made to the former Directors of the Company Tom Reynolds and Joseph Ward, in the amounts of \$3,982 and \$119,177 respectively. These loans were provided to fund the purchase of options in XTV stock between June and July of 2015 and are unsecured. We understand that the former Directors dispute the amounts involved and therefore the recoverability is uncertain. The proposed DOCA provides for these amounts to be assigned to the Secured Creditor of the Company, or its nominee, if requested by the Secured Creditor.

We note that in a liquidation, the Secured Creditor would ultimately receive the benefit of any recovery of the debts.

5.1.3 Secured creditor

On 28 March 2016, the Company was provided with a secured loan from East West Bank in the amount of \$3,000,000, which was granted an AllPAAP on the PPSR.

On 29 May 2016, the Company entered into a Convertible Securities Subscription Agreement with Bergen for the private placement of up to USD\$10,900,000 in convertible securities to assist the Company with working capital to grow the Company's business. On 1 June 2016, Bergen provided the first tranche of payments in the amount of USD\$2,000,000. This was initially unsecured.

On 16 July 2016, the Company was suspended from trading on the ASX.

On 21 June 2016, East West Bank called in its loan due to breaches of financial and liquidity covenants under the loan agreement.

On 6 July 2016, the Company entered into a General Security Deed which granted Bergen security in respect of its USD\$2,000,000 loan. This security was registered on the PPSR on 8 July 2016.

Bergen had assisted the Company with its subsequent funding requirements through periodic loans which were used to pay the Company's legal and consulting costs, and fees associated with its ASX listing totalling ~USD\$205,000.

On 6 July 2018, Bergen assigned the debt and its security interest to White Oak Ridge Capital. A verification statement was issued by AFSA confirming the transfer of security on the PPSR on the same date.

5.1.4 Unsecured creditors

In their RATA, the Directors have recorded unsecured creditor claims totalling \$226,698. A summary of the unsecured creditors is below:

\$AUD	Directors' ERV	Administrators' ERV
Trade creditors	226,698	309,600
Total	\$226,698	\$309,600

To date, the Administrators have received five (5) proofs of debt totalling \$309,600. The discrepancy between the Directors RATA and the Administrators ERC relates to a proof of debt received from a US insurance company for policies taken out in March 2016.

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 reason to its failure:

- The Company was unable to support itself as it no longer had any operations, was unable to generate its own internal revenues and relied solely on external funding.

5.4 Administrators' opinions as to the reasons for failure

The Administrators consider that the success of the Company was highly dependent on its investment in the USA Subsidiary. The USA Subsidiary incurred substantial overheads and expenses when compared to revenues being generated and was wholly dependent on the raising of capital from the Company and external debt providers to continue trading

In June 2016 the East West Bank called in its Loan of ~\$3,000,000, which was materially all of the available working capital of the Company and its USA Subsidiary. As a result the USA Subsidiary was unable to meet its ongoing operating costs, and it subsequently entered into Bankruptcy in October 2016.

With the loss of its USA Subsidiary and any potential revenues, current or future, the Company was unable to secure additional capital and relied on the support of the secured creditor to meet expenses relating to its ongoing listing on the ASX.

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. We conducted a review of the Company's business and in particular, we:

- Notified all known and contingent creditors of the Company of our appointment
- Urgently contacted financial institutions to freeze any bank accounts held by the Company
- Notified our insurers the adequacy of the insurances policies held by the Company.

6.2 The sale of business process

Immediately following our appointment, we commenced a sales and marketing program seeking expressions of interest in the sale of the business.

The timetable for the sale process was as follows:

Date	Sale program
10 July 2018	Appointment of Administrators
14 July 2018	Advertisements published in the Australian Financial Review and Weekend Australian
16 July 2018	Notice sent to Ferrier Hodgson database of interested parties
25 July 2018	Closing date for binding indicative offers
31 July 2018	Final offer received

The closing date for indicative offers was Wednesday, 25 July 2018. Several enquiries were received and however after further discussion and negotiation with stakeholders, only the proposal put forward in this report remained.

The Administrators held discussions with a number of shortlisted parties to gain an understanding of the offer terms and each party's capacity to complete the transaction.

6.3 Receipts and payments

There have been no receipts or payments from the Administrators account to date.

7 Proposal for DOCA

On 25 July 2018 a DOCA proposal was received from White Oak Ridge Capital LLC. Under the terms of the DOCA proposal the Company will undertake a capital restructure, through the consolidation of existing shares of 1 to 100 and the issuing of 50M new shares at a price of no less than \$0.01 to raise \$500,000 in new capital. For every 3 shares issued 1 free option will also be issued at an exercise price of \$0.03.

After the capital raising an additional 40M shares and 50M options with an exercise price of \$0.03 will be granted to the Secured Creditor in lieu of the amounts owed by the Company, which will be converted to equity. The capital raising is targeted to take place prior to 30 September 2018.

In addition to the granting of shares and options, all pre-appointment debtors of the Company will be assigned to the Secured Creditor, or its nominee, if requested by the Secured Creditor.

7.1 Proposal received

We have received a DOCA proposal from White Oak Ridge Capital LLC.

