

6 February 2015

**TO THE CREDITORS**

**RE: MORNING STAR GOLD N.L.**  
**(ADMINISTRATORS APPOINTED)**  
**(CONTROLLERS APPOINTED)**  
**A.B.N.: 34 003 312 721**  
**("THE COMPANY")**

Level 4, 55 Hunter St  
Sydney NSW 2000

GPO Box 4256  
Sydney NSW 2001

Tel 02 9236 8333  
Fax 02 9236 8334

ABN 57 045 615 571

**NOTICE OF ADJOURNED SECOND MEETING OF CREDITORS**

**APPOINTMENT PARTICULARS**

We, Sule Arnautovic and Glenn Anthony Crisp, advise that we were appointed as Joint & Several Administrators of the Company on 9 November 2014.

Our appointment as Joint & Several Administrators was confirmed at the meeting of creditors held on 18 November 2014.

The second meeting of creditors of the Company was held on 9 December 2014 and was adjourned till 16 February 2015.

**MEETING OF CREDITORS**

Formal notice is hereby given to creditors that the adjourned second meeting of the creditors of the Company will be held pursuant to Section 439A of the *Corporations Act 2001* ("the Act"). The details of the meeting are as follows: -

<b>MEETING DATE:</b>	<b>MONDAY, 16 FEBRUARY 2015</b>
<b>MEETING TIME:</b>	<b>10:00 AM</b>
<b>MEETING LOCATION:</b>	<b>THE RECONVENED SECOND MEETING OF THE CREDITORS OF THE COMPANY IS TO BE HELD, PURSUANT TO SECTION 439A OF THE ACT, AT THE OFFICES OF JIRSCH SUTHERLAND, LEVEL 4, 55 HUNTER STREET, SYDNEY NSW 2000</b>
	WE WILL ALSO HAVE AN ALTERNATIVE MEETING VENUE AT THE OFFICES OF JIRSCH SUTHERLAND, LEVEL 12, 460 LONSDALE STREET, MELBOURNE VIC 3000. THIS MEETING WILL BE CONNECTED THROUGH TO OUR SYDNEY OFFICE VIA TELEPHONE CONFERENCE, FOR THOSE CREDITORS IN VICTORIA WANTING TO ATTEND THE MEETING.

The purpose of the adjourned second meeting of creditors is to explain to creditors the financial position of the Company and its future prospects. Other matters to be discussed at the meeting are disclosed in the attached formal notice of meeting.

**ATTACHMENTS TO REPORT**

We advise that this report to creditors should be read in conjunction with the following documents, which are attached to the report for your reference: -

- 1 Form 529 - Formal notice of meeting;
- 2 Form 532 - Appointment of Proxy form;
- 3 Form 535 - Formal Proof of Debt/Claim form for all secured and unsecured creditors;



4. The Joint & Several Administrators' Report to Creditors, pursuant to Section 439A of the Act, dated 6 February 2015
5. Remuneration Report – Advice to Creditors date 6 February 2015.

## **JIRSCH SUTHERLAND**

Jirsch Sutherland is a specialist Insolvency, Turnaround Management and Forensic Accounting services firm with offices located in New South Wales, Victoria, Queensland and Western Australia.

For a detailed firm profile please visit: [www.jirschsutherland.com.au](http://www.jirschsutherland.com.au).

## **PROXY FORM INSTRUCTIONS (FORM 532)**

We advise that an individual creditor such as a sole trader or employee creditor may vote at the scheduled meeting of creditors either in person or in their absence by appointing a proxy.

Corporations/Companies may only vote by utilising a valid appointment of proxy or have a duly authorised Company representative attend the forthcoming meeting and provide written evidence of their authority to vote on behalf of their Corporation/Company pursuant to Section 250D of the Act.

Proxies used at the forthcoming meeting of creditors will not be valid for future meetings of creditors. Generally, unless otherwise specified, proxies used at meetings of creditors will only be valid for future meetings of creditors in the case that the future meetings of creditors are being held as a result of an adjourned meeting of creditors.

**Creditors are formally advised that pursuant to *Corporations Regulation 5.6.36* all Form 532 - Appointment of Proxy (including any appointment of authorised representative documentation) should be returned to our office by no later than 4:00pm (local time) on 13 February 2015.**

## **FORMAL PROOF OF DEBT/CLAIM FORM INSTRUCTIONS (FORM 535)**

Formal proofs of debt or claim forms lodged by creditors at the forthcoming meeting of creditors will be valid for all future creditors' meetings, that is, creditors need not lodge a further proof of debt or claim form at future creditors' meetings unless their claim has been amended.

Creditors should note that proofs of debt lodged at meetings of creditors are only admitted for voting purposes. Any dividend that is declared will only be paid following a separate formal adjudication of the relevant proofs of debt or claim forms lodged by creditors.

## **TELECONFERENCE FACILITIES**

We advise that arrangements can be made for creditors outside of NSW to attend this meeting via teleconference facilities which are available to creditors at this meeting.

**Any creditor wishing to attend the meeting via teleconference must contact our office by no later than 4:00pm (local time) on 13 February 2015.**

In addition, creditors intending to use the teleconference facilities will be required to provide the following:

- (a) The name of the creditor (and proxy if applicable);
- (b) The creditor's Postal address
- (c) Email address on which the creditor can be contacted
- (d) Telephone number on which the creditor can be contacted
- (e) Facsimile number (if applicable)

Finally, Creditors should note that any costs incurred in attending the meeting via teleconference are their own to bear and these costs are not able to be reimbursed from the assets of the Company.

#### **DISCLAIMER**

This notice and report has been prepared from our investigations to date, which have relied upon the available books and records of the Company, together with the advice and information provided by officers of the Company. Due to the time constraints imposed by the Act, this information has generally been accepted without conducting an independent audit or obtaining independent verification of its accuracy.

Should you require any further information in this regard, please contact Ms Kathryn Gesilva or Ms Amanda Arnautovic of our office on (02) 9236 8333.

Yours faithfully,  
**MORNING STAR GOLD N.L.**

**SULE ARNAUTOVIC**  
**Joint & Several Administrator**

6 February 2015

**FORM 529**

*Corporations Act 2001  
Regulation 5.6.12*

**NOTICE OF ADJOURNED SECOND MEETING OF CREDITORS**

**RE: MORNING STAR GOLD N.L.  
(ADMINISTRATORS APPOINTED)  
(CONTROLLERS APPOINTED)  
A.B.N.: 34 003 312 721  
("THE COMPANY")**

Formal notice is hereby given to creditors that the adjourned second meeting of the creditors of the Company will be held pursuant to Section 439A of the *Corporations Act 2001* ("the Act"). The details of the meeting are as follows: -

<b>MEETING DATE:</b>	<b>MONDAY, 16 February 2015</b>
<b>MEETING TIME:</b>	<b>10:00 AM</b>
<b>MEETING LOCATION:</b>	<b>The Reconvened Second Meeting of Creditors of the Company is to be held, pursuant to section 439A of the Act, at the offices of Jirsch Sutherland, Level 4, 55 Hunter Street, SYDNEY NSW 2000</b>  We will also have an alternative meeting venue at the Offices of Jirsch Sutherland, Level 12, 460 Lonsdale Street, MELBOURNE VIC 3000. This meeting will be connected through to our Sydney office via telephone conference, for those creditors in Victoria wanting to attend the meeting.
<b>PROOFS AND PROXIES TO BE SUBMITTED BY</b>	Creditors wishing to attend the meeting are advised that proofs and proxies should be submitted to the Joint & Several Administrators by 4:00 PM (local time) on 13 February 2015.
<b>TELECONFERENCE FACILITIES</b>	We advise that Teleconference facilities will be available at this meeting.  Any creditor wishing to attend the meeting via teleconference must provide the following information in writing not later than 4.00 pm on 13 February 2015:  (a) The name of the creditor (and proxy if applicable); (b) The creditor's Postal address (d) The creditor's Email address (e) The creditor's Telephone number (f) The creditor's Facsimile number (if applicable)  Creditors should note that any costs incurred in attending the meeting via teleconference are their own to bear and these costs are not able to be reimbursed from the assets of the Company.

