

1 July 2016

Triton Minerals Ltd (Administrators Appointed) Update

Triton Minerals Ltd (Administrators Appointed) (the Company) provides a copy of the Administrators' report to creditors prepared pursuant to section 439A(4)(a) of the Corporations Act 2001.

The Second Meeting of Creditors to be held on 8 July 2016 at 11am at Level 28, 108 St Georges Terrace, Perth WA 6000.

ENDS

Triton Minerals Ltd (Administrator Appointed)

ACN 126 042 215

Report by Administrators

Pursuant to Section 439A of the Corporations Act

30 June 2016

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Statement by Administrators

In reviewing this Report, creditors should note:

- This Report is based upon our 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.

1 Executive summary

1.1 Appointment

We, Martin Jones and Andrew Smith, Dermott McVeigh were appointed as joint and several Administrators of the Company on 2 March 2016 by the Directors under Section 436A of the Act.

1.2 Conduct of administration

On appointment, the Administrators assumed control of the Company's operations and notified employees, creditors and other stakeholders of their appointment. The Administrators then conducted an urgent financial and commercial review of the Company with the assistance of key personnel and communications with key stakeholders.

1.3 Purpose of 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.

1.4 Administrators' recommendation

Please refer to section 9 in relation to the DOCA proposals that the Administrators have received from Somers & Partners (Somers) and Minjar Gold Pty Ltd (Minjar).

A detailed analysis of the proposals and returns to creditors are set out at section 10 and 11, but we summarise the key points of the DOCAs below.

Item	Details
Return	<p>Somers- 100c in the dollar plus statutory interest.</p> <p>Minjar- Between 30c and 100c in the dollar plus statutory interest. The variance relates to the drafting of the Minjar DOCA and whether the contingent Mozambique Capital Gains tax (plus other government impost) is transferred to the Creditor's Trust or remains with the Company.</p>
Timing of Creditor Payment	<p>Somers- Estimated to be three to four months.</p> <p>Minjar- Subject to the treatment of the Mozambique Capital Gains tax claim, it may be between 2 and 6 months.</p>
Implementation of a DOCA	<p>Both proposals will implement a DOCA and Creditors' Trust structure to deal with the Company's claims as at the date of the Administrators appointment.</p>
Transaction Documentation	<p>Somers- An underwriting agreement and DOCA proposal has been fully negotiated and executed in a form acceptable to the Administrators and the Company.</p> <p>Minjar- The Minjar proposal is currently not in a form that is capable of execution and remains more uncertain until final terms, conditions and documentation have been agreed.</p>
Deposit	<p>Somers- \$1m deposit of which \$300k is non-refundable.</p> <p>Minjar- The Minjar offer contemplates payment of \$1m following the 2nd creditors meeting.</p>

Item	Details
Existing Shareholders offered the ability to participate in capital raising	Both proposals offer existing shareholder's a pro rata ability to participate in the some or all of the capital raising. Based on Argonaut's analysis, post recapitalisation, the Somers' DOCA proposal has been assessed to offer a superior value to shareholders relative to the Minjar proposal.

While both offers provide creditors with the opportunity of being paid a 100c in the dollar, and notwithstanding the apparent timing advantage to creditors in the Minjar proposal (subject to the adjudication of the Mozambique Capital Gains Tax by the Trustee), we consider that the Minjar proposal currently remains more uncertain as the Somers' documentation is fully executed and in a form acceptable to the Administrators and the Company with a deposit paid.

In these circumstances, we currently recommend that the Somers' proposal be adopted by creditors.

1.5 Second Meeting

Details of the Second Meeting are as follows:

Second Meeting	Details
Date	8 July 2016
Registration	10:30am
Meeting time	11:00am
Location	Ferrier Hodgson, Level 28, 108 St Georges Terrace, 6000

Creditors who wish to participate in the Second Meeting must complete and submit the following forms to this office by 4:00pm on 7 July 2016.

Form	Comments
Appointment of proxy (form 532)	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. 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)	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.

1.6 Summary of investigations

The investigations undertaken to date in the Administration are detailed at section 6 of this report.

We have not identified any potential voidable transaction by directors that may have been committed under the provisions of the Act, however we have identified a potential breach of directors' duties pursuant to section 180 of the Act.

1.7 Return to creditors

Creditors are expected to receive 100 cents in the dollar plus statutory interest.

2 Introduction

2.1 Purpose of appointment and this report

The purpose underlying an administrator's appointment is to allow for independent control and investigation of an insolvent company's affairs. During the administration period, creditors' claims are put on hold.

We are required to provide creditors with information and recommendations in relation to the three options available to creditors in deciding upon the Company's future.

The three options available are:

- The Company be placed into liquidation;
- The Company execute a DOCA;
- The Administration to end and control of the Company reverts back to its directors.

In the available time, we have undertaken the investigations detailed in section 6 of this report. These investigations have enabled us to form an opinion about the Company's future. Our opinion is set out in section 11 of this report.

2.2 Basis of report

This Report has been prepared primarily from information obtained from the Company's books and records. 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 book and records;
- Discussions with the Directors of the Company;
- Discussions with key employees of the Company;
- Discussions with unsecured creditors of the Company; and
- Other public databases.

2.3 Declaration of independence, relevant relationships and indemnities

The voluntary administrators provided a DIRRI to creditors with their first circular to creditors. The DIRRI was also tabled at the First Meeting.

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

2.4 First Meeting and Committee of Creditors

At the First Meeting, creditors ratified our appointment as voluntary administrators of the Company.

Creditors resolved not to appoint a Committee of Creditors.

2.5 Second Meeting

Pursuant to Section 439A of the Act, the Second Meeting was required to be held on 18 April 2016.

The Administrators made an application to the Supreme Court of Western Australia pursuant to Section 439A (6) of the Act to extend the convening period of the Second Meeting of creditors for a period of up to 60 days.

The extension was necessary to:

- Provide sufficient time to conduct a sales campaign;
- Allow interested parties the opportunity to submit offers; and
- Allow the Administrators and their advisors suitable time to review the offers and make a recommendation to creditors prior to the Second Meeting of creditors.

On 31 March 2016 the Supreme Court of Western Australia made an order that the convening period for the meeting of creditors of the Company required to be held pursuant to section 439A of the Act be extended to midnight on 6 June 2016.

Following the sale campaign conducted by Administrators, four (4) non-binding offers were received. Having regard to the non-binding nature of these offers and the additional time that was required by each party to complete their due diligence, a further extension was sought from the Court.

On 26 May 2016 the Supreme Court of Western Australia made an order that the convening period for the meeting of creditors of the Company required to be held pursuant to section 439A of the Act be extended to midnight on 5 August 2016.

At the Second Meeting, creditors will decide the Company's future by voting on one of the following options:

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

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

Creditors have the opportunity to adjourn the Second Meeting for up to a period of 45 business days to enable further investigations to be undertaken.

2.6 Remuneration

At the Second Meeting, we will be seeking approval for our remuneration for the Company as follows:

Period	Amount (ex GST) \$
Voluntary Administration 2 March 2016 to 17 June 2016	513,396
Voluntary Administration 18 June 2016 to 8 July 2016 or execution of DOCA	125,000
DOCA (if applicable) Execution of DOCA to completion	300,000
Creditors Trust (if applicable) Execution of Creditors Trust to completion	150,000
Liquidation (if applicable) 6 July 2016 to completion	300,000

Please refer to our Remuneration Approval Request Report at **Annexure D** for details of the key tasks undertaken throughout the course of the administration along with a summary of the receipts and payments to date.

2.7 Non-disclosure of certain information

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

- Details of offers received during the sale process.
- Commercially sensitive prospective financial information (for example, projections / forecasts).

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

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

3 Company information

3.1 Statutory information

3.1.1 Incorporation date and registered office

The Company was incorporated on 17 July 2007. The Company's registered office and principal place of business is listed as Unit 1, Ground Floor 256 Stirling Highway, Claremont WA 6010.

The Company's previous registered office and principal place of business was listed as 278, Barker Road, Subiaco WA 6008.

3.1.2 Company officers

The Company's officers over the past 12 months were:

Name	Office held	Date appointed	Date ceased
Alan Jenks	Director	28/01/2014	10/02/2016
Alfred Gillman	Director	27/09/2012	
Bradley Boyle	Director	27/4/2012	1/12/2015
Christopher Catlow	Director	05/06/2015	
Maria Ferreira	Director	24/08/2015	
Garth Higgs	Director	28/01/2016	
Rodney Baxter	Director	28/01/2016	10/02/2016
Paige Exley	Secretary	11/07/2014	

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 of the Bankruptcy Act 1966.

3.1.3 Shareholders

The ASIC database discloses the Company's top 20 shareholders to be:

Name	Shares held
Citicorp Nominees Pty Ltd	70,711,153
J P Morgan Nominees Australia	12,906,055
HSBC Custody Nominees	11,751,535
GMP Securities Australia Pty	8,614,397
Mr Christopher John Fone	4,600,000
Mr Alfred Gillman & Ms Maria Gillman	4,150,000
Mr Alan Gordon Jenks	4,050,000
Mr Peter Carmine Sacchetti	3,983,963
Mr Craig Andrew Stubbs	3,834,545
BNP Paribas Noms Pty Ltd	3,380,000
Ramco Investments Pty Ltd	3,348,000
Blair Metals Ltd	3,341,191
Goldfire Enterprises Pty Ltd	2,780,000
GMP Securities Australia Pty	2,778,710
Mr Antoine Haldezos	2,615,797
Almeranka Superannuation	2,572,589
ABN Amro Clearing Sydney	2,279,817
Blakeley & Son Vic Pty Ltd	2,100,000
Mr Glen Bull	2,028,313
Miss Alecia Stoodley	1,685,481
Total Top 20 Shareholders	153,511,546
Total Shares Issued	420,993,866

3.1.4 Registered security interests

Under the new PPSA legislation that took effect on 30 January 2012, security over property (except land and certain other asset categories) must be registered as a security interest on the PPSR.

Briefly, the concept of fixed and floating charges was replaced under the PPSA by “security interests over non-circulating assets” and “security interests over circulating assets” respectively. In the case of inventory, title to any inventory will require registration as a PMSI on the PPSR. A PMSI is similar to a ROT provision in terms of trade.

Unless a supplier (including a ROT supplier) registers a PMSI as a security interest on the PPSR, the goods under the ROT clause may become property of the Company and amount to a windfall to the Company and its creditors.

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

Security interest holder	Date created	Type of security
Australia and New Zealand Banking Group Limited	27 November 2013	Security Interest
Dynamics G Ex	4 June 2015	ALLPAP

Australia and New Zealand Banking Group Limited

The security interest was in relation to a term deposit which has since been closed.

Dynamics G-Ex Pty Ltd

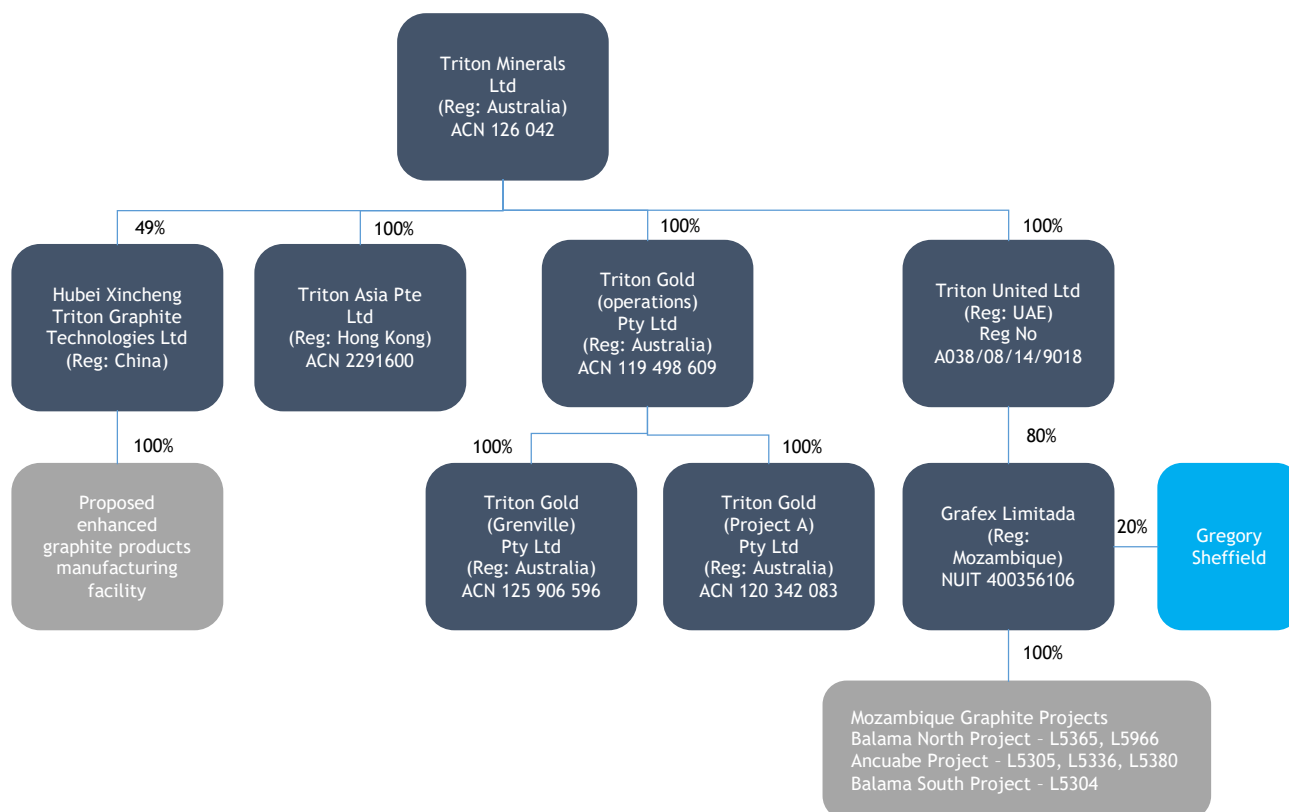
The security interest was in relation to goods supplied to the Company which was discharged on 14 March 2016.

3.1.5 Winding up applications

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

3.2 Company history

3.2.1 Group structure



Triton Minerals Limited (Triton)

Background

Triton is a mineral exploration and development company originally incorporated in Australia as Australian Mineral Fields Limited. Triton became listed on the Australian Securities Exchange on 14 August 2009 as Triton Gold Ltd (Triton Gold) (ASX:TON).

As Triton Gold, the Company completed grass-roots exploration on a number of projects in the Albany Fraser province of Western Australia. The Company also entered into an Earn-In Agreement with an Alaskan company, Tushtena Resources on the Tushtena project in Alaska and acquired the gold rights associated with Poseidon Nickel's Windarra project located in the Laverton Greenstone Belt.

During the second half of 2011, most of the exploration on the Company's holdings in the Albany Fraser province was wound back whilst an assessment of the potential of each project was made. By the early part of 2012, the Company's holdings in the Albany Fraser province had been reduced to only the most prospective parts of the Salmon Gums and Fraser Range North projects. In June of 2012, a Farm-In Agreement was signed with Matsa Resources allowing them to earn up to a 90% interest in the Fraser Range North project.

At the end of February 2013, Triton Gold officially changed its name to Triton Minerals Ltd to reflect the Company's new and more diverse minerals portfolio.

Grafex Limitada ("Grafex") sought a participant to fund exploration and development activities in relation to the licenses and on 13 December 2012, it entered into the Farm-in and Joint Venture Agreement ("2012 JV Agreement") with the Company. Under the terms of the 2012 JV Agreement, the Company was liable to fund all exploration and development liabilities with no recourse to the shareholders of Grafex, and which lead to Triton earning 49% interest in the tenements.

In late November of 2013, Triton moved from holding a 49% interest in Grafex to a majority 60% interest in the Mozambique graphite projects. In July 2014, Triton moved to an 80% ownership interest in Grafex.

Organisation Structure

We table below the organisation structure of the Company as at the date of our appointment:

Name	Title	Current Status
Garth Higgs	Managing Director and Chief Executive Officer	Subject to notice
Alfred Gillman	Technical Director	Terminated
Patrick Ellis	Chief Operating Officer	Employed
Paige Exley	Company Secretary	Employed
Richard Jarvis	Chief Financial Officer	Terminated
Elizabeth Plunkett	Manager – Executive Services	Terminated
Kym Atkins	Legal Counsel	Terminated
Rachael Germano	Group Accountant	Terminated
Tamara Nardon	Administration Assistant	Terminated
Lara Phillips-Wells	Corporate Affairs Manager	Terminated

Material Agreements

At the date of our appointment, the Company had entered into material arrangements with the following parties:

➤ **Yichang Xincheng Graphite Co. Ltd (YXGC)**

The non-binding arrangements between the Company and YXGC are documented as follows:

- Letter Agreement dated 8 March 2015 between the Company and YXGC for the sale and purchase of graphite concentrate from Triton's Mozambique graphite projects; and
- Letter Agreement dated 13 May 2015 between the Company and YXGC to construct and operate two graphite facilities in Mozambique and China to produce enhanced graphite products.

One of the key terms of the letter agreement dated 13 May 2015 was that each party was required to deposit US\$1-2 million into a joint venture bank account within 6 months from the commencement i.e. by 13 November 2015. As at the date of our appointment neither party had complied with this obligation. It is advised that both the agreements are not sufficiently certain and are too conditional to be legally binding on the Company, including any claim for damages that may be argued by YXGC.

On 21 March 2016 YXGC wrote to the Company terminating both the agreements. Based on our comments above and advice received to date, we have not accepted their claim for damages in the amount of US\$1 million as each agreement excludes liability for “consequential, incidental...or indirect damages”. We have advised YXGC of our rejection of any claim against the Company.

We consider that YXGC has no valid claim against the Company.

➤ **Shenzhen Qianhai Zhongjin Group Co. Ltd (SQZG)**

This arrangement was limited to a letter of intent dated 22 April 2015. Under the terms of the Agreement, SQZG would provide funding in the form of US\$100m in equity (\$0.50 per share) and US\$100m of debt over a five-year period. As part of the funding agreement Triton would enter into a 10 year 200k tonnes per year offtake agreement with SQZC.

The funding was subject to SQZG completing their due diligence by 30 June 2015, however this was extended for a further 3 to 6 month period on the request of SQZG. SQZG did not complete their due diligence and the letter of intent subsequently lapsed prior to our appointment.

➤ **AMG Mining AG**

AMG is the majority owner of exploration and mining licenses in Mozambique, including a mothballed processing facility adjacent to the Company’s Ancuabe project. The agreement with AMG is limited to a letter of intent to form a strategic alliance with the Company in regard to exploration in this region. The agreement remains on foot.

➤ **Long State Investments Limited (Long State)**

The Company and Long State entered into an equity placement facility dated 26 January 2015.

The purpose of the facility was to provide the Company with funding of up to \$20 million for period of 2 years.

We wrote to Long State on 12 April 2016 to advise that an event of default had occurred as a result of the Company entering Voluntary Administration and accordingly the agreement was terminated.

➤ **Grafex**

The Company and Grafex entered into a Farm-in and Joint Venture Agreement in respect to mining tenements located in Mozambique. Further details are provided on page 13.

Events Leading to our Appointment

Subsequent to the appointment of Mr Garth Higgs as CEO and Managing Director, senior management commenced a wide ranging review of the Company's Mozambique Project and the various agreements that former management had entered into.

Following a substantial shortfall of capital raised (circa \$4 million raised versus \$11.3 million), management identified a potential funding shortfall and was considering its options and the effect this may have on the Company's solvency.

On 17 February 2016 we were appointed as Investigating Accountant to complete a limited scope assessment of the Company's financial position. Our review into the financial position of the Company revealed that it was solvent and may remain solvent at least until 4 May 2016. Notwithstanding that, there were concerns identified in regards to:

- a) The potential contingent Capital Gains Tax ("CGT") liability in Mozambique of approximately US\$6 million that the Company may be liable to pay is associated with Grafex acquisitions; and
- b) The claims that had been foreshadowed by YXGC (US\$1m) in regard to the agreements the Company has entered into.
- c) The extent to which there were other unrecorded liabilities which management were unaware of.

This uncertainty continued, and coupled with the difficulty of obtaining further funding on terms that were acceptable to the Board, the Directors formed the view that the Company may not be in a position in the near to medium term to meet its debt obligations when they become due and payable.

Triton Asia Pte Limited

Hong Kong based entity incorporated on 30 September 2015 to hold the Group's interest in the Chinese Manufacturing joint venture with YXGC. The director of the Company is Mr Alfred Gillman.

Triton Gold (Operations) Pty Ltd

Australian based entity incorporated on 2 May 2006 and the former parent entity of the Australian based exploration subsidiaries. This entity is now dormant as the Group surrendered its last Australian exploration licenses in September 2015. The director of the Company is Mr Garth Higgs.

Triton United Ltd

United Arab Emirates (UAE) based entity incorporated on 10 August 2014 to hold the Group's 80% interest in Grafex (license holder of the Mozambique graphite exploration projects). The director of the Company is still recorded as Mr Bradley Boyle however we note that he has formally resigned and Mr Garth Higgs is currently being appointed as replacement director. The records in the UAE will shortly reflect this.

Hubei Xincheng Triton Graphite Technologies Ltd

China based entity incorporated on 28 September 2015 as the joint venture entity to own the land and plant and to operate the Chinese joint venture with YXGC.

Triton Gold (Greenville) Pty Ltd

Australian based entity incorporated on 12 June 2007. It was previously in a joint venture with TSX Venture Exchange listed Laurentian Goldfields Ltd in 2007 for which it received consideration shares in the listed entity, which is now named Pure Gold Mining Inc. The entity's only asset is 122,727 Pure Gold Mining Inc. listed shares, worth approximately \$90,000 (CAD87,136).

The director of this entity is Mr Garth Higgs.

Triton Gold (Project A) Pty Ltd

Australian based entity incorporated on 22 June 2006. It was previously the exploration license holder for the Group's Australian based Fraser Range North project and Salmon Gums project. This entity is now dormant as the Fraser Range North project exploration licenses were surrendered in September 2015.

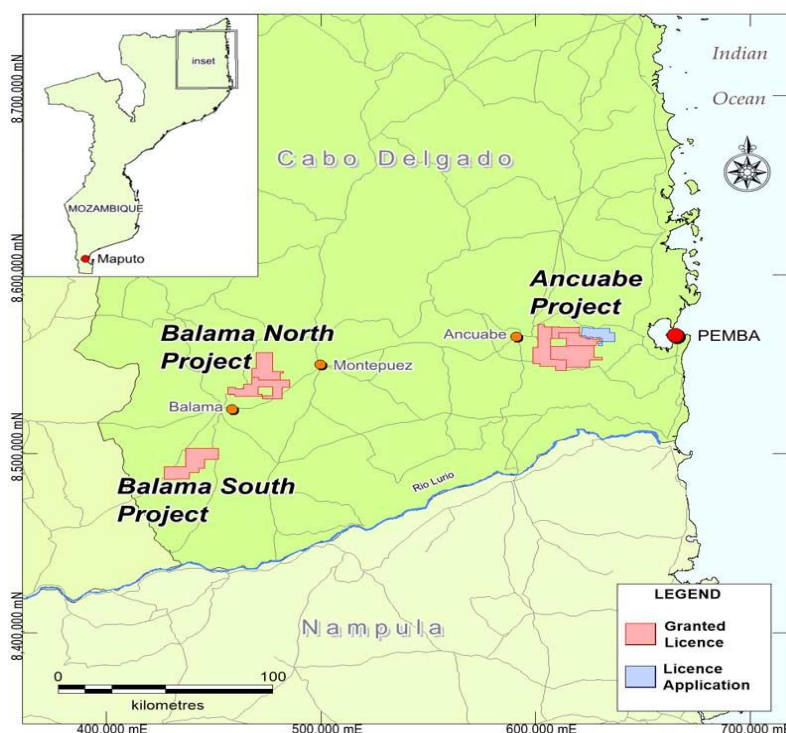
The director of this entity is Mr Garth Higgs.

Grafex

Grafex is an entity incorporated in Mozambique, its only assets being graphite exploration licenses in Mozambique. Under Mozambique law, only a single entity is permitted to hold legal title over mineral exploration and related mining license. Grafex is the holder of the exploration licenses described and has no other recognised assets or operations. Grafex existed, and held some licenses, prior to the commencement of the Company's relationship with Grafex in 2012. The licenses Grafex now hold comprises three (3) project areas known as:

- Balama North Exploration Licenses
- Balama South Exploration Licenses
- Ancuabe Exploration Licenses

All three areas are depicted below:



Grafex sought a participant to fund exploration and development activities in relation to the licenses and on 13 December 2012, it entered into the Farm-in and Joint Venture Agreement (“2012 JV Agreement”) with the Company.

In February 2013, an addendum was added to the 2012 JV Agreement which gave JV rights to two additional licenses, 5934L and 5966L.

Joint Venture & Share Purchase Agreement

The Company was able to earn up to an 80% “legal and beneficial interest in the licenses” by making various payments in cash and shares to the shareholders of Grafex (Gregory Sheffield 50% and Claudio Manuel Loureiro de Nogueira) and by achieving key milestones.

Under the terms of the 2012 JV Agreement, the Company was liable to fund all exploration and development liabilities with no recourse to the shareholders of Grafex.

Although the 2012 JV Agreement granted Triton a legal and beneficial interest in the licenses, the Company sought to further confirm and secure its interest in the licenses directly through Grafex.

In November 2013 the Company entered into a Share Purchase Agreement and Shareholders’ Agreement (“2013 Agreements”) with the shareholders of Grafex to purchase up to 80% of the shares (quotas) in Grafex, with the percentage equity interest acquired mirroring the Company’s joint venture interest in the licenses.

On 28 July 2014, the Company provided the final consideration instalment to achieve a 60% interest in Grafex.

On 24 July 2014, the Company executed variations to the JV, SA & SPA agreements (“2014 Agreements”) to acquire an 80% and 100% equity interest via staged consideration. Previous agreements required the achievement of milestones to earn an 80% interest and did not provide for a mechanism to earn 100% interest in the licenses & Grafex. On 25 August 2014, the Company provided the final consideration to acquire an 80% interest in Grafex and on 8 October 2014 an 80% equity interest was registered in Grafex and held by Triton United Limited (a 100% owned subsidiary of Triton). At this point in time Gregory Sheffield continues to retain a 20% interest in Grafex.

In February 2015, the Company executed variations to the JV, SA & SPA agreements (“2015 Agreements”) to acquire a 90% and 100% equity interest via earn-in stages and to vary the consideration from the 2014 Agreements to be paid in monthly instalments.

Total consideration of \$22,510,622 (which comprised of \$9,104,769 cash consideration and \$13,405,853 share based consideration) has been paid to date to the shareholders of Grafex.

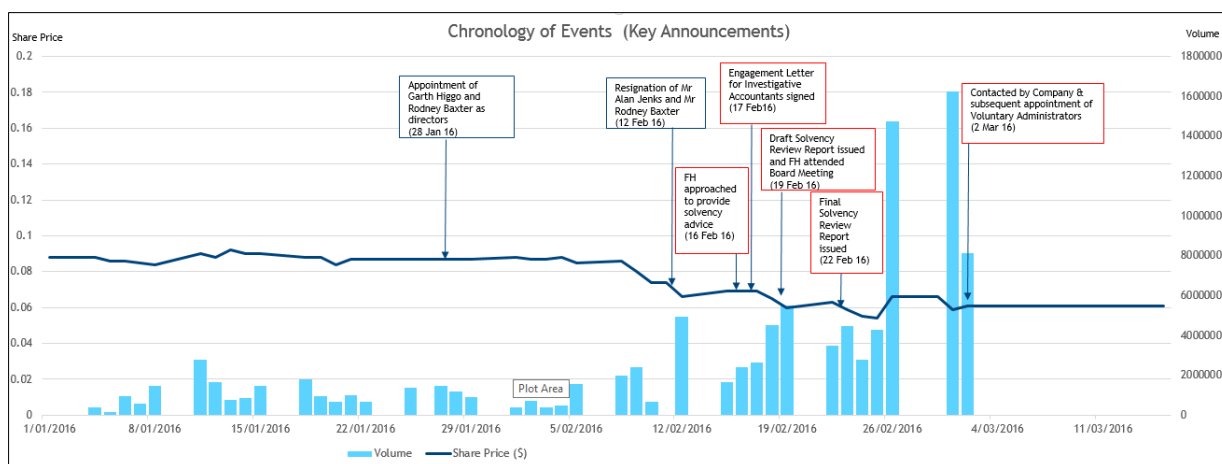
Of the total consideration paid in respect to acquiring the further 20% equity interest, the Company paid \$6,732,661 (US\$5,200,000) which comprised of \$2,880,542 cash consideration and \$3,852,120 share based consideration, for which US\$1,000,000 in consideration remains unpaid. The consideration due date for the Company to acquire a 90% equity interest was 24 February 2016. Based on the terms of the 20% equity interest earn-in agreements, the full consideration was not paid by the due date and therefore all previous instalments were forfeited and the Company’s equity interest remains at 80%.