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

7.2 Key features of the proposal

The proposed DOCA includes the following key features:

Key element	DOCA proposal
1. Proponent	White Oak Ridge Capital, LLC
2. Commencement date	The DOCA Commences following execution of the DOCA within 5 business days from the 2 nd Creditors' Meeting.
3. Deed Administrators	Administrators (Wayne Rushton and Martin Jones).
4. Key events / Condition Precedents	<ol style="list-style-type: none"> At the 2nd Creditors' Meeting, creditors will be asked to consider and, if thought fit, approve DOCA Company entering into the DOCA proposed by this Term Sheet. Upon finalisation of the DOCA documentation, the DOCA will be executed. Following execution of the DOCA, the Deed Administrators will take steps to ensure satisfaction of any conditions precedent to the DOCA, including shareholder approval for the consolidation and the issue of the shares and options referred to in clause 5 below ("Shareholder Approval").
5. Terms of DOCA	<p>The Proponent will agree to enter into a DOCA on standard commercial terms reflecting the terms proposed by the Proponent in this Term Sheet and including;</p> <ol style="list-style-type: none"> A consolidation of capital on a 1 for 100 basis; Completion of a capital raising of no less than \$500,000 by way of a share issue at no less than \$0.01 per share with one free option with an exercise price of \$0.03 and an expiry date 4 years from grant for every three shares issued in the capital raising (the "Capital Raising"). The targeted completion date for the capital raising is 30 September 2018; The \$500,000 received will first be applied to settle any liabilities arising during the administration and the balance to be retained by the Company post completion; The issue of 40 million shares and 50 million options with an exercise price of \$0.03 and an expiry date 4 years from grant in lieu of the amounts owed to the secured creditor of the Company in relation to the amounts owed by the Company; The extinguishment of all liabilities owed by the Company at the date of the administration (being 10 July 2018); and The assignment of all pre-appointment debtors to the secured creditor or its nominee if requested. <p>The time limits that will apply are those normal statutory time limits that apply to an administration in Western Australia.</p>

Key element	DOCA proposal
6. Deed Administrators	<p>Wayne Rushton and Martin Jones of Ferrier Hodgson (Administrators) will be the Deed Administrators, will have all the necessary powers to administer the DOCA and will be entitled to exercise all rights, privileges, authorities and discretions conferred by the Company's constitution or otherwise by law on the directors to the exclusion of the Directors during deed administration (except as otherwise specified).</p> <p>The Deed Administrators will monitor the progress of the DOCA and report to creditors:</p> <ol style="list-style-type: none"> 1. If the conditions precedent are unable to be completed; or 2. If there are any material changes to the terms of the DOCA; or 3. For any other reason deemed necessary by the Deed Administrators.
7. Participating Creditors	<p>Creditors of the Company who had a claim as at the Appointment Date will be bound by the DOCA, including any contingent creditors (excluding those creditors expressly specified not to be released by a DOCA, if any).</p>
8. Remuneration	<p>The Deed Administrators will be entitled to their remuneration and costs on the basis of time spent by the Deed Administrators, their partners and staff in the performance of services in connection with or in relation to the administration of the Company under Part 5.3A of the Act and the DOCA and such time will be charged at the Deed Administrators' standard rates, from time to time, for work of that nature.</p>
9. Administrators'/Deed Administrators'	<p>The Administrators and Deed Administrators (whether or not they are still acting in either capacity) are entitled to be indemnified out of the DOCA Fund for;</p> <ol style="list-style-type: none"> (a) all debts, liabilities, actions, suits, proceedings, accounts, claims, damages, awards and judgments whatsoever arising out of or in any way connected to the administration or deed administration of the Company or their role as Administrators or Deed Administrators and incurred or sustained in good faith and without negligence; (b) any amount which the Administrators are, or would but for the transactions contemplated by this DOCA be, entitled to be indemnified out of the assets of the Company for, in accordance with the Act, at law or in equity, including any amounts payable pursuant to section 443A, section 443B or section 443BA of the Act; (c) any debts, liabilities, damages, losses and remuneration to which the statutory indemnity under section 443D of the Act applies; (d) any amount for which the Administrators or Deed Administrators are entitled to exercise a lien at law or in equity on the property of the Company; (e) the Administrators' and Deed Administrators' remuneration and costs; (f) all debts, liabilities, actions, suits, proceedings, accounts, claims, damages, awards and judgments arising out of or in the course of the administration and/or DOCA and incurred or sustained in good faith and without negligence.
10. Enforcement against the Company	<p>During the period of operation of the DOCA, the Company, any officer or member of the Company or any creditor bound by the provisions of the DOCA must not make any application to wind up the Company, continue any such application or commence or continue any enforcement process in relation to the property of the Company.</p>

Key element	DOCA proposal
11. Completion of DOCA	<p>The DOCA will complete or be fully effectuated upon each of the following being satisfied:</p> <ul style="list-style-type: none"> (a) The consolidation of capital under point 1 of Clause 5; (b) the issue of shares and options under the Capital Raising and under points 2 and 4 of clause 5; (c) payment of the monies referred to in clause 5 by the Company to the Deed Administrators and receipt of confirmation by the Deed Administrators that point 3 of clause 5 has been completed; (d) extinguishment of all the creditor claims under the DOCA; and (e) an appointment of the directors nominated by the Proponent.
12. Variation of DOCA	<p>The DOCA may be varied by resolution passed at a meeting of creditors convened under s445A, s446A or s446AA of the Act, with the consent of the Proponent.</p> <p>Nothing in the varied DOCA shall limit the operation of s445D and s445E of the Act.</p>
13. Termination of DOCA	<p>In the event that the relevant shares and options have not been issued within three months of the DOCA being executed or such later date approved by the Deed Administrators in writing, the Deed Administrators may:</p> <ul style="list-style-type: none"> (a) convene a meeting of creditors to vary the DOCA (with the Proponent's consent); and (b) (in the event of creditors not agreeing to vary the DOCA) seek to and obtain Court Orders to terminate or vary the DOCA.
14. Other matters	<p>The Deed Administrators will use best endeavors, including those available under Section 444GA of the Corporations Act, to secure all relevant regulatory and shareholder approvals for the DOCA.</p>

7.3 Payments to DOCA fund and issue of shares

- Payments to the DOCA fund will be contingent on the Capital Raising.
- Given the interest of the secured party in seeing the Capital Raising take place and its ability to participate, we believe the risks of the capital raising not being completed are low.
- Once the Capital Raising has taken place, 40M shares and 50M options will be issued to the Secured Creditor in lieu of the amounts owed to it by the Company. Additionally, the pre-appointment debtors of the Company will also be assigned to the secured creditor, or its nominee, if requested by the Secured Creditor.