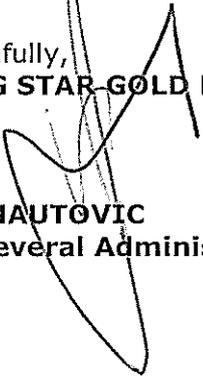
The purpose of the meeting is: -

1. For creditors to resolve that:
  - (a). A Deed of Company Arrangement be executed by the Company; or
  - (b) The Administration of the Company should end; or
  - (c) That the Company be wound up.
2. To consider the approval of the Joint & Several Administrators' remuneration;
3. To consider the nomination of a person(s) to be Liquidators or Deed Administrators;
4. To consider approval of the Liquidators or Deed Administrators remuneration;
5. To consider the appointment and constitution of a committee of inspection;
6. Pursuant to Section 477(2A) of the Act, to authorise the Liquidators to be able to compromise debts in excess \$100,000;
7. Pursuant to Section 477(2B) of the Act, to authorise the Liquidators or Deed Administrators to enter into litigation funding facilities to pursue any legal actions including voidable and insolvent transactions arising from the liquidation;
8. Pursuant to Section 542 of the Act, to authorise the Liquidators to be able to destroy the books and records of the Company within a period of six (6) months after the dissolution of the Company, subject to obtaining prior approval from the Australian Securities & Investments Commission ("ASIC"); and
9. Any other business.

Should you have any questions in relation to this matter, or require any further information, please contact Ms Kathryn Gesilva or Ms Amanda Arnautovic on (02) 9236 8333.

Yours faithfully,  
**MORNING STAR GOLD N.L.**

**SULE ARNAUTOVIC**  
Joint & Several Administrator



**FORM 532  
APPOINTMENT OF PROXY**

*Corporations Act 2001  
Regulation 5.6.29*

**RE: MORNING STAR GOLD N.L.  
(ADMINISTRATORS APPOINTED)  
(CONTROLLERS APPOINTED)  
A.B.N.: 34 003 312 721  
("THE COMPANY")**

**A. Creditor's Name and Contact Details**

Creditor Name: \_\_\_\_\_

Contact Name: \_\_\_\_\_

Telephone No: \_\_\_\_\_

Address: \_\_\_\_\_

E-mail: \_\_\_\_\_

**B. Appointment of Proxy**

I/We, a creditor of the Company hereby appoint \_\_\_\_\_ or in his/her absence \_\_\_\_\_ or failing that, the Chairperson, as my/our proxy to vote at the meeting of creditors of the Company to be held at Jirsch Sutherland, Level 4, 55 Hunter Street, Sydney NSW 2000 on Monday, 16 February 2015, commencing at 10:00 AM or at any adjournment thereof.

**C. Voting by Proxy (please tick)**

- This proxy is to be used as a general proxy to vote on all matters arising at the relevant meeting,  
OR  
 This proxy is to be used as a special proxy to vote on the following matters as specifically indicated below:

	<b>Resolution</b>	<b>For</b>	<b>Against</b>	<b>Abstain</b>
(1)	That the outstanding remuneration of the Joint & Several Administrators for the period 9 November 2014 to 6 February 2015 be approved in the sum of \$58,181.82, plus GST, such amount calculated on a time cost basis using hourly rates adopted by Jirsch Sutherland, and that such remuneration be drawn at the discretion of the Joint & Several Administrators.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
(2)	That the remuneration of the Joint & Several Administrators for the period post 6 February 2015 to 16 February 2015 be approved to a limit of \$10,000, plus GST, beyond which further approval must be sought from creditors or the Court, such amount to be calculated on a time cost basis using hourly rates adopted by Jirsch Sutherland, and that such remuneration be paid as and when incurred.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
(3)	a) That the Company execute the Deed of Company Arrangement as proposed by Otsana Capital detailed in the Report to Creditors dated 6 February 2015; <b>OR</b>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	b) That the Company execute the Deed of Company Arrangement as proposed by Trident Capital detailed in the Report to Creditors dated 6 February 2015; <b>OR</b>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	c) That the Company execute the Deed of Company Arrangement as proposed by Chillee Ltd detailed in the Report to Creditors dated 6 February 2015; <b>OR</b>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	d) That the Company execute the Deed of Company Arrangement as proposed by Macquarie Gold detailed in the Report to Creditors dated 6 February 2015; <b>OR</b>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	e) That the Company be wound up/placed into liquidation; <b>OR</b>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	f) That the administration of the Company should end and control of the Company revert back to the Directors;	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

**In the event that creditors vote in favour of the Deed Proposal:-**

(4)	That the remuneration of the Joint & Several Administrators for the period post 16 February 2015 to the execution of the Deed of Company Arrangement be approved to a limit of \$20,000, plus GST, beyond which further approval must be sought, from creditors or the Court, such amount to be calculated on a time cost basis using the hourly rates adopted by Jirsch Sutherland, and that such remuneration be drawn as and when incurred.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
-----	--	--------------------------	--------------------------	--------------------------

(5)	That the remuneration of the Deed Administrators from the execution date of the Deed of Company Arrangement be approved to a limit of \$60,000, plus GST, beyond which further approval must be sought from creditors or the Court, such amount to be calculated on a time cost basis using the hourly rates adopted by Jirsch Sutherland, and that such remuneration be drawn as and when incurred.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
(6)	Sule Arnautovic and Glenn Anthony Crisp of Jirsch Sutherland be removed as Deed Administrators of the Company and that _____ of _____ be appointed as replacement Deed Administrator(s) of the Company	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>In the event that the Company is wound up/placed into liquidation:</b>				
(7)	Sule Arnautovic and Glenn Anthony Crisp of Jirsch Sutherland be removed as Liquidators of the Company and that _____ of _____ be appointed as replacement Liquidator of the Company	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
(8)	That the remuneration of the Liquidators for the period post 16 February 2015 be approved to a limit of \$150,000 plus GST, beyond which further approval must be sought from creditors or the Court, such amount to be calculated on a time cost basis using the hourly rates adopted by Jirsch Sutherland, and that such remuneration be drawn as and when incurred.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
(9)	That a committee of inspection be appointed consisting of _____ (insert number) members being:  _____ _____ _____	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
(10)	That the Liquidators are authorised, pursuant to Section 477(2A) of the <i>Corporations Act 2001</i> , to compromise all debts owed to the Company in excess of \$100,000.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
(11)	That the Liquidators are authorised, pursuant to Section 477(2B) of the <i>Corporations Act 2001</i> , to enter into any litigation funding facilities to pursue any legal actions including voidable and insolvent transaction actions that arise from the liquidation.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
(12)	That Subject to obtaining the approval from the Australian Securities & Investments Commission ("ASIC"), the books and records of the Company may be destroyed by the Liquidators six (6) months after the dissolution/deregistration of the Company.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Note: The Joint & Several Administrators or relevant delegate will act as Chairperson of the meeting.

**Creditors wishing to attend the meeting are advised that proofs and proxies should be submitted to the Joint & Several Administrators by 4:00 PM (local time) on 13 February 2015.**

**D. Execution (in accordance with Sections 127 and 250D of the *Corporations Act 2001*)**

Signature of individual creditor or person authorised by corporate resolution to represent corporation

The Common seal (if applicable) was affixed hereto in the presence of:

Insert Signature Above

Print Name Above

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 20\_\_

Capacity: Director/Secretary/In person/Other

**CERTIFICATE OF WITNESS - COMPLETE BELOW ONLY IF CREDITOR IS BLIND OR INCAPABLE OF WRITING**

*This certificate is to be completed only where the person giving the proxy is blind or incapable of writing. The person nominated as proxy must not witness the signature of the creditor.*

I (Insert Name), \_\_\_\_\_  
Of (Insert Name) \_\_\_\_\_

certify that the above instrument appointing a proxy was completed by me in the presence of and at the request of the person appointing the proxy and read to him before he attached his signature or mark to the instrument.