The directors of this entity are Bradley Boyle (resigned), Paige Exley and Gregory Sheffield.

The terms of the SA states that the Company is responsible for operations of the tenements including funding and day to day management which is overseen by the Company's employees.

3.2.2 History of Share Price

The Company's historical share price and trading volume from 1 January 2016 to 2 March 2016 are as follows:



The Company's capital raising exercises from March 2015 to 2 March 2016 (excluding shares issued to Grafex shareholders) are as follows:

Date	Details	Amount (\$)
16-Mar-15	Private Placement	1,000,000
25-Mar-15	Issue of Shares to Directors	256,500
26-Mar-15	Issue of Shares to Directors	10,000
26-Mar-15	Shares issued on exercise of options	12,014
26-Mar-15	Issue of Shares to Consultants	37,125
27-Mar-15	Shares issued on exercise of options	188,142
7-Apr-15	Shares issued on exercise of options	159,948
8-Apr-15	Shares issued on exercise of options	147,038
15-Apr-15	Shares issued on exercise of options	39,285
28-Apr-15	Shares issued on exercise of options	3,571
28-Apr-15	Issue of Shares to Consultants	355,000
6-May-15	Shares issued on exercise of options	21,428
18-May-15	Private Placement	12,005,484
18-Jun-15	Shares issued on exercise of options	3,571
18-Jun-15	Issue of Shares to Directors	30,000
18-Jun-15	Issue of Shares to Consultants	315,000
20-Jan-16	Issue of Shares – Rights Issue	1,779,279
25-Jan-16	Issue of Shares – Rights Issue Shortfall	1,970,521
27-Jan-16	Issue of Shares – Rights Issue Shortfall	250,200
Total		18,584,106

3.2.3 Key ASX announcements

The Company's key ASX announcements from 1 January 2016 leading up to our appointment is as follows:

Date	Announcement
4-Jan-16	Entitlement Offer - Despatch of Prospectus.
13-Jan-16	Triton company update: Progress update on recent developments.
15-Jan-16	Notice of Shortfall.
20-Jan-16	Appendix 3 B: New issue announcement, application for quotation of additional securities and agreement
20-Jan-16	Change of Director's Interest Notice - C Catlow.
20-Jan-16	Change of Director's Interest Notice - A Gillman.
25-Jan-16	Appendix 3 B: New issue announcement, application for quotation of additional securities and agreement
27-Jan-16	Appendix 3 B: New issue announcement, application for quotation of additional securities and agreement
29-Jan-16	Triton strengthens board and management with key appointments.
29-Jan-16	Quarterly Activities Report - 31 December 2015.
29-Jan-16	Quarterly Cash Flow Report - 31 December 2015.
3-Feb-16	Triton Corporate Presentation.
3-Feb-16	Terms of contract for MD and CEO.
5-Feb-16	Initial Director's Interest Notice - G Higgo.
10-Feb-16	Trading Halt.
12-Feb-16	Final Director's Interest Notice - A Jenks.
12-Feb-16	Non-Executive Directors, Mr Alan Jenks and Mr Rodney Baxter have resigned from the Board of Directors.
15-Feb-16	Drill results confirm wide zones of large and jumbo graphite.
26-Feb-16	Trading Halt Request.
26-Feb-16	Trading Halt.
26-Feb-16	Response to ASX Price and Volume Query.
1-Mar-16	Accelerated focus on production of premium quality flake graphite concentrates, exploration and development focus to advance the Ancuabe Project and continued assessment of Balama North Development Options.
3-Mar-16	Suspension and appointment of Voluntary Administrators

3.2.4 Source and Application

The Company's source of funds and its application for the period from 1 January 2015 to 2 March 2016 is as follows:

	YTD 1 Jan 15 - 2 March 16 2015-2016
Cash flows from operating activities	
Receipts	
Receipts from customers	6,855
Interest received	55,835
Total Receipts	62,690
Payments	
Payments to suppliers and employees	
- Travel	(509,295)
- Human Resources	(2,510,606)
- Professional Services	(1,302,604)
- Occupancy expenses	(207,187)
- Other	(368,424)
Total Payments	(4,898,116)
Net cash flows used in operating activities	(4,835,426)
Cash flows from investing activities	
Receipts	
Proceeds from R&D refund	460,283
Proceeds for sale fixed assets	
- Sale of Motor Vehicle & Geological Equipment	48,125
Total Receipts	508,408
Payments	
Payments for plant and equipment	(50,058)
Payments for exploration and evaluation expenditure	
- Nicanda Hill DFS	(2,564,231)
- Nicanda Hill Drilling	(1,865,680)
- Nicanda Hill Resource Definition	(1,587,443)
- Ancuabe Activities	(895,349)
- Ancuabe Drilling	(712,857)
- Balama South	(61,016)
- Overheads	(1,149,486)
Payments for financial assets held for sale	
- Investment in Rubicon	(100,000)
Payments for joint venture investments	
- Grafex consideration US\$2.2M	(2,772,650)
Total Payments	(11,758,770)
Net cash flows used in investing activities	(11,250,362)

YTD	
1 Jan 15 - 2 March 16	
2015-2016	
Cash flows from financing activities	
Receipts	
Proceeds from issue of ordinary shares	17,909,198
Total Receipts	17,909,198
Payments	
Payments for share issue costs	(1,251,291)
Total Payments	(1,251,291)
Net cash flows from financing activities	16,657,907
Net increase / (decrease) in cash and cash equivalents	572,119
Cash at the beginning of the year	1,497,435
Net foreign exchange differences	(75,077)
Cash at the end of the period	1,994,477

Decision to appoint Administrators

We understand that the directors had concerns that near to medium term incomplete funding proposals and negotiations of the same had potentially become insufficiently certain as to availability, quantum and other terms to leave the board with a reasonable basis to determine that the Company could remain solvent in the near to medium term.

4 Historical financial position

4.1 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.

4.2 Preparation of financial statements

The Company's financial statements were prepared up to 31 December 2015. At the time of our appointment, Nexia Perth Audit Services Pty Ltd was conducting the audit of the financial statements. This will shortly be recommenced and subsequently lodged.

The audited statutory accounts of Grafex have been prepared and will be lodged by 30 June 2016.

The Company also prepared various management accounts, cash flows, budgets and variance reports on a monthly basis.

The Company's functional currency is AU dollars.

4.3 Profit and loss statement and preliminary analysis

Set out below is a summary of the Company's profit and loss statements for the periods ended 31 December 2014, 30 June 2015, 31 December 2015 and 2 March 2016.

	FY Dec-14 \$	HY Jun-15 \$	FY Dec-15 \$	Mgt A/s Mar-16 \$
Revenue	5,328	749	749	33,379
Expenses	(5,066,432)	(2,870,715)	(5,490,772)	(1,171,077)
Results from operating activities	(5,061,104)	(2,869,966)	(5,490,024)	(1,137,697)
Financial income	63,249	23,849	51,386	4,449
Loss before income tax	(4,997,855)	(2,846,117)	(5,438,638)	(1,133,248)
Income tax expense	-	-	-	-
Net loss for the period	(4,997,855)	(2,846,117)	(5,438,638)	(1,133,248)
Other comprehensive income				
Movement in fair value of available-for-sale assets	30,085	(21,711)	(24,344)	(24,344)
Total other comprehensive income	30,085	(21,711)	(24,344)	(24,344)
Total loss	(4,967,770)	(2,867,828)	(5,462,981)	(1,157,592)

In respect of the above, we make the following comments:

Revenue and Financial Income

The Company recorded no direct trading revenue as the Company currently has no revenue generating operations. The revenue and financial income are generated from interest income from funds held on deposit.

Expenses

The Company's expenses comprise of the following:

Expenses	FY Dec-14 \$	HY Jun-15 \$	FY Dec-15 \$	Mgt A/c Mar-16 \$
Administration	(91,986)	(89,711)	(159,592)	(16,617)
Director and employee benefits	(1,103,284)	(764,621)	(2,159,367)	(454,865)
Share-based payments	(2,694,762)	(1,137,295)	(1,336,752)	(214,627)
Depreciation	(41,296)	(13,676)	(29,834)	(4,591)
Business development expense	(52,548)	-	-	-
Exploration and evaluation expenditure expensed	(102,143)	-	-	-
Insurance	(35,175)	(26,812)	(56,292)	(8,699)
Occupancy	(79,090)	(42,864)	(164,567)	(50,102)
Professional services	(265,228)	(372,637)	(690,019)	(297,251)
Public and investor relations	(363,327)	(123,194)	(279,534)	(48,690)
Travel	(314,619)	(242,392)	(497,202)	(12,352)
Impairment on exploration and evaluation assets	-	(68,743)	(68,743)	-
Impairment on investment in listed entity	-	-	(27,778)	-
Gain/(Loss) on disposal of assets	(4,399)	-	3,880	-
Foreign currency gain/(loss)	99,588	-	(15,284)	(59,793)
Other	(18,163)	11,230	(9,688)	(3,490)
Total Expenses	(5,066,432)	(2,870,715)	(5,490,772)	(1,171,077)

4.4 Balance sheet and preliminary analysis

Set out below is a summary of the Company's balance sheet as at 30 June 2015 and 31 December 2015:

	HY Jun-15 \$	FY Dec-15 \$
Current Assets		
Cash and cash equivalents	8,600,735	343,642
Trade and other receivables	129,180	544,343
Prepayments	53,980	57,709
Total Current Assets	8,783,895	945,694
Non-Current Assets		
Financial assets	17,407	86,996
Property, plant and equipment	68,867	94,726
Exploration and evaluation assets	10,025,413	16,522,452
Equity-accounted investees	23,367,259	31,815,897
Other non-current assets	785,423	708,609
Total Non-Current Assets	34,264,369	49,228,680
Total Assets	43,048,264	50,174,374
Current Liabilities		
Trade and other payables	785,899	3,589,128
Provisions	2,106,176	9,083,124
Total Current Liabilities	2,892,075	12,672,252
Non-Current Liabilities		
Provisions	3,838	-
Total Non-Current Liabilities	3,838	-
Total Liabilities	2,895,913	12,672,252
Net Assets	40,152,351	37,502,122
Equity		
Issued capital	59,370,840	59,250,029
Reserves	6,121,323	6,184,425
Accumulated losses	(25,339,812)	(27,932,332)
Total Equity	40,152,351	37,502,122

In respect of the above, we make the following comments:

Cash and Cash Equivalent

The revenue and financial income are generated from interest income of funds held on deposit.

Trade and Other Receivables

Trade and other receivables comprise of the following:

	HY Jun-15 \$	FY Dec-15 \$
Trade Debtors	711	-
Advances	23,039	1,476
GST Receivable	91,109	81,874
Other Receivable	14,321	460,994
Total Current Trade and Other Receivable	129,180	544,344

The other receivable of \$460,994 for FY Dec-15 is in relation to R&D refund from the ATO.

Prepayments

The prepayments generally comprise of annual ASX listing fee, computer software and other trading expenses.

Financial Assets

Available-for-sale investments consist of investments in ordinary shares and therefore have no fixed maturity date or coupon rate. The fair value of listed available-for-sale investments is based on quoted prices in active markets. During FY15 the Company purchased 5.5million shares in Rubicon Resources Limited (Rubicon).

The management made a strategic investment in Rubicon as it has several businesses in Mozambique including a logistics business and accounting and legal services business from which the Company obtained services. Rubicon was in the process of opening employee training facilities in Cabo Delgado, the region in which Triton's projects are located in Mozambique.

As at 31 December 2015, the shares were revalued and the resulting impairment loss was recognised in the profit and loss.

Property, Plant and Equipment

The property, plant and equipment comprise of geological equipment, office equipment, computers, computer software and leasehold improvements. The breakdown of the property, plant and equipment is as follows:

	HY Jun-15 \$	FY Dec-15 \$
Geological Equipment	29,650	38,969
Office Equipment	6,917	9,784
Computer Equipment	27,281	37,716
Computer Software	5,019	4,336
Leasehold Improvements	-	3,921
Total Property, Plant and Equipment	68,867	94,726

Exploration and Evaluation Assets

The exploration and evaluation assets breakdown is tabled below:

	HY Jun-15 \$	FY Dec-15 \$
Balance at the beginning of the year	1,615,822	7,231,528
Expenditure incurred in the period	8,478,334	9,359,666
Expenditure not capitalised	-	-
Impairment of exploration and evaluation	(68,743)	(68,743)
Balance at the end of the period	10,025,413	16,522,451

The exploration and evaluation assets relate to expenditure for exploration activities that were undertaken in relation to the licenses held by Grafex in 2015. As at 31 December 2015, six of the eight licenses included in the joint venture agreement with Grafex had been officially granted by the Mozambique government, with two (2) additional licenses in application. The applications are complete, awaiting ratification and gazetting in Mozambique.

The Company holds a majority 80% interest in Grafex.

Equity-accounted investees

The equity-accounted investees refer to the Company's interest in Grafex.

The equity-accounted investees breakdown is tabled below:

	HY Jun-15 \$	FY Dec-15 \$
Balance at beginning of the year	15,823,331	15,823,331
Investment in joint venture during the year	7,543,928	15,992,566
Balance at the end of the period	23,367,259	31,815,897

During 2015, equity and cash with a combined value of \$6,732,661 were spent on acquiring a 90% interest in Grafex. These amounts will now be written off.

Other non-current assets

The other non-current assets comprise of an equity placement facility fee with Long State.

Trade and Other Payables

The breakdown of the trade and other payables is as follows:

	HY Jun-15 \$	FY Dec-15 \$
Creditors	724,957	2,446,403
Accruals	15,000	532,460
Other Payables	45,941	610,264
Total Trade and Other Payables	785,899	3,589,128

Provisions

The detailed breakdown of the Company's provisions are as follows:

	HY Jun-15 \$	FY Dec-15 \$
Current		
Provision for annual leave	103,788	151,050
Provision for foreign tax	1,902,387	8,795,050
Provision for rehabilitation	100,000	137,024
Total Current Provisions	2,106,175	9,083,124
Non-current		
Provision for long service leave	3,838	-
Total Provisions	2,110,013	9,083,124

The provision for foreign tax relates to the potential CGT liability in Mozambique. The CGT liability (due and payable by the seller or transferor) is joint and several with the purchaser (the Company) and the Mozambique entity holding the mining rights (Grafex), meaning if the seller does not comply with payment of the CGT, the purchaser and the company will be liable for such payment.

As far as we are aware a tax assessment has not been lodged with the tax authority to finalise any amount that may be payable. In this regard, we have been liaising with Mozambique lawyers and the seller (Mr Gregory Sheffield) in regard to the above issue. As at the date of this report, the issue has not been resolved.

5 Statement by directors

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

We received the Directors' Statement on 18 March 2016.

In the Statement, the Directors detailed the Company's assets and liabilities at book value and Estimated Realisable Value ("ERV"). The following table summarises the assets and liabilities disclosed in the Directors' Statement:

Statement as at 2 March 2016	Report Reference	Cost or Net Book Value	Directors' ERV	Administrators' ERV	
				Low	High
		\$	\$	\$	\$
Assets					
Sundry debtors	5.1.1	670,861	-	-	-
Cash on hand	5.1.2	8,742	8,742	8,742	8,742
Cash at bank	5.1.2	1,985,735	1,985,735	1,985,735	1,985,735
Plant and equipment	5.1.3	88,774	88,774	1,909	1,909
Other assets	5.1.4	48,727,174	47,974,871	Confidential	Confidential
Sub Total		51,481,286	50,058,122	Confidential	Confidential
Total Available Assets		51,481,286	50,058,122	Confidential	Confidential
Priority creditors					
- Employee entitlements payable in advance of secured creditors	5.1.5	41,899	41,899	473,841	473,841
Total Priority Creditors		41,899	41,899	473,841	473,841
Non-priority employee claims	5.1.5	-	-	915,005	915,005
Ordinary unsecured creditor claims	5.1.6	2,142,126	2,142,126	1,678,524	1,678,524
Contingent liabilities	5.1.7	8,932,074	8,932,074	6,422,618	6,422,618
Estimated Surplus/(Deficiency)		40,365,187	38,942,023	Confidential	Confidential

The Administrators have not audited the Company's records or the book values. The above table 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 make public (or otherwise) certain asset values that are commercially sensitive.
- The value of creditor claims remains subject to change as further claims may be received and require adjudication.
- The table above does not provide for possible trading losses or professional costs associated with the administration process.

We comment on the Directors' statement as follows:

5.1.1 Sundry Debtors

The Company's records as at 2 March 2016 showed \$670,861 as being owed to the Company from related entities, summarised below:

Debtor Name	Amount \$
Triton United Ltd	655,134
Triton Gold (Operations) Pty Ltd	13,903
Triton Asia Pte Ltd	1,824
Total	670,861

Triton Gold (Operations) Pty Ltd and Triton Asia Pte Ltd are dormant and we do not anticipate that there will be any recovery from these related entities.

Triton United Limited is a United Arab Emirates based entity incorporated on 10 August 2014 to hold the Group's 80% interest in Grafex (license holder of the Mozambique graphite exploration projects). The amounts owed relate to funds that were ultimately provided to Grafex to fund operational expenses.

5.1.2 Cash on hand and cash at bank

We have taken control of the Company's petty cash of \$8,742. The monies were utilised to meet cash trading costs during a recent site visit.

The Company operated six (6) bank accounts with Australia and New Zealand Banking Group Limited (ANZ) and two (2) bank accounts with Westpac Banking Corporation (Westpac). The breakdown of the amount reported in the Statement as at 2 March 2016 is as follows:

ANZ Bank Account	Amount \$
Term Deposit – Funds secured against a bank guarantee for a corporate credit card	30,000
Term Deposit – Funds secured against a bank guarantee for rental bond for office premises at Claremont	42,962
At Call Account – Funds held for working capital purposes	1,634,244
Share Account – Capital raising funds	2,135
Operating Account – Funds held for working capital purposes	65,995
USD Account – Funds held for working capital purposes	162,275
Total	1,937,611

*conversion rate at the date of appointment of 0.7231

Westpac Bank Account	Amount \$
Cheque Account – Funds held for working capital purposes	409
Term Deposit – Funds secured against a bank guarantee for the rental bond of the Subiaco property	47,714
Total	48,123
Grand Total	1,985,735

A formal demand against the bank guarantee of \$34,897 was made by Financial Personnel Pty Ltd in relation to the property lease located at Subiaco. Following the demand, there is a balance of \$13,398 in the Westpac Term Deposit Account. We have written to Westpac to transfer the balance into Administrators' account.

5.1.3 Plant & equipment

The Company's plant and equipment comprise of the following:

Description	Amount \$
Geological Equipment	36,462
Office Equipment	9,304
Computer Equipment	35,007
Computer Software	4,112
Leasehold Improvements	3,889
Total	88,774

The plant and equipment above are recorded at book values. We have to date disposed of the geological equipment for \$1,000 and certain office equipment for \$909. As operations of the Company have continued, we have not obtained a valuation of the assets. However, based on our experience, the realisable value of such assets will be minimal.

5.1.4 Other assets

The Company's other assets comprise of the following:

Description	Book Value \$	Directors' ERV \$	Administrators' ERV \$
Deposits			
- Cash advance	7,761	7,761	7,761
- Prepayments	40,759	-	-
- GST receivable	39,753	39,753	39,753
Investments			
- Shares in Rubicon	72,222	72,222	44,444
- Long State equity placement fees	708,609	-	-
- Investment in Grafex	48,727,174	47,974,871	Confidential
- Investment in subsidiaries	2,936	-	-
Total	49,599,214	48,094,607	91,958

Deposits

- The cash advance of \$7,761 is in relation to US\$4,500 which was sent to Mozambique as a cash call for February 2016 which was returned to Triton United's bank account.
- The prepayment amount is in relation to insurances and ASX listing fees of which no funds are expected to be returned to the Company.
- The GST receivable amount is in relation the refund from the ATO for March 2016 quarter which has yet to be received.

Investments

- The Company holds 5.5 million shares in Rubicon. We have to date received some minor interest in this investment, but no offers that are commercially acceptable.
- The Long State equity placement fees is related to the securities issued as consideration for the Long State equity placement facility. This will lapse now that the agreement has been terminated.
- The Directors have indicated that the ERV for the Company's investment in Grafex & Exploration Expenditure is subject to an independent valuation. The sale process completed by the Administrators in regard to the Company's investment in Grafex is discussed in section 8 of the report.
- Other than Grafex, we do not anticipate that there will be any recovery from the Company's investments in its other subsidiaries.

5.1.5 Employee claims

Whilst the Statement shows that the Company's employees' claims are \$41,899, we have examined the employees' records and estimate the amounts owed to employees are as follows:

Description	RATA Amount \$	Administrators' ERV \$
Priority		
Directors' priority payments	-	6,564
Redundancy	-	320,500
Annual Leave	41,899	26,470
Payment in lieu of notice	-	109,870
Super on payment in lieu of notice	-	10,438
Non Priority		915,005
Total	41,899	1,388,847

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

The Act provides that excluded employees (including Company directors and their spouses) are each restricted to a total maximum priority claim of \$2,000 for unpaid wages and superannuation entitlements and \$1,500 for leave entitlements. Amounts owed to excluded employees that exceed the statutory limit, and all payments owing in respect of redundancy and payment in lieu of notice will rank as an ordinary unsecured claim.

Should the Company be placed into liquidation at the Second Meeting, employees may be eligible for financial assistance under the Fair Entitlements Guarantee Act 2012. Further information on FEG including eligibility for assistance can be found at www.employment.gov.au/feg.

The non-priority claim relates to the amount that exceed the statutory cap applied to officers (as defined by the Act).

5.1.6 Ordinary unsecured creditors

In their Statement, the Directors have recorded unsecured creditor claims totalling \$1,259,584.

To date we have received 15 proofs of debt totalling \$986,112. Our expectation is that unsecured creditors may be as high as \$1,678,524.

5.1.7 Contingent liabilities

The Directors have recorded the following as contingent liabilities:

Name of creditor	Nature of liability	Amount \$
Grafex	CGT liability (US\$6M)	8,795,050
YXGC	Contingent damages claim	Unknown
License rehabilitation provision	Obligation to rehabilitate disturbed ground	137,024
Total		8,932,074

➤ Grafex Ltd - CGT

As a result of the JV and SPA, the Company's preliminary calculations suggest that a CGT liability of approximately US\$6.4 million may have arisen in regard to the transfer of 80% of the shares in Grafex from Mr Gregory Sheffield to Triton United. To quantify and determine if an amount is payable, an application seeking a binding opinion from the Mozambique Tax Authorities must be lodged. This may take up to 6 months. Subject to their decision, a Tax Clearance Certificate confirming payment of the tax amount or exemption of same is provided to the applicant.

The CGT liability (due and payable by the seller or transferor) is joint and several with the purchaser (the Company) and the Mozambique entity holding the mining rights (Grafex), meaning if the seller does not comply with payment of the capital gain tax, the purchaser and the Company will be liable for such payment.

We have been liaising with Mozambique lawyers and the seller in regard to the above issue. As at the date of this report, the issue has not been resolved.

➤ YXGC – Damages

The Company and YXGC entered into the following arrangement:

- Letter Agreement dated 8 March 2015 between the Company and YXGC for the sale and purchase of graphite concentrate from Triton's Mozambique graphite project; and
- Letter Agreement dated 13 May 2015 JVs between the Company and YXGC to construct and operate two graphite facilities in Mozambique and China to produce enhanced graphite products.

On 21 March 2016 YXGC wrote to the Company terminating the agreements and claiming damages in the amount of US\$1,000,000. It is our view that the arrangements are not sufficiently certain on a number of terms to be legally binding on the Company, including any claim for damages that may arise following termination.

➤ **License rehabilitation provision**

This relates to the Mozambique licences however management expect that the provision will not crystallise.

5.2 Omissions from statements

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

5.3 Explanation for current financial position

The Directors' explanation for the Company's current financial position is as follows:

- That near to medium term incomplete funding proposals and negotiations had potentially become insufficiently certain as to availability, quantum and other terms to leave the board with a reasonable basis to determine that the Company could remain solvent in the near to medium term.

Our preliminary view is that, in addition to the reasons identified by the Directors, the Company's causes of failure are as a result of the following:

- It had entered into several uncommercial contracts which were drafted poorly and created uncertainty in regard to quantum of claims. This made it difficult for the Directors to clearly articulate the strategy of the Company and subsequently raise capital in the market.
- A contingent liability that may arise from the determination of the obligation for CGT in Mozambique.
- The onerous corporate overhead structure that had been established. In particular, the employment terms that were awarded to certain staff, and which made it difficult to complete a meaningful restructure of the management group and downsize its costs structure, particularly with limited funds.
- The strategic direction and inefficient use of funds with regard to the exploration program, relative to the advancement of the project over the previous one to two years.

6 Statutory investigations

6.1 Nature and scope of review

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

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

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

A deed administrator does not have recourse to voidable transactions.

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

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

6.2 Review of directors minutes

A summary of the directors' meetings held between 1 January 2016 and 2 March 2016 is as follows:

Date	Notes
28 January 2016	<p>The meeting was to disclose conflicts of interest, entitlement offer, the Company cash flow and solvency matters, appointment of Mr Rodney Baxter as Non-Executive Director, equity incentive plan and performance rights and the management report which amongst others comprised of executive appointments, Grafex acquisition, Graphit Kropfmuehl, Chinese Agreements (YXGC) and Mozambique Graphite Projects.</p> <p><i>Attendees: Christopher Catlow, Paula Ferreira, Alfred Gillman, Paige Exley, Garth Higgs, Richard Jarvis and Kym Atkins.</i></p>
9 February 2016	<p>Discussion on the cash flow and solvency of the Company. The directors believe that the Company is solvent and there is reasonable grounds to believe that the Company is able to pay its debts as and when they fall due and payable. The directors also discussed matters in relation to the board composition, entitlement offer shortfall, Grafex acquisition, Graphit Kropfmuehl, YXGC Chinese Manufacturing Joint Venture, Mozambique project update, other strategic, corporate and corporate governance matters.</p> <p><i>Attendees: Christopher Catlow, Alan Jenks, Alfred Gillman, Rodney Baxter, Garth Higgs, Paige Exley and Richard Jarvis.</i></p>
12 February 2016	<p>Discussion about the cash flow and solvency of the Company, the treasury report which details the creditors, director fees, ongoing costs, project expenditure, independent resource audit and R&D grant. The directors also discussed fund raising matters.</p> <p><i>Attendees: Garth Higgs, Alfred Gillman, Paige Exley, Richard Jarvis, Patrick Ellis, Sarah Turner and Dominic Emmett.</i></p>

Date	Notes
19 February 2016	<p>Discussion on the draft Solvency Review Report was issued to the Company and Mr Martin Jones attended a Board Meeting via telephone to discuss the findings in the draft report.</p> <p><i>Attendees: Christopher Catlow, Garth Higgo, Alfred Gillman, Paula Ferreira, Paige Exley, Richard Jarvis, Patrick Ellis, Sarah Turner, Dominic Emmett and Martin Jones.</i></p>
26 February 2016	<p>Discussion about the cash flow and solvency of the Company, updates on ASX announcements, Grafex Acquisition, YXGC joint venture, R&D grant, treasury report, fund raising and AMG GK matters.</p> <p><i>Attendees: Christopher Catlow, Garth Higgo, Alfred Gillman, Paula Ferreira, Paige Exley and Richard Jarvis.</i></p>
2 March 2016	<p>Discussion about the cash flow and solvency of the Company, the appointment of administrators and the execution of instrument of appointment of administrators.</p> <p><i>Attendees: Christopher Catlow, Garth Higgo, Alfred Gillman, Paige Exley, Libby Plunkett, Richard Jarvis, Patrick Ellis, Sarah turner and Dominic Emmett.</i></p>

Based on our observations of the minutes reviewed, there is no findings which require any further investigation at this stage.