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 Former Directors of the Company reside overseas.
- Due to the reverse takeover, which saw the Company listed on the ASX, the USA Subsidiary held most of the financial information. The USA Subsidiary entered bankruptcy in October 2016.

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 and financial statements.
- The Company's internal accounting system.
- Correspondence and discussions with the Company's creditors.
- Searches obtained from relevant statutory authorities.
- Publicly available information from the ASX.

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 deficiency	Yes	30 June 2016	<p>Based on the Audited Financial Accounts, the Company recorded the following working capital deficiencies (\$000's):</p> <ul style="list-style-type: none"> – 30/06/2016 (\$2,952) – 30/06/2017 (\$3,522) – 31/12/2017 (\$3,847) – 30/06/2018 (\$4,030) <p>Although the Company had severe working capital deficiencies since at least 30 June 2016, it continued to receive ongoing support and funding from Bergen until at least 8 July 2018. We note that whilst these loans were on call, the secured creditor had advised that they were not intended to be called. The "on call" nature of the facility meant that it needed to be recorded as a current liability, further impacting on the working capital deficit.</p>
Net asset deficiency	Yes	30 June 2016	The net asset deficiency is the same as the working capital deficiency noted above given all assets and liabilities were recorded as being current.
Ageing of creditors	Yes	10 July 2018	The Company generally paid its trade creditors within terms, however we note that Azalea Consulting which is controlled by a Director of the Company has unpaid invoices outstanding from at least July 2017. Minutes from a board meeting of XTV confirm that Azalea consulting did not require these invoices to be paid, unless the Company should have sufficient funds or an event of insolvency occurred and therefore creditors continued to be paid on time up until the date of my appointment.
Inability to extend finance facilities and breaches of covenants	Yes	10 July 2018	<p>The Company entered into a secured loan agreement in March 2016 with East West Bank, for an amount of USD\$3M.</p> <p>In late May 2016, the Company entered into an unsecured convertible debt agreement with Bergen for USD\$2M.</p>

Insolvency indicator	Present	Date relevant to insolvency	Administrators' comments
			<p>The Company defaulted on its loan agreement with East West Bank and subsequently were required to repay the USD\$3M in full, largely with the funds which were provided by Bergen.</p> <p>Bergen subsequently entered a General Security Agreement in respect of the convertible notes held by them in July 2016.</p> <p>Between July 2016 to 6 July 2018, when its debts were assigned, Bergen continued to provide additional funding to the Company as it was required. The last round of funding was provided in November 2017.</p> <p>On 6 July 2018, Bergen assigned its debt and security to White Oak Ridge Capital. although the Company had the support of the Secured Creditor, it would have had an ongoing reliance on external funding if any expenses were incurred in the future, with no prospect of raising additional capital or generating internal revenues to cover expenses.</p> <p>In considering the need to recapitalise the Company, the Directors determined that the Company should appoint Administrations rather than seeking additional funds from the Secured Creditor.</p>
Inability to meet other financial commitments / default on finance agreements		N/A	The Company did not have any other financing arrangement other than with Bergen.
Availability of other cash resources – cash flow test			
Profitability / trading losses	Yes	30 June 2016	From a review of the Company's financial statements, the Company consistently operated at a loss, relying on the raising of debt and equity to provide working capital.
Cash flow difficulties	Yes	10 July 2018	The Company was able to continue to meet its cashflow requirements with the assistance of loans provided by Bergen, however we note that the Company was not able to generate internal cashflows to meet its cash requirements.
Access to alternative sources of finance (including equity capital)	Yes	10 July 2018	<p>Bergen provided secured funding to the Company up until its debt was assigned to White Oak Ridge Capital.</p> <p>Although additional funding may have been available from the Secured Creditor, the Directors contemplated that this could not be continued indefinitely.</p> <p>In considering the need to recapitalise the Company, the Directors determined that the Company should appoint Administrations rather than seeking additional funds from the Secured Creditor.</p>
Inability to dispose non-core assets	No	N/A	The Company did not hold any non-core assets.

Insolvency indicator	Present	Date relevant to insolvency	Administrators' comments
Dishonoured payments	No	N/A	A review of the Company's banking records do not reveal any dishonoured payments from the Company.
Overdue Commonwealth and State taxes	No	N/A	There are no overdue commonwealth or state taxes.
No forbearance from creditors / legal action threatened or commenced by creditors	No	N/A	We are not aware of any action being taken by creditors of the Company.

8.4 Preliminary conclusion as to solvency

In light of the insolvency indicators discussed above, we are of the opinion that the Company was insolvent from 10 July 2018, being the date the Directors resolved to appoint Administrators.

Although the Company had the support of the former and current Secured Creditor through this period, the Directors contemplated that the Company would be indefinitely reliant on external funding if any expenses were incurred in the future, with no prospect of raising additional capital or generating internal revenues to cover expenses.

Accordingly, on 10 July 2018 the Directors resolved to appoint Administrators under s436A of the Act.

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.

8.5.4 Preliminary view on insolvent trading

Based on the date of insolvency being the same as the date that the Directors of the Company appointed Administrators, we have concluded that the Company did not incur any additional debts post the date of insolvency.

Even if the date of insolvency had arisen at an earlier date in the previous two (2) years, the quantum of any debts incurred during that period would be minimal and below the threshold which would be required for a Liquidator to pursue any claim, having regard to the costs that would need to be incurred in pursuing such a claim.

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 our 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 for the period 1 July 2016 to 10 July 2018.

We have been advised that due to the reverse takeover structure of the Company, the books and records of the now liquidated USA Subsidiary have not been accessible. We note that from the records available to us, substantial funds were transferred to the USA Subsidiary in the form of intercompany loans which, due to the Bankruptcy of the USA Subsidiary, appear to be unrecoverable.

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. We do note however that due to the reverse take over structure of the Company, the Administrators have not had access to the records of the now liquidated USA Subsidiary.