Witness Signature: \_\_\_\_\_

Witness Number: \_\_\_\_\_

**FORM 535**

*Corporations Act 2001  
Regulation 5.6.49(2)*

**RE: MORNING STAR GOLD N.L.  
(ADMINISTRATORS APPOINTED)  
(CONTROLLERS APPOINTED)  
A.B.N.: 34 003 312 721  
("THE COMPANY")**

**FORMAL PROOF OF DEBT/CLAIM FORM AS AT 9 NOVEMBER 2014**

<b>CREDITOR'S NAME</b>	
<b>CONTACT PERSON</b>	
<b>CONTACT DETAILS</b> (Address, Phone, Email)	

<b>DATE OF CLAIM</b>	<b>DESCRIPTION/NATURE OF CLAIM (Services, goods, loans, employee claims etc.)</b>	<b>NET DEBT Excl. GST (\$/c)</b>	<b>GST (\$/c)</b>	<b>TOTAL Incl. GST (\$/c)</b>
<b>VALUE OF CREDITOR CLAIMS</b>				
<b>LESS: VALUE OF ASSETS SUBJECT TO SPECIFIC SECURITY</b>				
<b>TOTAL AMOUNT OWED TO CREDITOR (INCLUDE CENTS)</b>				

**SUBSTANTIVE EVIDENCE ATTACHED (YES/NO):** \_\_\_\_\_  
(Invoices, statements, agreements etc.)

**This form is to be executed (below) by the creditor or a person/representative authorised by the creditor.**

**Signature:** \_\_\_\_\_ **Dated:** \_\_\_\_\_

**Occupation:** \_\_\_\_\_ **Mobile:** \_\_\_\_\_



6 February 2015

**CORPORATIONS ACT 2001  
SECTION 439A (4)**

**ADMINISTRATORS' SUPPLEMENTARY REPORT TO CREDITORS**

**RE: MORNING STAR GOLD N.L.  
(ADMINISTRATORS APPOINTED)  
(CONTROLLERS APPOINTED)  
ABN: 34 003 312 721  
(THE "COMPANY")**

As creditors are aware, Glenn Anthony Crisp and I, Sule Arnautovic, were appointed as Voluntary Administrators of the Company on 9 November 2014.

On 21 December 2014, Messrs. Mark Uebergang and David Winterbottom of the firm Korda Mentha were appointed as Agents for the Mortgagee (Chillee Ltd) in Possession.

Creditors should note that this report should be read in conjunction with our Reports to Creditors dated 10 November 2014 and 1 December 2014 ("Previous Reports"). If any creditor of the Company has not as yet received our Previous Reports, they should make a written request for same with our office.

This report has the following headings:

<b>Section</b>	<b>Title</b>
1.	Statement of Independence and Other Disclosures
2.	Executive Summary
3.	Strategy for Administration
4.	Receipts & Payments/Statement of Position
5.	Update on Liabilities
6.	Investigations and Funding Requirements
7.	Deed of Company Arrangement
8.	Dividend Outlook and Options Available to Creditors
9.	Remuneration
10.	Finalisation of Administration

This report has the following Annexures:

<b>Annexure</b>	<b>Title</b>
A.	List of Creditors
B.	Deed of Company Arrangement ("DOCA") Proposals comparison summary
C.	DOCA/recapitalisation proposals
D.	DOCAs versus Liquidation Analysis

- E. Commentary on DOCA versus Liquidation Analysis schedule
  - F. Administrators' Recommendation
  - G. Remuneration Report
- 

## **1. STATEMENT OF INDEPENDENCE AND OTHER DISCLOSURES**

### **1.1 Jirsch Sutherland**

Jirsch Sutherland is a specialist Advisory and Consulting services firm with offices located in New South Wales, Queensland, Victoria, and in Western Australia.

For a detailed firm profile, please visit [www.jirschsutherland.com.au](http://www.jirschsutherland.com.au)

### **1.2 Declaration of independence, relevant relationships, prior engagements and indemnities**

Our "Declaration of Independence, Relevant Relationships, Prior Engagements and Indemnities" ("DIRRI") was enclosed in our Report to Creditors dated 10 November 2014. A copy of this declaration can be obtained from our office upon receiving a written request.

In addition to the above, the Joint & Several Administrators tabled at the first meeting of creditors of the Company an updated DIRRI. A copy of this updated DIRRI was annexed to the minutes (now lodged at ASIC) of the first meeting of creditors on 18 November 2014 and can be obtained from our office upon receiving a written request.

### **1.3 Disclaimer**

This report has been prepared from our investigations to date, which has relied on the available books and records of the Company and information provided by the Company's Directors and other third parties. Due to the time constraints imposed by the Corporations Act 2001 ("Act"), this information has generally been accepted without conducting an audit or obtaining independent verification of its accuracy.

## **2. EXECUTIVE SUMMARY**

### **2.1 Adjourned Second Meeting of Creditors**

A second meeting of creditors was held on 9 December 2014 pursuant to Section 439A of the Act to explain to creditors the financial position and the future prospects of the Company.

As you are aware, the second meeting of creditors held on 9 December 2014 was adjourned for a maximum period of 45 business days (with discretion given to the Administrators to convene the adjourned meeting earlier) to allow the sale of business program to be completed and to explore recapitalisation proposals for the Company.

**The adjourned second meeting of creditors of the Company is to be reconvened at the offices of Jirsch Sutherland, Level 4, 55 Hunter Street, Sydney NSW 2000 on Monday, 16 February 2015 at 10:00 am.**

**Creditors who are based in Victoria may also attend the adjourned second meeting of creditors of the Company by phone conference by attending our offices at Level 12, 460 Lonsdale Street, Melbourne VIC 3000.**

At the forthcoming adjourned second meeting of creditors of the Company, creditors of the Company will have the opportunity to vote to decide the future of the Company.

## **2.2 Administrators' Recommendation**

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 the creditors' (as a whole) interests for:

- a) The Company to execute a Deed of Company Arrangement ("DOCA"); or
- b) The Company to be placed into liquidation; or
- c) The administration of the Company to end.

We have set out in **Annexure "F"**, our recommendation to creditors as to which alternative, in our opinion, is in the best interests of the creditors (as a whole) of the Company.

**The Company is insolvent and should not be returned to the control of the directors i.e. the administration of the Company should not merely end.**

**It is our recommendation that creditors vote in favour of the Company executing a holding DOCA proposed by Chillee Ltd as opposed to placing the Company into liquidation.**

The reasons for our recommendation are detailed in sections 7 and 8 of this Report.

## **3. STRATEGY FOR ADMINISTRATION**

As creditors are aware, we, Sule Arnautovic and Glen Anthony Crisp of Jirsch Sutherland, were appointed as Administrators of the Company on 9 November 2014 by resolution of the Board in accordance with Section 436A of the Act.

Our appointment was the result of the Company experiencing ongoing cash-flow difficulties which culminated upon the demand for repayment of their loan in full by one of the Company's major creditors, Chillee Ltd ("Chillee"), on 7 November 2014.

As discussed in the Previous Reports, we formed the view that a sale of the Company's business was in the best interest of creditors.

Although the Company is not currently trading, we attempted to secure a sale of the Company's business and assets. We undertook an extensive sale campaign in this regard.

Initial expressions of interest were required to be submitted by 1 December 2014. Short listed purchasers were invited to make a final and best offer to purchase the Company's business and/or its assets by 18 December 2014.

Several offers for the Company's business and assets were received from our sale campaign, however, none of these were accepted by Chillee.