6.3 The Company's solvency

6.3.1 Overview of insolvency tests and indicators

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.

Section 95A of the Act also contains a definition of solvency. That definition reflects the commercial test in stating that a person is solvent if "the person is able to pay all the person's debts as and when they become due and payable."

However, the commercial test is not the sole determinant of solvency. Determining solvency derives from a proper consideration of a company's financial position in its entirety and in the context of commercial reality. Relevant issues include, but are not limited to the following.

- The degree of illiquidity. A temporary lack of liquidity is not conclusive;
- Regard should be had to:
 - Cash resources;
 - Monies available through asset realisations, borrowings against the security of assets or equity/capital raising.
- All of a company's assets might not be relevant when considering insolvency. For example, where a company proposes selling assets which are essential to its business operations, the proceeds of those asset sales should not be taken into account;
- The voluntary and temporary forbearance by creditors not to enforce payment terms; and
- It is not appropriate to base an assessment of whether a company can meet its liabilities as and when they fall due on the prospect that a company might trade profitably in the future.

In summary, it is a company's inability using such resources as are available through the use of its assets, or otherwise, to meet its debts as they fall due, which indicates insolvency.

6.3.2 Preliminary determination

Set out below is a summary of our preliminary investigations and our preliminary determination as to the Company's solvency.

6.3.2.1 Endemic shortage of working capital - balance sheet test

6.3.2.1.1 Working capital

The table below summarises the Company's working capital position:

	30-Jun-15	31-Dec-15	2-Mar-16
	\$	\$	\$
Current Assets	8,783,895	945,694	2,077,804
Current Liabilities	2,892,075	12,672,252	11,194,819
Working Capital	5,891,820	(11,726,558)	(9,117,015)
Working Capital Ratio	3.04	0.07	0.19

We make the following comments in respect of the above high level analysis:

- The Company recorded positive working capital position in 30 June 2015.
- The negative working capital position in 31 December 2015 was impacted by the reduction in cash and cash equivalents and as a result of the Company recording a CGT liability as current.
- The CGT amount recorded by the Company as at 31 December 2015 and 2 March 2016 was calculated by reference to all consideration paid by the Company, not just the amounts paid to acquire an 80% interest in Grafex.

- We understand from the financial statements that during the year ended 31 December 2015, the Company made payments of US\$2.2 million and issued 16,109,734 shares to the shareholders of Grafex to increase its interest in Mozambique and attempt to acquire a 90% equity interest in Grafex.
- The Company made attempts to raise \$11 million during a capital raising in December 2015, however they were only successful in raising \$4 million.

The table below summarises the Company's adjusted working capital position removing the CGT liability:

	30-Jun-15 \$	31-Dec-15 \$	2-Mar-16 \$
Current Assets	8,783,895	945,694	2,077,804
Current Liabilities	989,688	3,877,202	2,399,769
Working Capital	7,794,207	(2,931,508)	(321,965)
Working Capital Ratio	8.88	0.24	0.87

6.3.2.1.2 Net asset position

The table below summarises the Company's net asset position:

	30-Jun-15 \$	31-Dec-15 \$	2-Mar-16 \$
Assets			
Current Assets	8,783,895	945,694	2,077,804
Non-current Assets	34,264,369	48,857,960	49,398,536
Total Assets	43,048,264	49,803,654	51,481,285
Liabilities			
Current Liabilities	2,892,075	12,301,532	11,116,099
Non-Current Liabilities	3,838	-	-
Total Liabilities	2,895,913	12,301,532	11,116,099
Surplus/(deficiency)	40,152,351	37,502,122	40,281,521

The financial statements disclose significant positive net asset balances indicating that there are sufficient assets to cover its liabilities. However, this is largely due to the equity-accounted investment in Grafex.

6.3.2.1.3 Aged payables review

The table below sets out an analysis of the aged payables as at 2 March 2016:

	Current \$	30 Days \$	60 Days \$	90+ Days \$	Total
Trade Creditors as at 2 March 2016	447,208	258,269	323,006	286,967	1,315,450
Percentage of Total	34%	20%	25%	22%	100%

The Company's accounting system does not produce accurate aged payable reports in respect of foreign currency payables due to different exchange rates used at various times. Accordingly, the above aged payables analysis will not reconcile to the Directors' Statement.

It can be noted that the majority of debts are current and only 22% of the debts are significantly overdue.

Prior to our appointment the Company made a significant effort to reduce creditor balances by issuing shares as a means to pay liabilities.

Ages payables do not include the CGT liability, amounts owed in respect of Mozambique tenements rates or Bradley Boyle's termination payment.

6.3.2.1.4 Review of banking facilities

The Company had six (6) banking facilities with ANZ and two (2) Westpac as at 2 March 2016. We provide a breakdown of the Company's banking facilities at section 5.1.2 of this report.

The totally funds held in the accounts at the date of our appointment \$1,985,735. The actual funds available for use by the Company was \$1,895,059 as two accounts were linked to bank guarantees in respect of rental leases.

The Company also had credit card facilities for a cumulative sum of \$50,000 which was reduced to \$30,000.

6.3.2.2 Availability of other cash resources – cash flow test

6.3.2.2.1 Profitability

The table below summarises the profitability of the Company:

	30-Jun-15	31-Dec-15	2-Mar-16
	\$	\$	\$
Net Profit/(Loss)	(2,867,828)	(5,462,982)	(1,157,593)

Whilst the Company recorded net losses, this is not uncommon for an exploration and development company. This was not an unexpected loss given the status the Company's projects.

6.3.2.2.2 Cash flow

Based on our previous assessment of the Company's cash flow on 17 February 2016, the Company would have remained solvent at least until 4 May 2016. We made this assessment based on the following assumptions.

- It was currently exploring recapitalisation and capital raising proposals with a number of parties;
- It was negotiating payment of Bradley Boyle's termination payment;
- It was negotiating deferral of creditor payments however they were not in forms that were binding;
- A CGT liability had not crystallised and would be challenged by the Company;
- There was no claim against the Company by YXCG; and
- There were not any further claims that the Company was aware of.

An assessment of the Company's cash flow shortly after our appointment noted that the Company had additional claims of approximately \$400k in relation to tenement rates in Mozambique, which were overdue.

Having regard for the ordinary monthly costs of the Company which were approximately \$350,000, it appears that the Company had insufficient cash resources to meet its ongoing commitments, in particular if the forbearance negotiations with creditors were unsuccessful.

6.3.2.2.3 Access to alternative sources of finance

Management made attempts to raise \$11 million during a capital raising in December 2015. However, they were only successful in raising \$4 million. Management then commenced discussions with a number of brokers leading up to our appointment in regard to further capital raisings, however the terms and quantum of funds that were able to be raised became too uncertain.

The Company and Long State had previously entered into an equity placement facility dated 26 January 2015. The purpose of the facility was to provide the Company with funding of up to \$20 million for period of 2 years. We understand from legal advice received by management that it was not in the Company's (or shareholders) interests to activate this facility. As such the facility was not used.

6.3.2.2.4 Overdue Commonwealth and State taxes

Superannuation

The records of the company disclose that superannuation contributions for employees were up to date at the date of our appointment.

ATO

The Company's records show that the ATO liabilities were up to date.

Payroll Tax

The Company's records show that the payroll tax liability was up to date.

GST

The Company's records show that the GST liability was up to date.

6.3.2.2.5 Creditor forbearances / indulgences

We are not aware of any legal demands made against the Company. However, we understand that the Company reached informal (by email) agreements with 8 creditors who represented approximately 96% of the total debts. We note that 2 of the 8 agreements incorporated part settlement of amounts outstanding in shares.

6.3.3 Preliminary conclusion as to solvency

Having regard to the above analysis, despite the negative working capital and the losses incurred by the Company, it is our preliminary view that the Company was likely to have been insolvent from the date of our appointment.

This statement should be considered in the context that:

1. Net of ages payables, Bradley Boyle's termination payment, tenement rates and trade creditors, the Company available cash was negative \$174,963.
2. The monthly overhead costs were approximately \$350,000.
3. It had recently attempted to raise funds on the capital markets and in regards to future capital raising, there was a level of uncertainty with regards to the quantum and timing of funds being raised.
4. The uncertain nature of contingent claims which had been identified.

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.

6.4 Potential liquidator recoveries – insolvent trading

6.4.1 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 imposed 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.

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.

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.

Based on our analysis, we consider that the Company was not insolvent until at least the date of our appointment. Based on that analysis, we have formed the preliminary view that the Company did not trade whilst it was insolvent.

Again, a liquidator would likely seek legal advice on these issues and conduct more investigations, possibly including a public examination.

6.4.2 Holding company liability

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

The substantive elements of Section 588V are:

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

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

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

As the Company is not a subsidiary of a holding company, this section does not apply.

6.5 Potential liquidator recoveries – voidable transactions

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

Enclosed at **Annexure H** is a creditor information sheet published by ASIC. This information sheet details the types of transactions which a liquidator can seek to void.

We have not identified any voidable transactions at this stage.

6.5.1 Unfair preferences

Our preliminary investigations into the Company's affairs do not reveal any unfair preference payments. In accordance with Section 588FC of the Act, an unfair preference can only be set aside if it is an insolvent transaction and therefore it would be necessary for a liquidator to prove that the Company was insolvent at the time of the transaction. Given that our preliminary assessment of the date of insolvency was not before 2 March 2016, there is therefore limited scope for any unfair preference to exist. Factors which indicate these payments might be unfair preferences are:

- Payments in response to winding up applications, statutory demands and other pressure from the creditor;
- Repayment plans with the creditor;
- Significant 'round' figure payments were made to the creditor.

The payments would be protected if the creditor from whom the liquidator seeks to recover

- Became a party to the transaction in good faith.
- At the time when they became a party:
 - They had no reasonable grounds for suspecting that the Company was insolvent at that time, or would become insolvent; and
 - A reasonable person in that person's circumstances would have had no such grounds for so suspecting; and
- Provided valuable consideration under the transaction or has changed their position in reliance on the transaction.

A creditor seeking protection must prove all three elements.

Further, where a creditor received a series of payments as part of a so called 'running account' and their overall indebtedness increases over the same period, the creditor is taken not to have received an unfair preference. This is called 'the running account defence'.

A liquidator would likely seek legal advice on the strength of a claim including the applicability of these defences. It is likely any recovery action commenced by a liquidator would be defended. Therefore, costs are a major consideration.

6.5.2 Uncommercial transactions

A liquidator must investigate transactions deemed to be uncommercial, having regard to the detriment to the company suffered as a consequence of the transaction 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.

6.5.3 Unfair loans

Section 588FD of the Act provides that a loan to a company is unfair if the interest and charges are extortionate. In considering whether interest and charges are extortionate, regards must be had to:

- Risk the lender is exposed to;
- Value of security;
- Term;
- Repayment schedule; and
- Amount of loan.

Based on our investigations to date, the Company was not a party to any unfair loans.

6.5.4 Voidable transactions - related parties

A liquidator must investigate related party transactions within four years of the date of administration and determine whether any transactions occurred when the company was insolvent or was likely to become insolvent as a result of the transaction.

Based on our investigations to date, we have not identified any related party transactions which may be voidable.

6.5.5 Voidable charges

Based on our investigations to date, we have not identified any charges which may be voided by a liquidator.

6.6 Other potential liquidator recoveries

6.6.1 Compensation for breach of directors' duties

Based on our investigations to date, we have identified that the directors may have committed a breach under section 180 of the Act.

6.6.1.1 *Directors' and officers' duties of care and diligence – Section 180*

Section 180 of the Act provides that a director or other officer of a corporation must exercise their powers and discharge their duties with the degree of care and diligence that a reasonable person would exercise if they:

- (a) were a director or officer of a corporation in the corporation's circumstances; and
- (b) occupied the office held by, and had the same responsibilities within the corporation as, the director or officer.

We understand that certain directors on behalf of the Company varied employment contracts with three (3) employees. The effect of these variations meant that upon certain events (including redundancy), liabilities of between \$666,000 to \$1.3 million would crystallise and become payable by the Company. The substantial entitlements relate to termination benefits which include between 12 to 24 months' salary upon termination.

This should be considered in the context of the Fair Work Act which states that a small business which employs fewer than 15 employees is not required to pay redundancy when making an employee redundant.

Although industry practices generally provide a level of compensation for redundancy, the varied agreements replaced or amended the previous employment contracts, notwithstanding that there appears to be no commercial justification for the amendments and no change in the work that was performed by each employee. It is unclear whether these contracts were approved by the board.

Having regard to the above, we conclude that certain of the directors may have breached section 180 of the Act by entering into these contracts.

6.6.1.2 Directors' and officers' duties of good faith – Section 181

Section 181 of the Act provides that a director or other officer of a corporation must exercise their powers and discharge their duties:

- (a) in good faith in the best interests of the corporation; and
- (b) for a proper purpose.

Based on our investigations to date, we have not identified any offences by the directors or officers of the Company under this section.

6.6.1.3 Directors', officers' and employees' duties on the use of position – Section 182

Section 182 of the Act provides that a director, secretary, other officer or employee of a corporation must not improperly use their position to:

- (a) gain an advantage for themselves or someone else; or
- (b) cause detriment to the corporation.

Based on our investigations to date, we have not identified any offences by the directors or officers of the Company under this section.

6.6.1.4 Directors', officers' and employees' duties on the use of information – Section 183

Section 183 of the Act provides that a person who obtains information because they are, or have been, a director or other officer or employee of a corporation must not improperly use the information to:

- (a) gain an advantage for themselves or someone else; or
- (b) cause detriment to the corporation.

6.6.1.5 *Obligation to keep financial records*

Section 286 of the Act provides that a company, registered scheme or disclosing entity must keep written financial records that:

- (a) correctly record and explain its transactions and financial position and performance; and
- (b) would enable true and fair financial statements to be prepared and audited.

Based on our investigations to date, we have not identified any offences by the directors or officers of the Company under this section.

6.6.2 Arrangements to avoid employee entitlements

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

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

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

Based on our investigations to date, there has been no contravention of Part 5.8A of the Act by any person.

6.7 Other matters arising from investigations

6.7.1 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.

Our preliminary investigations do not reveal any evidence of falsification of books.

6.7.2 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.

Our preliminary investigations do not reveal any evidence of any false or misleading statements.

6.7.3 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.

Our preliminary investigations do not reveal any evidence of any false information.

6.8 Summary of potential liquidator recoveries

Set out below is a summary of transactions that a liquidator would investigate further if the Company is placed into liquidation.

Potential recovery item	Value \$
Directors' Liability	0
Holding Company Liability	0
Unfair Preference	0
Uncommercial transactions	0
Unfair loans	0
Voidable transactions-related parties	0
Voidable Charges	0
Compensation for breach of directors' duties	TBD
Arrangement to avoid employees' entitlement	0

6.9 Directors' ability to pay a liquidator's claims

At this stage, we have not made any assessment as to the financial capacity of the Directors to meet any potential actions that we may identify.

We note that the directors' and officers' policy which was in place prior to our appointment remains on foot.

7 Trading by Administrators

7.1 Overview

The Administrators assumed control of the Company's business upon appointment. Appropriate controls and systems were put in place with respect to cash / banking, purchase orders, and reporting. The business has continued in the ordinary course and the following steps have been taken to date:

- Opened new bank accounts with the ANZ;
- Opened new accounts with service providers, utilities and other non-stock suppliers;
- Reviewed major contracts including lease agreements (disclaimed lease for property located in Subiaco)
- Continued employment of key staff;
- Conducted meetings with Directors, senior management and staff;
- Preparation of an 'Administration' trading forecast;
- Reviewed the procedures for IT services and back up processes for information on site;
- Ensured that the Mozambique tenements were and remained in good standing;
- Reviewed the adequacy of the insurances policies held by the Company.
- Liaised with key creditors and service providers in regard to our appointment.

7.2 Trading issues

The trading issues that have been faced by the Administrators since appointment are as follows:

- Identifying that tenement rates and reporting obligations were not up to date. Approximately \$400,000 of tenement rates were outstanding and were required to be paid to keep the tenements in good standing.
- Lodgement of outstanding annual tenement reports, some dating back over 12 months.
- Engagement of CSA Global to complete a technical review and resource report of the project and confirm the accuracy of the geology profile
- A site visit to complete a technical review and meet with local authorities to confirm that it was 'business as usual'.
- Liaising with key stakeholders, including the Grafex shareholder.
- Completing a legal review of all commercial contracts and forming a position on their utility moving forwards.

7.3 Summary of receipts and payments

A summary of the Administrators' receipts and payments for the period 2 March 2016 to 26 June 2016 is included at part 9 of the Administrators' Remuneration Approval Request Report attached as **Annexure D**.

8 Sale of business / assets

8.1 Background

On 18 March 2016 we appointed Argonaut as our corporate and financial adviser. Argonaut's engagement involved managing the formal process of soliciting expressions of interest to recapitalise and/or restructure the Company and/or its assets.

Given the nature and location of the assets, we consider that it was appropriate in the circumstances to appoint an external advisor who had experience in the graphite market, had a presence in Hong Kong and were able to provide technical and marketing acumen to the process.

8.2 Sale Process Overview

Argonaut and the Administrators agreed that the following process structure had the best prospect of delivering a proposal(s) capable of being presented to creditors:

Process	
Stage 1	Non-binding proposals sought based on information available in an online data room, management meetings and a fixed due diligence period.
Stage 2	Shortlisted parties provided with a short period of additional due diligence prior to submitting final binding offers for selection of a preferred bidder(s).

The process and timing considerations was also driven by the need to complete a technical review of the Company's projects and assist interested parties with their due diligence.

8.3 Timing of Sale Process

On Monday, 4 April 2016 Argonaut commenced the process of distributing introductory emails, a teaser and confidentiality agreement (CA) to potential interested parties. We set down below the key dates of the process.

Item	Date
Execute CA with interested parties	6 April 2016
Online data room access provided to parties whom executed CAs	7 April 2016
Distribute information memorandum to interested parties whom executed CAs	14 April 2016
Management meetings	18 April 2016
Interested parties to submit non-binding proposals	12 May 2016
Shortlisted Stage 2 parties notified	16 May 2016
Stage 2 due diligence period commenced	17 May 2016
Due date for final proposals	2 June 2016 (provided one-week extension to 9 June 2016).

8.4 Due Diligence Process

A coordinated due diligence process was established for interested parties upon receipt of their CAs. This involved management presentation led by Mr Garth Higgs and Mr Patrick Ellis, access to Argonaut, CSA Global, the administrators and their solicitors together with general Q&A by email.

8.5 Interested Parties

Since the commencement of the sales process, Argonaut and the Administrators engaged with a large number of interested parties as set down below:

Contact Made	Confirmed Interest	CA Executed	Data Room Access	Management Presentations	Stage 1 proposals received	Stage 2 proposal received
56	36	17	17	6	4	2

Following stage 1 we received four (4) non-binding proposals of which two (2) were recapitalisation proposals and two (2) trade sale proposals.

Given the nature of the proposals, Argonaut's feedback on each offer and interested parties need to be provided with additional time to present binding offers, interested parties were provided with three weeks to submit final offers. Towards the latter end of the stage two process, two interested parties notified Argonaut that they would not be submitting final binding offers and subsequently withdrew from the sale process.

At the conclusion of the stage two of the sale process we received two proposals:

- Recapitalisation proposal from Somers & Partners ("Somers"); and
- Trade sale proposal from Minjar Gold Pty Ltd ("Minjar").

Based on the final two proposals received, the Administrators determined that the Somers & Partners proposal was superior on an assessment of completion risk, and as a consequence the Administrators entered into exclusive negotiations with Somers & Partners to finalise the proposal terms and documentation. This decision reflected the significant additional completion risks associated with the Minjar proposal being the two key conditions requiring to be satisfied:

- Mozambique regulatory approval; and
- Triggering a pre-emptive rights clause within the SPA.

During the exclusivity period, we received several unsolicited revised proposals from Minjar, the last of which is a recapitalisation of the Company through a Deed of Company Arrangement. We provide further details at section 9 of this report.

9 Proposals for DOCA

9.1 Proposals received

We have received two (2) DOCA proposals seeking to recapitalise the Company. We consider that both proposed DOCAs comply with section 25.6.6 of the Code. We provide a summary of the key terms of the final proposals below:

1. Somers & Partners Pty Ltd (Somers)

Somers' proposal is structured as an underwritten non-renounceable entitlements issue and a creditors trust.

Both the terms of the DOCA and Underwriting Agreement have been negotiated with the Administrators and the Underwriting Agreement is in a form that is capable of being executed by the Company should their proposal be accepted by creditors.

The key terms of their DOCA proposal is set out on the following page and is attached at **Annexure F**.

2. Minjar Gold Pty Ltd (Minjar)

Minjar has submitted a Recapitalisation Deed proposal by involving initially a placement of shares (under the Company's current placement capacity), and a creditors trust. Subsequent to the placement of shares and completion of the DOCA, Minjar will be appointed by the Company to underwrite a non-renounceable rights issue

Both the terms of the DOCA and the recapitalisation deed have not been negotiated with the Administrators and are presently not in a form that is capable of being executed, should their proposal be accepted by creditors.

The key terms of their DOCA proposal and Recapitalisation Deed is set out on the following page and the DOCA is attached at **Annexure G**.

A comparison of Somers and Minjar's DOCA terms are set out in the table below.

Key Proposal Terms	Somers	Minjar
Funding Proposal	Fully underwritten non-renounceable entitlements issue of not less than 226,689,005 fully paid ordinary shares at \$0.06 per share to raise not less than \$13,601,340.29 (Capital Raising) .	Phase 1: Subscription of 105,248,467 fully paid ordinary shares at \$0.08 per share to raise \$8,419,877 to settle the creditor amount of \$3,067,371 plus costs. (Placement) . Phase 2: Immediately following completion of the Placement (and completion of the DOCA), Minjar shall be appointed as underwriters to a non-renounceable rights issue of not less than 175,414,111 fully paid ordinary shares at \$0.04 per share to raise not less than \$7,016,546 (Entitlement Issue)
Deposit	\$1m (which has been deposited into the FH Trust account), of which: a) \$300k is immediately payable to the Company, be non-refundable and is to be applied towards the Company's costs associated with the Capital Raising and Prospectus issued in relation to the Capital Raising. b) \$200k is immediately payable to the Company and is to be applied by the Administrators and/or Deed Administrators towards preserving the Company's investment in Grafex and associated operating costs of the Company. c) \$500k of the Deposit shall be paid into the Ferrier Hodgson trust account and applied in accordance with clause 3.2(c) of the DOCA Proposal.	No deposit has been received.
Creditor Return	Subject to the Condition Precedents below, payment of \$5m cash or any further Shortfall Amount to repay creditors 100 cents in the \$ plus statutory interest of 8%.	Subject to the Condition Precedents below: 1. payment of 100 cents in the \$ plus statutory interest if the Mozambique Capital Gains Tax liability is excluded; or 2. payment of 30 cents in the dollar to unsecured creditors if the Mozambique Capital Gains Tax is included.

Key Proposal Terms	Somers	Minjar
Causes of Action	All causes of actions that the Company may have will be retained for the benefit of the Creditors Trust.	Minjar's proposal is silent and it is assumed that all causes of action will be retained for the benefit of the Company.
Condition Precedents	<ol style="list-style-type: none"> 1. As per the DOCA proposal attached at Annexure F. 2. Under the Underwriting Agreement (the terms of which are agreed with the Administrators), the obligations of the underwriter are conditional upon: <ol style="list-style-type: none"> I. creditor approval and execution of the DOCA; II. a prospectus in relation to the Capital Raising (Prospectus) being lodged with ASIC by 5pm on the agreed lodgement date; and 3. the underwriter being satisfied with the form of the Prospectus and consenting to be named in the Prospectus by the agreed lodgement date. 	As per the DOCA proposal attached at Annexure G
Timing	Subject to timing of completing the Prospectus, it may take up to four (4) months to effectuate the DOCA.	<p>Subject to agreement of the Recapitalisation Deed and DOCA with the Administrators, it may take up to 1 to 2 months before the placement funds are received.</p> <p>It should be noted that Minjar's proposal does not contemplate the exclusion from the DOCA/Creditors Trust of any impost including (but not limited to) the contingent CGT liability with the Mozambique Government.</p> <p>In this regard, though the funds consideration may be received earlier than in the Somer's proposal, it may take up to 6 months to negotiate with the Mozambique Government in regard to the adjudication of their claim (if any)</p>

Key Proposal Terms	Somers	Minjar
Participating Creditors	Creditors of the Company who had a claim as at the appointment date will be bound by the DOCA, including any contingent creditors, but excludes any claim or liability (contingent or otherwise) arising out of or in connection with any impost imposed by the Mozambique Government or its agencies under Mozambique law in connection with the Company or its related bodies corporate.	No creditors are excluded.
Directors	<p>Right to nominate one (1) director to the board of directors of the Company who is unrelated to the underwriter and has no conflict of interest with respect to the underwriting or the Capital Raising.</p> <p>Resignation of all existing directors of the Company with the exception of Garth Higgo and Paula Ferreira.</p>	<p>Right to nominate two (2) directors to the board of directors of the Company.</p> <p>Resignation of all existing directors of the Company with the exception of Garth Higgo and Paula Ferreira.</p>
Underwriting Agreement	The terms of the underwriting agreement have been agreed with the Administrators	The terms of recapitalisation deed and the subsequent underwriting agreement have not been agreed by the Administrators or the Company.

9.2 Creditors' Trust

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

It is important that creditors understand that the Creditors' Trust is a separate legal structure to the corporate entity, Triton, which is presently subject to administration.

We table below a summary of information regarding the utilisation of a Creditors' Trust in the Somers' DOCA proposal. This should be read in conjunction with the DOCA Term Sheet enclosed at **Annexure F**.

Though the terms of the Creditor's Trust have not been negotiated and agreed with Minjar, the structure of the Creditors' Trust (excluding key events and return mechanisms) will be very similar, if not the same.