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 preliminary investigations have identified a complaint that the Former Directors of the Company may have committed offences pursuant to s1309 of the Act in providing materially misleading or misstated information to entice other investors to loan funds to the Company by way of convertible debt.

A Liquidator would have to undertake significant work to determine whether any claim existed, however we note that the damage claimed is in respect of the secured debt of the Company. Given that the secured creditor is supportive of the DOCA and will convert the full value of its debt into equity, we do not expect that the net returns of any litigation would lead to a better outcome for creditors.

Should the Company proceed into Liquidation, the Liquidators will further investigate these claims with the potential to report any offence to ASIC.

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 preliminary investigations have identified a complaint that the Former Directors of the Company may have committed offences pursuant to s1309 of the Act in providing materially misleading or misstated information to entice other investors to loan funds to the Company by way of convertible debt.

A Liquidator would have to undertake significant work to determine whether any claim existed, however we note that the damage claimed is in respect of the secured debt of the Company. Given that the secured creditor is supportive of the DOCA and will convert the full value of its debt into equity, we do not expect that the net returns of any litigation would lead to a better outcome for creditors.

Should the Company proceed into Liquidation, the Liquidators will further investigate these claims with the potential to report any offence to ASIC.

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 10 July 2018 being the date on which the Directors of the Company passed a resolution to place the Company into administration, as determined by Section 91 of the Act.

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.

We have determined that the date of insolvency, is likely the date on which the Company's Directors resolved to appoint Administrators. As no payments were made within the insolvent period, we do not believe that any unfair preference claims would be available for a Liquidator to pursue.

We note that even should the date of insolvency be at some date before the six months prior to the relation back day, the Company's payments over this period only amount to ~\$34k. Even if these payments were determined to be preferences, which we do not believe they are, the costs involved in recovering this amount would likely exceed the benefits of pursuing a claim.

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 our 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 the books and records in our possession we have not identified any transactions which would constitute unfair loans to the Company.

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.

We note however that we do not have complete records of the Company prior to June 2016.

A liquidator, if appointed, would need to conduct further investigations in relation to the Company’s transactions and make an assessment as to:

- If there were any unreasonable director-related transactions prior to 30 June 2016;
- Whether there are defences available to the former Directors of the Company; and
- Whether the costs likely to be incurred in voiding the transactions will outweigh the return.

9.5 Voidable charges

Bergen entered into a General Security Deed with the Company on or around 6 July 2016. Bergen subsequently registered its security on the PPSR on 8 July 2016.

On or around 6 July 2018, Bergen assigned its debt to White Oak Ridge Capital with a verification statement being issued by the Australian Financial Security Authority on that date.

We do not believe that this charge is voidable. The initial registration, which is backed by a General Security Agreement, was lodged on PPSR within the required timeframe. The transfer of the registration to White Oak Ridge Capital on 6 July 2018 has preserved the initial registration.

9.6 Arrangements to avoid employee entitlements

The Company did not have any employees or outstanding employee entitlements at the date of appointment.

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.

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.

\$AUD	Liquidation ERV Low	Liquidation ERV High	DOCA ERV Low	DOCA ERV High
Cash	8,900	8,900	8,900	8,900
Debtor claim	-	123,159	-	-
Net realisations from circulating assets	8,900	132,059	8,900	8,900
Less: Administrators fees and disbursements*	(46,615)	(46,615)	(46,615)	(46,615)
Less: Deed Administrators fees and disbursements	-	-	(30,000)	(10,000)
Less: Liquidators fees and disbursements	(50,000)	(50,000)	-	-
Less: Legal fees and other professional costs	-	-	(10,000)	(5,000)
Net proceeds from circulating assets	-	35,444	-	-
Funds contributed from capital raising	-	-	81,100	46,100
Less: Shortfall to Administrator/Deed Administrators fees and disbursements	-	-	(81,100)	(46,100)
Funds retained by recapitalised company	-	-	418,900	453,900
Funds available to secured creditor from circulating assets	-	35,444	-	-
Secured creditor	(5,052,640)	(5,052,640)	(5,052,640)	(5,052,640)
Estimated surplus / deficiency	(5,052,640)	(5,017,196)	(5,052,640)	(5,052,640)
Assignment of debtors claim to the secured creditor or nominee	-	-	-	123,159
Shares issued to secured creditor post capital raising	-	-	40,000,000	40,000,000
Options issued to secured creditor post capital raising (exercise price of \$0.03)	-	-	50,000,000	50,000,000

* inclusive of \$6.6k of costs advertising the sale of the Company in nationally distributed newspapers.

The above calculations are an estimate only and may change due to:

- Funds raised in the capital raising under the DOCA proposal;
- Changes in the quantum of costs of the DOCA for unforeseen issues; and
- Compliance with all provisions of the DOCA.

The funds received from the sale of the Company's assets will be applied to the costs of the Administration and DOCA with any surplus being retained by the newly recapitalised Company. In addition to the funds raised by the Company, additional shares and options will be issued to the Secured Creditor in lieu of payment for its outstanding secured loans which will be converted to equity. All pre-appointment debtors of the Company will also be assigned to the Secured Creditor, or its nominee, if requested by the Secured Creditor.

10.2 Summary of returns

\$AUD	Claim amount (\$)	Liquidation (\$)	DOCA (\$)
Employees	Nil	N/A	N/A
Secured creditors	5,052,640	-	Debt is converted to equity in the Company and the debts owed by Mr Ward and Mr Reynolds may be assigned to the secured creditor, or its nominee.
Unsecured creditors	309,600	-	-

10.3 Timing of share issue in lieu of payment

The issuing of the shares to the Secured Creditor will occur after the completion of the capital raising. The Proponent anticipates that the capital raising will take place by 30 September 2018.

11 Statement by Administrators

We recommend that it would be in the creditors' best interests to resolve to execute the DOCA proposal presented by White Oak Ridge Capital as it provides for consideration to be made in respect of amounts owed by the Company to the Secured Creditor and other creditors are no worse off than they would otherwise be in a liquidation.