On 21 December 2014, Mr David Winterbottom and Mr Mark Uebergang of Korda Mentha were appointed as Agents ("Controllers") for the Mortgagee in Possession of the Property of the Company pursuant to the security interests of Chillee, registered on the Personal Property Securities Register. In this regard, we were not able to finalise the sale as expected, as it was the view of Chillee that the Controllers should re-advertise the sale campaign (which was previously run by the Administrators) in order to see whether there may be other better offers for the business/assets of the Company. The justification provided by Chillee in this regard was that there may have been parties interested in the business/assets, however, they may not have been available in the period leading up to Christmas/New Year to attend to these matters. We note that we have been in regular correspondence with the Controllers regarding the sale of the Company's business/assets and specifically regarding proposals to recapitalise the Company by way of a DOCA and/or Creditors' Trust.

As the sale of business/assets program has not yet been finalised, we cannot disclose sensitive information in this Report without prejudicing any sale in this regard. Therefore, some key information has been withheld in this Report due to commercial sensitivity.

We note that to date we have received five (5) recapitalisation/DOCA proposals from third parties. Commentary on one (1) of these proposals has not been included in this report as it is clearly inferior to the other proposals.

It is our view that some form of recapitalisation/DOCA proposal is more favourable, when compared to a liquidation of the Company, for creditors as a whole. Creditors should refer to sections 7 and 8 of this report for further commentary in this regard.

We attach as **Annexure "C"**, copies of the four (4) DOCA proposals received to date that are commented on in the report.

In the available time, we have undertaken preliminary investigations into the Company's business, property, affairs and financial circumstances which we detail in this Report. These investigations form the basis of our recommendation to creditors about the Company's future.

Pursuant to section 438A of the Act, we have reviewed the available books and records of the Company and have commenced preliminary investigations into the Company's business, property, affairs and financial circumstances. Our preliminary investigations have encompassed the recovery of assets, and the identifying of any potential recoveries that can be made from insolvent trading and other voidable transactions, which may be recoverable by a liquidator(s) under Part 5.7B of the Act.

Creditors should refer to our Previous Reports for more information in this regard.

#### 4. RECEIPTS & PAYMENTS/STATEMENT OF POSITION

We note that we have previously reported to creditors in respect of the overall financial position and/or asset information of the Company. Creditors should refer to our Previous Reports in this regard.

We have however provided a summary below of our receipts and payments to date, for creditors' information.

<b>Receipts</b>	<b>Amount (\$)</b>
Non-Refundable Fees for Sale of Business Information Memorandum	3,960.00
Pre-Appointment cash at bank realised	15,500.00
GST Refund	1,931.41
Payment from Agents for Mortgagee in Possession for hard drive	79.00
Interest Income	5.33
<b>Total Receipts</b>	<b>21,475.74</b>
<b>Payments</b>	
Subcontractor Expenses	14,720.20
Insurance Expenses	1,721.50
Telephone Expenses	231.55
<b>Total Payments</b>	<b>16,673.25</b>
<b>Net Cash at Bank as at 6 February 2015</b>	<b>4,802.49</b>

## 5. UPDATE ON LIABILITIES

We note that we have previously reported to creditors in respect of the financial position and/or liability information of the Company. Creditors should refer to our Previous Report in this regard.

Nonetheless, we attach as **Annexure "A"** an updated list of known creditors, for your information.

We provide commentary below in respect of one of the significant creditors of the Company.

### **Edrill Pty Limited**

At the time of our appointment the Company was the subject of proceedings in the Supreme Court of Victoria at the suit of Edrill Pty Limited ("Edrill"), concerning a drilling contract entered into between the Company and Edrill in about February 2012.

It is alleged by Edrill that rather than terminating the contract by giving 30 days written notice in accordance with the contract, the Company repudiated the contract by instead ordering Edrill's staff off site in July 2012. This event occurred at the time the Company did not have satisfactory finance in place to pay Edrill's ongoing payments, following the withdrawal of funding from Chillee.

It is also alleged by Edrill that there was prior to the entry into the drilling contract, misleading and deceptive conduct on the part of the Company as to the Company's ability to undertake and complete a 2 year drilling program lasting until December 2013.

The total damages claimed by Edrill are particularised in their Statement of Claim as being in the total amount of \$1,356,733.28, being an amount comprised of \$1,201,901.28 with respect to lost profits under the drilling contract, plus a further \$154,832 being the losses incurred upon selling the equipment required under the drilling contract.

The Company has previously been defending Edrill's claim on the basis that:

- the contract as entered into provided for a right to suspend works under clause 19 of the contract, which is what occurred;
- any formal defect in terms of notice cannot amount to a repudiation of the contract as has been alleged;
- it denies the representations as alleged were made; and
- to the extent any representations were made (which is denied), Edrill expressly acknowledged that no reliance was placed on any such pre-contractual representations by clauses 35.1 and 36.1 of the contract.

The Company has also filed a Cross-Claim against Edrill in those relevant proceedings. The basis of the Cross-Claim is that the contract required Edrill to drill in accordance with a drilling programme as provided for by the contract. It is alleged by the Company that Edrill failed to drill in what is referred to as the "Gap Zone", being a zone which it was anticipated would yield good drilling results. The delay of Edrill being able to drill in this zone is mainly attributed to Edrill's inability to promptly put into service a Diamec

drill required for drilling in that area. The Company has not reached the stage of properly quantifying their losses arising as a consequence of this alleged breach of contract.

Edrill has defended this Cross-Claim on the basis that any delay in them putting into service the Diamec drill is attributable to the Company not providing a written agreement to them, which in turn prevented them from obtaining the requisite finance to purchase the Diamec drill in sufficient time. It is also alleged by Edrill that from April 2012, prior to having the Diamec drill in operation that the Company was unable to supply the necessary electricity to run the drill thereby preventing Edrill from drilling on the Morning Star mine. The Company has disputed this version of events.

In a liquidation scenario, it will be necessary for us to undertake a more detailed analysis and review the competing claims of both Edrill and the Company, with reference to the available documents and any further supporting material provided by Edrill.

We have not formally adjudicated on any unrelated unsecured creditors' claims at this time. We expect claims by creditors to increase in due course, that is, when we may receive further proofs of debt.

## **6. INVESTIGATIONS AND FUNDING REQUIREMENTS**

### **6.1 Voidable/Insolvent Transactions**

We note that should creditors place the Company into liquidation and we are appointed Liquidators, subject to any issues that arise from our ongoing investigations, we will require funding from creditors to pursue certain recovery actions. Creditors should refer to section 8 of our Report dated 1 December 2014 for a more detailed discussion regarding the findings of our investigations to date.

Creditors interested in funding any action(s) in this regard should forward their written funding proposals to our office as soon as possible.

Matters that require further investigation may include: -

- i. Examination of the Company's directors/ former directors;
- ii. Potential claims against the directors/ former directors for insolvent trading and other claims; and
- iii. Any other voidable and insolvent transactions identified in the course of our ongoing investigations.

Creditors should note that the directors may have statutory defences, pursuant to Section 588H of the Act, which may be available to them with respect to any insolvent trading claims. Notwithstanding this, an action for insolvent trading would only be brought against a director by a liquidator if a benefit would accrue to creditors from doing so.

We note that we have now had an opportunity to further review Chillee's security and provide commentary below for creditors' information.

### **Chillee Ltd**

Chillee holds a registered all present and after acquired property charge over the assets of the Company. This security arises out of a document entitled Second Interim Facility Agreement dated 18 November 2013, which was registered on the Personal Property Securities Register on 29 November 2013. An amount of \$250,000 was advanced to the Company in accordance with this agreement.

Upon the Second Interim Facility Agreement being entered into, it also secured monies entered into prior to that agreement, which were advanced on an unsecured basis. This included an amount of \$2,000,000 which was advanced in accordance with an Interim Facility Agreement dated 23 March 2012 and an amount of \$30,000 advanced in accordance with an agreement entitled Kangaroo Facility Agreement dated 28 August 2013.