Item	Information for creditors
Reason	<p>The purpose of the Creditors' Trust will be to enable certain tasks ordinarily undertaken by the Deed Administrators (including but not limited to, the calling for and adjudication of creditors' proofs of debt) to be performed by the Trustees of the Creditors Trust in order to facilitate the termination of the DOCA.</p>
	<p>The DOCA will be executed within 15 business days of the Second Meeting of Creditors.</p> <p>The DOCA will complete or be fully effectuated upon each of the following being satisfied:</p> <ul style="list-style-type: none"> • The issue of Shares under the Capital Raising; • Payment from the proceeds of the Capital Raising of \$5 million to the Deed Administrators on an irrevocable, non-refundable basis; • Execution of the Creditors' Trust Deed; and • Extinguishment of all Claims (except the Excluded Claims).
Key events	<p>The Proponent will by no later than 4 months after the execution of the DOCA raise not less than \$13.6 million.</p> <p>Immediately upon issue of the \$13.6m, the Company will pay \$5 million to the Deed Administrators.</p> <p>The Deed Administrators will execute the Creditors' Trust upon receipt of \$5 million.</p> <p>Creditors subject to the Creditors' Trust will no longer be creditors of the Company but will instead become beneficiaries of the Creditors' Trust.</p>
Return	<p>Creditors will receive 100 cents in the dollar plus statutory interest. It is estimated that a dividend will be paid to beneficiaries of the Creditors Trust approximately 3 months from the execution of the DOCA.</p> <p>In the event that the Trust Payment is insufficient to meet payment of the creditors in full (plus interest payable on their admitted and assumed claims at the prescribed statutory rate), the Company at its election will either:</p> <ul style="list-style-type: none"> • Issue sufficient shares to the Trustee which when realisable will be sufficient to meet payment of creditors in full; or • Pay to the Trustee sufficient cleared funds to discharge the payment of creditors in full.
Trustee particulars	<p>Martin Jones, Andrew Smith and Dermott McVeigh will be the Deed Administrators, will have the necessary powers to administer the DOCA and will be entitled to exercise all rights, privileges, authorise and discretions conferred by the Company's constitution or otherwise by law on the directors to the exclusion of the directors during the DOCA. The Deed Administrators will assume of the role of Trustee of the Creditors Trust.</p>
Remuneration	<p>Refer to Annexure D</p>
Indemnities	<p>The Administrators and Deed Administrators are entitled to be indemnified out of, and have a first ranking lien over the assets of the Company and Trust Deed for those items listed at clause 11.1 of the Somers' DOCA Term Sheet.</p>

Item	Information for creditors
Powers	<p>The Trustee of the new trust becomes solely responsible to the former creditors (now beneficiaries) for:</p> <ul style="list-style-type: none"> (a) Ensuring that the company and / or other third parties perform their obligations to the Trustee; (b) Determining how much each of the former creditors is entitled to receive from the trust; and (c) In due course, making any distribution to those former creditors. <p>In addition to the above, the Trustees are likely to have the following powers:</p> <ul style="list-style-type: none"> (a) To administer the Trust Fund; (b) To ensure that the company fulfils its obligations under the DOCA and to take such legal proceedings or other steps as the Trustees think fit to enforce those obligations; (c) To fulfil the Trustees' obligations in terms of the DOCA; (d) To admit claims to proof in accordance with the provisions of the DOCA and the Trust Deed; (e) To make interim or other dividend payments to creditors or distributions of the Trust Fund; (f) To appoint agents to do any business or attend to any matter or affairs of the Trust that the Trustee is unable to do or that it is unreasonable to expect the Trustee to do in person; (g) To appoint a solicitor, accountant or other professionally qualified person to assist the Trustees; (h) To compromise any claim on such terms as the Trustees consider fit; (i) Having taken an assignment of all causes of action, to prosecute such of those actions as the Trustees consider fit; and (j) To do anything else that is necessary or convenient for administering the Trust. <p>These powers are provided for the benefit of creditors in determining whether to accept the proposed DOCA. However, these powers may be varied prior to finalisation of the Trust Deed.</p>
Claims	<p>For the purpose and admissibility and ranking of Creditors' Trust claim, regulation 5.6.39 to 5.6.72 of the Corporations Regulation 2001 and sub division A to E of Division 6 of part 5.6 of the Act shall apply to the Creditor' Trust and the Trustees as if references to a "Liquidator" were references to the Trustees, references to "winding up" were references to the "Creditors' Trust" and with such other modification as are necessary to give effect to the Creditors' Trust.</p> <p>The Trust Fund will be applied by the Trustees in accordance with section 556, 560 and 561 of the Act in order of priority as follows.</p>

Item	Information for creditors
Other creditor/ beneficiary differences	<p>Creditors will no longer be creditors under the DOCA but will instead become beneficiaries of the Creditors' Trust. For the purpose of determining the admissibility and ranking of creditors'/beneficiaries' claims in the Trust, regulations 5.6.39 to 5.6.72 and Sub-division A to E of Division 6 of Part 5.6 of the Act and Regulations shall apply to the Trust and the Trustees as if the references to a Liquidator were references to the Trustees, references to winding up were references to the Trust and with such other modifications as are necessary to give effect to the Trust. To ensure that those provisions apply to the Creditors' Trust, they will be incorporated into the Creditors' Trust to apply as contractual provisions.</p> <p>For the purposes of any distribution to priority creditors detailed above, any reference to a Liquidator or liquidation under Section 52 of the Superannuation Guarantee (Administration) Act 1992 (Cth), shall read Deed Administrator or Deed Administration respectively for the purposes of the DOCA and Creditors' Trust respectively for the purpose of the Trust Deed.</p> <p>Creditors, including secured creditors to the extent of the unsecured portion of their debts, will not be permitted to take recovery action against the company for pre-administration debts during the period of the DOCA.</p>
FEG	<p>Employees are not eligible for FEG assistance as the Company has not been wound up.</p> <p>All creditors are expected to receive 100 cents in the dollar plus statutory interest.</p>
Compliance opinion	<p>The Trust Fund is supported by an underwritten non renounceable pro-rata entitlements issue of not less than 226,689,005 fully paid ordinary shares.</p>
Solvency statement	<p>The Capital Raising is expected to result in sufficient monies raised to meet creditors' claims in full plus statutory interest and leave the Company capitalised to meet its creditors over the next 6 months.</p>
Tax (company / trust)	<p>Creditors should note that there may be income tax and stamp duty implications for the company and the Trust associated with the abovementioned proposal.</p> <p>The Trust may be required to register for GST purposes and apply for a new Tax File Number. In addition, the Trustees may also be responsible for lodging income tax returns for the Trust with the Australian Taxation Office.</p> <p>It should be noted that any carry forward income or capital losses in the Company will not be available for offset against any assessable income made by the Trust.</p>

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

9.3 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.

10 Return to creditors

		Liquidation	Somers & Partners DOCA	Minjar DOCA
	Notes	ERV AU\$	ERV AU\$	ERV AU\$
Available Assets				
ATO receivable	1	1,738,548	1,738,548	1,738,548
Shares in Rubicon (5,555,555 @ \$0.01 p/share)	2	44,444	-	-
Shares in Grafex	3	Unknown	-	-
Bank Guarantees	4	-	13,398	13,398
Causes of Action	5	Unknown	Unknown	N/A
Contingent Claim for repayment of CGT	10	Unknown	See below	See below
Recapitalisation - Placement	5	-	-	8,419,877
Recapitalisation - Underwriting	5	-	13,601,340	
Total Assets Available for Distribution		Unknown	15,353,286	10,171,823
Funds Transferred to Creditors Trust	5		5,000,000	5,060,130
Add Top Up Amount			519,202	
Less Administration Fees and Costs				
Administrators' remuneration to 17 Jun 16	6	(513,396)	(513,396)	(513,396)
Administrators' remuneration (18 Jun 16 to Meeting date)	6	(125,000)	(125,000)	(125,000)
Administrators' disbursements (est.)	6	(10,000)	(10,000)	(10,000)
Liquidators' remuneration (est.)	6	(300,000)	-	-
Liquidators' disbursements (est.)	6	(10,000)	-	-
Deed Administrators'/Trustees' remuneration (est.)	6	-	(450,000)	(450,000)
Deed Administrators'/Trustees' disbursements (est.)	6	-	(10,000)	(10,000)
Transaction Fees	7	-	(680,067)	(420,994)
Transaction Costs (legal and other consultants)	7	(750,000)	(500,000)	(300,000)
Total Fees and Costs		(1,708,396)	(2,288,463)	(1,829,390)
Available to Priority Creditors		Unknown	3,230,739	3,230,740
Employee Entitlements				
- Annual Leave	8	(26,470)	(26,470)	(26,470)
- Redundancy	8	(320,500)	(320,500)	(320,500)
- Pay in Lieu of Notice	8	(109,870)	(109,870)	(109,870)
- Superannuation on PILN	8	(10,438)	(10,438)	(10,438)
Directors Priority payments	8	(6,564)	(6,564)	(6,564)
Total Priority Creditors		(473,841)	(473,841)	(473,841)

	Notes	Liquidation	Somers & Partners DOCA	Minjar DOCA
		ERV AU\$	ERV AU\$	ERV AU\$
Available to Unsecured Creditors		Unknown	2,756,898	2,756,899
Ordinary Unsecured Creditors	9	(1,678,524)	(1,678,524)	(1,678,524)
Non-Priority Employee Entitlements	8	(915,005)	(915,005)	(915,005)
Total Unsecured Creditors		(2,593,529)	(2,593,529)	(2,593,529)
Statutory Interest (2 March 2016 to 31 October 2016)		(163,369)	(163,369)	(163,369)
Estimated Surplus / (Deficiency) excl contingent liabilities		Unknown	-	-
Return to Creditors (exc Contingent Liabilities)		Unknown	100%	100%
Contingent Mozambique Capital Gains Tax	10	Unknown	-	(6,422,618)
Return to Creditors (inc Contingent Liabilities)		Unknown	100%	30%
Funds Available for Recapitalised Company		N/A	9,834,084	5,111,693
Contingent Mozambique Capital Gains Tax Carried Fwd	10	Unknown	(6,422,618)	(6,422,618)
Contingent Claim against vendor for repayment of CGT	10		6,422,618	6,422,618
Somers Transaction Fee	7	-	(816,080)	-
Post DOCA Capital Raise	5			7,016,564
Net Working Capital Position		N/A	9,018,004	12,128,257

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

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

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

1. ATO Receivable

This relates to an R&D claim for the period ended 31 December 2015. The claim was lodged on 22 April 2016 and an amount of \$1.7m, net of costs is expected to be received by 14 July 2016.

2. Shares in Rubicon

The estimated realisable value in a liquidation is based on the current listed share price. In either DOCA proposal, it is expected that these shares will be retained by the Company and dealt with once control of the Company had been returned to the directors.

3. Shares in Grafex

If the Company is placed into liquidation, the Liquidators' options to realise the Company's investment in Grafex will be limited to a trade sale (directly or indirectly) of its shares in Grafex. In these circumstances the value and timing will be unknown as it will trigger pre-emptive rights

within the Grafex SA and will also require Mozambique Government approval. For these reasons as well as for commercial reasons, the value of the shares is currently unknown.

4. Bank Guarantee

A formal demand on a bank guarantee of \$34,897 was made by Financial Personnel Pty Ltd in relation to the property lease located in Subiaco. Following the demand, there is a balance of \$13,398 in the Westpac Term Deposit Account. We have written to Westpac to transfer the balance into the administrators account.

5. Recapitalisation – capital raising

Somers

Pursuant to the terms of the Somers' DOCA proposal, an amount of \$13.6m will be raised of which \$5m will be immediately transferred to the Creditors Trust Account for distribution to creditors. Where there is a shortfall amount to creditors, the Company (post reconstruction) is required to top up any shortfall amount, either with available cash reserves or through an issue of shares to the trust.

In addition to the above, the Somer's proposal provides for the Creditor's Trust to retain the benefits of any causes of actions that the Company may have.

Minjar

Pursuant to the terms of the Minjar's DOCA proposal, an amount of \$8.4m will be raised of which \$3.06m (plus all reasonable costs and expenses incurred by the Administrators since 2 March 2016, or such other amount as negotiated by the parties) will be immediately transferred to the Creditors' Trust account for distribution to creditors.

The amount of \$3.06m is based on our recent analysis of estimated creditor claims provided to interested parties. For the purposes of our analysis we have assumed that the costs set out in the table above will form part of the amount transferred to the Creditors' Trust.

Once the DOCA completes, Minjar will underwrite an entitlement offer by issuing 3 shares at four cents per share with the Company that will seek to raise a further \$7.01m.

6. Remuneration

Please refer to our remuneration report attached at **Annexure D** for a detailed breakdown of our remuneration incurred to date and our future remuneration proposed.

Please note that our future remuneration is an estimate only, subject to approval it will only be drawn to the extent that fees and costs are incurred.

7. Transaction Fees and Costs

Transaction fees and costs may be broken down as follows:

Somers

Transaction fees of 5% payable to Argonaut in relation to all equity successfully raised as part of the proposal.

Transaction fees of 6% payable to Somers in relation to all equity successfully raised as part of the proposal. This will be paid by the Company and not by the Deed Administrators / Trustees.

Transaction costs include:

- i. Fees and costs of \$300k associated with preparing a prospectus, auditing the financial accounts, independent expert reports and legal advice.
- ii. Estimated trading costs until completion of the DOCA in the amount of \$200k.

Please note that these costs are immediately payable from the deposit of \$1m provided by Somers, of which the \$300k is non-refundable in the event that the DOCA does not complete.

Minjar

Transaction fees of 5% payable to Argonaut in relation to all equity raised as part of the proposal.

Transaction costs include Fees and costs of \$300k associated with negotiating and finalising the DOCA and terms of the underwriting agreement with the Company.

These costs will be borne by the Company until such time that the DOCA is effectuated and funds are provided by Minjar for the Creditors Trust.

8. Employee Entitlements

For the purposes of our analysis we have assumed that all employee entitlements become due and payable upon effectuation of the DOCA. It is however likely that a number of employees will continue to be employed by the Company and in the ordinary course their entitlements will continue, rather than crystallise.

Non priority employee entitlements relate to entitlements owing to current or former officers of the Company (as defined by the Act) which exceed the statutory cap and are not afforded a priority above ordinary unsecured creditors.

If the Company is placed into liquidation, employees may be eligible for payment of their outstanding employee entitlements (excluding unpaid superannuation) under FEG, a scheme operated by the Department of Employment.

Employees can obtain further information on the eligibility requirements of FEG at <https://www.employment.gov.au/fair-entitlements-guarantee-feg>.

9. Ordinary Unsecured Creditors

The estimated claims set out in our analysis represent what we consider to be the “worst case”, and include contingent lease claims that we expect will be mitigated as part of the restructuring.

In the Somer’s proposal, unsecured creditors are expected to be 100c in the dollar plus statutory interest.

In the Minjar proposal, if the Mozambique Capital Gains tax does not transfer to the Creditor Trust or more money is made available to the Trust, creditors will be paid 100c in the dollar plus statutory interest.

Though their proposal contemplates 100 cents in the dollar, and while we anticipate that Minjar will adjust their DOCA proposal, their proposal does not explicitly contemplate the exclusion of the Mozambique Capital Gains Tax from the Creditors Trust.

In these circumstances, the inclusion of the Mozambique Capital Gains Tax in the creditors trust will only pay unsecured creditors 30 cents in the dollar, as currently constructed.

10. Mozambique CGT

Liquidation

For the purposes of our analysis, it is unclear what the appropriate amount payable to the Mozambique government may be as:

- i. No tax assessments have been received from the Mozambique Government.
- ii. The Company does not have primary responsibility to make any payment in regard to the pre-appointment contingent amount payable of approx. US\$6.4m. The amount will only become payable by the Company in the circumstances that the primary obligor (Mr Greg Sheffield) does not pay any assessment issued. Equally, the Company will have a claim against Mr Greg Sheffield in the event that the Company is required to make a payment.

Somers

The Somers proposal allows for the contingent claim to be excluded from the DOCA and remain with the Company following the effectuation of their DOCA proposal. It will then be responsible for the Directors of the Company to negotiate and resolve this contingent claim with Mr Greg Sheffield and the Mozambique government.

Minjar

Minjar’s proposal is silent in regard to how their DOCA presently deals with the contingent claim. For the present purposes, we have accepted the drafting and concluded that the contingent claim is not excluded from the general group of creditors covered by Minjar’s present DOCA proposal

As such, the contingent liability will need to be dealt with by the Deed Administrators / Trustees following the effectuation of their DOCA proposal. This will undoubtedly extend the time required to make payment of a dividend to creditors as negotiations are conducted with the Mozambique Government and Mr Sheffield as to the Capital Gains Tax that is payable.

10.3 Timing of dividend

While both the Somers and Minjar proposals are very similar, there are slight timing variations that will impact upon the dividend distribution to creditors.

The Somers' DOCA may take up to 4 months to complete as it is subject to the issue of shares (among other conditions precedent) which will require a prospectus to be prepared by the Company. Timing will ultimately be subject to the completion of an expert report, audit of statutory accounts and technical and legal reports.

The Minjar's proposal is structured in a tiered approach. The payment of creditors may take 1 to 2 months (or longer if the contingent capital gains tax liability is required to be adjudicated by the Trustee) as the placement of shares is subject to the Administrators and Minjar agreeing to the terms of the Recapitalisation Deed and the DOCA.

Subject to the Phase 1 placement of shares to Minjar, an entitlement offer will then be offered to shareholders. In the same fashion that the Somers' proposals require a prospectus, the Minjar offer will ultimately require one too.

In these circumstances while creditors may be paid sooner under the Minjar proposal, the relisting of the Company on the ASX may be later due to the negotiations of an underwriting agreement and drafting of a prospectus that still need to occur.

11 Administrators' opinion

We recommend that creditors resolve to execute the DOCA proposal presented by Somers.

Pursuant to Section 439A(4)(b) of the Act, 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

As stated above, the option of the administration ending is not viable. The only remaining options available to creditors are to accept a DOCA proposal or to wind up the Company.

11.2 Winding up of the Company

From the calculations set out in section 10 of this report, both DOCA proposals will provide a full return to creditors. Accordingly, we do consider it in the best interests of creditors that the Company be wound up.

11.3 DOCA

In analysing each DOCA proposal presented, we make the following key observations:

Item	Details
Creditors to receive 100 cents in the dollar	<p>Both proposals note that creditors will receive a return of 100c in the dollar plus statutory interest.</p> <p>Notwithstanding this, the Minjar offer does not contemplate the exclusion of the Mozambique Capital Gains Tax (or other government impost) from the Creditors' Trust. Having regard for the drafting of their DOCA proposal, the inclusion of this contingent liability will mean that unsecured creditors will only receive 30c in the dollar.</p>
Timing of Creditor Payment	<p>Please refer to section 10.3 of this report in regard to the estimated timing of creditors being paid under each proposal.</p> <p>While it appears that the Minjar proposal will provide a shorter timeframe for creditors to be paid, if the contingent capital gains tax liability is required to be adjudicated by the Trustee, the Somers proposal may in fact provide creditors with a shorter timeframe with which to be paid.</p>
Implementation of a DOCA	<p>Both proposals will implement a DOCA and Creditors' Trust structure to deal with the Company's claims as at the date of the Administrators appointment.</p>
Transaction Documentation	<p>An underwriting agreement and DOCA proposal has been fully negotiated and executed by Somers & Partners in a form acceptable to the Administrators and the Company.</p> <p>Minjar's proposal remains subject to:</p> <ol style="list-style-type: none"> Agreement with the Administrators in regard to the Recapitalisation Deed presented; and Agreement with the Company in regard to the DOCA <p>The Minjar proposal is currently not in a form that is capable of execution and remains more uncertain until final terms, conditions and documentation has been agreed.</p>
Deposit	<p>We note that Somer's has provided the Administrators with a \$1m deposit of which \$300k is non-refundable and the funds will be used to progress and complete the transaction to completion.</p> <p>While the Minjar offer contemplates payment of \$1m following the 2nd creditors meeting, no portion is non-refundable.</p>
Existing Shareholders offered the ability to participate in capital raising	<p>Both proposals offer existing shareholder's a pro rata ability to participate in the some or all of the capital raising. Somers & Partners proposal is entirely on a pro rata basis which enables existing shareholder to avoid any shareholding dilution.</p> <p>Minjar's proposal is only partly structured as a pro rata offer and as such existing shareholders will suffer some shareholding dilution due to the Placement.</p> <p>Based on Argonaut's analysis, post recapitalisation, the Somers' DOCA proposal has been assessed to offer a superior value to shareholders relative to the Minjar proposal.</p>

While both offers provide creditors with the opportunity of being paid a 100c in the dollar, and notwithstanding the apparent timing advantage to creditors in the Minjar proposal (subject to the adjudication of the Mozambique Capital Gains Tax by the Trustee), we consider that the Minjar proposal currently remains more uncertain as the Somers' documentation is fully executed and in a form acceptable to the Administrators and the Company with a deposit paid.

In these circumstances, we currently recommend that the Somers' proposal be adopted by creditors.

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 Dawn Murchison on 08 9214 1444 or by email at dawn.murchison@fh.com.au.

Dated this 30th day of June 2016.



Martin Jones
Joint and Several Administrator

Glossary of terms

Abbreviation	Description
ACN	Australian Company Number
Act	Corporations Act 2001
Administrators	Martin Jones, Andrew Smith and Dermott McVeigh
APAAP	All present and after-acquired property – no exceptions
ARITA	Australian Restructuring, Insolvency & Turnaround Association
ASIC	Australian Securities & Investments Commission
ATO	Australian Taxation Office
AU	Australian Dollars
CGT	Capital gains tax
Code	ARITA Code of Professional Practice
COC	Committee of Creditors
Company	Triton Minerals Ltd
Directors	Mr Alfred John Gillman, Christopher James Catlow, Ms Maria Paula De Lima Ferreira, Mr Garth Reginald Higgo
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 15 March 2016
FY	Financial year
Grafex	Grafex Limitada
Group	Triton Minerals Limited, Triton Gold (Operations) Pty Ltd, Triton United Limited, Hubei Xin Shan Triton Graphite Technology Limited, Triton Gold (Grenville) Pty Ltd, Triton Gold (Project A) Pty Ltd, Grafex Limitada
HY	Half Year
JV	Joint venture
Long State	Long State Investment Limited
Minjar	Minjar Gold Pty Ltd
PMSI	Purchase Money Security Interest
PPSA	Personal Property Securities Act 2009 (Cth)
PPSR	Personal Property Securities Register
R&D	Research and development
RATA	Report as to Affairs
Report	This report, prepared pursuant to Section 439A of the Act

Abbreviation	Description
ROT	Retention of Title
SA	Shareholders' Agreement
Second Meeting	Second meeting held pursuant to Section 439A of the Act, where creditors determine the future of the Company.
Somers	Somers & Partners
SPA	Share Purchase Agreement
Triton	Triton Minerals Ltd

ANNEXURE A

Form 529 Notice of Meeting

*Corporations Act 2001
Subregulation 5.6.12(2)*

Triton Minerals Ltd (Administrator Appointed) (the Company) ACN 126 042 215

NOTICE is given that a meeting of creditors of the Company will be held on 8 July 2016 at 11:00AM 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 and the various options available to creditors.
3. To consider the report of the Administrators.
4. To fix the remuneration 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 be wound up, consider whether a Committee of Inspection is to be appointed, and if so, the members of that Committee.
7. If it is resolved that the Company be wound up, consider whether, pursuant to Section 477(2A) of the Corporations Act 2001 (**the Act**), creditors authorise the Liquidators to compromise any debt owed to the Company.
8. 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 542(4) of 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.
9. If it is resolved that the Company execute a Deed of Company Arrangement, to fix the remuneration of the Deed Administrators.
10. If it is resolved that the Company execute a Deed of Company Arrangement, to fix the remuneration of the Trustees of the Creditors Trust.
11. If it is resolved that the Company be wound up, to fix the remuneration of the Liquidators.
12. Any other business that may be lawfully brought forward.

For a person to be eligible to attend and vote at the meeting on your behalf, a Form 532, Appointment of Proxy, is to be completed and submitted by no later than 4:00 PM on Thursday, 7 July 2016, to:

Triton Minerals Ltd (Administrator Appointed)
c/- Ferrier Hodgson

Tel: (08) 9214 1444
Fax: (08) 9214 1400
Email: William.Hulmes@fh.com.au

Note: In accordance with Regulation 5.6.36A of the Corporations Regulations 2001, if a proxy is submitted by facsimile, the original document must be lodged within 72 hours after lodging the faxed copy.

A company may only be represented by proxy or by an attorney appointed pursuant to Corporations Regulations 5.6.28 and 5.6.31 respectively or, by a representative appointed under Section 250D of the Act.

In accordance with Subregulation 5.6.23(1) of the Corporations Regulations, creditors will not be entitled to vote at the meeting unless they have previously lodged particulars of their claim against the Company in accordance with the Corporations Regulations and that claim has been admitted, for voting purposes, wholly or in part.

DATED this 30th day of June 2016



Martin Jones
Administrator

ANNEXURE B

**Form 532
Appointment of Proxy**

*Corporations Act 2001
Regulation 5.6.29*

**Triton Minerals Ltd (Administrator Appointed)
ACN 126 042 215 (the Company)**

Instructions:

Please complete Sections A, B, C and D and submit in accordance with the Section E. See back page for instructions on completion.

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 Fax:

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 / *contributory / *debenture holder / *member of the Company, appoint

2

(name of person appointed as proxy)

3

(address of person appointed as proxy)

4 or in his / her absence

5

(name of person appointed as alternate proxy)

6

(address of person appointed as alternate proxy)

7 as *my / *our proxy

to vote at the meeting of creditors to be held on Friday, 8 July 2016 at 11:00 AM 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 generally, as *he / *she determines, subject to any specific instructions below, if applicable.

and / or

- ³ **special proxy**, to vote on *my / *our behalf specifically, in accordance with the following special instructions: *(for each resolution for which you wish to give specific voting instructions, please tick one option only)*

Resolution	For	Against	Abstain
1. That, pursuant to Section 439C of the Corporations Act 2001 (the Act), the Company execute a Deed of Company Arrangement proposed by Somers & Partners Pty Ltd, under Part 5.3A of the Act, in the same form as the proposal statement presented to the meeting (even if it differs from the proposed Deed (if any) details of which accompanied the notice of meeting).	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2. That, pursuant to Section 439C of the Corporations Act 2001 (the Act), the Company execute a Deed of Company Arrangement proposed by Minjar Gold Pty Ltd, 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"/>
3. That the Company be wound up.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4. That the Administration should end.	<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 30 June 2016, for the period from 2 March 2016 to 17 June 2016 be fixed in the amount of \$513,396, plus GST, and may be paid."	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6. "That the remuneration of the Administrators, as set out in the Remuneration Approval Request Report dated 30 June 2016, for the period from 18 June 2016 to 8 July 2016 or the date on which the DOCA is executed be fixed at the hourly rates referenced in the Remuneration Approval Request Report, up to a maximum amount of \$125,000, plus 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"/>

Resolution	For	Against	Abstain
7. "That the remuneration of the Deed Administrators, as set out in the Remuneration Approval Request Report dated 30 June 2016, for the period from the date of execution of the Deed of Company Arrangement to completion be fixed at the hourly rates referenced in the Remuneration Approval Request Report, up to a maximum amount of \$300,000, plus 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."			
8. "That the remuneration of the Trustees of the Creditors' Trust, as set out in the Remuneration Approval Request Report dated 30 June 2016, for the period from the date of execution of the Creditors Trust to completion be fixed at the hourly rates referenced in the Remuneration Approval Request Report, up to a maximum amount of \$150,000, plus GST, but subject to upward revision by resolution of creditors, and that the Trustees be authorised to make periodic payments on account of such accruing remuneration as incurred."	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
9. That a Committee of Creditors be appointed, the members of which are to be determined by the meeting.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
10. "That the remuneration of the Liquidators, as set out in the Remuneration Approval Request Report dated 30 June 2016, for the period from 8 July 2016 to completion be fixed at the hourly rates referenced in the Remuneration Approval Request Report, up to a maximum amount of \$300,000, plus 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, pursuant to Section 477(2A) of the Corporations Act 2001, creditors authorise the Liquidators to compromise any debts owed to the Company.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
12. That, pursuant to Section 477(2B) of the Corporations Act 2001, creditors authorise the Liquidators to enter into any agreement on the Company's behalf where: a) the term of the agreement may end; or b) obligations of a party to the agreement may, according to the terms of the agreement, be discharged by performance; more than three months after the agreement is entered into.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Resolution	For	Against	Abstain
13. That, subject to obtaining the approval of the Australian Securities & Investments Commission (ASIC) pursuant to Section 542(4), 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"/>

D. Signature

¹ Dated:

.....

² Signature:

.....

³ Name / Capacity:

.....

Certificate of Witness (to be completed only in special circumstances – see below)

*This certificate is only to be completed **only if the person giving the proxy is blind or incapable of writing**. The certificate of the creditor, contributory, debenture holder or member must not be witnessed by the person nominated as proxy.*

I

.....
(name of witness)

of

.....
(address of witness)

certify that the above instrument appointing a proxy was completed by me in the presence of and at the request of the person appointing the proxy and read to him/her before he/she signed or marked the instrument.