Pursuant to IPR 75-225(3)(b), 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

We are of the opinion that the DOCA proposal put forward by White Oak Ridge Capital LLC should be accepted by creditors as it:

- Provides for a greater return to the Secured Creditor than liquidation;
- All other creditors are no worse off than in a liquidation; and
- It may provide future economic benefit for shareholders by the preservation of the SAC corporate entity, which would not be possible in a Liquidation.

We note that in the event that a DOCA is accepted by creditors, the Company will not pass into Liquidation and no further investigations into the affairs of the Company will be carried out unless that DOCA fails and the Company is placed into liquidation.

11.3 Winding up of the Company

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:

- Report to the ASIC on the results of investigations into the Company's affairs.

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 William Hulmes on (08) 9214 1444 or by email at William.Hulmes@fh.com.au.

Dated this 3rd day of August 2018



Wayne Rushton
Joint and Several Administrator of **XTV Networks Ltd**

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A – Notice of meeting of creditors

Notice of meeting of creditors

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

XTV Networks Ltd (Administrators Appointed) (the Company) ACN 124 251 396

NOTICE is given that a meeting of creditors of the Company will be held on Tuesday, 14 August 2018 at 3:00PM (AWST) at 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 fix the remuneration and disbursements of the Administrators.
5. To resolve that:
 - The Company execute a Deed of Company Arrangement; or
 - The Administration should end; or
 - The Company be wound up.
6. If it is resolved that the Company execute a Deed of Company Arrangement, to fix the remuneration and disbursements of the Deed Administrators.
7. If it is resolved that the Company be wound up, to fix the remuneration and disbursements of the Liquidators.
8. 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.
9. 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.
10. 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.
11. 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 Monday, 13 August 2018, to:

XTV Networks Ltd (Administrators Appointed)
c/- Ferrier Hodgson
GPO Box 2537, PERTH WA 6000
Tel: 08 9214 1444
Fax: 08 9214 1400
Email: Rebecca.Wong@fh.com.au

Note:

A company may only be represented by proxy or by an attorney appointed pursuant to IPR Sections 75-25 and 75-150 or, by a representative appointed under Section 250D of the Act.

Dated this 3rd day of August 2018

Wayne Rushton
Administrator

Note: In accordance with IPR Section 75-15(1)(c) please see effect of IPR Section 75-85 Entitlement to vote at meetings of creditors on the following page.

Effect of IPR Section 75-85 – Entitlement to vote at meetings of creditors

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

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), 13 August 2018 to:
Ferrier Hodgson GPO Box 2537, PERTH WA 6000
Tel: 08 9214 1444
Fax: 08 9214 1400
Email: Rebecca.Wong@fh.com.au

Indebted Company: XTV Networks Ltd (Administrators Appointed) ACN 124 251 396
Date of Appointment: 10/07/2018

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 Tuesday, 14 August 2018 at 3:00PM (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 the remuneration of the Administrators, as set out in the Remuneration Approval Request dated 3 August 2018, for the period from 10 July 2018 to 25 July 2018 be fixed in the amount of \$26,283.50, plus any applicable GST, and may be paid."	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2. That the remuneration of the Administrators, as set out in the Remuneration Approval Request dated 3 August 2018, for the period from 26 July 2018 to 14 August 2018 be fixed up to a maximum amount of \$10,716.50, 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"/>
3. That the internal disbursements of the voluntary administration period, as set out in the Remuneration Approval Request dated 3 August 2018, for the period from 10 July 2018 to completion be fixed in the amount of \$620.00, plus any applicable GST, and may be paid.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Resolution	For	Against	Abstain
4. 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"/>
5. That the remuneration of the Administrators, as set out in the Remuneration Approval Request Report dated 3 August 2018, for the period from 14 August 2018 to execution of DOCA be fixed up to a maximum amount of \$3,000.00, 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"/>
6. That the remuneration of the Deed Administrators, as set out in the Remuneration Approval Request Report dated 3 August 2018, for the period from the date of execution of the DOCA to completion of DOCA be fixed up to a maximum amount of \$10,000.00, 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"/>
7. That the internal disbursements of the voluntary administration period, as set out in the Remuneration Approval Request dated 3 August 2018, for the period from 10 July 2018 to completion be fixed in the amount of \$580.00, plus any applicable GST, and may be paid."	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
8. That the Company be wound up.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
9. 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"/>
10. That the remuneration of the Liquidators, as set out in the Remuneration Approval Request Report dated 3 August 2018, for the period from start of liquidation to completion be fixed up to a maximum amount of \$50,000.00, 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"/>
11. That the internal disbursements of the liquidation period, as set out in the Remuneration Approval Request dated 3 August 2018, for the period from 14 August 2018 to completion be fixed in the amount of \$600.00, plus any applicable GST, and may be paid."	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
12. 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"/>
13. 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"/>
14. That the Administration should end.	<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”]

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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 GPO Box 2537, PERTH WA 6000
Tel: 08 9214 1444
Fax: 08 9214 1400
Email: Rebecca.Wong@fh.com.au

Indebted Company: XTV Networks Ltd (Administrators Appointed) ACN 124 251 396
Date of Appointment: 10/07/2018

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”]

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D – Remuneration approval request

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

XTV Networks Ltd (Administrators Appointed) (the Company)
ACN 124 251 396

1 Declaration

We, Wayne Rushton and Martin Jones 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 report details approval sought for the following remuneration:

Period	Amount (ex GST) \$
Current remuneration approval sought:	
Voluntary administration	
Resolution 1:	
10 July 2018 to 25 July 2018	26,283.50
Resolution 2:	
26 July 2018 to 14 August 2018	
Resolution 3: (if applicable)	
15 August 2018 to execution of DOCA	10,716.50
	3,000.00
Total approval sought – voluntary administration*	40,000.00
Deed of company arrangement (DOCA) (if applicable)	
Resolution 4:	
Date of execution of DOCA to completion	10,000.00
Total approval sought – Deed of company arrangement*	10,000.00
Liquidation (if applicable)	
Resolution 5:	
Date of commencement of liquidation to completion of liquidation	50,000.00
Total approval sought – liquidation (if applicable)*	50,000.00
Total approval sought – if DOCA	50,000.00
Total approval sought – if Liquidation	90,000.00

* 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 section 0 for full details of the calculation and composition of the remuneration approval being sought.