The directors of the Company have informed us that it was originally contemplated that the only security to be provided under the Second Interim Facility Agreement was the MIN 5009 Mining tenement, but that Chillee requested that the security to be provided under was to be all present and after acquired property of the Company close to when it was expected that the agreement was to be executed. It has been indicated to us that by the time these late amendments were required, the Company then had no alternative other than to execute the agreement due to pressing liabilities. Should the Company enter liquidation, this course of events and particularly the involvement of the Company's then director, Mr Alexei Motlokhov, who was Chillee's representative on the Company's board) will require further investigation.

We have identified potential actions against Chillee that have been outlined below.

### **Uncommercial transaction**

Providing security over assets worth a great deal more than the sum of \$250,000 advanced under the Second Interim Facility Agreement, could be an uncommercial transaction in accordance with section 588FB of the Act, being a potential claim which would arise in the event of the Company entering liquidation. In order to establish that there has been an uncommercial transaction it would be necessary for a liquidator to establish that a reasonable person in the Company's circumstances would not have entered into the transaction having regard to the relevant benefits and detriments to the Company in entering into the transaction.

In circumstances where the other party to a transaction is in some way related to the Company, Courts will generally look even more closely at the subject transaction. In this case, Chillee were not only a major shareholder of the Company, but Mr Alexei Motlokhov who was then a director of the Company as Chillee's representative on the Company's board and was privy to all relevant discussions concerning the financing arrangements entered into by the Company.

### Unfair preference

A further potential cause of action which may be available to a Liquidator with respect to Chillee's security is a claim that the entry into the Second Interim Facility Agreement was an unfair preference under section 588FA of the Act, such that Chillee received a preference over other unsecured creditors by the entry into the Second Interim Facility Agreement. However, by reason of the transaction having been entered into prior to the six month relation back period, relief would only be available in the event of Chillee was a 'related entity', within the definition of section 9 of the Act. This would require that Mr Motlokhov, who was a director of the Company at the relevant time was also a director/related party of Chillee Ltd. We are not certain of Mr Motlokhov's position within Chillee in this respect, particularly in circumstances where Chillee is incorporated in the British Virgin Islands.

### Insolvent transaction

In order to obtain relief with respect to either an uncommercial transaction, or an unfair preference it would also be necessary for a liquidator to establish that the subject transaction is an insolvent transaction within the meaning of section 588FC of the Act. This requires establishing that at the time of the agreement was entered into the Company was insolvent, or became insolvent as a consequence of the transaction. If this can be established, relief is available under section 588FF of the Act which could potentially include a declaration that their security is unenforceable.

### Potential claim for Damages

By a commitment letter dated 15 March 2012, Chillee made a covenant to the Company to, among other things, provide a loan facility of up to AUD\$10,000,000 disburseable by instalments, with a term of one year. Whilst this letter contemplated the entry into further facility agreements, it nonetheless contained binding obligations on both the Company and Chillee, including the obligation to provide the facility of AUD\$10,000,000 which was performed in part.

This Facility was however subject to conditions, including a condition that Chillee could terminate its obligations under the commitment letter if:

*"in the opinion of the Lender, acting in good faith, of any material adverse change in (i) the business, assets, operations, condition (financial or otherwise), performance, prospects, liabilities (contingent or otherwise), or value of the Borrower or (ii) the ability of Borrower to meet any of its commitment in accordance with the provisions of this Commitment Letter."*

By letter dated 6 June 2012 Chillee sought to terminate their obligations under the commitment letter on the basis of:

*"material adverse changes in MSG's business and prospects and its ability to meet its obligations contemplated in the Facilities (as defined in the Commitment Letter) and resulting inability of Chillee to complete due diligence."*

As far as we can ascertain, Chillee have not specified what these material adverse changes were which justified the termination of the commitment. Mr Nick Garling has informed us that he was not informed by Chillee as to precisely what material adverse changes were said to have taken place. This

is a matter which obviously warrants some further enquiry, as if the event relied upon by Chillee cannot properly be described as a 'material adverse change', there is a potential cause of action available to the Company against Chillee for breach of contract.

What is fairly clear is that the withdrawal of this facility led to the suspension of the Company's operations as it no longer had the available funding to continue on such a basis. Accordingly, if a sustainable cause of action was available, there may be substantial damages which are recoverable. However, we are not in a position to comment or obtain any advice as to the prospects of success of this claim until such time as further enquiries are undertaken, which we have not been in a position to undertake prior to the issue of this report.

In the event creditors vote in favour of any of the proposed DOCAs, these potential actions may not be available for the benefit of creditors.

## **6.2 ASIC reporting of potential offences and contraventions**

Pursuant to Section 438D of the Act we are required to report to ASIC as to the:

- Existence of offences committed by any past or present officer(s) or member(s) of the Company; and
- Existence of any misapplication, retention, liabilities, accountability, negligence, default, breach of duty or trust by persons who have taken part in the formation, promotion, administration, management or winding up of the Company.

As at the date of this report, we are not aware of any offences committed by the Directors of the Company.

We will further investigate these matters in the event the Company is wound up, subject to adequate funding from creditors.

## **7. DEED OF COMPANY ARRANGEMENT ("DOCA")**

We attach the following annexures in respect of the four (4) DOCA proposals commented on in the report.

- **Annexure "B"** - summaries of the DOCA proposals received and their respective advantages and disadvantages.
- **Annexure "C"** - copies of the relevant DOCA/recapitalisation proposals received.
- **Annexure "D"** - a comparison of the respective DOCA proposals versus Liquidation scenario

- **Annexure "E"** – an interpretation sheet for the information contained in **Annexure "D"**.

**Of the four (4) DOCA/recapitalisation proposals contained in this report, we recommend that creditors vote in favour of Chillee's proposed holding DOCA.**

We detail below the Advantages and Disadvantages of Chillee's holding DOCA Proposal.

Advantages of Chillee's DOCA

- a) Allows the Agents for the Mortgagee in possession additional time to try obtain a larger amount for the sale of the business/assets of the Company;
- b) The DOCA proposals of Otsana Capital, Trident Capital and Macquarie Gold are all contingent on Chillee releasing their security and various secured assets to enable a DOCA/recapitalisation. Chillee have not agreed to this at the time of this report. Chillee's DOCA is more favourable in this respect;
- c) All of the Voluntary Administrators remuneration and out of pocket expenses are to be paid out of the proceeds of sale of the business/assets as a priority;
- d) There is no return anticipated for unsecured creditors in a liquidation scenario. There is more hope of a return for unsecured creditors in Chillee's holding DOCA;
- e) No litigation or legal dispute is envisaged in entering into the holding DOCA as opposed to the other DOCA proposals and in a liquidation scenario;
- f) The costs of administering a DOCA are generally less than in a Liquidation;
- g) The DOCA will act as a holding DOCA and Otsana Capital have agreed (per Chillee's advice) to defer their recapitalisation offer for a period of three (3) months to accommodate Chillee's proposed sale of assets/business timetable i.e. Otsana Capital or some other party with an improved DOCA/recapitalisation proposal may align into Chillee's holding DOCA for the benefit of creditors;
- h) In the event that the sale of assets/business exceeds \$2.55million, Chillee will contribute an amount of \$50,000 for unsecured creditors. In the event that the sale of assets/business exceeds \$3.075million, Chillee will contribute an amount of \$75,000 for unsecured creditors;

- i) In the event that the sale of assets/business exceeds Chillee's debt surplus funds (net of costs) will flow to creditors of the Company;
- j) The DOCA proposed by Chillee Ltd will allow other recapitalisation proposals to be provided by other parties once the sale of business/assets has been finalised; and
- h) The legal costs expended in this matter would be less in Chillee's DOCA/recapitalisation proposal, as there would be a cooperative approach.