Dated:

.....

Signature:

.....

E. Submitting the Proxy

For a person to be eligible to attend and vote at the meeting on your behalf, this form is to be completed and submitted by no later than 4:00 PM on Thursday, 7 July 2016, to:

Triton Minerals Ltd (Administrator Appointed)
c/- Ferrier Hodgson

Tel: 08 9214 1444

Fax: 08 9214 1400

Email: William.Hulmes@fh.com.au

Note: In accordance with Regulation 5.6.36A of the Corporations Regulations 2001, if a proxy is submitted by facsimile, the original document must be lodged within 72 hours after lodging the faxed copy.

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 fax number 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”]

ANNEXURE C

**Form 535
Formal Proof of Debt or Claim (General Form)**

*Corporations Act 2001
Regulation 5.6.49(2)*

**Triton Minerals Ltd (Administrators Appointed)
ACN 126 042 215 (the Company)**

Instructions:

Please complete Sections A, B and C and submit to:

Triton Minerals Ltd (Administrators Appointed)

c/- Ferrier Hodgson

GPO Box 2537

PERTH WA 6000

Tel: (08) 9214 1444

Fax: (08) 9214 1400

Email: William.Hulmes@fh.com.au

* Strike out if inapplicable.

A. Name and Contact Details of Creditor

(the Creditor)

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

of

(address)

Tel:

Fax:

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 or fax number specified above.

B. Details of Debt or Claim

To the Administrators of the Company

1. This is to state that the Company was, on Wednesday, 2 March 2016, and still is justly and truly indebted to the Creditor for

dollars

(amount in words)

and cents (inclusive of GST, if applicable).

Particulars of the debt are:

Date	Consideration ¹	Net (\$)	GST (\$)	Total (\$)	Remarks ²
------	----------------------------	----------	----------	------------	----------------------

1. Under "Consideration" state how the debt arose, for example "goods sold and delivered to the company between the dates of", "moneys advanced in respect of the Bill of Exchange".
2. Under "Remarks" include details of vouchers substantiating payment.

2. To my knowledge or belief the Creditor has not, nor has any person by the Creditor's order, had or received any satisfaction or security for the sum or any part of it, *except for:

(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
------	--------	----------	-------------	----------

3. *I am employed by the Creditor / *I am the Creditor's agent
*and authorised in writing by the Creditor to make this statement.

I know that the debt was incurred for the consideration stated and that the debt, to the best of my knowledge and belief, remains unpaid and unsatisfied.

C. Signature

Dated:

Signature:

Name / Capacity #:

If the Creditor is an individual, insert full name

If the Creditor is a sole trader, insert in accordance with the following example: "full name, proprietor"

If the Creditor is a partnership, insert in accordance with the following example: "full name, partner of the firm named in Section A above"

If the Creditor is a company, insert in accordance with the following example: "full name, director / secretary / director/secretary of the company named in Section A above" *or* under the hand of some officer duly authorised in that capacity, and the fact that the officer is so authorised must be stated in accordance with the following example: "full name, for the company named in Section A above (duly authorised under the seal of the company)".

Where this form is completed by, for example, a solicitor or accountant of the Creditor, sign this form as the Creditor's authorised agent; where this form is completed by an authorised employee of the Creditor, indicate occupation (eg: credit manager, etc).

ANNEXURE D

*Corporations Act 2001
Section 449E*

**Triton Minerals Ltd (Administrator Appointed)
ACN 126 042 215 (the Company)**

Remuneration Approval Request Report

1 Declaration

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

We are satisfied that the remuneration claimed is in respect of necessary work, properly performed, or to be properly performed, in the conduct of the administration.

2 Executive summary

2.1 Summary of remuneration approval sought for the Company

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

Period	Report reference	Amount (ex GST) \$
Current remuneration approval sought:		
Voluntary administration		
<i>Resolution 1:</i> 2 March 2016 to 17 June 2016	4.1	\$513,396.00
<i>Resolution 2:</i> 18 June 2016 to 8 July 2016 or the date of execution of DOCA	4.3	\$125,000.00
Total – voluntary administration*		\$638,396.00
Deed of company arrangement (DOCA) (if applicable)		
<i>Resolution 3:</i> Date of execution of DOCA to completion of DOCA	4.5	\$300,000.00
Total – deed of company arrangement* (if applicable)		\$300,000.00
Deed of company arrangement (DOCA) (if applicable)		
<i>Resolution 4:</i> Date of execution of Creditors' Trust to completion of Creditors' Trust	4.7	\$150,000.00
Total – deed of company arrangement* (if applicable)		\$150,000.00
Liquidation (if applicable)		
<i>Resolution 5:</i> 8 July 2016 to finalisation of liquidation	4.9	\$300,000.00
Total – liquidation* (if applicable)		\$300,000.00
* 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 Part 4 for full details of the calculation and composition of the remuneration approval sought.

3 Schedule of Hourly Rates & General Guide to Staff Experience

Title	FY2015/16 Rate (\$)	Experience
Partner	595	The Partner/Appointee is a registered liquidator and member of the ICAA and, generally, the IPA, bringing specialist skills to the administration or insolvency task. For specific experience and other details of the appointee/s, please visit our website at www.ferrierhodgson.com
Director	510	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, the IPA, with deep knowledge and lengthy experience in relevant insolvency legislation and issues.
Senior Manager	465	Generally, more than 7 years' experience with at least 2 years as a Manager. University degree; member of the ICAA and, generally, the IPA; very strong knowledge of relevant insolvency legislation and issues.
Manager	400	Generally, 5-7 years chartered accounting or insolvency management experience. University degree; member of the ICAA and generally, the IPA; sound knowledge of relevant insolvency legislation and issues.
Assistant Manager	360	Generally, 4-6 years chartered accounting or insolvency management experience. University degree; member of the ICAA; completing IPAA Insolvency Education Program. Good knowledge of relevant insolvency legislation and issues.
Senior Analyst	305	Generally, 2-4 years chartered accounting or insolvency management experience. University degree; completing the ICAA's CA program. Good knowledge of basic insolvency legislation and issues.
Analyst	270	Generally, 2-3 years chartered accounting or insolvency management experience. University degree, ICAA's CA program commenced.
Accountant	230	0 to 2 years' experience. Has completed or substantially completed a degree in finance/accounting. Under supervision, takes direction from senior staff in completing administrative tasks.
Junior Accountant	150	0 – 1 years' experience. Undertaking a degree part-time in finance/accounting. Under supervision, takes directions from senior staff in completing administrative tasks.
Personal Assistant	180	Appropriate skills including machine usage.
Administration Assistant	140	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:

1. The hourly rates are exclusive of GST.
2. The guide to staff experience is intended only as a general guide to the qualifications and experience of our staff engaged in the administration. Staff may be engaged under a classification that we consider appropriate for their experience.
3. Time is recorded and charged in six-minute increments.
4. Rates are subject to change from time to time. Creditor approval will be sought prior to the application of any new rates to this administration.
5. The hourly rates reflect the total cost of providing professional services and should **not** be compared to an hourly rate. See Part B1 for details of disbursements.

4 Description of work completed / to be completed

4.1 Resolution 1

Company: Triton Minerals Ltd (Administrator Appointed)
Administration Type: Voluntary Administration
Practitioners: Martin Jones, Andrew Smith and Dermott McVeigh of Ferrier Hodgson
Period: 2 March 2016 to 17 June 2016

Task area	General description	Includes
Assets 475.4 hours \$214,541.50 (excl GST)	Sale of business as a going concern	<ul style="list-style-type: none"> • Creation and maintenance of data room. • Matters associated with the appointment of corporate advisors • Engagement and assistance with technical reports • Various correspondence with corporate advisors regarding <ul style="list-style-type: none"> - The Company's assets - The initial sales process - Offers received - The secondary phase of the sales process - Matters associated with obtaining binding offers from parties • Liaising with interested parties • Internal meetings to discuss / review offers received • Liaising with solicitors regarding the sales process generally • Liaising with solicitors regarding specific issues from offers received. • Review of DOCA term sheet, recapitalisation deed and underwriting agreement(s).
	Leasing	<ul style="list-style-type: none"> • Review of leasing documents • Liaising with owners / lessors • Tasks associated with not adopting one lease • Tasks associated with ongoing lease
	Plant and Equipment	<ul style="list-style-type: none"> • Identification and storage of plant and equipment • Realisation of surplus plant and equipment
	Shares/Other investments	<ul style="list-style-type: none"> • Matters associated with shares held by the Company • Liaising with Grafex shareholder
	Bank Guarantee	<ul style="list-style-type: none"> • Liaising with financial institutions regarding Bank Guarantees held in regard to the leases.
	Creditors 186.1 hours \$60,823.00 (excl GST)	Creditor enquiries
Creditor reports		<ul style="list-style-type: none"> • Preparing section 439A report, investigation, meeting and general reports to creditors
Dealing with proofs of debt		<ul style="list-style-type: none"> • Receipting and filing proofs of debt when not related to a dividend

Task area	General description	Includes
		<ul style="list-style-type: none"> Reviewing creditor claims and completing preliminary assessment
	Meeting of creditors	<ul style="list-style-type: none"> Preparation of meeting notices, proxies and advertisements Forward notice of meeting to all known creditors Preparation of meeting file, including agenda, certificate of postage, attendance register, list of creditors, reports to creditors, advertisement of meeting and draft minutes of meeting. Preparation and lodgement minutes of meetings with ASIC Respond to stakeholder queries and questions immediately following meeting
	Shareholder enquires	<ul style="list-style-type: none"> Responding to any shareholder correspondence
Employees	Employee enquiries	<ul style="list-style-type: none"> Receive and follow up employee enquiries via telephone Review and prepare correspondence to creditors and their representatives via facsimile, email and post Preparation of letters to employees advising of their entitlements and options available
45.0 hours \$16,328.50 (excl GST)	Calculation of entitlements	<ul style="list-style-type: none"> Calculating employee entitlements Reviewing employee files and Company's books and records Reconciling superannuation accounts Reviewing contracts Liaising with solicitors regarding entitlements
Trade on	Trade-on management	<ul style="list-style-type: none"> Liaising with suppliers Liaising with management and staff Consideration of staffing levels and requirements Attendance at Company's offices Authorising purchase orders Maintaining purchase order registry Preparing and authorising receipt vouchers Preparing and authorising payment vouchers Liaising with superannuation funds regarding contributions, termination of employees employment Liaising with OSR regarding payroll tax payments Preparing correspondence for international payments Preparing payments through subsidiary companies Liaising with and overseeing management of Grafex investment Liaising with Mozambique legal counsel on various issues associated with Triton's interest in Grafex
304.0 hours \$113,222.00 (excl GST)		

Task area	General description	Includes
	Processing receipts and payments	<ul style="list-style-type: none"> • Entering receipts and payments into accounting system
	Budgeting and financial reporting	<ul style="list-style-type: none"> • Reviewing Company's budgets and financial statements • Preparing budgets • Preparing reconciliation reports • Meetings to discuss trading position • Preparing cashflow forecasts
Investigation		<ul style="list-style-type: none"> • Collection of Company's books and records • Reviewing Company's books and records • Review and preparation of Company's nature and history
24.7 hours \$12,310.00 (excl GST)	Conducting investigation	<ul style="list-style-type: none"> • Conducting and summarising statutory searches • Preparation of comparative financial statements • Preparation of deficiency statement • Review of specific transactions and liaising with directors regarding certain transactions
	Correspondence	<ul style="list-style-type: none"> • General correspondence
	Document maintenance / file review / checklist	<ul style="list-style-type: none"> • First month administration review • Filing of documents • File reviews • Updating checklists
	Insurance	<ul style="list-style-type: none"> • Identification of potential issues requiring attention of insurance specialists • Correspondence with insurer regarding initial and ongoing insurance requirements • Reviewing insurance policies • Correspondence with previous brokers
Administration		<ul style="list-style-type: none"> • Preparing correspondence opening and closing accounts • Requesting bank statements • Bank account reconciliations
241.8 hours \$96,171.00 (excl GST)	Bank account administration	<ul style="list-style-type: none"> • Correspondence with bank regarding specific transfers • Dealing with initial issues in setting up accounts • Correspondence with bank regarding international money transfers and payments
	ASIC Form 524 and other 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"> • Notification of appointment • Preparing BAS • Completion and lodgement of R&D claim • Liaising with the ATO regarding the R&D claim • Meeting with auditors
	Planning / review	<ul style="list-style-type: none"> • Discussions regarding status / strategy of administration generally

4.2 Resolution 1

Breakdown of remuneration for the period 2 March 2016 to 17 June 2016

Employee	Position	Rate (\$ Per Hour)	Total		Assets		Creditors		Employees		Investigations		Trade On		Administration	
			(Hrs)	(\$)	(Hrs)	(\$)	(Hrs)	(\$)	(Hrs)	(\$)	(Hrs)	(\$)	(Hrs)	(\$)	(Hrs)	(\$)
M Jones	Partner	595	116.9	69,555.50	102.4	60,928.00	3.0	1,785.0	0.5	\$297.50	-	-	-	-	11.0	6,545.00
A Smith	Partner	595	14.5	8,627.50	-	-	-	-	-	-	-	-	-	-	14.5	8,627.50
T Birch	Director	510	322.7	164,577.00	177.3	90,423.00	2.0	1,020.00	6.6	3,366.00	7.6	3,876.00	76.1	38,811.00	53.1	27,081.00
S Powell	Director	510	15.8	8,058.00	0.1	51.00	-	-	-	-	15.7	8,007.00	-	-	-	-
K Chu	Manager	400	0.5	200.00	0.5	200.00	-	-	-	-	-	-	-	-	-	-
M Stephens	Practise Manager	360	3.5	1,260.00	3.5	1,260.00	-	-	-	-	-	-	-	-	-	-
D Murchison	Assistant Manager	360	343.5	123,660.00	104.3	37,548.00	51.0	18,360.00	20.1	7,236.00	-	-	92.8	33,408.00	75.3	27,108.00
W Hulmes	Senior Analyst	305	275.9	84,149.50	66.6	20,313.00	18.0	5,490.00	17.8	5,429.00	1.4	427.00	125.2	38,186.00	46.9	14,304.50
D Sivarajasingam	Senior Analyst	305	162.2	49,471.00	2.4	732.00	111.6	34,038.00	-	-	-	-	7.2	2,196.00	41.0	12,505.00
J Soo	Senior Analyst	305	0.3	91.50	0.1	30.50	0.2	61.00	-	-	-	-	-	-	-	-
W George	Accountant	230	5.1	1,173.00	3.0	690.00	-	-	-	-	-	-	2.1	483.00	-	-
N Shah	Accountant	230	0.1	27.00	0.1	27.00	-	-	-	-	-	-	-	-	-	-
T Rose	Accountant	230	1.0	230.00	0.1	23.00	0.3	69.00	-	-	-	-	0.6	138.00	-	-
J Tittlestad	Personal Assistant	180	4.4	792.00	4.4	792.00	-	-	-	-	-	-	-	-	-	-
M Lowe	Personal Assistant	180	1.0	180.00	1.0	180.00	-	-	-	-	-	-	-	-	-	-
S Smith	Admin Assistant	140	5.4	756.00	5.4	756.00	-	-	-	-	-	-	-	-	-	-
J Newland	Filing Clerk	140	2.0	280.00	2.0	280.00	-	-	-	-	-	-	-	-	-	-
S Herriman	Filing Clerk	140	2.2	308.00	2.2	308.00	-	-	-	-	-	-	-	-	-	-
Total (ex GST)			1,277.0	513,396.00	475.4	214,541.50	186.1	60,823.00	45.0	16,328.50	24.7	12,310.00	304.0	113,222.00	241.8	96,171.00
GST				51,339.60		21,454.15		6,082.30		1,632.85		1,231.00		11,322.20		9,617.10
Total (inc GST)				564,735.60		235,995.65		66,905.30		17,961.35		13,541.00		124,544.20		105,788.10
Average Hourly Rate				402.03		451.29		326.83		362.86		498.38		372.44		397.73

4.3 Resolution 2

Company: Triton Minerals Ltd (Administrators Appointed)
Administration Type: Voluntary Administration
Practitioners: Martin Jones, Andrew Smith and Dermott McVeigh of Ferrier Hodgson
Period: 18 June 2016 to 8 July 2016 or execution of the DOCA

Task area	General description	Includes
Assets 130.6 hours \$46,535.00 (excl GST)	Sale of business as a going concern	<ul style="list-style-type: none"> • Various correspondence with corporate advisor regarding <ul style="list-style-type: none"> - The Company's assets - Matters associated with obtaining binding offers from parties • Engagement with technical experts. • Meetings and correspondence with interested parties • Internal meetings to discuss / review offers received • Liaising with solicitors regarding the sales process generally • Liaising with solicitors regarding specific issues from offers received. • Review of DOCA term sheet recapitalisation deed and underwriting agreement
	Leasing	<ul style="list-style-type: none"> • Liaising with owners / lessors • Tasks associated with ongoing lease.
	Shares/Other investments	<ul style="list-style-type: none"> • Matters associated with shares held by the Company • Liaising with Grafex shareholder
	Bank Guarantee	<ul style="list-style-type: none"> • Liaising with financiers regarding Bank Guarantee held in regard to the lease.
	Creditor enquiries	<ul style="list-style-type: none"> • Receive and follow up creditor enquiries via telephone and email • Review and prepare correspondence to creditors and their representatives via facsimile, email and post
Creditors 37.0 hours \$18,215.00 (excl GST)	Creditor reports	<ul style="list-style-type: none"> • Preparing section 439A report, investigation, meeting and general reports to creditors
	Dealing with proofs of debt	<ul style="list-style-type: none"> • Receipting and filing proofs of debt when not related to a dividend
	Meeting of creditors	<ul style="list-style-type: none"> • Preparation 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 minutes of meetings with ASIC • Respond to stakeholder queries and questions immediately following meeting
	Shareholder enquires	<ul style="list-style-type: none"> • Responding to any shareholder correspondence

Employees		
9.9 hours \$4,405.00 (excl GST)	Employee enquiries	<ul style="list-style-type: none"> • Receive and follow up employee enquiries via telephone and email • Review of employee entitlements
Trade on	Trade-on management	<ul style="list-style-type: none"> • Liaising with suppliers • Liaising with management and staff • Maintaining purchase order registry • Preparing and authorising receipt vouchers • Preparing and authorising payment vouchers • Preparing correspondence for international payments • Preparing payments through subsidiary companies • Grafex operations
68.9 hours \$29,755.00 (excl GST)	Processing receipts and payments	<ul style="list-style-type: none"> • Entering receipts and payments into accounting system
	Budgeting and financial reporting	<ul style="list-style-type: none"> • Preparing reconciliation reports • Meetings to discuss trading position • Updating cashflow forecasts
Investigation	Conducting investigation	<ul style="list-style-type: none"> • Reviewing Company's books and records • Review and preparation of Company's nature and history • Conducting and summarising statutory searches • Preparation of comparative financial statements • Preparation of deficiency statement • Review of specific transactions
7.5 hours \$2,420.00 (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 • Updating checklists
	Insurance	<ul style="list-style-type: none"> • Correspondence with insurer regarding ongoing insurance requirements
Administration	Bank account administration	<ul style="list-style-type: none"> • Bank account reconciliations • Correspondence with bank regarding specific transfers • Correspondence with bank regarding international money transfers and payments
58.5 hours \$23,670.00 (excl GST)	ASIC Form 524 and other 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"> • Lodgement of BAS • Liaising with the ATO regarding the R&D claim • Meeting with Auditors
	Planning / review	<ul style="list-style-type: none"> • Discussions regarding status / strategy of administration generally

4.4 Resolution 2

The remuneration estimate may be summarised as follows:

Task	Hours	Amount \$
Assets	130.6	46,535
Creditors	37.0	18,215
Employees	9.9	4,405
Trade on	68.9	29,755
Investigation	7.5	2,420
Administration	58.5	23,670
Total	312.5	125,000

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

4.5 Resolution 3

Company: Triton Minerals Ltd (Administrators Appointed)
Administration Type: Deed of Company Arrangement
Practitioners: Martin Jones, Andrew Smith and Dermott McVeigh of Ferrier Hodgson
Period: From the Execution of the DOCA to completion.

<i>Task Area</i>	<i>General Description</i>	<i>Includes</i>
Assets 270.4 hours \$121,730.00 (excl GST)	Sale of business	<ul style="list-style-type: none"> • Work associated with preparation of recapitalisation documents, including DOCA, Underwriting Agreement and Prospectus • Liaising with DOCA proponent • Liaising with Argonaut • Internal meetings • Liaising with statutory authorities (ASIC / ASX) • Engagement of independent experts • Liaising with technical experts
	Leasing	<ul style="list-style-type: none"> • Liaising with owners / lessors • Tasks associated with ongoing lease and vacation of lease
Creditors 115.5 hours \$38,100.00 (excl GST)	Creditor enquiries	<ul style="list-style-type: none"> • Receive and follow up creditor enquiries via telephone • Review and prepare correspondence to creditors and their representatives via facsimile, email and post
	Creditor reports	<ul style="list-style-type: none"> • Preparing general reports and updates to creditors where applicable
	Dealing with proofs of debt	<ul style="list-style-type: none"> • Receipting and filing proofs of debt when not related to a dividend • Adjudication of proofs of debt
Employees 27.9 hours \$10,230.00 (excl GST)	Employee enquiries	<ul style="list-style-type: none"> • Receive and follow up employee enquiries via telephone
	Other employee issues	<ul style="list-style-type: none"> • Other employee related matters regarding group certificates
Trade on 187.1 hours \$70,120.00 (excl GST)	Trade-on management	<ul style="list-style-type: none"> • Liaising with suppliers • Liaising with management and staff • Maintaining purchase order registry • Preparing and authorising receipt vouchers • Preparing and authorising payment vouchers • Preparing correspondence for international payments • Preparing payments through subsidiary companies • Grafex operations
	Processing receipts and payments	<ul style="list-style-type: none"> • Entering receipts and payments into accounting system
Administration 149.2 hours \$59,820 (excl GST)	Correspondence	<ul style="list-style-type: none"> • General correspondence
	Document maintenance / file review / checklist	<ul style="list-style-type: none"> • First month, then six monthly administration review • Filing of documents • File reviews • Updating checklists
	Insurance	<ul style="list-style-type: none"> • Reviewing insurance policies

<i>Task Area</i>	<i>General Description</i>	<i>Includes</i>
		<ul style="list-style-type: none"> • Correspondence with insurance broker regarding ongoing insurance requirements
	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, 5011 and 524, • Correspondence with ASIC regarding statutory forms
	ATO and other statutory reporting	<ul style="list-style-type: none"> • Preparing BAS • Lodgement of BAS • Completing PAYG Payment Summaries
	Finalisation	<ul style="list-style-type: none"> • Notifying ATO of finalisation • Cancelling ABN / GST / PAYG registration • Completing checklists • Finalising WIP
	Books and records / storage	<ul style="list-style-type: none"> • Dealing with records in storage • Sending job files to storage

4.6 Resolution 3

The remuneration estimate may be summarised as follows:

Task	Hours	Amount \$
Assets	270.4	121,730
Creditors	115.5	38,100
Employees	27.9	10,230
Trade on	187.1	70,120
Administration	149.2	59,820
Total	750.0	300,000

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

4.7 Resolution 4

Company: Triton Minerals Ltd (Administrators Appointed)
Administration Type: Deed of Company Arrangement
Practitioners: Martin Jones, Andrew Smith and Dermott McVeigh of Ferrier Hodgson
Period: From the execution of the Creditors Trust to Completion.

<i>Task Area</i>	<i>General Description</i>	<i>Includes</i>
Assets		
75.0 hours \$30,000.00 (excl GST)	Creditors trust assets	<ul style="list-style-type: none"> • Preservation of assets held in creditors trust in anticipation of distribution to creditors.
	Creditor enquiries	<ul style="list-style-type: none"> • Receive and follow up creditor enquiries via telephone • Review and prepare correspondence to creditors and their representatives via facsimile, email and post
Creditors 75.0 hours \$30,000.00 (excl GST)	Creditor reports	<ul style="list-style-type: none"> • Preparing general reports and updates to creditors
	Dealing with proofs of debt	<ul style="list-style-type: none"> • Receipting and filing proofs of debt when not related to a dividend • Corresponding with OSR and ATO regarding proofs of debt when not related to a dividend
Employees 18.8 hours \$7,500.00 (excl GST)	Employee enquiries	<ul style="list-style-type: none"> • Receive and follow up employee enquiries via telephone
	Calculation of entitlements	<ul style="list-style-type: none"> • Calculation of employee entitlements where applicable
	Employee dividend	<ul style="list-style-type: none"> • Correspondence with employees regarding dividend • Preparing dividend file • Advertising dividend notice • Preparing distribution • Receipting and adjudicating proofs of debt
	Other employee issues	<ul style="list-style-type: none"> • Other employee related matters
Dividend 112.5 hours \$45,000.00 (excl GST)	Processing proofs of debt	<ul style="list-style-type: none"> • Preparation of correspondence to potential creditors inviting lodgement of proofs of debt • Receipt of proofs of debt • Maintain and adjudication of proof of debt register • Request further information from claimants regarding proofs of debt • Preparation of correspondence to claimant advising outcome of adjudication
	Dividend procedures	<ul style="list-style-type: none"> • Preparation of correspondence to creditors advising of intention to declare dividend • Advertisement of intention to declare dividend • Obtain clearance from ATO to allow distribution of Company's assets • Preparation of dividend calculations • Preparation of correspondence to creditors announcing declaration of dividend • Advertise announcement of dividend • Preparation of dividend file

<i>Task Area</i>	<i>General Description</i>	<i>Includes</i>
		<ul style="list-style-type: none"> • Preparation of payment vouchers to pay dividend • Preparation of correspondence to creditors enclosing payment of dividend
	Correspondence	<ul style="list-style-type: none"> • General correspondence
	Document maintenance / file review / checklist	<ul style="list-style-type: none"> • First month, then six monthly administration review • Filing of documents • File reviews • Updating checklists
Administration	Bank account administration	<ul style="list-style-type: none"> • Requesting bank statements • Bank account reconciliations • Correspondence with bank regarding specific transfers
93.8 hours \$37,500.00 (excl GST)	ATO and other statutory reporting	<ul style="list-style-type: none"> • Preparing BAS • Lodgement of BAS • Completing PAYG Payment Summaries
	Finalisation	<ul style="list-style-type: none"> • Notifying ATO of finalisation • Cancelling ABN / GST / PAYG registration • Completing checklists • Finalising WIP
	Books and records / storage	<ul style="list-style-type: none"> • Dealing with records in storage • Sending job files to storage

4.8 Resolution 4

The remuneration estimate may be summarised as follows:

Task	Hours	Amount \$
Assets	75.0	30,000
Creditors	75.0	30,000
Employees	18.8	7,500
Dividend	112.5	45,000
Administration	93.8	37,500
Total	375.0	150,000

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

4.9 Resolution 5

Company: Triton Minerals Ltd (Administrators Appointed)
Administration Type: Liquidation
Practitioners: Martin Jones, Andrew Smith and Dermott McVeigh of Ferrier Hodgson
Period: 8 July 2016 to End of the Liquidation