2.2 Summary of remuneration approval sought for the Company

To date, no internal disbursements has been approved and paid in the administration of the Company.

This report details approval sought for the following internal disbursements:

Period	Amount (ex GST) \$
Current internal disbursements approval sought:	
Voluntary administration	
Resolution 1:	
10 July 2018 to completion	620.00
Total approval sought – voluntary administration*	620.00
Deed of company arrangement (DOCA) (if applicable)	
Resolution 2:	
Date of execution of DOCA to completion	580.00
Total approval sought – Deed of company arrangement*	580.00
Liquidation (if applicable)	
Resolution 3:	
Date of commencement of liquidation to completion of liquidation	600.00
Total approval sought – liquidation (if applicable)*	600.00
Total approval sought – if DOCA	1,200.00
Total approval sought – if liquidation	1,220.00

* Approval for the future internal disbursements sought is based on an estimate of the internal disbursements necessary to the completion of the administration. Should additional internal disbursements be necessary beyond what is contemplated, further approval may be sought from creditors.

Please refer to section 4 for full details of the calculation and composition of the remuneration approval being sought.

2.3 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 to creditors in the Initial Remuneration Notice included in our letter dated 11 July 2018, which estimated a cost to completion of the administration of \$40,000.00 (excluding GST).

3 Remuneration

3.1 Remuneration claim resolutions

We will be seeking approval of the following resolutions with respect to our 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 dated 3 August 2018, for the period from 10 July 2018 to 25 July 2018 be fixed in the amount of \$26,283.50, plus any applicable GST, and may be paid."

Resolution 2:

"That the remuneration of the Administrators, as set out in the Remuneration Approval Request dated 3 August 2018, for the period from 26 July 2018 to 14 August 2018 be fixed up to a maximum amount of \$10,716.50, 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."

Resolution 3:

"That the remuneration of the Administrators, as set out in the Remuneration Approval Request Report dated 3 August 2018, for the period from 15 August 2018 to execution of DOCA be fixed up to a maximum amount of \$3000.00, 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 4:

"That the remuneration of the Deed Administrators, as set out in the Remuneration Approval Request Report dated 3 August 2018, for the period from the date of execution of the DOCA to completion of DOCA be fixed up to a maximum amount of \$10,000.00, 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."

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:

"That the remuneration of the Liquidators, as set out in the Remuneration Approval Request Report dated 3 August 2018, for the period from start of liquidation to completion be fixed up to a maximum amount of \$50,000.00, 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."

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 3.2 Details of remuneration

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

3.2.1 Resolution 1: 10 July 2018 to 25 July 2018

The below table sets out time charged to each major task area performed by the Administrators and their staff for the period 10 July 2018 to 25 July 2018, 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) (\$/Hour)	Total		Task Area					
			(Hrs)	(\$)	Assets		Creditors		Administration	
					(Hrs)	(\$)	(Hrs)	(\$)	(Hrs)	(\$)
Rushton, Wayne	Partner	625	4.1	2,562.50	-	-	-	-	4.1	2,562.50
Clark, Sam	Manager	450	1.2	540.00	0.5	225.00	-	-	0.7	315.00
Hulmes, William	Assistant Manager	400	44.1	17,640.00	10.6	4,240.00	18.4	7,360.00	15.1	6,040.00
Flower, Michael	Assistant Manager	400	1.0	400.00	0.6	240.00	-	-	0.4	160.00
Wong, Rebecca	Accountant	270	17.7	4,779.00	0.1	27.00	8.7	2,349.00	8.9	2,403.00
Caldera, Genevieve	Personal / Team Assistant	180	1.7	306.00	-	-	-	-	1.7	306.00
Robinson, Keith	Admin Supervisor / Assistant	140	0.3	42.00	-	-	-	-	0.3	42.00
Buckley, Brendan	Admin Supervisor / Assistant	140	0.1	14.00	-	-	-	-	0.1	14.00
Total (excluding GST)			70.2	26,283.50	11.8	4,732.00	27.1	9,709.00	31.3	11,842.50
GST				2,628.35		473.20		970.90		1,184.25
Total (including GST)				28,911.85		5,205.20		10,679.90		13,026.75
Average Hourly Rate				374.41		401.02		358.27		378.35

3.2.2 Resolution 2: 26 July 2018 to 14 August 2018

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 26 July 2018 to 14 August 2018, which is the basis of the Resolution 2 claim. Please refer to **Schedule A** for further details with respect to the tasks likely to be performed.

Task	Hours	Amount \$
Assets	9	3,150.00
Creditors	18	5,816.50
Administration	5	1,750.00
Total	32	10,716.50

3.2.3

Resolution 3: 15 August 2018 to execution of DOCA

The below table sets out the expected costs for the major tasks likely to be performed by the Deed Administrators and their staff for the period 15 August 2018 to execution of DOCA, which is the basis of the Resolution 3 claim. Please refer to **Schedule A** for further details with respect to the tasks likely to be performed.

Task	Hours	Amount \$
Assets	3	900.00
Creditors	2	600.00
Administration	5	1,500.00
Total	10	3,000.00

3.2.4 Resolution 4: Date of execution of DOCA to completion

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

Task	Hours	Amount \$
Assets	7	2,500.00
Creditors	10	3,500.00
Administration	11	4,000.00
Total	28	10,000.00

3.2.5 Resolution 5: Date of commencement of liquidation to completion of liquidation

The below table sets out the expected costs for the major tasks likely to be performed by the Liquidators and their staff from the date of commencement of liquidation to completion of liquidation, which is the basis of the Resolution 5 claim. Please refer to **Schedule A** for further details with respect to the tasks likely to be performed.

