

1 June 2015

## To Creditors

Dear Sir/Madam

### **Sino Australia Oil and Gas Limited (Provisional Liquidator Appointed) (the Company) ACN 159 714 397**

I was appointed Provisional Liquidator of the Company on 21 May 2015 pursuant to an Order of the Federal Court of Australia - Victoria.

The purpose of my appointment, amongst other things, is to investigate the affairs of the Company, including the identification of its assets and liabilities, providing the Court with an opinion about the solvency of the Company and make a recommendation as to the future of the Company. In accordance with the abovementioned Court Order, I am required to report to the Company's creditors and shareholders on my actions taken during the provisional liquidation in due course.

Following my appointment, Mr Matthew Jess and Mr Christopher Darin of Worrells retired from their positions as Voluntary Administrators of the Company and are no longer in control of the Company.

I now control the Company and am assessing the Company's financial position. I raise the following matters regarding the provisional liquidation.

## **1 Declaration of independence, relevant relationships and indemnities**

Pursuant to the Australian Restructuring Insolvency & Turnaround Association (**ARITA**) Code of Professional Practice (**the Code**), I enclose my 'Declaration of Independence, Relevant Relationships and Indemnities'.

## **2 Trading**

### **2.1 Trading accounts**

The Company has ceased to trade.

Please note that I do not accept liability for the supply of any goods or services from the date of my appointment.

If there are any outstanding or unfulfilled orders placed by the Company prior to my appointment, including those under which there are goods in transit, please contact Ben Kite of this office to obtain written confirmation that the order should proceed.

*B09LIQ106 - Creditors Circular - not Trading\_20150529\_14\_45\_5230846\_1.docx*

SYDNEY	Affiliated through:
MELBOURNE	Zolfo Cooper
ADELAIDE	CARIBBEAN
BRISBANE	UNITED KINGDOM
PERTH	UNITED STATES
KUALA LUMPUR	KLC Kennic Lui & Co.
SINGAPORE	CHINA
	HONG KONG

**2.2 Consignment stock, goods subject to purchase money security interests and liens / pledges**

If you supplied consignment stock to the Company, or believe you provided stock subject to a purchase money security interest (formerly a retention of title clause), or claim a lien / pledge over any of the Company's assets, please contact Ben Kite of this office as a matter of urgency.

**2.3 Contracts / agreements**

The Provisional Liquidator expressly refrains from personally adopting any of the Company's contracts existing at the date of the appointment. All contracts are currently under review. The Provisional Liquidator will advise the status of contracts as soon as practicable.

**2.4 Property used but not owned by the Company**

I will write separately to known lease and hire purchase creditors regarding such assets. Please contact this office if you do not receive my letter.

**3 Legal proceedings**

The appointment of Provisional Liquidator stays a proceeding in a court against the Company. You cannot commence or continue a proceeding against the Company without my written consent or the leave of the Court.

**4 Investigations**

The Company's directors have been requested to prepare a Report as to Affairs which would set out details of the Company's business, property, affairs and financial circumstances as at the date of my appointment.

An investigation of the Company's affairs will be conducted. Creditors who have any information which would assist my investigation are requested to write to me setting out full particulars. Specifically, please provide details on the following issues:

- Any demands, writs, judgments or other legal action taken by you against the Company.
- Copies of correspondence sent to and received from the Company regarding unpaid accounts.
- Advice when trading first commenced with the Company.

## **5 Estimated outcome for creditors**

You may be aware that creditors are entitled to claim for a dividend in the provisional liquidation for debts owed by the Company at the date of provisional liquidation.

At this stage, it is uncertain what dividend might be paid to creditors. Accordingly, I do not intend formally fixing a day on or before which creditors must submit particulars of their debts or claims. However, I enclose a Proof of Debt form which creditors may complete and return to me together with documentation to support their claim.

## **6 Liquidator's remuneration and fee estimate**

For the purposes of the Company's provisional liquidation, the Provisional Liquidator's remuneration will be fixed on the basis of time spent by the Provisional Liquidator and the Provisional Liquidator's staff of an appropriate level having regard to the nature and complexity of the work, and calculated by reference to hourly rates.

Enclosed for your information is the Provisional Liquidator's Statement Regarding Remuneration which sets out the four basic methods of calculating remuneration together with an explanation as to why the time based (hourly rates) method is appropriate in this provisional liquidation.

An information sheet concerning approval of remuneration in external administrations can be obtained from the Australian Securities & Investments Commission at [www.asic.gov.au](http://www.asic.gov.au).

At this point in time I am unable to provide an estimate of fees for the provisional liquidation as this is highly dependent on the completeness of the books and records which will be made available to me for the purpose of the investigation. I will provide creditors with all material updates in this regard in due course.