<i>Task Area</i>	<i>General Description</i>	<i>Includes</i>
Assets 237.5 hours \$95,000.00 (excl GST)	Sale of subsidiaries	<ul style="list-style-type: none"> • Preservation of assets held by subsidiary companies • Work associated with the sale of shareholding in subsidiary companies
	Bank guarantees	<ul style="list-style-type: none"> • Realisation and receipt of bank guarantees on lease
	Sale of other investments	<ul style="list-style-type: none"> • Tasks associated with realising other investments including Rubicon shares
Creditors 75.0 hours \$30,000.00 (excl GST)	Creditor enquiries	<ul style="list-style-type: none"> • Receive and follow up creditor enquiries via telephone and email • Review and prepare correspondence to creditors and their representatives via facsimile, email and post • Correspondence with committee of inspection members
	Creditor reports	<ul style="list-style-type: none"> • Preparing general reports and updates to creditors
	Dealing with proofs of debt	<ul style="list-style-type: none"> • Receipting and filing proofs of debt when not related to a dividend • Corresponding with OSR and ATO regarding proofs of debt when not related to a dividend
	Meeting of creditors	<ul style="list-style-type: none"> • Preparation 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 minutes of meetings with ASIC • Respond to stakeholder queries and questions immediately following meeting
	Employee enquiries	<ul style="list-style-type: none"> • Receive and follow up employee enquiries via telephone • Review and prepare correspondence to creditors and their representatives via facsimile, email and post
Employees 37.5 hours \$15,000.00 (excl GST)	Fair Entitlements Guarantee ("FEG")	<ul style="list-style-type: none"> • Correspondence with Department of Education, Employment & Workplace Relations ("DEEWR") • Preparing notification spreadsheet • Preparing FEG quotations • Preparing FEG distributions
	Calculation of entitlements	<ul style="list-style-type: none"> • Calculating employee entitlements • Reviewing employee files and Company's books and records

<i>Task Area</i>	<i>General Description</i>	<i>Includes</i>
	Employee dividend	<ul style="list-style-type: none"> • Reconciling superannuation accounts • Reviewing awards and contracts (as applicable) • Correspondence with employees regarding dividend • Correspondence with ATO regarding SGC proof of debt • Calculating dividend rate • Preparing dividend file • Advertising dividend notice • Preparing distribution • Receipting and adjudicating proofs of debt
Trade On	Trade-on management	<ul style="list-style-type: none"> • Liaising with suppliers and closing accounts • Closing out any remaining purchase orders • Payment of ongoing costs to preserve assets in Mozambique, including wages
87.5 hours \$35,000.00 (excl GST)	Processing receipts and payments	<ul style="list-style-type: none"> • Entering receipts and payments into accounting system
	Conducting investigation	<ul style="list-style-type: none"> • Collection of Company books and records • Detailed review of Company's books and records and key events • Conducting and summarising statutory searches • Review and preparation of Company nature and history. • Preparation of comparative financial statements • Preparation of deficiency statement • Review of specific transactions and liaising with directors regarding certain transactions • Liaising with directors regarding certain transactions • Preparation of investigation file
Investigation	Examinations	<ul style="list-style-type: none"> • Preparing brief to solicitor • Liaising with solicitor(s) regarding examinations • Attendance at examination • Reviewing examination transcripts • Liaising with solicitor(s) regarding outcome of examinations and further actions available
100.0 hours \$40,000.00 (excl GST)	Litigation / recoveries	<ul style="list-style-type: none"> • Internal meetings to discuss status of litigation • Preparing brief to solicitors • Liaising with solicitors regarding recovery actions • Attending to negotiations • Attending to settlement matters
	ASIC reporting	<ul style="list-style-type: none"> • Preparing statutory investigation reports, including section 533 Report • Preparing affidavits seeking non-lodgement assistance • Liaising with ASIC
Dividend	Processing proofs of debt	<ul style="list-style-type: none"> • Preparation of correspondence to potential creditors inviting lodgement of proofs of debt • Receipt and adjudication of proofs of debt • Maintain proof of debt register • Request further information from claimants regarding proofs of debt
75.0 hours \$30,000.00 (excl GST)		

<i>Task Area</i>	<i>General Description</i>	<i>Includes</i>
	Dividend procedures	<ul style="list-style-type: none"> Preparation of correspondence to claimant advising outcome of adjudication Preparation of correspondence to creditors advising of intention to declare dividend Advertisement of intention to declare dividend Obtain clearance from ATO to allow distribution of Company's assets Preparation of dividend calculations Preparation of correspondence to creditors announcing declaration of dividend Advertise announcement of dividend Preparation of dividend file Preparation of payment vouchers to pay dividend Preparation of correspondence to creditors enclosing payment of dividend
	Correspondence	<ul style="list-style-type: none"> General correspondence
	Document maintenance / file review / checklist	<ul style="list-style-type: none"> First month, then six monthly administration review Filing of documents File reviews Updating checklists
	Insurance	<ul style="list-style-type: none"> Identification of potential issues requiring attention of insurance specialists Correspondence with insurance broker regarding initial and ongoing insurance requirements Reviewing insurance policies Correspondence with previous brokers
	Bank account administration	<ul style="list-style-type: none"> Preparing correspondence opening and closing accounts Requesting bank statements Bank account reconciliations Correspondence with bank regarding specific transfers
Administration		
137.5 hours \$55,000.00 (excl GST)	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"> Notification of appointment Preparing Business Activity Statements Completing group certificates
	Finalisation	<ul style="list-style-type: none"> Notifying ATO of finalisation Cancelling ABN / GST / PAYG registration Completing checklists Finalising WIP
	Planning / review	<ul style="list-style-type: none"> Discussions regarding status / strategy of administration
	Books and records / storage	<ul style="list-style-type: none"> Dealing with records in storage Sending job files to storage

4.10 Resolution 5

The remuneration estimate may be summarised as follows:

Task	Hours	Amount \$
Assets	237.5	95,000
Creditors	75.0	30,000
Employees	37.5	15,000
Trade on	87.5	35,000
Investigation	100.0	40,000
Dividend	75.0	30,000
Administration	137.5	55,000
Total	750.0	300,000

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

5 Statement of remuneration claim

5.1 Resolutions to be put to creditors at the meeting convened for Friday, 8 July 2016

At the meeting of creditors convened for Friday, 8 July 2016 creditors will be asked to consider the following resolutions:

5.1.1 Voluntary administration period

Resolution 1: 2 March 2016 to 17 June 2016

"That the remuneration of the Administrators, as set out in the Remuneration Approval Request Report dated 30 June 2016, for the period from 2 March 2016 to 17 June 2016 be fixed in the amount of \$513,396, plus GST, and may be paid."

Resolution 2: 18 June 2016 to 8 July 2016 or the date on which the DOCA is executed

"That the remuneration of the Administrators, as set out in the Remuneration Approval Request Report dated 30 June 2016, for the period from 18 June 2016 to 8 July 2016 or the date on which the DOCA is executed be fixed at the hourly rates referenced in the Remuneration Approval Request Report, up to a maximum amount of \$125,000, plus 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."

5.1.2 DOCA period (if applicable)

Resolution 3: From the execution of the DOCA to completion

"That the remuneration of the Deed Administrators, as set out in the Remuneration Approval Request Report dated 30 June 2016, for the period from the date of execution of the Deed of Company Arrangement to completion be fixed at the hourly rates referenced in the Remuneration Approval Request Report, up to a maximum amount of \$300,000, plus 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."

5.1.3 Creditors Trust period (if applicable)

Resolution 4: From the execution of Creditors Trust to completion

"That the remuneration of the Trustees of the Creditors' Trust, as set out in the Remuneration Approval Request Report dated 30 June 2016, for the period from the date of execution of the Creditors Trust to completion be fixed at the hourly rates referenced in the Remuneration Approval Request Report, up to a maximum amount of \$150,000, plus GST, but subject to upward revision by resolution of creditors, and that the Trustees be authorised to make periodic payments on account of such accruing remuneration as incurred."

5.1.4 Liquidation period (if applicable)

Resolution 5: From 8 July 2016 to Completion of the Liquidation

“That the remuneration of the Liquidators, as set out in the Remuneration Approval Request Report dated 30 June 2016, for the period from 8 July 2016 to completion be fixed at the hourly rates referenced in the Remuneration Approval Request Report, up to a maximum amount of \$300,000, plus 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.”

5.2 Remuneration approved and drawn to date

Creditors have not previously approved any remuneration of the Administrators.

6 Remuneration recoverable from external sources

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

7 Disbursements

7.1 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; 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 (ex 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

Disbursement type	Charges (ex GST)
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 2016

7.2 Disbursements paid from the administration to Ferrier Hodgson

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 7.1.

8 Report on progress of the administration

The Remuneration Approval Request Report must be read in conjunction with the report to creditors dated 30 June 2016 which outlines the progress of the administration.

9 Summary of receipts and payments

A summary of receipts and payments for the period 2 March 2016 to 26 June 2016 is set out in the table below:

Australian Dollar Account

Receipts and payments for the period 2 March 2016 to 26 June 2016	Amount (\$AUD)
Receipts	Total
Transfer from Pre-Appointment bank accounts	1,702,374
Bank Interest	5,078
GST Refund	2,466
Sale of Plant & Equipment	2,100
Flight Refunds	1,549
Insurance Refund	319
Refund on Self Storage Unit	75
Total Receipts	1,713,961
Payments	
Mozambique Tenement Surface tax	(377,188)
Australian Wages	(269,948)
CSA Global Consulting	(131,953)
Legal Fees	(74,717)
Mozambique Wages	(70,825)
Superannuation	(67,097)
Argonaut Securities Consulting	(56,920)
PAYG Remitted to the ATO	(55,692)
Flights	(38,533)
Laboratory Testwork	(40,291)
Rental	(28,697)
Advertising	(27,665)
Mozambique Payroll Tax	(16,377)
Payroll Tax	(14,390)
Employee Reimbursements	(10,696)
Insurance	(5,129)
Telecommunications Provider	(3,768)
IT Support	(2,911)
Database Support	(2,393)
Accommodation	(2,721)
Cleaning Services	(1,316)
Travel Expenses	(1,277)
Charges for change of directors in subsidiary	(1,200)
Postage	(476)
Office Repairs and Maintenance	(384)
Stamp Duty	(310)
GeoPotential Consulting	(231)
Bank Charges	(199)
Internet Service Provider	(150)
ASX Charges	(59)
Total Payments	(1,303,512)
Closing cash at Bank as at 26 June 2016	410,449

US Dollar Account

Receipts and payments for the period 2 March 2016 to 26 June 2016	Amount (\$USD)
Receipts	
Transfer from Pre-Appointment bank accounts	106,878
Refund for accounting services	1,613
Total Receipts	108,491
Payments	
Cash call paid to subsidiary	(33,000)
Car Hire	(23,705)
Legal Fees	(18,331)
Accounting Services	(8,541)
Mozambique Office Rent	(7,100)
Consulting	(4,100)
Bank Charges	(598)
Courier Services	(56)
Total Payments	(95,431)
Closing cash at Bank	13,061
Closing cash at Bank AUD equivalent*	17,628

*Converted to AUD based on exchange rate as at 27 June 2016 (0.7409US/AUD)

10 Queries

If you require further information in respect of the above, or have other queries, please contact William Hulmes of this office on 08 9214 1488.

11 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 30th day of June 2016



Martin Jones
Administrator



ASIC

Australian Securities & Investments Commission

REGULATORY GUIDE 82

External administration: Deeds of company arrangement involving a creditors' trust

**A guide for registered liquidators
appointed under Part 5.3A**

May 2005

Important note

This guide is limited to certain conduct issues for registered liquidators appointed under Part 5.3A as a voluntary administrator or deed administrator (administrator), where a proposed deed of company arrangement (DCA) or proposed variation of a DCA (collectively, a DCA proposal) involves a creditors' trust. It is not intended to be comprehensive and does not describe ASIC's views about how administrators, or all registered liquidators, should perform all their relevant duties and functions.

This guide does not constitute legal advice. Registered liquidators should seek their own advice to confirm how the law applies to them. It is the responsibility of each registered liquidator to identify the precise nature of their obligations from time to time under the Corporations Act, the Corporations Regulations and the general law, and to determine what they must do to perform adequately and properly all their duties and functions.

What this guide is about

- 1 This guide is for registered liquidators appointed under Part 5.3A of the *Corporations Act 2001* (Act) as a voluntary administrator or deed administrator (administrator).
- 2 It explains:
 - (a) our interpretation of administrators' obligations under s439A, 445F, 1292(2) and the general law where they are considering a proposed deed of company arrangement (DCA) or a proposed variation of a DCA (collectively, a DCA proposal) involving a creditors' trust; and
 - (b) in particular, the information that we consider is material to creditors and should therefore be disclosed when a DCA proposal involves a creditors' trust.

Why has ASIC issued this guide?

- 3 The use of creditors' trusts in DCAs is a relatively recent practice that appears to be increasing. We have issued this guide to outline our current views on this practice and indicate our interpretation of adequate and proper performance by administrators of their duties and functions in this situation.
- 4 We are concerned that administrators appear not to be aware of or are not properly considering all the relevant issues raised by the use of a creditors' trust. As a result, they may:
 - (a) submit to creditors a DCA proposal that involves a creditors' trust without properly considering whether such an arrangement is appropriate in the company's circumstances; and/or
 - (b) fail to disclose all the material information about the creditors' trust and its implications to enable creditors to consider the advantages and disadvantages of this type of arrangement for them; and/or
 - (c) make an inappropriate recommendation about the DCA proposal.
- 5 We consider that DCA proposals should not involve creditors' trusts unless administrators have adequately considered the appropriateness of using a creditors' trust in the particular case, and the advantages and disadvantages for the company, the creditors and the administrator.
- 6 DCAs involving a creditors' trust create special risks for creditors. Further, using a creditors' trust in a DCA in some cases may be an abuse of the Part 5.3A process or be otherwise contrary to the public interest. As a result, our view is that while the use of a creditors' trust in a DCA may occasionally be justified by the circumstances of a particular company, indiscriminate use of creditors' trusts in DCAs is not appropriate.

Why follow this guide?

7 This guide indicates how we think administrators will perform their obligations where a DCA proposal involves a creditors' trust, if they are adequately and properly performing all their duties and functions.

8 We will generally consider that an administrator has not complied with all their obligations under the Act and the general law if an administrator asks creditors to vote on a DCA proposal involving a creditors' trust and the administrator has not followed this guide in a material respect.

9 In such cases, we may:

- (a) make an application to the court for the relevant DCA to be terminated or avoided; and/or
- (b) seek specific orders against the administrator under s445D, 445G, 447A, 447E(1) and/or 1321 as appropriate.

10 In addition or alternatively, if we consider that the administrator has not adequately and properly performed their duties or functions as a registered liquidator (or is otherwise not fit and proper to remain a registered liquidator), we may make an application to the Companies Auditors and Liquidators Disciplinary Board (CALDB) under s1292(2) for cancellation or suspension of the administrator's status as a registered liquidator. The CALDB may also impose other sanctions under s1292(9).

11 Where a s439A report or s445F notice referring to a DCA proposal involving a creditors' trust has already been sent to creditors but the relevant creditors' meeting has not been held before publication of this guide, administrators should give creditors as much additional information referred to this guide as it is reasonably practicable for the administrator to provide in the time between publication of this guide and the creditors' meeting.

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Section 1: DCAs and creditors' trusts

What is a creditors' trust?

1.1 A creditors' trust in a DCA is a mechanism used to accelerate a company's exit from external administration. To date, it has been used most commonly (but not exclusively) in connection with the rehabilitation of public companies listed on Australian Stock Exchange Ltd (ASX). In some cases, this leads to a 'backdoor' listing.

1.2 Typically, under the terms of the DCA and one or more interconnected deeds, a trust entity is created and the company's obligations to some or all of the creditors bound by the DCA are compromised and transferred to the trust. Those creditors become beneficiaries of the trust. Occasionally, there may be separate creditors' trusts for employee and non-employee creditors, or for secured and unsecured creditors.

1.3 The company and/or third parties promise to make one or more payments (or transfer other property) to the trustee in satisfaction of the creditors' claims against the company. In return, the creditors' rights against the company are extinguished.

1.4 The trustee of the new trust becomes solely responsible to the former creditors (now beneficiaries) for:

- (a) ensuring that the company and/or other third parties perform their payment and other obligations to the trustee;
- (b) determining how much each of the former creditors is entitled to receive from the trust; and
- (c) in due course, making any distribution to those former creditors.

1.5 Usually, the DCA is 'effectuated' (and terminates) after the creditors' claims against the company have been removed in this way. In most cases, the DCA terminates immediately upon creation of the trust, which usually occurs when or shortly after the DCA is executed.

1.6 When the DCA terminates, the company ceases to be externally administered, the directors regain full control of the company and the company is no longer required to use the notification 'subject to deed of company arrangement' on its public documents as otherwise would be required by s450E(2) of the Act.

What are the special risks for creditors?

1.7 We consider that there are different and additional risks for creditors where a DCA proposal involves a creditors' trust. The significance of the risks in a particular case will depend on the quality of the information the administrator provides to creditors and the actual terms of the DCA, trust deed and any other related documentation.

1.8 The key additional risks are that:

- (a) under the DCA proposal, the DCA may be 'effectuated' and creditors' rights against the company extinguished before:
 - (i) the amount available for distribution to creditors of the company/beneficiaries of the trust has been ascertained; or
 - (ii) the trust fund has been received in full by the trustee; or
 - (iii) creditors of the company/beneficiaries of the trust have received any payment from either the deed administrator or the trustee;
- (b) creditors may have less (or no) legal rights if the DCA proposal is not fully complied with by all relevant parties; and
- (c) creditors may agree to the DCA proposal without being aware (or fully appreciating the implications) of these matters.

1.9 The following factors increase the severity of these risks:

- (a) creditors' lack of knowledge and inexperience;

Note: The use of a creditors' trust in a DCA will be beyond the reasonable contemplation or experience of most creditors bound by the DCA. Creditors (particularly unsecured creditors) of an insolvent company usually have limited knowledge of (or previous experience with) corporate insolvency laws and processes. Any previous experience is likely to be with the Act and ASIC as the relevant regulator, and they will generally expect their claims against the company and their dealings with the external administrator to be governed by the Act. Many creditors will have no or limited knowledge of trust law.

- (b) inadequate disclosure by administrators of material information about the DCA proposal;
- (c) the additional complexity of the legal and documentary arrangements needed to support the use of a creditors' trust under a DCA;
- (d) the trustee's identity, skills, remuneration and insurance arrangements;
- (e) non-uniformity of the State and Territory Trustee Acts governing trusts and trustees;
- (f) differences in the ways trustees and registered liquidators are regulated and supervised, particularly by ASIC and the courts;
- (g) potential difficulties for ASIC and creditors (as beneficiaries of the trust) in monitoring and enforcing proper conduct by the trustee; and

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

What are the obligations of administrators?

1.10 Administrators have an overriding obligation to perform adequately and properly their duties and functions: s1292(2). This includes ensuring that the interests of creditors are adequately protected. Where a DCA proposal is concerned, we consider that an administrator who is fulfilling this obligation will:

- (a) evaluate the proposal before submitting it to creditors (see paragraphs 1.11–1.14);
- (b) disclose all material information about the proposal to creditors (see paragraphs 1.15–1.18); and
- (c) express an opinion about the proposal that adequately protects the interests of creditors (see paragraphs 1.19–1.22).

Evaluating the proposal

1.11 Before submitting any DCA proposal to creditors, administrators should consider whether there is a proposal suitable for submission. For example, it will rarely be appropriate for an administrator to submit to creditors a DCA proposal where the administrator does not have sufficient concrete details to comply with all their disclosure obligations: see paragraphs 1.15–1.18.

1.12 Where the DCA proposal involves a creditors' trust, administrators should specifically consider whether such a mechanism is appropriate in the company's circumstances. We think this includes considering whether the DCA proposal (if accepted) may be an abuse of Part 5.3A or otherwise contrary to the public interest. If so, it may be appropriate for the administrator to seek directions from the court before submitting the DCA proposal to creditors.

1.13 It has been asserted to ASIC that s435A (particularly paragraph (a)) always justifies the use of creditors' trusts in DCAs.

Note: Section 435A states that the object of Part 5.3A is for the business, property and affairs of an insolvent company to be administered in a way that:

- (a) maximises the chances of the company, or as much as possible of its business, continuing in existence; or
- (b) if that is not possible, results in a better return for the company's creditors and members than would result from an immediate winding up of the company.

1.14 In our view, s435A does not justify in a DCA every kind of mechanism that would produce one of the outcomes referred to in that

section. We consider that any mechanism intended to achieve one of those outcomes should only be included in a DCA if it is:

- (a) in the interests of creditors as a whole;
- (b) in accordance with the purpose and policy of Part 5.3A; and
- (c) consistent with the public interest.

Note 1: We consider, for example, that it is likely to be an abuse of Part 5.3A or otherwise contrary to the public interest for a DCA to involve a creditors' trust where:

- (a) there is no proper and compelling legal or commercial reason why the continued existence of the company or its business could not be achieved under a DCA that does not involve a creditors' trust. This includes cases where the underlying reason for using a creditors' trust is to circumvent the effect of s450E(2); or
- (b) the DCA proposal contemplates that the company would or could (after the DCA has been effectuated in accordance with its terms) continue in existence in an insolvent financial condition. See *Report No. 45, General Insolvency Inquiry*, Australia Law Reform Commission, 1988 (the Harmer Report), vol 1, page 62–3.

Note 2: See also *Sydney Land Corp P/L v Kalon P/L* (1998) 26 ACSR 427 at 430; *Young v Sherman* (2002) 170 FLR 86; *Bovis Lend Lease P/L v Wily* (2003) 45 ACSR 612; *Blacktown City Council v Macarthur Telecommunications P/L* (2004) 47 ACSR 391.

Disclosing material information

1.15 Section 439A(4) and reg 5.3A.02 set out matters that a voluntary administrator must include in the documents that accompany the notice of the second meeting of creditors. It has been held that a s439A report must contain all information that is material to the creditors' decision, including material details of what a proposed DCA will contain.

Note: See *M&S Butler Investments Pty Ltd v Granny May's Franchising Pty Ltd* (1997) 24 ACSR 695; *Commissioner of Taxation v Comcorp Australia Ltd* (1996) 70 FCR 356; 21 ACSR 590.

1.16 We consider that deed administrators have an implied obligation to include similar matters in the documents that accompany a s445F notice where a DCA variation is proposed.

1.17 Section 445D reinforces the disclosure obligations of administrators by providing that the court may terminate a DCA if (*inter alia*) information that is material to the creditors' decision to approve the proposed DCA was omitted or was false or misleading.

1.18 When submitting to creditors a DCA proposal that involves a creditors' trust, administrators should disclose all the information that is material to the creditors' decision about whether to accept the particular risks associated with such a proposal. In Section 2 of this guide, we set out the information we think is material to that decision.

Expressing an opinion that protects creditors' interests

1.19 Administrators have an obligation to provide creditors with a statement setting out (*inter alia*) the administrator's opinion about whether it would be in the creditors' interests for the company to execute a proposed DCA or DCA variation and the reasons for that opinion: see s439A(4)(b) and paragraph 1.16 of this guide.

1.20 Where a DCA proposal involves a creditors' trust, we consider that administrators fulfilling this obligation will discuss the advantages and disadvantages for creditors of the proposed creditors' trust when making their recommendation.

1.21 We also consider that the obligation to ensure the interests of creditors are adequately protected means that there are some circumstances where an administrator should not recommend that creditors approve a DCA proposal involving a creditors' trust.

1.22 Examples of such circumstances include where:

- (a) the proposed value of the creditors' trust fund cannot be reasonably estimated at the time the proposal will be voted on by the creditors. We consider that in such a case, the amount that may become available to the creditors as beneficiaries of the trust will be so speculative that it will never be in the creditors' interests for the company to execute a DCA which terminates almost immediately their status and rights as creditors;

Note: DCAs that do *not* involve a creditors' trust may in some cases propose a return to creditors that could be described as speculative. However, in those cases, the interests of creditors are different because the creditors' status as creditors (and their rights against the company under Part 5.3A) will not be prematurely extinguished as may occur where a creditors' trust is used.

- (b) there is reason for concern about whether the trustee will receive all of the trust fund, or at least adequate and enforceable security for the trust fund, before the DCA terminates and the creditors' rights (as creditors) against the company are extinguished. This is because it will rarely be in the creditors' interests to place on them (and the trustee) all the risks of failure of the trust if there is future non-performance of obligations undertaken under the DCA by the company or a third party;

Note: See also *Kalon v Sydney Land Corp P/L* (1998) 26 ACSR 593 upholding *Sydney Land Corp P/L v Kalon P/L* (1998) 26 ACSR 427.

- (c) the DCA or trust deed provisions will permit the trustee (or any replacement trustee) of the creditors' trust to be a person who does not have the necessary skills and experience or is otherwise unsuitable to be the trustee. The risk to creditors from an unsuitable trustee is severe. In our view, the interests of creditors are likely to be adequately

protected if the trustee of the creditors' trust must be a registered liquidator, but will *never* be adequately protected if the trustee will or could be the company to which the administrator is appointed;

Note: This does not imply that the trustee should always be the same person as the deed administrator; the trustee could be another registered liquidator.

- (d) there is reason for concern about whether the proposed trustee will have adequate civil liability insurance for their conduct as trustee of the creditors' trust;
- (e) the DCA and/or the trust deed will not provide processes and rights that are at least as favourable to the beneficiaries as the processes for and rights of creditors under the Act;
- (f) concrete details about the proposed structure and terms of the DCA and trust deed cannot be provided. Because of the additional complexity of creditors' trust arrangements, we do not consider that a broad outline of the proposed DCA and proposed creditors' trust deed is sufficient. In practical terms, we think it is unlikely that administrators will be able to satisfy their disclosure obligations to creditors unless a draft DCA and a draft trust deed have been prepared.

Note: See also *Kirwan v Cresvale Far East Ltd (in liq)* [2002] NSWCA 395 at [382] per Young CJ; (2003) 44 ACSR 21; *Commissioner of Taxation v Comcorp Australia Ltd* (1996) 70 FCR 356 at 389; 21 ACSR 590 at 624.

'Holding' DCAs and 'self-executing' creditors' trusts

1.23 We are aware that creditors (particularly of large companies) have been asked to approve so-called 'holding' DCAs. These holding DCAs are typically used as a means of providing more time for a voluntary administrator (or the directors or third parties) to develop proposals for restructuring or otherwise resuscitating the company, thereby avoiding the need for the voluntary administrator to seek an extension from the court of the convening period for the second creditors' meeting under s439A. Typically, holding DCAs do not contain any concrete provisions on the future of the company or any immediate benefits for creditors.

1.24 In our view, administrators should not submit to creditors a proposal for a holding DCA where the terms of the holding DCA would permit subsequent creation of a creditors' trust and effectuation of the DCA without the need to first obtain express creditor approval of the creditors' trust by means of a formal variation of the DCA. We consider that before a creditors' trust is created, creditors should be given specific information as indicated in this guide.

1.25 Where a holding DCA is proposed, we consider that its terms should:

- (a) exclude an open-ended or very lengthy period to formulate a concrete proposal for continuing the company or its business; and

Note: An open-ended or very lengthy period magnifies the potential remuneration of the deed administrator with little or no tangible benefit for creditors. It therefore raises significant conflict of interest issues, as well as issues about whether the holding DCA is in the interests of the creditors as a whole or infringes the purpose and policy of Part 5.3A.

- (b) include a program for interim reporting to creditors on steps taken and results obtained by the deed administrator, so that creditors can monitor the deed administrator's efforts.

Section 2: Disclosing material information

What is material information?

2.1 In this section of the guide, we set out what we think is material information where a DCA proposal involves a creditors' trust. In a particular case, there may also be other material information that should be disclosed.

Note: Parts of this section may also be relevant to DCAs that do not involve a creditors' trust.

2.2 Administrators have an obligation to give creditors information that will enable them to:

- (a) understand a DCA proposal; and
- (b) appreciate the legal and practical implications for them of authorising the company to execute the proposed DCA (or DCA variation).

The information should be set out in the s439A report (or explanation that accompanies the s445F notice of meeting) as simply, clearly and succinctly as possible in the circumstances.

2.3 Where the DCA proposal involves a creditors' trust, we consider this obligation means that information should be provided which enables creditors to understand the actual and potential implications and specific risks for them of the proposed creditors' trust arrangements. Creditors should be able to make a realistic and informed assessment of the proposal and whether they should approve it (including, but not limited to, whether they are likely to receive a better return under the particular DCA proposal, under a DCA that does not involve a creditors' trust, or under a winding up).