Task	Hours	Amount \$
Assets	10	3,500.00
Creditors	33	4,550.00
Investigation	60	21,000.00
Administration	60	21,000.00
Total	143	50,000.00

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 \$50,000.00 (excluding GST) if a DOCA is approved and \$90,000.00 (excluding GST) if the Company enters Liquidation. This includes the current approval amount being sought of \$26,283.50 (excluding GST).

The above estimate is consistent with the estimate of costs provided to creditors in the Initial Remuneration Notice included in our letter dated 11 July 2018.

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:

- Timing and work required with holding shareholders meeting.
- Tasks required in assisting with obtaining ASX approval.
- DOCA not completing.

3.4 Likely impact on dividends

If the DOCA does not complete, it is unlikely that there will be a return for any class of creditors.

3.5 Remuneration recoverable from external sources

The Administrators have not received, or are not entitled to receive, funding from external sources in respect of remuneration.

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
ASIC industry funding model levy – metric events	At prescribed ASIC rates
Couriers	At cost
Data room set-up	\$450.00
Data room hosting – Option A	Variable – see separate table below
Data room hosting – Option B (incl 100GB of data)	\$84.95 per user per month
eDiscovery services	Variable
Photocopying / printing (colour)	\$0.50 per page
Photocopying / printing (mono)	\$0.20 per page
Photocopying / printing (outsourced)	At cost
Postage	At cost
Searches	At cost
Staff travel reimbursement	Up to \$100/day
Staff vehicle use	At prescribed ATO rates
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.

4.3 Disbursement claim resolutions

We will be seeking approval of the following resolutions with respect to our disbursements in respect of the Company. Details to support these resolutions are included in Part 4.4.

Resolution 1:

"That the internal disbursements of the voluntary administration period, as set out in the Remuneration Approval Request dated 3 August 2018, for the period from 10 July 2018 to completion be fixed in the amount of \$620.00, plus any applicable GST, and may be paid."

Resolution 2:

"That the internal disbursements of the DOCA period, as set out in the Remuneration Approval Request dated 3 August 2018, for the period from Execution of DOCA to completion be fixed in the amount of \$580.00, plus any applicable GST, and may be paid."

Resolution 3:

"That the internal disbursements of the liquidation period, as set out in the Remuneration Approval Request dated 3 August 2018, for the period from commencement of Liquidation to completion be fixed in the amount of \$600.00, plus any applicable GST, and may be paid."

4.4 Details of disbursements

4.4.1 Prospective internal disbursement claim

Future disbursements provided by our firm, Ferrier Hodgson, will be charged to the administration on the same basis as set out in Part 4.1. Approval of the payment of these disbursements at those rates to a capped amount of \$620.00, \$580.00 and \$600.00 for the respective administration, DOCA and liquidation periods is being sought.

Administration period

Prospective internal disbursements	Basis	Total (excl GST) \$
ASIC industry funding model levy – metric events	4 events at \$125 per event	500
Photocopying / Printing (mono)	600 pages at \$0.20 per page	120
Total		620

Note: Above rates are applicable for the financial year ending 30 June 2019

DOCA period

Prospective internal disbursements	Basis	Total (excl GST) \$
ASIC industry funding model levy – metric events	4 events at \$125 per event	500
Photocopying / Printing (mono)	400 pages at \$0.20 per page	80
Total		580

Liquidation period

Prospective internal disbursements	Basis	Total (excl GST) \$
ASIC industry funding model levy – metric events	4 events at \$125 per event	500
Photocopying / Printing (mono)	500 pages at \$0.20 per page	100
Total		600

Note: Above rates are applicable for the financial year ending 30 June 2019

5 Report on progress of the administration

The Remuneration Approval Request must be read in conjunction with the Voluntary Administrators' Report to creditors dated 3 August 2018 which outlines the progress of the administration.

6 Summary of receipts and payments

There are no receipts or payments in the Voluntary 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 of the Voluntary Administrators' Report to creditors dated 3 August 2018.

8 Queries

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

9 Information available

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 3rd day of August 2018



Wayne Rushton
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 10 July 2018 to 25 July 2018, which is the basis of the Resolution 1 claim in section 3.2.1.

Task area	General description	Includes
Assets 11.8 hours \$4,732.00 (excl GST)	Sale of business	– Preparing notices to appear in national newspaper
		– Preparing and distributing sales flyer to interested parties database
		– Liaising with interested parties
		– Liaising with potential purchasers
	Assets subject to specific charges	– Internal meetings to discuss / review offers received
	Other assets	– Liasing with secured party regarding offers received
		– Correspondence with NAB regarding transfer of AUD and USD bank accounts
	Creditor enquiries, requests and directions	– Receive and respond to creditor enquiries
		– Review and prepare initial correspondence to creditors and their representatives
		– Considering reasonableness of creditor requests
		– Compiling information requested by creditors
	Secured creditor reporting	– Search to the PPSR register
		– Notifying PPSR registered creditors of appointment
Creditors 27.1 hours \$9,709.00 (excl GST)	Creditor reports	– Preparing reports on results of investigation (including statutory reports) and convening meetings
		– General reports to creditors
	Dealing with proofs of debt	– Receipting and filing 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		
	Shareholder enquiries	– Receiving and responding to shareholder queries regarding the administration
	Correspondence	– General correspondence
Administration 31.3 hours \$11,842.50 (excl GST)	Document maintenance / file review / checklist	– Filing of documents
		– File reviews
		– Updating checklists
	Insurance	– Correspondence with insurer regarding initial and ongoing insurance requirements
		– Correspondence with previous brokers
	Bank account administration	– Preparing correspondence opening and closing accounts
ASIC forms	– Requesting bank statements	
		– Preparing and lodging ASIC forms