## **7 Further information**

For further information concerning the provisional liquidation process and Ferrier Hodgson, you may wish to visit our website at [www.ferrierhodgson.com](http://www.ferrierhodgson.com). Questions regarding the provisional liquidation should be directed to Ben Kite of this office on (03) 9604 5164.

Yours faithfully

**Sino Australia Oil and Gas Limited**



**Peter McCluskey**  
Provisional Liquidator

Encl.

**Sino Australia Oil and Gas Limited  
(Provisional Liquidator Appointed) (the Company)  
ACN 159 714 397**

**Statement Regarding Remuneration**

**1 Remuneration methods**

There are four basic methods that can be used to calculate the remuneration charged by an Insolvency Practitioner as follows:

**1.1 Time based (hourly rates)**

This is the most common method. The total fee charged is calculated by reference to the hourly or time unit rate charged for each person who carries out the work multiplied by the number of hours spent by each person on necessary work properly performed.

**1.2 Fixed fee**

The total fee charged is normally quoted at the commencement of the provisional liquidation and is the total cost for the provisional liquidation. Sometimes, a practitioner will finalise a provisional liquidation for a fixed fee.

**1.3 Percentage**

The total fee charged is based on a percentage of a particular variable such as the gross proceeds of asset realisations.

**1.4 Contingency**

The insolvency practitioner's fee is contingent on achieving a particular outcome.

**2 Remuneration method chosen**

Given the nature of this administration, I propose that the remuneration of the Provisional Liquidator be calculated using the time based method. Time based remuneration is appropriate in this provisional liquidation given:

- It ensures actual time is billed at an hourly rate applicable to staff experience;
- It ensures that remuneration claimed is only for necessary work properly performed in the provisional liquidation; and
- It covers tasks required to be undertaken in the provisional liquidation which not only relate to asset realisations but also to reporting requirements and other tasks of an administrative or statutory nature.

### 3 Explanation of hourly rates

The hourly rates for my remuneration calculation are set out in the following table together with a general guide showing the qualifications and experience of staff engaged in the provisional liquidation and the role they take. The hourly rates encompass the total cost of providing professional services and should not be compared to an hourly wage.

Title	Rate \$/hour	Experience
Partner / Appointee	\$650	The Partner / Appointee is a registered liquidator and member of the ICAA and, generally, ARITA, bringing specialist skills to the liquidation or insolvency task. For specific experience and other details of the appointee(s), please visit our website at <a href="http://www.ferrierhodgson.com">www.ferrierhodgson.com</a> .
Executive Director	\$595	The Executive Director is a registered liquidator and member of the ICAA and, generally, ARITA, bringing specialist skills to the liquidation or insolvency task.
Director	\$575	Generally, minimum of 12 years' experience at least 2 years of which is to be at Manager level. University degree; member of the ICAA and, generally, ARITA, with deep knowledge and lengthy experience in relevant insolvency legislation and issues.
Senior Manager	\$515	Generally, more than 7 years' experience with at least 2 years as a Manager. University degree; member of the ICAA and, generally, ARITA; very strong knowledge of relevant insolvency legislation and issues.
Manager	\$435	Generally, 5 to 7 years' chartered accounting or insolvency management experience. University degree; member of the ICAA and, generally, ARITA; sound knowledge of relevant insolvency legislation and issues.
Assistant Manager	\$370	Generally, 4 to 6 years' chartered accounting or insolvency management experience. University degree; member of the ICAA; completing ARITA Insolvency Education Program. Good knowledge of relevant insolvency legislation and issues.
Senior Analyst	\$325	Generally, 2 to 4 years' chartered accounting or insolvency management experience. University degree; completing the ICAA's CA program. Good knowledge of basic insolvency legislation and issues.
Analyst	\$290	Generally, 2 to 3 years' chartered accounting or insolvency management experience. University degree, ICAA's CA program commenced.

Title	Rate \$/hour	Experience
Accountant	\$260	0 to 2 years' experience. Has completed or substantially completed, on a part-time basis, a degree in finance/accounting. Under supervision, takes direction from senior staff in completing administrative tasks.
Junior Accountant	\$170	0 to 1 year's experience. Undertaking a degree part-time in finance/accounting. Under supervision, takes directions from senior staff in completing administrative tasks.
Personal / Team Assistant	\$110	Appropriate skills including machine usage.
Accounts Supervisor / Assistant	\$145	Generally non-qualified administrative assistant. Classification depends on experience, salary and complexity of work to be completed.
Administration Supervisor / Assistant	\$110	Completed schooling and plans to undertake further studies. Required to assist in administration and day to day field work under the supervision of more senior staff.