2.4 Much of the information that we think should be provided to creditors will describe the administrator's understanding of the law. Therefore, we consider that administrators should base such information on legal advice received by them that is applicable to the particular DCA proposal.

2.5 Because of the additional complexity involved in a DCA proposal involving a creditors' trust, we consider that creditors should be given adequate opportunity to obtain (if they wish) professional advice about the proposal, its implications and risks before they vote on the proposal. This may affect the appropriate period of notice of a meeting, the need for an extension of the convening period, or the need for an adjournment of the meeting.

2.6 Where a DCA (or DCA variation) involving a creditors' trust is approved and executed, we expect administrators to lodge with ASIC, in addition to the DCA (or DCA variation):

- (a) a copy of the creditors' trust deed; and
- (b) any other associated document (such as an 'implementation deed') that is referred to in the DCA or is otherwise necessary to support the creditors' trust arrangements.

This is because ASIC, creditors and the public can only properly understand the DCA if they understand the associated arrangements.

Table 1: Information for creditors

Reasons	The reasons why the DCA proposal involves a creditors' trust (see paragraphs 2.7–2.9)
Key events	The anticipated sequence of key events if the DCA proposal is approved, and the implications for creditors (see paragraphs 2.10–2.11)
Return	The anticipated return to creditors/beneficiaries (see paragraph 2.12)
Trustee particulars	The identity, skills, experience and insurance of the proposed trustee (see paragraphs 2.13–2.14)
Remuneration	The proposed remuneration and expenses of the deed administrator and trustee (see paragraph 2.15–2.16)
Indemnities	Details of any indemnities for fees or liabilities (see paragraph 2.17)
Powers	The differences between the powers of a deed administrator under the Act and the trustee under the DCA proposal (see paragraph 2.18–2.19)
Claims	How creditors' claims will be dealt with under the DCA proposal and in what priority (see paragraphs 2.20–2.21)
Other creditor/beneficiary differences	A comparison of the protections and rights of creditors under the Act and of beneficiaries under the DCA proposal (see paragraphs 2.22–2.24)
GEERS	Any effect on employee entitlements under GEERS (see paragraph 2.25)
Compliance opinion	An opinion on the capability of the company (and relevant third parties) to comply with obligations to the trustee (see paragraph 2.26)
Solvency statement	The basis for an opinion that the company will be solvent at the date of effectuation of the DCA (see paragraph 2.27)
Tax (company/trust)	Details of the taxation and stamp duty implications for the company and the trust (see paragraph 2.28)
Tax (creditor/beneficiary)	Potential differences in taxation implications for creditors and beneficiaries (see paragraph 2.29)
Other	Any other material aspects or implications (see paragraph 2.30)

Reasons

2.7 Administrators should provide an explanation of the reasons why the DCA proposal involves a creditors' trust, instead of a DCA where creditors' claims and rights would be dealt with directly under the DCA and the Act.

2.8 We expect this explanation to include identification of any legal or commercial reasons, and a discussion of why it is considered to be in the interests of creditors as a whole to use the proposed creditors' trust.

2.9 If one of the stated reasons is to enable listing of the company or re-quotation of the company's financial products on a financial market such as ASX, details should also be provided of:

- (a) the market operator's requirements for listing or re-quotation and how it is proposed that the company would meet those requirements; and
- (b) how and why listing or re-quotation would be in the interests of the creditors (as opposed to the directors, shareholders or some other party).

Key events

2.10 Administrators should explain the anticipated sequence and relative timing for each of the following key events if the DCA proposal is approved, and the implications of each event for creditors:

- (a) execution of the DCA;
- (b) creation of the creditors' trust;
- (c) termination of the DCA;
- (d) receipt of the creditors' trust fund by the trustee; and
- (e) distribution to creditors/beneficiaries.

2.11 The explanation of implications should include the nature of the legal relationship of the creditors to the company after each event (and specifically, when they would cease to be creditors), and what will happen if any of these events, or their timing, does not eventuate as anticipated.

Return to creditors

2.12 Administrators should provide information about the anticipated return to creditors/beneficiaries under the DCA proposal including:

- (a) the anticipated date(s) when the trust fund will be received by the trustee and from which sources;
- (b) the anticipated value of the total trust fund and of the portion that would be available for distribution to beneficiaries, with an explanation of any difference in those values;

Note: See also paragraph 1.22(a) of this guide.

- (c) the anticipated date(s) for distribution by the trustee to the beneficiaries;
- (d) the anticipated rate(s) of distribution by the trustee;
- (e) risks to creditors/beneficiaries associated with any delay in receipt of the trust fund by the trustee, or in distribution by the trustee to the beneficiaries; and
- (f) the potential return to creditors if the DCA proposal did not involve a creditors' trust.

Note: We consider that the information in this paragraph should be linked to information provided about remuneration, expenses, taxation etc so that creditors are able to identify and weigh up the additional overall costs involved because of the creditors' trust and any potential increase in the distribution to them, against the likelihood of, and any delay in, receiving that distribution.

Trustee particulars

2.13 Administrators should provide information about the proposed trustee, including:

- (a) why that trustee is proposed and is considered appropriate, with details of their qualifications, skills and relevant experience to perform the duties and functions they will have as trustee of the creditors' trust;

Note: See also paragraph 1.22(c) of this guide.

- (b) whether the DCA proposal requires the trustee (and any replacement trustee) of the creditors' trust to be the deed administrator or other person registered by ASIC under Part 9.2 as a liquidator;
- (c) whether ASIC or any other government regulator will have supervisory powers over conduct by the proposed trustee in that capacity, and if so, the nature of those powers;

Note: Administrators should note our view that ASIC and the CALDB have certain supervisory powers under Part 9.2 over conduct by the trustee where the DCA and trust deed provide that the trustee is a registered liquidator.

- (d) whether the proposed trustee would have any potential conflict of interests when acting as trustee and if so, the nature of the conflict and how it would be managed; and
- (e) whether the proposed trustee has civil liability insurance (including professional indemnity and fidelity) that will cover conduct by them in their capacity as trustee of the proposed trust, and the nature and aggregate value of any such insurance.

Note: See also paragraphs 1.22(d) and 2.14 of this guide.

2.14 If the proposed trustee is a registered liquidator, administrators should note that:

- (a) where the registered liquidator has provided a performance bond as security for the purposes of s1284, that bond will not cover conduct by the registered liquidator in the capacity of trustee of a creditors' trust. The registered liquidator would need insurance covering conduct as a trustee; and
- (b) where the registered liquidator is relying on insurance to satisfy s1284 under Policy Statement 33 *Security deposits* [PS 33], it will be necessary to confirm whether that policy covers conduct by the registered liquidator in the capacity of trustee. If not, additional insurance would be needed.

Remuneration and expenses

2.15 Administrators should provide details of the remuneration and anticipated expenses of the deed administrator and proposed trustee, and a comparison of the remuneration process for the deed administrator and the trustee.

2.16 The information should cover:

- (a) how and when the deed administrator and trustee would be paid and at what rates;
- (b) the effect of the fees and expenses of each of the deed administrator and trustee on the anticipated distribution to beneficiaries of the trust (see also paragraph 2.12 of this guide). This includes identifying any additional fees and expenses involved because of the use of a creditors' trust (such as through duplication of activity); and
- (c) the rights that beneficiaries would have to approve and/or challenge fees charged by the trustee (including what law and courts would decide those rights), compared with the rights they would have as creditors of a company subject to a DCA.

Note: See also paragraph 1.22(e) of this guide.

Indemnities

2.17 Administrators should provide the details and implications for creditors/beneficiaries of any indemnity for fees or liabilities that has been (or will be) provided to the deed administrator or trustee, including the relationship between the indemnifier, the company, the deed administrator and the trustee. This includes any indemnity or lien in favour of the deed administrator or trustee over the assets of the company or over the trust fund under the proposed terms of the DCA or trust deed.

Powers

2.18 Administrators should explain the differences between the powers of a deed administrator under the Act and the powers the trustee would have under the proposed trust deed and the relevant State or Territory Trustee Act.

2.19 This includes identification of any likely deficiencies in the powers of the trustee to perform the functions envisaged under the proposed trust deed, and which may lead to applications to court (and associated costs) by the trustee that would not be necessary for a deed administrator.

Claims

2.20 Administrators should explain how creditors' claims against the company will be dealt with under the DCA proposal and in what priority. This includes whether the value of those claims will be determined by the deed administrator or by the trustee. If by the trustee, there should be an explanation of what the process of determination will be and confirmation that the trustee will have unrestricted and free access to all the books and records of the company necessary to determine claims.

2.21 If unsecured creditors' priorities (as beneficiaries of the trust) will not follow the priorities set out in s556, the nature of and reasons for the divergence from s556 should be explained. If the claims adjudication processes by the trustee and the associated rights of beneficiaries would differ from the processes and rights under the Act for creditors' claims, the differences and their implications for beneficiaries should also be explained.

Note: See also paragraph 1.22(e) of this guide.

Other creditor/beneficiary differences

2.22 Administrators should provide a comparison of the protections and rights that creditors would have under the Act as creditors of a company subject to a DCA, and the protections and rights they would have as beneficiaries of the proposed trust.

2.23 In relation to creditors, we expect this comparison to include explanation of the ability of a creditor to:

- (a) challenge decisions, actions or omissions by a deed administrator, including decisions about the value of their claim against the company;
- (b) be informed (including through reports to creditors, meetings of creditors, and lodgement of statements of receipts and payments with ASIC, where these are required) about the progress of the external administration;

- (c) require a deed administrator to call a meeting of creditors to put a resolution to vary or terminate a DCA;
- (d) apply to the court for the DCA to be varied, terminated or avoided; and
- (e) complain to ASIC about conduct by the deed administrator.

2.24 In relation to beneficiaries of the proposed trust, we expect this comparison to include explanation of:

- (a) the law that would govern interpretation of the trust deed and the trustee's powers and duties;
- (b) how beneficiaries, individually and collectively, would be able to monitor and enforce compliance by the trustee, the company and any relevant third parties with the terms of the DCA, the trust deed and any 'implementation deed' or other document setting out obligations connected with the creditors' trust. This includes the rights that beneficiaries would have (and against whom) if any part of the trust fund is not paid to the trustee in accordance with the proposed DCA, trust deed or other aspect of the arrangements;
- (c) the rights that a beneficiary would have to challenge decisions, actions or omissions by the trustee, including decisions about the value of their entitlement to a distribution out of the trust fund;
- (d) how, when and by whom the terms of the trust deed could be varied, including the rights that a beneficiary would have to call, or require the trustee to call, a meeting of beneficiaries to vary or terminate the trust deed; and
- (e) how, and to which supervisory body, a beneficiary could complain about decisions or other conduct by the trustee.

GEERS

2.25 Administrators should disclose the effect (if any) for employee creditors of becoming a beneficiary of a creditors' trust on their rights under the General Employee Entitlements and Redundancy Scheme (GEERS), or on the Commonwealth Government's rights of subrogation under GEERS.

Compliance opinion

2.26 Administrators should state:

- (a) the inquiries they have made about the capability (including financial capability) of the company and any relevant third party to comply with their obligations under the DCA proposal;
- (b) the information they have received in response to those inquiries; and

- (c) based on this information, their opinion on whether the company (and any relevant third party) is capable of complying and is likely to comply with its obligations to the trustee, if the DCA proposal is approved by creditors.

Note: See also paragraph 1.22(b) of this guide.

Solvency statement

2.27 Administrators should state the basis on which they have formed the opinion that the company will be solvent at the date of effectuation of the DCA, if the DCA is wholly effectuated on the terms proposed.

Note: An administrator who has not formed or cannot form this opinion should re-evaluate the proposal. See paragraph 1.14 of this guide.

Taxation etc (company and trust)

2.28 Administrators should provide details of the taxation (including capital gains tax), stamp duty and other financial implications for the company and for the trust of:

- (a) establishing the trust;

Note: Administrators are reminded that trusts are entities that are subject to Australian Business Number (ABN) registration requirements and to Australian income tax legislation.

- (b) transferring to the trust the company's liabilities to its creditors and, where applicable, other property of the company;
- (c) where applicable, realising trust assets; and
- (d) distributing trust assets to the beneficiaries.

This should include explanation of how these costs will impact on the anticipated return to creditors/beneficiaries (see also paragraph 2.12 of this guide).

Taxation (creditor/beneficiary)

2.29 Administrators should provide a statement in general terms about the potential taxation implications for a creditor of receiving distributions (in their capacity as beneficiary) from a trust rather than payment from the company in their capacity as creditors, with a statement advising creditors to seek professional advice about their individual taxation circumstances.

Other

2.30 Administrators should provide information about any other material aspects or implications of the particular DCA proposal, such as:

- (a) whether an Australian financial services (AFS) licence or authorisation would be needed by the trustee and if so, the financial and other implications for creditors/beneficiaries;

Note: Administrators should note that the automatic AFS licensing exemptions available to external administrators under s911A(2)(f) may not apply to registered liquidators acting as trustee of a creditors' trust.

- (b) if the DCA proposal involves preservation of the corporate shell, any independent opinion about the estimated value of the corporate shell;
- (c) if the DCA proposal involves a proposed equity raising and reorganisation of the company's share capital, information about what this would involve (including costs and the implications of those costs for the return to creditors/beneficiaries), and the implications of relevant fundraising or takeover laws.

Key terms

In this guide, these terms have the following meanings:

ABN Has the same meaning as in s9

Act *Corporations Act 2001* (Cth), including regulations made for the purposes of the Act

administrator Has the same meaning as in s9

Note: It therefore includes deed administrators and voluntary administrators

AFS licence An Australian financial services licence under Part 7.6

ASIC Australian Securities and Investments Commission

ASX Australian Stock Exchange Ltd

CALDB Companies Auditors and Liquidators Disciplinary Board

DCA A deed of company arrangement

DCA proposal A proposed DCA or proposed variation of a DCA

deed administrator An administrator of a DCA

GEERS The General Employee Entitlements and Redundancy Scheme

Part 9.2 (for example) A part of the Act (in this example, numbered 9.2)

reg 9.2.01 (for example) A regulation in the *Corporations Regulations 2001* (in this example, numbered 9.2.01)

registered liquidator A person registered by ASIC under s1282(2)

s1282 (for example) A section of the Act (in this example, numbered 1282)

voluntary administrator An administrator of a company but not of a DCA

ANNEXURE E

ANNEXURE F

**TRITON MINERALS LTD (ADMINISTRATORS APPOINTED)
ACN 126 042 215 (the Company)**

**DRAFT TERM SHEET FOR
DEED OF COMPANY ARRANGEMENT (DOCA) PROPOSAL
INVOLVING AN UNDERWRITTEN ENTITLEMENTS ISSUE AND A CREDITORS' TRUST**

Key Element	Proposal
1 Proposal	<p>1.1 Somers & Partners Pty Ltd, (the Proponent) proposes that:</p> <p>(a) On execution of this DOCA term sheet by the Proponent and prior to the meeting of creditors held in accordance with s 439A <i>Corporations Act</i> (Cth) (the Act) (2nd Creditors Meeting), the Proponent will pay \$1,000,000 (Deposit) on the terms outlined in clause 3.</p> <p>(b) Following approval of the DOCA terms, by creditors at the Second Creditors Meeting:</p> <p>(i) the Company (acting by its new directors) will enter into an underwriting agreement (Underwriting Agreement) with the Proponent on commercial terms reflecting those set out at Annexure A; and</p> <p>(ii) Proponent will by no later than four months after execution of the DOCA, raise not less than A\$13,601,340.29 via an underwritten non-renounceable pro-rata entitlements issue of not less than 226,689,005 fully paid ordinary shares (Capital Raising Shares) in the capital of the Company at \$0.06 per share (and on the basis of 7 Capital Raising Shares for every 13 fully paid ordinary shares held in the capital of the Company as at the relevant record date) (Capital Raising). The Proponent shall be appointed as underwriter of this issue on commercial terms reflecting those set out at Annexure A; and</p> <p>(iii) The Administrators will apply the Deposit in accordance with the terms outlined in clause 3.</p> <p>(c) Immediately upon issue of the Capital Raising Shares, the Company will pay, from the proceeds of the Capital Raising, \$5,000,000 to the Deed Administrators on an irrevocable, non-refundable basis.</p> <p>(d) Upon receipt of such cleared funds, the Deed Administrators will execute a creditors' trust deed and transfer:</p> <p>(i) A\$5,000,000; and</p> <p>(ii) (to the extent it is assignable) any chose in action or claim that the Company may have against third parties (Company Causes of Action) and the benefit of such Company Causes of Action,</p> <p>into the Creditors' Trust (the Trust Fund), whereupon all Claims (other than Excluded Claims) (Assumed Claims) will be assumed by the Trust Fund acting through the Trustee, to enable:</p> <p>(iii) all Assumed Claims to be extinguished and released as against the Company, and each creditor who had an Assumed Claim to have an equivalent claim against the Trust Fund, which is equal to the amount</p>

Key Element	Proposal
	<p>of their released Claim;</p> <ul style="list-style-type: none"> (iv) Administrators', Deed Administrators' and Trustees' remuneration, costs and liabilities incurred to be paid in full; (v) creditors with Assumed Claims to be paid a dividend pro-rated in respect of their admitted Assumed Claims, plus interest payable on their admitted Assumed Claims at the statutory rate prescribed in the Act; and (vi) any surplus to be returned to the Company, <p>in each case in accordance with clause 9.</p> <p>(e) In the event that the Trust Payment is insufficient to meet payment of the amounts referred to in clauses 1.1(d)(iv) and 1.1(d)(v) in full, the amount of the shortfall will be the "Shortfall Amount" and the Company at its election, will either:</p> <ul style="list-style-type: none"> (i) issue sufficient Shares to the Trustee which when realisable will be sufficient to discharge the Shortfall Amount; or (ii) pay into the Trust Fund sufficient cleared funds to discharge the Shortfall Amount. <p>(f) Then, all Claims (except the Excluded Claim) will be released and extinguished as against the Company, if not released and extinguished earlier under the DOCA;</p> <p>(g) Creditors whose Assumed Claims are assumed by the Creditors' Trust will no longer be creditors of the Company but will instead become beneficiaries of the Creditors' Trust (Trust Creditors). For the purpose of determining the admissibility and ranking of Trust Creditors' claims in the Creditors Trust, regulations 5.6.39 to 5.6.72 of the <i>Corporations Regulations 2001</i> (the Regulations) and Sub-divisions A to E of Division 6 of part 5.6 of the Act shall apply to the Creditors Trust and the Trustees as if references to a "Liquidator" were references to the Trustees, references to "winding up" were references to the "Creditors' Trust" and with such other modifications as are necessary to give effect to the Creditors' Trust.</p> <p>(h) The Trustees of the Creditors' Trust become solely responsible to the Trust Creditors for:</p> <ul style="list-style-type: none"> (i) ensuring that the Company and/or other third parties perform their obligations to the Trustee; (ii) determine how much each of the Trust Creditor is entitled to receive from the Trust Fund; and (iii) in due course, making any distribution to those Trust Creditors. <p>(i) On payment of the final dividend to the Trust Creditors from the Trust Fund, all Claims against the Trust Fund are extinguished and each Trust Creditor will, if called upon to do so, execute and deliver to the Trustees such forms of release of any Assumed Claim as the Trustees require.</p>

Key Element	Proposal
	<p>1.2 In this clause,</p> <p>(a) “Appointment Date” means 2 March 2016.</p> <p>(b) “Claim” means a debt payable by, and all claims against the Company, being a debt or claim any of the circumstances giving rise to which occurred on or before the Appointment Date that would be admissible to proof against the Company in accordance with Division 6 of Part 5.6 of the Act, if the Company had been wound up and the winding up is taken to have commenced on the Appointment Date.</p> <p>(c) “Excluded Claim” means any Claim or liability (contingent or otherwise) arising out of or in connection with any impost imposed by the Mozambique Government or its agencies under Mozambique law in connection with the Company or its related bodies corporate.</p>
<p>2 Purpose of DOCA Proposal</p>	<p>2.1 This DOCA Proposal is designed to:</p> <p>(a) maximise the chance of the Company continuing in existence;</p> <p>(b) provide a greater return to the Company’s creditors than would be available in a liquidation and in a timely manner;</p> <p>(c) facilitate a recapitalisation of the Company through the Capital Raising; and</p> <p>(d) cause the Company to be released from all claims (apart from any claims and liabilities (if any) which cannot be released by a DOCA or which are expressly specified not to be released pursuant to the DOCA).</p>
<p>3 Deposit</p>	<p>3.1 The \$1,000,000 Deposit will be payable by the Proponent on execution of this DOCA term sheet. The Deposit is to be set off against monies payable under the Underwriting Agreement by the Proponent for an application for shortfall Shares under the Capital Raising, with the following key terms:</p> <p>(a) \$300,000 of the Deposit shall be immediately paid to the Company, be non-refundable and is to be applied by the Administrators and/or Deed Administrators towards the Company’s advisory and related costs (excluding the Administrators’ fees and costs) associated with the Capital Raising and the prospectus issued in relation to the Capital Raising (i.e. accounting, legal fees), irrespective of whether:</p> <p>(i) the DOCA is approved by the Second Creditors’ meeting;</p> <p>(ii) the Capital Raising proceeds; and/or</p> <p>(iii) any other matter.</p> <p>(b) \$200,000 of the Deposit shall be immediately paid to the Company and is to be applied by the Administrators and/or Deed Administrators towards preserving the Company’s investment in Grafex and associated operating costs of the Company (excluding the Administrators’ fees and costs) (Non-Recourse Deposit).</p> <p>(c) \$500,000 of the Deposit shall be paid into the Ferrier Hodgson trust account</p>

Key Element	Proposal
	<p>and applied by the Administrators and/or Deed Administrators as follows:</p> <ul style="list-style-type: none"> (i) Subject to clause 3.2, if the Company's expected ATO tax refund of not less than \$250,000 (ATO Tax Refund) is not received by 15 July 2016, then \$250,000 of the Deposit (Additional Deposit) shall be paid to the Company and applied by the Administrators and/or Deed Administrators towards preserving the Company's investment in Grafex and associated operating costs of the Company (excluding Administrators' fees and expenses). (ii) the remaining \$250,000 to \$500,000 (if the ATO Tax Refund is received by 15 July 2016) of the Deposit shall be: <ul style="list-style-type: none"> (A) subject to clause 3.1(c)(ii)(C), refundable to the Proponent if the DOCA is not approved at the 2nd Creditors Meeting, the Capital Raising does not proceed and/or the DOCA is terminated, in each case due to circumstances outside the Proponent's control; (B) subject to 3.1(c)(ii)(C), paid to the Company if the DOCA is not approved at the 2nd Creditors Meeting, the Capital Raising does not proceed and/or the DOCA is terminated, in each case due to circumstances within the Proponent's control; (C) paid to the Company if the DOCA is approved at the 2nd Creditors Meeting and the Capital Raising proceeds (in which case it will be set off against monies payable for an application for shortfall Shares under the Capital Raising). <p>3.2 The Non-Recourse Deposit and Additional Deposit (if paid to the Company in accordance with 3.1(c)(i)) shall be deemed to be non-interest bearing loans (Loans) to the Company, for which the Administrators are liable by reason of s443A of the Act (but non-recourse against them personally) and in respect of which liability, the Administrators are entitled to be:</p> <ul style="list-style-type: none"> (a) indemnified out of the Company's property under s443D of the Act; and (b) paid out in priority ahead of the Company's unsecured debts under s.443E of the Act, but subordinated to all other amounts in respect of which the Administrators, Deed Administrators and/or Trustees are entitled to be paid or indemnified under 443D of the Act and/or clauses 9 and/or 10. (c) released under clause 3.3. <p>3.3 All of the Deposit shall be offset against the Proponent's obligation to pay subscription funds under the Underwriting Agreement. Upon the issue of the relevant Shares, the Company, Administrators, Deed Administrators and Trustees will be released from any obligation arising from or in connection with the Loans.</p>
<p>4 Deed Administrators/ Trustees of the Creditors' Trust</p>	<p>4.1 Martin Jones, Andrew Smith and Dermott McVeigh 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>

Key Element	Proposal
	4.2 The Deed Administrators will assume the role of Trustees of the Creditors Trust.
5 Establishment of Creditors Trust	<p>5.1 A Creditors' trust will be established and named "Triton Minerals Creditors' Trust" (Creditors' Trust).</p> <p>5.2 The purpose of the Creditors Trust will be to enable certain tasks ordinarily undertaken by the Deed Administrators (including but not limited to, the calling for and adjudication of creditors' proofs of debt) to be performed by the Trustees of the Creditors Trust in order to facilitate the termination of the DOCA.</p> <p>5.3 Property available to the Creditors Trust comprises the "Trust Fund". The "Trust Fund" includes:</p> <ul style="list-style-type: none"> (a) monies transferred by the Deed Administrators including the sum referred to in clause 1.1(d); (b) any chose in action or claim that the Company may have against third parties, including those referred to in clause 1.1(d); and (c) any Shares or funds referred to in clause 1.1(e).
6 Participating Creditors	6.1 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).
7 Board of Directors	<p>7.1 The Board of Directors of the Company (which will be made to comprise the following people prior to the Underwriting Agreement being executed by the Proponent) will remain in place during the Deed Administration:</p> <ul style="list-style-type: none"> (a) Garth Higgs; and (b) Paula Ferreira; and (c) a person nominated by the Proponent who is unrelated to the Proponent, is someone who the Company has consented to acting as director and has no conflict of interest with the Proponent or the Company <p>(Directors).</p> <p>7.2 Upon execution of the DOCA, the Company acting by the Directors will execute and perform the obligations of the Company under, the underwriting agreement in respect of the Capital Raising attached to DOCA.</p> <p>7.3 The Company shall be returned to the Directors on completion of the DOCA.</p>
8 Further assurances regarding Company Causes of Action	8.1 Subject to clause 8.2, the Company shall exercise all such powers as are available to it, do all such acts and things (including without limitation lodging and pursuing a claim in respect of the Company Causes of Action), sign, execute and deliver all such documents and instruments and provide assistance and cooperation as may be reasonably required by the Trustee from time to time in connection with bringing and enforcing the Company's Causes of Action and/or transferring part or all of the enforcement proceeds

Key Element	Proposal
	<p>into the Creditors Trust.</p> <p>8.2 The Company is not obliged to take any action under clause 8.1 until it is first indemnified by the Trustee out of the assets of the Creditors' Trust.</p> <p>8.3 For the avoidance of doubt, the Company's obligations in clause 8.1 survive termination of the DOCA.</p>
<p>9 Application of the Trust Fund</p>	<p>9.1 The Trust Fund will be applied by the Trustees in accordance with sections 556, 560 and 561 of the Act, in the order of priority as follows:</p> <p>(a) first, to the Administrators, Deed Administrators and Trustees for any amount which they are entitled to be paid or indemnified under 443D of the Act or clauses 9 and 10 (even though they may have ceased to be Administrators or Deed Administrators) and in the case of the Trustees, may include an amount of the Trustees' remuneration and costs which are estimated to be incurred up to the date on which the Creditors' Trust terminates;</p> <p>(b) next, to the Proponent for the amount of any Loan not otherwise released under clause 3.3;</p> <p>(c) next, to the Company to ensure sufficient funds are available to properly support the indemnity established in clause 8.2;</p> <p>(d) next, to the priority beneficiaries (if any); and</p> <p>(e) next, to ordinary beneficiaries (formerly the Company's creditors).</p> <p>9.2 In the event that there is a surplus, balance and/or residual Company Causes of Action still in the Trust Fund after the Trust Creditors have received their distribution in accordance with clause 9.1 and the Trustees have not made and do not apprehend that they will make a claim on the indemnity referred to in clause 11.2, such surplus, balance and/or residual Company Causes of Action shall (if assignable) be transferred from the Trustees to the Company.</p> <p>9.3 Subject to clause 9.1, the terms of section 556 and 560 of the Act shall apply as if references to the "Liquidator" were references to the "Trustee", references to "winding up" were references to the "Creditors' Trust" and with such other modifications as are necessary to give effect to the terms of this document.</p> <p>9.4 Sections 444DA and 444DB of the Act will apply to the DOCA.</p>
<p>10 Remuneration</p>	<p>10.1 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 Companies 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> <p>10.2 The Trustees will be entitled to their remuneration and costs on the basis of time spent by the Trustees, their partners and staff in the performance of services in connection with or in relation to the administration of the Creditors' Trust and such time will be charged at the Trustees' standard rates, from time</p>