Task area	General description	Includes
		– Correspondence with ASIC regarding statutory forms
	ATO and other statutory reporting	– Notification of appointment
	Planning / review	– Discussions regarding status / strategy of administration

Resolution 2

The below table contains more detailed descriptions of the tasks which will be performed within each task area likely to be performed by the Administrators and their staff for the period 26 July 2018 to 14 August 2018, which is the basis of the Resolution 2 claim in section 3.2.2:

Task area	General description	Includes
Assets		
9.0 hours \$2,866.00 (excl GST)	Sale of business as a going concern	– Liaising with potential purchasers – Internal meetings to discuss / review offers received
	Creditor enquiries, requests and directions	– Receive and follow up creditor enquiries via telephone and email – Review and prepare correspondence to creditors and their representatives via email and post
	Secured creditor reporting	– Liaise with secured creditor regarding sales process
	Administrators report to creditors	– Preparing report on results of investigation, meeting and general reports to creditors
Creditors		
18.0 hours \$5,816.50 (excl GST)	Dealing with proofs of debt	– Receipting and filing 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
		– Responding to shareholder queries
Shareholder enquiries	– Responding to shareholder queries	
Correspondence	– General correspondence	
Administration		
5.0 hours \$1,750.00 (excl GST)	Document maintenance / file review / checklist	– Filing of documents – File reviews – Updating checklists
	Planning / review	– Discussions regarding status / strategy of administration
	Books and records / storage	– Dealing with records in storage – Sending job files to storage

Resolution 3

The below table contains more detailed descriptions of the tasks which will be performed within each task area likely to be performed by the Administrators and their staff from 15 August to execution of DOCA, which is the basis of the Resolution 3 claim in section 3.2.3:

Task area	General description		Includes
Assets			
3.0 hours \$900.00 (excl GST)	Sale of business	–	Liaising with DOCA proponent regarding drafting of Deed
		–	Tasks associated with execution of the DOCA
Creditors			
2.0 hours \$600.00 (excl GST)	Secured creditor reporting	–	Liaise with secured creditor regarding sales process
	Shareholder enquiries	–	Responding to shareholder queries
Administration			
5.0 hours \$1,500.00 (excl GST)	Correspondence	–	General correspondence
	Document maintenance / file review / checklist	–	Filing of documents
	ASX notification	–	Updating checklists
	ATO and other statutory reporting	–	Notifying ASX regarding outcome of meeting
	Finalisation	–	Preparing BASs
	Planning / review	–	Completing group certificates
	Books and records / storage	–	Completing checklists
		–	Finalising WIP
		–	Discussions regarding status / strategy of administration
		–	Dealing with records in storage
		–	Sending job files to storage

Resolution 4

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

Task area	General description	Includes
Assets 7.0 hours \$2,500.00 (excl GST)	Sale of business	<ul style="list-style-type: none"> – Provide assistance to the DOCA proponent where necessary – Ongoing monitoring of DOCA to ensure that key terms are adhered to
	Pre-appointment debtors	<ul style="list-style-type: none"> – Assignment of debtors to secured creditor or its nominee
Creditors 10.0 hours \$3,500.00 (excl GST)	Creditor enquiries, requests and directions	<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 email and post
	Meeting of shareholders	<ul style="list-style-type: none"> – Assist the DOCA proponent in holding shareholders meeting
	Shareholder enquiries	<ul style="list-style-type: none"> – Responding to shareholder queries
Administration 11.0 hours \$4,000.00 (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
	Bank account administration	<ul style="list-style-type: none"> – Preparing correspondence closing accounts – Bank account reconciliations
	ASIC Forms	<ul style="list-style-type: none"> – Preparing and lodging ASIC forms including 505, 911, etc – Correspondence with ASIC regarding statutory forms
	ATO and other statutory reporting	<ul style="list-style-type: none"> – Preparing BASs
	Finalisation	<ul style="list-style-type: none"> – Notifying ATO of finalisation – Cancelling ABN / GST / PAYG registration – Completing checklists
	Books and records / storage	<ul style="list-style-type: none"> – Dealing with records in storage – Sending job files to storage

Resolution 5

The below table contains more detailed descriptions of the tasks which will be performed within each task area likely to be performed by the Liquidators and their staff from date of commencement of liquidation to completion, which is the basis of the Resolution 5 claim in section 3.2.5:

Task area	General description	Includes
Assets		
10.0 hours \$3,500.00 (excl GST)	Pre-appointment debtors	<ul style="list-style-type: none"> – Realisation of loans to Former Directors
Creditors	Creditor enquiries, requests and directions	<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 email and post – Correspondence with committee of creditors members
13.0 hours \$4,550.00 (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
Investigation	Conducting investigation	<ul style="list-style-type: none"> – Collection of Company books and records – Correspondence with ASIC to receive assistance in obtaining reconstruction of financial statements, Company's books and records and Report as to Affairs – 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
60.0 hours \$21,000.00 (excl GST)	ASIC reporting	<ul style="list-style-type: none"> – Preparing statutory investigation reports pursuant to s533 of the Act. – Preparing affidavits seeking non-lodgement assistance – Liaising with ASIC
Administration	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
60.0 hours \$21,000.00 (excl GST)	Bank account administration	<ul style="list-style-type: none"> – Requesting bank statements – Bank account reconciliations – Correspondence with bank regarding specific transfers
	ASIC Form 524 and other forms	<ul style="list-style-type: none"> – Preparing and lodging ASIC forms including 505, 524, 911, etc – Correspondence with ASIC regarding statutory forms
	ATO and other statutory reporting	<ul style="list-style-type: none"> – Preparing BASs
	Finalisation	<ul style="list-style-type: none"> – Notifying ATO of finalisation – Cancelling ABN / GST / PAYG registration – Completing checklists – Finalising WIP

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

E – ARITA creditor information sheet

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.