**Notes:**

- *The hourly rates are exclusive of GST.*
- *The guide to staff experience is intended only as a general guide to the qualifications and experience of staff engaged in the provisional liquidation. Staff may be engaged under a classification considered appropriate for their experience.*
- *Time is recorded and charged in six-minute increments.*
- *Creditor approval will be sought prior to the application of any new rates to this provisional liquidation.*

**4 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 provisional liquidation, would generally be charged at cost; though some expenses such as telephone calls, photocopying and printing may be charged at a rate which recoups both variable and fixed costs. The relevant rates are set out below.

Disbursement type	Charges (excl GST)
Advertising	At cost
Couriers	At cost
Mileage reimbursement	\$0.76 per kilometre
Photocopying (colour)	\$0.50 per page
Photocopying (mono)	\$0.20 per page
Photocopying (outsourced)	At cost
Printing (colour)	\$0.50 per page
Printing (mono)	\$0.20 per page
Printing (outsourced)	At cost
Postage	At cost
Searches	At cost
Storage and storage transit	At cost
Telephone calls	At cost

*Note: Above rates are applicable for the financial year ending 30 June 2015*

Dated: 1 June 2015



**Peter McCluskey**  
Provisional Liquidator

*Corporations Act 2001  
Section 60(2)*

**Sino Australia Oil and Gas Limited (Provisional Liquidator Appointed) (the Company)  
ACN 159 714 397**

**Declaration of Independence, Relevant Relationships and Indemnities**

This document requires the practitioner(s) appointed to an insolvent entity to make declarations as to:

- A. Their independence generally;
- B. Relationships, including
  - (i) The circumstances of the appointment;
  - (ii) Any relationships with the Company and others within the previous two years;
  - (iii) Any prior professional services for the Company within the previous two years;
  - (iv) That there are no other relationships to declare; and
- C. Any indemnities given or upfront payments made to the practitioner(s).

This declaration is made in respect of myself, my partners, and entities in connection with Ferrier Hodgson (collectively **Ferrier Hodgson**).

**A. Declaration of independence**

I, Peter McCluskey, and Ferrier Hodgson, have undertaken a proper assessment of the risks to my independence prior to accepting the appointment as provisional liquidator 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. This assessment identified no real or potential risks to my independence. I am not aware of any reasons that would prevent me from accepting this appointment.

**B. Declaration of relationships**

**(i) Circumstances of appointment**

I was appointed Provisional Liquidator of the Company by the Court on 21 May 2015 on the application of the Australian Securities and Investment Commission (ASIC).

I, along with other partners of Ferrier Hodgson, are on the ASIC panel to act as liquidator/provisional liquidator where ASIC is the petitioning creditor. On 15 May 2015 I

received the form of consent from the ASIC, which I signed and returned to ASIC on 15 May 2015.

I believe that this relationship does not result in a conflict of interest or duty because:

- Ferrier Hodgson has never undertaken any work for ASIC in respect of the Company. The work that I, or Ferrier Hodgson, undertake for ASIC will not influence my ability to fully comply with the statutory and fiduciary obligations associated with the Company's liquidation in an objective and impartial manner.

My position on the ASIC panel and giving consent to ASIC does not affect my independence and does not result in any duty owed to ASIC that would conflict with my interests or duties under the Act or the Code.

I have provided no other information or advice to the Company, its directors and its advisors prior to my appointment beyond that outlined in this DIRRI.

**(ii) Relevant relationships (excluding professional services to the Company)**

Neither I nor Ferrier Hodgson have, or have had within the preceding two years, any relationships with:

- The Company;
- An associate of the Company;
- A former insolvency practitioner appointed to the Company; or
- A person or entity that has a security interest on the whole of or substantially the whole of the Company's property.

**(iii) Prior professional services to the Company**

Neither I nor Ferrier Hodgson have provided any professional services to the Company in the previous two years.

**(iv) No other relevant relationships to disclose**

There are no other known relevant relationships, including personal, business and professional relationships, within the previous two years with the Company, an associate of the Company, a former insolvency practitioner appointed to the Company or any person or entity that has a security interest on the whole of or substantially the whole of the Company's property that should be disclosed.