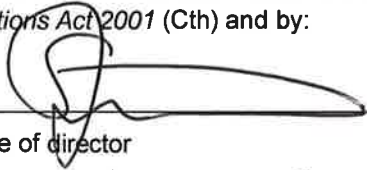
Key Element	Proposal
	to time, for work of that nature.
11 Administrators' / Deed Administrators' / Trustees' Lien	<p>11.1 The Administrators and Deed Administrators (whether or not they are still acting in either capacity) are entitled to be indemnified out of, and have a first ranking lien over the assets of the Company and the Trust Fund for:</p> <ul 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. <p>11.2 The Trustees will have an equivalent indemnity secured by a lien over the Trust Fund.</p>
12 Enforcement against the Company	<p>12.1 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>
13 Completion of DOCA	<p>13.1 The DOCA will complete or be fully effectuated upon each of the following being satisfied:</p> <ul style="list-style-type: none"> (a) the issue of Shares under the Capital Raising; (b) payment of the monies referred to in clause 1.1(c) by the Company to the Deed Administrators; (c) execution of the Creditors' Trust Deed; and (d) extinguishment of the Claims referred to in clause 1.1(f). <p>13.2 In accordance with clause 7.1, the Company shall be returned to the board of directors upon completion of the DOCA.</p>
14 Variation of	<p>14.1 The DOCA may be varied by resolution passed at a meeting of creditors</p>

Key Element	Proposal
DOCA	<p>convened under s445F of the Act.</p> <p>14.2 Nothing in the varied DOCA shall limit the operation of s445D and s445E of the Act.</p>
15 Termination of DOCA	<p>15.1 In the event that:</p> <p>(a) Capital Raising Shares have not been issued within four months of the DOCA being executed or such later date approved by the Deed Administrators in writing; or</p> <p>(b) the Deed Administrators, acting reasonably, determine that it is no longer practicable to implement the DOCA and/or the Capital Raising for any reason,</p> <p>the Deed Administrators may:</p> <p>(c) convene a meeting of creditors to vary the DOCA; and</p> <p>(d) (in the event of creditors not agreeing to vary the DOCA) seek to and obtain Court Orders to terminate or vary the DOCA.</p>
16 Other terms	<p>16.1 Any other terms and conditions contained in Schedule 8A of the Regulations be retained so as to give effect of the DOCA;</p> <p>16.2 Section 440D of the Act will apply while the DOCA is on foot.</p> <p>16.3 In this term sheet, "business day" means a day that is not a Saturday, Sunday or public holiday in Perth, Western Australia.</p>

Executed as a deed

20 JUNE 2016


Signed and delivered by **Somers & Partners Pty Ltd** in accordance with section 127 of the *Corporations Act 2001* (Cth) and by:



Signature of director

Andrew Lovat Fraser

Name of director (print)



Signature of director/secretary

GEORGET MICHAEL REILLY

Name of director/secretary (print)

ANNEXURE A: Underwriting Agreement Term Sheet

ANNEXURE G

Triton Minerals Limited (Administrators Appointed) (Triton)
Deed of Company Arrangement (DOCA) Summary Term Sheet

Item	DOCA / Creditors' Trust
1. Proponent	Minjar Gold Pty Ltd
2. Commencement date	DOCA Commences following execution of the DOCA within 15 business days from the 2 nd Creditors Meeting. The Creditors Trust (Trust) comes into existence on transfer of DOCA Fund to the Trustee, completion of Condition Precedents and execution of the Creditors' Trust Deed.
3. Deed Administrator / Trustee	Administrators (Martin Jones, Andrew Smith and Dermott McVeigh).
4. Key events / Condition Precedents	<ol style="list-style-type: none"> 1. Execution of, and implementation of the matters set out in, the Recapitalisation Deed between the Proponent and the Company. 2. At the upcoming creditors' meeting to be held on 4 July 2016, creditors will be asked to consider and if thought fit, approve Triton entering into the DOCA proposed. 3. Upon finalisation of the DOCA documentation, the DOCA will be executed. 4. Following execution of the DOCA, the Deed Administrator will take steps to ensure satisfaction of any conditions precedent to the DOCA. 5. Upon successful implementation of the DOCA, the Creditors' Trust Deed will be executed.
5. Reporting to creditors	The Trustee will report to creditors as relevant matters arise.
6. Effective date for creditor claims	2 March 2016 (Date of Appointment of Voluntary Administrators)
7. Reasons for a Creditors' Trust	<p>A Creditors' Trust is a mechanism utilised to accelerate a company's exit from external administration.</p> <p>Creditor claims are transferred to the trust and become beneficiaries of the trust.</p> <p>Following transfer of the creditor claims and the DOCA Fund, Triton will exit external administration and control of Triton will pass to directors nominated by the Proponent.</p> <p>The Creditors' Trust is required to facilitate distribution of the Deed Fund.</p>
8. Estimated returns	<p>100c in \$ for Priority Creditor Claims (Employees)</p> <p>100c in \$ for Unsecured Creditor Claims</p> <p>But subject to Trustees' adjudication</p>

Item	DOCA / Creditors' Trust
9. Trust fund	<p>A\$3,067,371, being 100% of the amount of all "Priority Creditors" and "Unsecured Creditors" Claims, plus all reasonable costs and expenses incurred of the Administrators since the Effective Date, or such other amount as negotiated by the parties, to be provided following approval by Creditors at the 2nd Meeting.</p> <p>To be paid into trust, for the benefit of Triton's creditors, to be managed by the Deed Administrator.</p> <p>Collectively known as the "Trust Fund"</p> <p>The Trust Fund is to be distributed as follows:</p> <p>First as to the Deed Administrators Fees and Costs;</p> <p>Second as to the Trustees Fees and Costs;</p> <p>Third as to claims in accordance with Section 556 of the Act.</p>
10. Creditor/beneficiary differences	<p>Creditors will no longer receive the statutory protection of the Corporations Act but retain rights as beneficiaries of the trust. Creditors' right to appeal the adjudication of their claims will be retained under the Creditors' Trust Deed.</p>
11. Remuneration of the Trustee of the Creditors' Trust	<p>The Trustee's remuneration will be calculated in accordance with the standard hourly rates detailed in the Remuneration Approval Request Report dated 24 June 2016.</p>
12. Indemnities	<p>The Deed Administrator/Trustee's costs are to be indemnified by the DOCA Fund.</p> <p>The Deed Administrator also has a statutory right of indemnity pursuant to section 443D of the Act in respect of debts incurred and his remuneration.</p>
13. Termination Provisions	<p>No termination clauses, other than conditions precedent not being satisfied.</p>
14. Tax	<p>Trusts are entities that are subject to ABN registration requirements and to Australian income tax legislation.</p>
15. Solvency	<p>It is the Deed Administrator's view that upon completion of the DOCA the Company will be solvent.</p>

ANNEXURE H



ASIC

Australian Securities & Investments Commission

INFORMATION SHEET 45

Liquidation: a guide for creditors

If a company is in financial difficulty, its shareholders, creditors or the court can put the company into liquidation.

This information sheet provides general information for unsecured creditors of companies in liquidation.

Who is a creditor?

You are a creditor of a company if the company owes you money. Usually, a creditor is owed money because they have provided goods or services, or made loans to the company.

An employee owed money for unpaid wages and other entitlements is a creditor.

A person who may be owed money by the company if a certain event occurs (e.g. if they succeed in a legal claim against the company) is also a creditor, and is sometimes referred to as a 'contingent' creditor.

There are generally two categories of creditor: secured and unsecured.

- A secured creditor is someone who has a security interest (as defined in s12 of the *Personal Property Securities Act 2009*), such as a charge or a mortgage, over some or all of the company's assets, to secure a debt owed by the company. Lenders usually require a security interest over company assets when they provide a loan.
- An unsecured creditor is a creditor who does not have a security interest over the company's assets.

Employees are a special class of unsecured creditors. In a liquidation, some of their outstanding entitlements are paid in priority to the claims of other unsecured creditors. If you are an employee, see ASIC's information sheet INFO 46 *Liquidation: a guide for employees*.

All references in this information sheet to 'creditors' relate to unsecured creditors unless otherwise stated.

The purpose of liquidation

The purpose of liquidation of an insolvent company is to have an independent and suitably qualified person (the liquidator) take control of the company so that its affairs can be wound up in an orderly and fair way for the benefit of all creditors.

Information sheets provide concise guidance on a specific process or compliance issue or an overview of detailed guidance.

There are two types of insolvent liquidation:

- creditors' voluntary liquidation, and
- court liquidation.

The most common type is a creditors' voluntary liquidation, which usually begins in one of two ways:

- creditors vote for liquidation following a voluntary administration or a terminated deed of company arrangement, or
- an insolvent company's shareholders resolve to liquidate the company and appoint a liquidator. Within 11 days of being appointed by shareholders, the liquidator must call a meeting of creditors who may confirm the liquidator's appointment or appoint another liquidator of the creditors' choice.

In a court liquidation, a liquidator is appointed by the court to wind up a company, following an application, usually by a creditor. Others, including a director, a shareholder and ASIC, can also make a winding-up application.

After a company goes into liquidation, unsecured creditors can no longer commence or continue legal action against the company, unless the court permits.

It is possible for a company in liquidation to also be in receivership: see ASIC information sheet INFO 54 *Receivership: a guide for creditors*.

The liquidator's role

When a company is being liquidated because it is insolvent, the liquidator has a duty to all the company's creditors. The liquidator's role is to:

- collect, protect and realise the company's assets
- investigate and report to creditors about the company's affairs, including any unfair preferences which may be recoverable, any uncommercial transactions which may be set aside, and any possible claims against the company's officers
- enquire into the failure of the company and possible offences by people involved with the company and report to ASIC
- after payment of the costs of the liquidation, and subject to the rights of any secured creditor, distribute the proceeds of realisation—first to priority creditors, including employees, and then to unsecured creditors, and
- apply for deregistration of the company on completion of the liquidation.

Except for lodging documents and reports required under the *Corporations Act 2001* (Corporations Act), a liquidator is not required to do any work unless there are enough assets to pay their costs.

If the company is without sufficient assets, one or more creditors may agree to reimburse a liquidator's costs and expenses of taking action to recover further assets for the benefit of creditors.

In this case, if additional assets are recovered, the liquidator or particular creditor can apply to the court for the creditor to be compensated for the risk involved in funding the liquidator's recovery action.

If a liquidator suspects that people involved with the company may have committed offences and the liquidator reports this to ASIC, the liquidator may also be able to apply to ASIC for funding to carry out a further investigation into the allegations.

Recoveries from creditors

A liquidator has the ability to recover, for the benefit of all creditors, certain payments (known as unfair preferences) made by the company to individual creditors in the six months before the start of the liquidation.

Broadly, a creditor receives an unfair preference if, during the six months prior to liquidation, the company is insolvent, the creditor suspects the company is insolvent, and receives payment of their debt (or part of it) ahead of other creditors. To be an unfair preference, the payment must put the creditor receiving it in a more favourable position than other unsecured creditors.

Not all payments from the company to a creditor in the six months before liquidation are unfair preferences. The Corporations Act provides various defences to an unfair preference claim.

If a liquidator seeks to recover a payment that has been made to you, you may wish to obtain independent legal advice on the merits of the liquidator's claim before repaying any money.

Creditors' meetings

A liquidator may call a creditors' meeting from time to time to inform creditors of the progress of the liquidation, to find out their wishes on a particular matter or seek approval of the liquidator's fees.

You may also use a creditors' meeting to ask questions about the liquidation and inform the liquidator about your knowledge of the company's affairs.

Meetings during a court liquidation

In a court liquidation, the liquidator is not required to call a creditors' meeting unless a matter requires creditor approval.

The only exception is that if the creditors pass a resolution requiring a creditors' meeting to be called, or at least one-tenth in value of all the creditors request the liquidator in writing to do so, the liquidator must call a creditors' meeting. However, it is unusual for this to happen, as those who make the request or pass the resolution must pay the costs of calling and holding the meeting.

Meetings during a creditors' voluntary liquidation

In a creditors' voluntary liquidation, the liquidator may choose to hold an annual meeting of the creditors or lodge a report with ASIC on the progress in the administration. If they choose not to hold the meeting, the liquidator must tell creditors that the report has been prepared and give them a copy free of charge if asked. The report must set out:

- an account of the liquidator's acts and dealings and the conduct of the winding up in the preceding year
- a summary of the tasks yet to be done in the liquidation, and
- an estimate of when the liquidation is expected to be finalised.

The liquidator in a creditors' voluntary winding up must also hold a joint meeting of the creditors and members at the end of the winding up. Creditors can require the liquidator to call a creditors' meeting at other times, the same as in a court liquidation, as long as they pay the associated costs.

Minutes of meetings

The chairperson of a creditors' meeting (usually the liquidator or one of their senior staff) must prepare minutes of the meeting and a record of those who were present at the meeting and lodge them

with ASIC within one month. A copy may be obtained from any ASIC Business Centre on payment of the relevant fee.

Voting at a creditors' meeting

To vote at a creditors' meeting you must lodge details of your debt or claim with the liquidator. Often, the liquidator will provide you with a form called a 'proof of debt' to be completed and returned before the meeting. Proofs of debt are discussed further below.

The chairperson of the meeting decides whether or not to accept the debt or claim for voting purposes. The chairperson may decide that a creditor does not have a valid claim or the amount of the debt cannot be determined with any certainty at the date of the meeting. In this case, they may not allow the creditor to vote at all, or only to vote for a debt of \$1. This decision is only for voting purposes. It is not relevant to whether a creditor will receive a dividend.

An appeal against a decision by the chairperson to accept or reject a proof of debt or claim for voting purposes may be made to the court within 14 days after the decision.

Voting by proxy

You may appoint a proxy to attend and vote at a meeting on your behalf. A proxy can be any person who is at least 18 years old. Creditors who are companies will have to nominate a person as proxy so that they can participate in the meeting. This is done using a form sent out with the notice of meeting. The completed proxy form must be provided to the liquidator before the meeting. You can fax the proxy form to the liquidator, but must lodge the original within 72 hours of sending the faxed copy.

An electronic form of proxy may be used if the liquidator allows electronic lodgement provided there is a way to authenticate the appointment of the proxy (e.g. by scanning and emailing a signature or using a digital signature).

You can specify on the proxy form how the proxy is to vote on a particular resolution and the proxy must vote in accordance with that instruction. This is called a 'special proxy'. Alternatively, you can leave it to the proxy to decide how to vote on each of the resolutions put before the meeting. This is called a 'general proxy'.

You can appoint the chairperson to represent you either through a special or general proxy. The liquidator or one of their partners or employees must not use a general proxy to vote in favour of a resolution approving payment of the liquidator's fees.

Manner of voting

A vote on any resolution put to a creditors' meeting may be taken by creditors stating aloud their agreement or disagreement, or by a show of hands. Sometimes a more formal voting procedure called a 'poll' is taken.

If voting is by show of hands or by verbally signalling agreement, the resolution is passed if a majority of those present indicate agreement. It is up to the chairperson to decide if this majority has been reached.

After the vote, the chairperson must tell those present whether the resolution has been passed or lost.

The chairperson may decide to conduct a poll, or a poll can be demanded by at least two people present who are entitled to vote, or someone who holds more than 10% of the votes of those entitled to vote at the meeting. The chairperson will determine how this poll is taken.

If you intend to demand that a poll be taken, you must do so before, or as soon as, the chairperson has declared the result of a vote taken by show of hands or voices.

When a poll is conducted, a resolution is passed if:

- more than half the number of creditors who are voting (in person or by proxy) vote in favour of the resolution, and
- those creditors who are owed more than half of the total debt owed to creditors at the meeting vote in favour of the resolution.

This is referred to as a 'majority in number and value'. If no result is reached, the chairperson has a casting vote.

Chairperson's casting vote

When a poll is taken and there is a deadlock, the chairperson may use their casting vote either in favour of or against the resolution. The chairperson may also decide not to use their casting vote.

The chairperson must inform the meeting of the reasons why they cast the vote a particular way or why they chose not to use their casting vote. They must also include these reasons in the written minutes of meeting that are lodged with ASIC.

If you are dissatisfied with how the chairperson exercised their casting vote or failed to use their casting vote, you may apply to court for a review of the chairperson's decision. The court may vary or set aside the resolution or order that the resolution is taken to have been passed.

Votes of related creditors

Directors and shareholders, their spouses and relatives and other entities controlled by them are entitled to attend and vote at creditors' meetings if they are creditors of the company.

If a resolution is passed, or defeated, based on the votes of these related creditors, and you are dissatisfied with the outcome, you may apply to court for the resolution to be set aside and/or for a fresh resolution to be voted on without related creditors being entitled to vote. Certain criteria must be met before the court will make such an order (e.g. the original result of the vote being against the interests of all or a class of creditors).

Committee of inspection

In both types of liquidation, the liquidator may ask creditors if they wish to appoint a committee of inspection and, if so, who will represent the creditors on the committee.

A committee of inspection assists the liquidator, approves fees and, in limited circumstances, approves the use of some of the liquidator's powers, on behalf of all the creditors.

Committee meetings can be arranged at short notice, which allows the liquidator to quickly obtain the committee's views on urgent matters. Shareholders may also be members of the committee.

At the first meeting in a creditors' voluntary liquidation, creditors can decide to appoint a committee of inspection.

Creditors in both types of liquidation can also request at any time that the liquidator call separate meetings of shareholders and creditors to decide whether a committee of inspection should be appointed and, if so, who will represent the shareholders and creditors on the committee. This doesn't usually happen, as the creditor making the request must pay the costs of calling and holding these meetings.

A member of the committee of inspection must not, without permission from the court, accept a gift or benefit from the company or any other person, including another creditor, or purchase any of the company's property.

A committee of inspection acts by a majority in number of its members present at a meeting, but it can only act if a majority of its members attend.

A liquidator must consider any directions given by the committee of inspection, but is not bound to follow them.

Minutes of committee of inspection meetings must be prepared and lodged with ASIC within one month. A copy may be obtained from any ASIC Business Centre on payment of the relevant fee.

Approval of liquidator's fees

A liquidator is entitled to be paid for the work carried out on the liquidation, but only if there are assets available. The liquidator cannot be paid until the amount of fees has been approved by one of the methods set out in the Corporations Act.

In a court liquidation, the amount of fees is approved by:

- agreement with a committee of inspection (if there is one), or
- a resolution passed at a creditors' meeting, or
- the court.

The liquidator must try to get approval by each of these methods, in turn.

In a creditors' voluntary liquidation, a committee of inspection or creditors may approve the fees.

If no fees have been approved in a court liquidation or a creditors' voluntary winding up, the liquidator may draw fees to a maximum of \$5000 where they have called a meeting of creditors but not obtained approval for their fees because the meeting did not have a quorum.

The court has the power to review the amount of fees approved.

If you are asked to approve fees, either at a meeting of a committee of inspection or in a general meeting of creditors, the liquidator must give you, at the same time as the notice of the meeting, a report that contains sufficient information for you to assess whether the fees claimed are reasonable. This report should be in simple language and set out:

- a description of the major tasks performed
- the costs of completing these tasks, and
- such other information that will assist in assessing the reasonableness of the fees claimed.

For further information, see Information Sheet 85 *Approving fees: a guide for creditors* (INFO 85).

If you are in any doubt about how the fees were calculated, ask the liquidator for more information.

In a court liquidation, the liquidator must also send creditors a statement of all receipts and payments for the liquidation.

Apart from fees, the liquidator will also be entitled to reimbursement for out-of-pocket expenses that have arisen in carrying out the liquidation. This reimbursement does not require committee, creditor or court approval. However, creditors have a right to know what funds were spent on these costs and why they were spent.

Payment of dividends

If there are funds left over after payment of the costs of the liquidation, and payments to other priority creditors, including employees, the liquidator will pay these to unsecured creditors as a dividend. Generally, the order in which funds are distributed is:

1. costs and expenses of the liquidation, including liquidators' fees
2. outstanding employee wages and superannuation
3. outstanding employee leave of absence (including annual leave, sick leave—where applicable—and long service leave)
4. employee retrenchment pay, and
5. unsecured creditors.

Each category is paid in full before the next category is paid. If there are insufficient funds to pay a category in full, the available funds are paid on a pro rata basis (and the next category or categories will be paid nothing).

Proving your debt

Before any dividend is paid to you for your debt or claim, you will need to give the liquidator sufficient information to prove your debt.

The liquidator will notify you if there are likely to be funds available for distribution and must call for formal proof of debt forms to be lodged. At least 14 days notice of the deadline for lodging the proof must be given.

This notice must be given to each person claiming to be a creditor whose debt or claim has not already been admitted by the liquidator. It must also be published in a daily newspaper in the states where the company carried out its business. A copy of the formal proof of debt form will be sent to you with the notice.

You should attach copies of any relevant invoices or other supporting documents to the proof of debt form, as your debt or claim may be rejected if there is insufficient evidence to support it.

If a creditor is a company, the proof of debt form must be signed by a person authorised by the company to do so.

The completed proof of debt form must be delivered or posted to the liquidator. When submitting your claim, ask the liquidator to acknowledge receipt of your claim and advise if any further information is needed.

The liquidator must notify you within seven days if they reject your claim. If you are dissatisfied with the decision, your first step should be to promptly contact the liquidator to see if you can resolve the matter.

If you can't resolve the matter with the liquidator, you may wish to seek your own legal advice, as you have a limited time to appeal to the court. The liquidator will notify you of this time in the notice of rejection. It must be at least 14 days after you receive the notice. The court has the power to extend the time to appeal. If you don't appeal within this time, the liquidator's decision on your claim is final.

If you have a query regarding the calculation of your claim, or the timing of the payment, discuss this with the liquidator.

Other creditor rights

As well as the various rights involving meetings and participation in dividends discussed above, the other rights of unsecured creditors include the right to:

- receive written reports to creditors about the liquidation
- inspect certain books of the liquidator
- inform the liquidator about your knowledge of matters relevant to the affairs of the company in liquidation, and
- complain to ASIC or the court about the liquidator's conduct in connection with their duties.

Written reports

The number of written reports a liquidator sends to creditors about the liquidation varies. If there are no funds at all available in the liquidation, it is possible that no written report will be sent, although many liquidators will send creditors a brief report even if there are no funds.

Liquidator's books

Liquidators must keep sufficient books to give a complete and correct record of their administration of the company's affairs. These include minutes of meetings and details of all the receipts and payments for the liquidation. These books must be available at the liquidator's office for inspection by creditors and shareholders.

Copies of minutes of meetings and six-monthly detailed lists of receipts and payments, as well as a number of other documents, must also be lodged with ASIC. Copies may be obtained from any ASIC Business Centre on payment of the relevant fee.

Creditors are unable to access the company's books and records without court permission.

Informing the liquidator

The liquidator must report to ASIC if they suspect that anyone connected to the company may have committed an offence. If you have any information that might assist in preparing such a report, you should let the liquidator know.

These reports are not available for inspection. ASIC reviews these reports and decides whether to take further action, such as banning a person from acting as a company director for a period of time or charging the person with a criminal offence.

Applications to the court

Creditors can apply to the court if they are dissatisfied with an act, omission or decision of a liquidator. This includes if a creditor seeks:

- to challenge the liquidator's decision not to admit a proof of debt or claim, either for voting or dividend purposes, and
- a review of the liquidator's fees, in certain circumstances.

Making an application to the court can be costly. You should attempt to resolve any problems with the liquidator and only go to court if this fails.

Liquidators, ASIC and other people can also make applications to the court. For example, a liquidator might apply to have questions decided or powers exercised in a liquidation.

Complaining to ASIC about a liquidator's conduct is discussed below.

Secured creditors' rights

If a company fails to meet its obligations under a security interest (e.g. a charge or a mortgage), a secured creditor can appoint an independent and suitably qualified person (a receiver) to take control of and realise some or all of the secured assets, in order to repay the secured creditor's debt. This right continues after the company goes into liquidation. For more on receivership, see Information Sheet 54 *Receivership: a guide for creditors* (INFO 54).

Another option available to a secured creditor is to ask the liquidator to deal with the secured assets for them and account to them for the proceeds and costs of collecting and selling those assets.

A secured creditor is entitled to vote at creditors' meetings for the amount the company owes them that exceeds the amount they are likely to receive from realisation of the secured assets. The secured creditor can participate in any dividend to unsecured creditors on a similar basis.

Directors and liquidation

Directors cannot use their powers after a liquidator has been appointed. They have an obligation to assist the liquidator by:

- advising the liquidator of the location of company property and delivering any such property in their possession to the liquidator
- providing the company's books and records to the liquidator
- advising the liquidator of the whereabouts of other company records
- providing a written report about the company's business, property and financial circumstances within 14 days of the appointment of the liquidator by the court or within 7 days of the appointment of a liquidator in a creditors' voluntary liquidation
- meeting with, or reporting to, the liquidator to help them with their enquiries, as reasonably required, and
- if required by the liquidator, attending a creditors' meeting to provide information about the company and its business, property, affairs and financial circumstances.

A liquidator has the power to apply to the court to conduct a public examination, under oath, of a director (or other person with information about the company).

Compensation proceedings for amounts lost by creditors as a result of the company trading while insolvent can be initiated against a director personally by ASIC, a liquidator or, in certain circumstances, a creditor.

Conclusion of liquidation

A liquidation effectively comes to an end when the liquidator has realised and distributed all the company's available property and made their report to ASIC.

In a creditors' voluntary liquidation, the liquidator must hold a final joint meeting of the creditors and members to give an account of how the liquidation has been conducted and how company property has been disposed of. After the final meeting is held, the company is automatically deregistered by ASIC three months after a notice of the holding of the meeting is lodged.

In a court liquidation, the liquidator is not required to hold a final meeting of creditors. After the liquidator decides that the company's affairs are fully wound up, they may:

- seek an order for release from the court
- seek an order for release and that ASIC deregister the company, or
- if there are insufficient assets to obtain a court order for the company's deregistration, request that ASIC deregister the company.

A company ceases to exist after it has been deregistered.

Queries and complaints

You should first raise any queries or complaints with the liquidator. If this fails to resolve your concerns, including any concerns about the liquidator's conduct, you can lodge a complaint with ASIC at www.asic.gov.au/complain, or write to:

ASIC Complaints
PO Box 9149
TRARALGON VIC 3844

ASIC will usually not become involved in matters of commercial judgement by a liquidator. Complaints against companies and their officers can also be made to ASIC. For other enquiries, visit www.asic.gov.au/question, or call ASIC on 1300 300 630 for the cost of a local call.

To find out more

For an explanation of terms used in this information sheet, see Information Sheet 41 *Insolvency: a glossary of terms* (INFO 41). For more on external administration, see ASIC's related information sheets at www.asic.gov.au/insolvencyinfosheets:

- INFO 74 *Voluntary administration: a guide for creditors*
- INFO 75 *Voluntary administration: a guide for employees*
- INFO 46 *Liquidation: a guide for employees*
- INFO 54 *Receivership: a guide for creditors*
- INFO 55 *Receivership: a guide for employees*
- INFO 43 *Insolvency: a guide for shareholders*
- INFO 42 *Insolvency: a guide for directors*
- INFO 84 *Independence of external administrators: a guide for creditors*
- INFO 85 *Approving fees: a guide for creditors*

These are also available from the Insolvency Practitioners Association (IPA) website at www.ipaa.com.au. The IPA website also contains the IPA's Code of Professional Practice for Insolvency Professionals, which applies to IPA members.

Important note

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. You will need a qualified professional adviser to take into account your particular circumstances and to tell you how the law applies to you.