#### Disadvantages of Chillee's DOCA

- a) Any recovery actions (including unfair preferential payments, uncommercial transactions, and insolvent trading claims) potentially available to the liquidators of the Company under Part 5.7B of the Act will no longer be available;
- b) Any claims against Chillee will be lost in the DOCA;
- c) All participating unsecured creditors' claims will be discharged in full by virtue of the operation of the DOCA and the Company will be released from paying all claims except as prescribed by the DOCA proposal;
- d) There is still uncertainty of whether the agents of the mortgagee in possession would achieve a result in the sale of business/assets of the Company in excess of \$2.55m (gross); and
- e) Any valid third party priority employee claims are currently at risk under the Chillee DOCA for their entitlements when compared to the Fair Entitlements Guarantee Scheme in place for employees in a liquidation scenario. This being said we are expecting final third party priority employee claims for dividend purposes to be minimal, if any.

## **8. DIVIDEND OUTLOOK AND OPTIONS AVAILABLE TO CREDITORS**

### **8.1 Dividend Outlook**

Please refer to **Annexure "D"** for a comparison of the estimated dividend return to unsecured creditors in the various DOCA scenarios as compared to a Liquidation scenario.

Any valid third party priority employee claims and subsequent dividends are currently at risk under the proposed DOCAs when compared to the Fair Entitlements Guarantee Scheme in place for employees in a liquidation scenario. This being said we are expecting final third party priority employee claims for dividend purposes to be minimal, if any.

To ensure that the work has been completed in the most effective and efficient manner, we have, where appropriate and possible, directed our staff to perform certain aspects of the administration.

As Voluntary Administrators, we have personally, or directed our staff to attend to numerous matters in the Administration. Please refer to the '*Description of Work Performed*' annexed to our Remuneration Report attached as **Annexure "G"** of this report.

## **9.2 Summary of remuneration to be approved**

As at the date of the meeting of creditors on 16 February 2015, we expect to have \$218,182 plus GST in outstanding administration remuneration, of which \$150,000 plus GST has been previously approved by creditors at the meeting held on 9 December 2014.

We will therefore be seeking approval from creditors of our administration remuneration for the period 9 December 2014 to 16 February 2015 up to a maximum sum of \$68,182 plus GST.

We also expect to incur up to a further \$20,000 plus GST in administration remuneration after the meeting on 16 February 2015 but prior to any DOCA being executed.

The particulars of all staff involvement together with the time spent by each staff member will be available for inspection at the forthcoming meeting.

We advise that it is appropriate at the meeting of creditors to consider and approve the future fees of the Liquidator(s) or the Deed Administrator(s), depending on the resolution passed by creditors for the Company's future.

Should creditors resolve to accept one of the DOCA proposals, we anticipate the Deed Administrators will seek approval of their future fees for the Company up to the maximum amount of \$60,000 plus GST, beyond which further approval must be sought.

Should creditors resolve to place the Company into liquidation, we anticipate the Liquidators will seek approval of their future fees for the Company up to the maximum amount of \$150,000 plus GST, beyond which further approval must be sought.

The Jirsch Sutherland schedule of hourly rates, as at 1 December 2014, from which our remuneration is calculated, is included with our Remuneration Report.

## **9.3 Remuneration report**

We attach to this report as **Annexure "F"** our Remuneration Report.

## 10. FINALISATION OF ADMINISTRATION

Should creditors resolve to execute one of the proposed DOCAs, we become Deed Administrators. Our duties as Deed Administrators would be to administer the terms of the DOCA.

Should creditors resolve to wind the Company up, we will become Liquidators. Our duties as Liquidators would be as follows:

1. Finalise our statutory investigations with any further information provided by the creditors;
2. Report to creditors and Report to the ASIC pursuant to Section 533 of the Act;
3. Further investigate and pursue any potential insolvent trading and other recoveries from the Directors, subject to adequate funding;
4. Further investigate and pursue any potential voidable/insolvent/other transactions (if any), subject to adequate funding; and
5. Finalise the winding up.

Should you wish to discuss the administration of the matter, please contact Ms Kathryn Gesilva or Ms Amanda Arnautovic of our office.

Yours faithfully,

**MORNING STAR GOLD NL**

**SULE ARNAUTOVIC**

**Joint & Several Administrator**

## **Annexure "A"**

**Morning Star Gold N.L.**  
**(Administrators Appointed)**  
**ABN: 34 003 312 721**

<b>UNSECURED CREDITORS</b>	<b>RATA</b>	<b>Advised</b>	<b>Claimed</b>	<b>Control Value</b>
<b>Statutory Creditors</b>				
Deputy Commissioner of Taxation	76,073	76,073	-	76,073
OSR	3,100	3,100	3,500	3,500
<b>Total Statutory Creditors</b>	<b>79,173</b>	<b>79,173</b>	<b>3,500</b>	<b>79,573</b>
<b>Ordinary Unsecured Creditors</b>				
Adrian Cummins Surveyors	900	900	3,000	3,000
AIS Delatite Steel & Engineering Supplies	7,000	7,000	-	7,000
ASX Operations Pty Ltd	5,500	5,500	5,512	5,512
B&H Prothero	-	774	774	774
BOC Gases	159	159	-	159
Brunner & Lay	8,200	8,200	8,214	8,214
Commercial Hotel	-	870	-	870
Computershare Investor Services	240	240	243	243
DSDBI	20,059	20,059	-	20,059
Ecowise Environmental	2,000	2,000	-	2,000
Edrill Pty Ltd	-	-	1,518,835	1,518,835
Energy Australia	55,650	55,650	-	55,650
Garling, Nicholas Mark (Mr)	921,958	921,958	-	921,958
Goulburn Valley Water	141	141	-	141
Grakenlea Services T/A Mountains of Gold	-	807	807	807
Jackson, Peter Gilbert (Mr)	27,000	27,000	27,000	27,000
Laidlaw, Noel Robert (Mr)	42,000	42,000	36,000	36,000
Mark Mahoney	-	53,000	53,116	53,116
Mansfield Shire	1,900	1,900	-	1,900
Media Temple Pty Ltd	72	72	-	72
NAB	20,034	20,034	-	20,034
Reece Collins Security	4,000	3,810	3,810	3,810
RSM Bird Cameron Partners	6,820	6,820	11,484	11,484
Telstra - 3367570800	6,158	6,158	-	6,158
Thomson Geer Solicitors	-	4,355	7,310	7,310
Thomson Lawyers	2,000	2,000	-	2,000
Woods Point Gun Club	500	500	500	500
Workcover Victoria	60,593	60,593	-	60,593
Yarandi Investments Pty Limited	563,500	563,500	738,107	738,107
<b>Total Ordinary Unsecured Creditors</b>	<b>1,756,384</b>	<b>1,816,001</b>	<b>2,414,712</b>	<b>3,513,306</b>
<b>TOTAL UNSECURED CREDITORS:</b>	<b>1,835,557</b>	<b>1,895,174</b>	<b>2,418,212</b>	<b>3,592,879</b>