**C. Indemnities and up-front payments**

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

Dated this 25th day of May 2015



**Peter McCluskey**  
Provisional Liquidator

**Note:**

*If circumstances change, or new information is identified, I am required under Subsection 60(2) of the Act and the Code to update this declaration and provide a copy to creditors with my next communication as well as table a copy of any replacement declaration at the next meeting of the Company's creditors*

*Any relationships, indemnities or up-front payments disclosed in the declaration must not be such that the practitioner is no longer independent. The purpose of components B and C of the declaration is to disclose relationships that, while they do not result in the practitioner having a conflict of interest or duty, ensure that creditors are aware of those relationships and understand why the practitioner nevertheless remains independent.*

No: (P)VID161/2014

Federal Court of Australia  
District Registry: Victoria  
Division: General

**AUSTRALIAN SECURITIES & INVESTMENTS COMMISSION**  
Plaintiff

**SINO AUSTRALIA OIL AND GAS LIMITED** and others named in the schedule  
Defendant

## ORDER

**JUDGE:** Justice Davies  
**DATE OF ORDER:** 21 May 2015  
**WHERE MADE:** Melbourne



### THE COURT DECLARES AND ORDERS THAT:

1. The plaintiff have leave to amend its Amended Originating Process filed on 28 November 2014 to add the following relief: an order to wind up the first defendant pursuant to s 461(1)(e), (f), (g), and/or (k) of the *Corporations Act* 2001.
2. The plaintiff have leave to file its Further Amended Originating Process dated 21 May 2015 in court.
3. Peter Damien McCluskey, official liquidator of Ferrier Hodgson, Level 43, 600 Bourke Street, Melbourne, Victoria, is appointed as provisional liquidator of the first defendant pursuant to s472(2) of the *Corporations Act*.
4. In addition to the powers conferred on him by the *Corporations Act*, the provisional liquidator will also have power to investigate into and report on the matters referred to

in paragraphs 13 to 68 of the Twelfth Affidavit of Brendan Francis Caridi sworn in this proceeding on 15 May 2015.

5. Within a reasonable time from the date of these orders, and in any event not later than 14 days after the date of these orders, the provisional liquidator send a notice to each creditor and each shareholder of the first defendant, at the last known address for each such person shown in the books and records of the first defendant, giving notice of:
  - a) the appointment of the provisional liquidator pursuant to these orders; and
  - b) a contact address for the provisional liquidator.
  
6. The provisional liquidator shall, within 28 days of his appointment, or such other time as the Court considers appropriate, provide to the Court and to the plaintiff a report as to the provisional liquidation of the first defendant, including:
  - a) the verification of each of the client services contracts described on pages 71 and 72 of the Replacement Prospectus of the first defendant;
  - b) any other matter referred to in paragraphs 13 to 68 of the Twelfth Affidavit of Brendan Francis Caridi sworn on 15 May 2015 which the provisional liquidator considers material to his functions;
  - c) the identification of the assets and liabilities of the first defendant;
  - d) an opinion as to whether the first defendant has proper financial records;
  - e) an opinion about the solvency of the first defendant;
  - f) any further information necessary to enable the financial position of the first defendant to be assessed;
  - g) a draft report to investors and creditors detailing the provisional liquidator's actions;
  - h) any recommendations as to further steps necessary to complete the investigation into the affairs of the first defendant;
  - i) any suspected contravention of the *Corporations Act* by the first defendant or any directors and officers of the first defendant.



7. The exhibit to the Twelfth Affidavit of Brendan Francis Caridi sworn on 18 May 2015 identified as **confidential exhibit "BFC-80"**, shall be placed in a sealed envelope and marked **confidential exhibit "BFC-80"**, and access to it restricted to the Justices of the Federal Court of Australia and their staff, ASIC and the first and second defendants.
8. The order made on 6 March 2015 is varied by setting aside paragraphs 7 to 13.
9. The order made on 13 March 2015 is varied by:
  - a. Substituting 25 May 2015 for 20 July 2015 in paragraphs 1 and 2; and
  - b. setting aside paragraphs 3 to 9.
10. The matter is referred to a further directions hearing to be held at 9.30 a.m. on 3 July 2015.
11. The hearing of the second and third respondents' interlocutory process dated 20 May 2015 is adjourned to 9.30am on 3 July 2015.
12. The costs of the first defendant, second respondent and third respondent of ASIC's interlocutory process filed 15 May 2015 are costs properly incurred by them.
13. The order made at 10.15am on 21 May 2015 is vacated in its entirety.
14. Costs reserved.
15. Liberty to apply.

Date that entry is stamped: 21 May 2015



**Schedule**

No: (P)VID161/2014

Federal Court of Australia

District Registry: Victoria

Division: General

Second Defendant:

TIANPENG SHAO

Third Defendant:

RUIYU HE

Fourth Defendant:

HSBC BANK AUSTRALIA LIMITED ABN 48 006  
434 162

Fifth Defendant:

WRIXON GASTEEN

Sixth Defendant:

ZHANHAU YUAN

Seventh Defendant:

GUANGBIN ZHONG

Eighth Defendant:

YU LU

Ninth Defendant:

TIANXIANG SHAO