## **Annexure "B"**

Deed of Company Arrangement Proposals comparison summary

Proposer	Otsana Capital	Trident Capital	Chilfee Ltd	Macquarie Gold Ltd
Overall offer to creditors		\$400,000	\$400,000	\$500,000
Payment of non-refundable deposit, paid on resolution of creditors for the Deed of Company Arrangement ("DOCA")	A non-refundable deposit in the sum of \$10,000 5 business days after the passing of a resolution of creditors providing the Company entering into a DOCA	A non-refundable deposit in the sum of \$25,000 to be paid 7 days following the latter of the DOCA execution and approval from the ASX for the reinstatement of the Company without re-compliance with Chapter 1 and 2 of the ASX Listing Rules	N/A	
When is the balance payable?	The balance of \$390,000 payable 5 business days after satisfaction of the conditions (i.e. approval by creditors and shareholders of the DOCA & the recapitalisation proposal) and confirmation from ASX regarding compliance with Chapters 1 and 2 of the ASX Listing Rules, etc.) the Deed Fund is offered for the Control of the Company on the basis that after the approval of the shareholders, the DOCA terminates and a Creditors' Trust is established to hold the Deed Fund for the creditors of the Company.	The sum of \$75,000 to be paid immediately following the issue of 804 shares at \$0.005 per share, to be issued within 21 days of shareholders' approval of the DOCA and Reconstruction Deed arrangements. The balance of \$300,000 payable 7 days after Public Raising through a prospectus, which is expected to be achieved by 25 May 2015.	A holding DOCA will be in place for a period of 3 months to allow for the agents of the mortgagee in possession to finalise the sale program.	
Shareholders' meeting	As soon as possible. The Syndicate will bear the costs of the shareholder meetings, which will be reimbursed by the Company in the event that proposals are approved and the Company is reinstated to trading on the ASX.	As soon as possible. The Syndicate will bear the costs of the shareholder meetings, which will be reimbursed by the Company from the proceeds of the Capital Raisings.	N/A	
Recapitalisation Proposal	Consolidate existing shares on a one (1) for 20 basis	Consolidate existing shares on a one (1) for 15 basis	Chilfee Ltd have had discussions with Otsana Capital requesting that their offer remain in place for a period of 3 months after execution of the DOCA to allow the agents of the mortgagee in possession to finalise the sale program.	
Other comments	The DOCA funds referred to in the Otsana proposal will be a loan to the Company by a Syndicate, which will be settled through one or more capital raisings. The syndicate will bear the risk of these capital raisings. The proposal is contingent on receipt of support from major shareholders of the Company, support of the secured creditor, and confirmation from the ASX that the Company will not have to re-comply with Chapters 1 and 2 of the ASX Listing Rules.	The total sum of \$400,000 will be paid to a Creditors' Trust. The balance of funds (after the \$25,000 deposit) will be funded through the Capital Raisings, being the \$75,000 through the Proponent's subscription of 80,000,000 (post consolidation) at 0.5 cents per share and the balance of \$300,000 from the Public Raising. The proposal is contingent on receipt of support from major shareholders of the Company, support of the secured creditor, and confirmation from the ASX that the Company will not have to re-comply with Chapters 1 and 2 of the ASX Listing Rules.	Chilfee Ltd's proposal is that the Company will be recapitalised through a holding DOCA utilising the recapitalisation proposal of Otsana Capital. Chilfee Ltd have also proposed that should the agents for the Mortgagee in possession realise in excess of \$2.5million from the sale of the Company's business/assets, they will contribute an amount of \$50,000 into the DOCA fund for unsecured creditors. In the event however that there is an amount realised in excess of \$3.075million, an amount of \$75,000 would be contributed into the DOCA fund for unsecured creditors.	Chilfee Ltd have had discussions with Otsana Capital requesting that their offer remain in place for a period of 3 months after execution of the DOCA to allow the agents of the mortgagee in possession to finalise the sale program.

<p><b>Advantages of the relevant proposal</b></p>	<p>1. The balance of the funds will be paid 5 business days after satisfaction of the conditions noted in the proposal  2. The Syndicate will bear the risk on the Capital Raisings;  3. The Recapitalisation Proposal will be complete within six (6) months of execution of the DOCA; and 4. There is an indemnity to fund legal costs against Chilee Ltd in respect of the DOCA.</p>	<p>The final payment into the Creditors' Trust and full effectuation of the Deed is estimated to be by the end of May 2015.</p>	<p>1. Allows the Agents for the Mortgagee in possession additional time to try obtain a larger amount for the sale of the business/assets of the Company;  2. The DOCA proposals of Osana Capital, Trident Capital and Macquarie Gold are all contingent on Chilee releasing their security and various secured assets to enable a DOCA/recapitalisation. Chilee have not agreed to this at the time of this report. Chilee's DOCA is more favourable in this respect;  3. All of the Voluntary Administrators remuneration and out of pocket expenses are to be paid out of the proceeds of sale of the business/assets as a priority;  4. There is no return anticipated for unsecured creditors in a liquidation scenario. There is more hope of a return for unsecured creditors in Chilee's holding DOCA;  5. No litigation or legal dispute is envisaged in entering into the holding DOCA as opposed to the other DOCA proposals and in a liquidation scenario;  6. The costs of administering a DOCA are generally less than in a liquidation;  7. The DOCA will act as a holding DOCA and Osana Capital have agreed (per Chilee's advice) to defer their recapitalisation offer for a period of three (3) months to accommodate Chilee's proposed sale of assets/business timetable i.e. Osana Capital or some other party with an improved DOCA/recapitalisation proposal may align into Chilee's holding DOCA for the benefit of creditors;  8. In the event that the sale of assets/business exceeds \$2.55million, Chilee will contribute an amount of \$50,000 for unsecured creditors. In the event that the sale of assets/business exceeds \$3.075million, Chilee will contribute an amount of \$75,000 for unsecured creditors;  9. In the event that the sale of assets/business exceeds Chilee's debt <i>surplus funds (net of costs), will flow to creditors of the Company.</i></p>
<p><b>Disadvantages of the relevant proposal</b></p>	<p>Should the security interest over the Company not be released, the Syndicate will take necessary steps to obtain such release. The Syndicate will deduct 50% of any costs incurred from the Deed Fund.</p>	<p>Should the security over the assets not be released, this DOCA proposal cannot proceed. There is a high risk in realising the Deed Fund as it is highly dependent on the Capital Raisings</p>	<p>1. Any recovery actions (including unfair preferential payments, uncommercial transactions, and insolvent trading claims) potentially available to the liquidators of the Company under Part 5.7B of the Act will no longer be available;  2. Any claims against Chilee will be lost in the DOCA;  3. All participating unsecured creditors' claims will be discharged in full by virtue of the operation of the DOCA and the Company will be released from paying all claims except as prescribed by the DOCA proposal;  4. There is still uncertainty of whether the agents of the mortgagee in possession would achieve a result in the sale of business/assets of the Company in excess of \$2.55m (gross); and  5. Any valid third party priority employee claims are currently at risk under the Chilee DOCA for their entitlements when compared to the Fair Entitlements Guarantee Scheme in place for employees in a liquidation scenario. This being said we are expecting final third party priority employee claims for dividend purposes to be minimal, if any.</p>
<p><b>Advantages of a DOCA proposal generally</b></p>	<p>Costs of administering a DOCA are generally less than a Liquidation</p>		
<p><b>Disadvantages of a DOCA proposal generally</b></p>	<p>Any recovery actions (including unfair preferential payments, uncommercial transactions, and insolvent trading claims) potentially available to the liquidators of the Company under Part 5.7B of the Act will no longer be available.</p>		

We only received this proposal from Macquarie Ltd at noon on the date of this report and accordingly have not had an opportunity to review same in more depth. We expect that there will be additional details available in this regard at the adjourned meeting of creditors on 16 February 2015.

## **Annexure "C"**

## **Chillee Ltd Proposal**

JOHNSON WINTER & SLATTERY  
LAWYERS

Senior Partner : Matthew Allchurch +61 2 8247 9625  
Email: matthew.allchurch@jws.com.au  
Senior Partner : Gerard Breen +61 2 8247 9667  
Email: Gerard.Breen@jws.com.au  
Our Ref: B1210  
DocID: 66432844

6 February 2015

**WITHOUT PREJUDICE**

Jirsch Sutherland  
Level 4, 55 Hunter Street  
SYDNEY NSW 2000

**Attention: Sule Arnautovic**

**BY EMAIL**

Dear Sir

**Morning Star Gold N.L.**

Further to our exchange of emails, I confirm as previously advised that Chillee will be the proponent of a holding DOCA which will have yourself and Glen Crisp as Deed Administrators.

Chillee is willing to pay your firm's fees and disbursements including GST of \$386,471 comprising the period up until 15 days after the second meeting of creditors (i.e. 3 March 2015). Please note, those fees will be paid out of the sale proceeds as a priority.

In relation to the unsecured creditors, my client is willing to pay them \$50,000 if the sale realises on a gross basis \$2,550,000.

Further, if the sale process realises on a gross basis \$3,075,000 my client will agree to pay the unsecured creditors \$75,000.

As discussed, KordaMentha consider that the minimum price they will achieve will result in the unsecured creditors receiving at least \$75,000.

I would comment that KordaMentha are strongly of the opinion that the sale of all of the company's assets as a package will result in our client's debt being repaid in full and a substantial dividend being paid to the creditors far beyond the \$75,000 mark.

Please do not hesitate to contact me if you wish to discuss this further.

Yours faithfully

*Johnson Winter & Slattery*

Level 25, 20 Bond Street  
SYDNEY NSW 2000  
T +61 2 8274 9555 | F +61 2 8274 9500

[www.jws.com.au](http://www.jws.com.au)

SYDNEY | PERTH | MELBOURNE | BRISBANE | ADELAIDE

Liability limited by a scheme approved under Professional Standards Legislation (Australia-wide except in Tasmania)

## **Macquarie Gold Limited Proposal**



MACQUARIE  
GOLD LIMITED

Jirsch Sutherland  
GPO Box 4256  
SYDNEY  
NSW 2001

6<sup>th</sup> February, 2015

ATTN: Sule Arnautovic and Glenn Anthony Crisp  
Joint & Several Administrators  
Morning Star Gold N.L.

Dear Sirs,

RE: Deed of Company Arrangement – Proposal

We propose the following non-binding terms, which would be subject to due diligence, discussion and agreements:

- Pay \$500,000 towards the recapitalisation of the Company

Please advise if we can review additional information that will assist in detailing our proposal. We are also available to meet and discuss at your convenience.

Yours faithfully,

A handwritten signature in black ink, appearing to read 'D. J. Morton', written over a light blue horizontal line.

Dennis J. Morton.  
Chairman.

## Otsana Capital Proposal



**OTSANA**

CAPITAL

ACN 145 168 216

A: 108 Outram Street, WEST  
PERTH  
Western Australia, 6005  
P: PO Box 1974  
WEST PERTH WA 6872  
T: +61 (08) 9486 7244  
F: +61 (08) 9463 6373

5 February 2015

Mr Sule Arnautovic and Mr Glenn Anthony Crisp  
Joint and Several Administrators  
Morning Star Gold NL (Administrators  
Appointed) Level 4, 55 Hunter Street  
SYDNEY, NSW, 2000

**By Email: [amandaA@jirschsutherland.com.au](mailto:amandaA@jirschsutherland.com.au)**

Dear  
Sirs,

**MORNING STAR GOLD NL (ADMINISTRATORS APPOINTED)**

Please find enclosed our indicative offer to recapitalise Morning Star Gold NL (Administrators Appointed) (**the Company**).

The material terms of the offer are as follows:

- (a) the Syndicate (or its nominees) will provide \$400,000 cash to the Creditors' pool (**Creditor Payment**).
- (b) the Company will retain sufficient assets to enable the Company to requote on the Australian Securities Exchange (ASX);
- (c) the Creditor Payment will be used in full and final satisfaction of all creditor claims (including those of an Administrator) pursuant to a deed of company arrangement entered into by the Company (DOCA); and
- (d) the Creditor Payment will be raised through one or more capital raisings by the Company (which will be subject to the receipt of shareholder approval).

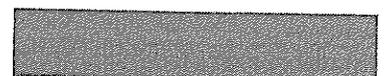
If this offer is acceptable, the Syndicate will expect that the parties enter into a Reconstruction Deed as soon as practicable. Further, we will seek an undertaking that the Company is exclusively dealing with the Syndicate.

Please consider the terms of our offer (Annexure "A"). If you have any queries, please do not hesitate to contact either Mr Nicholas Young on 0400 206 986 or myself on 0423 206 324.

Regards

**FALDI ISMAIL**

**For and on behalf of Otsana Capital and the Investment Syndicate**





## ANNEXURE "A" OFFER IN RELATION TO MORNING STAR GOLD NL

### 1. TERMS OF THE RECAPITALISATION PROPOSAL

#### 1.1 Material Terms

- (a) The Company intends to consolidate its existing shares on a one (1) for (20) basis.
- (b) The Syndicate (or nominees of the Syndicate) will provide \$400,000 cash towards the creditors of the Company (**Creditor Payment**). The Creditor Payment is **NOT** subject to a successful capital raising.
- (c) The Syndicate will pay a non-refundable deposit of \$10,000 5 business days after execution of a Deed of Company Arrangement (**DOCA**). If, for any reason, the Company is recapitalised under another proponent's DOCA proposal or the assets of the Company are sold, then the Administrator shall repay the Syndicate the deposit from the proceeds of that other proponent's DOCA proposal or asset sale, in priority to any other payments and immediately after the receipt of those proceeds.
- (d) The Creditor Payment will be made via loaned funds to the Company, from the Syndicate. The Company will settle the loaned funds through one or more capital raisings by the Company (which will be subject to the receipt of shareholder approval). It is proposed that the capital raisings will be as follows:
  - (i) Up to 250,000,000 shares at not less than \$0.01 to raise \$2,500,000; (ii) Up to 50,000,000 shares at not less than \$0.00001 to raise \$500; and
  - (iii) Up to 50,000,000 options to acquire shares with an exercise price of not less than \$0.01 each with an expiry date of 4 years from the date of issue to raise \$500;

It should be noted that the proposed capital structure and reconstruction (including consolidation, share/option issues and share/option prices) may be varied at the syndicate's discretion, but subject to both ASX and shareholder approval.

- (e) The Syndicate will bear the risk on the capital raisings. The Creditor Payment will be made available to the Administrator within 5 business days after the satisfaction of the conditions set out below.
- (f) The Company retaining sufficient assets to enable the Company to obtain reinstatement to trading of its securities on the ASX without needing to re-comply with Chapters 1 and 2 of the ASX listing rules.
- (g) Creditors and shareholders of the Company voting in favour to approve the Syndicate's recapitalisation proposal.



## 1.2 Proposed Capital Structure

	<b>No. of Shares</b>
Existing Shareholders (after consolidation)	14,215,923
Syndicate Placement	50,000,000
General Placement	250,000,000
<b>Total Shares</b>	<b>314,215,923</b>

## 1.3 Cash Allocation

General Placement	\$2,500,000
Syndicate Share Placement	\$500
Syndicate Option Placement	\$500
<b>Less</b> Cash to Creditors	(\$400,000)
<b>Less</b> Reconstruction Cost	(\$200,000)
<b>Total Cash at Relisting (approx)</b>	<b>\$1,901,000</b>

## 1.4 Conditions

The offer under the Recapitalisation Proposal is subject to the following general conditions:

- (a) all liabilities and long term commitments of the Company as at settlement of the Recapitalisation Proposal being released and compromised via a DOCA that reflects the terms of the offer. It shall be a term of the DOCA that it is wholly effectuated and the appointment of the Administrator terminates contemporaneously with the payment by the Company of the Creditor Payment to the Trustee of the Creditors' Trust;
- (b) all creditors will be required to prove debts against the Trustee of the Creditors' Trust as if they were the Company and payments to creditors shall be made in accordance with the DOCA and the Creditors' Trust deed;
- (c) the subsidiaries of the Company being excised from the group and being dealt with by the Administrator (at no cost to the Company or the syndicate);
- (d) all employees of the Company being terminated at no cost to the Company post termination of the DOCA;
- (e) ASX providing written confirmation to the Company that it will lift the suspension on the trading of the securities of the Company immediately following completion of the capital raisings without the need to re-comply with chapters 1 and 2 of the Listing Rules on finalising the DOCA. The Syndicate will assist in seeking such confirmations from the ASX;
- (f) the Recapitalisation Proposal and the information memorandum to be sent to creditors and shareholders respectively shall specify that if the creditors do not approve the Recapitalisation Proposal and the shareholders do not

approve the Recapitalisation Proposal respectively, then the Administrator or the Deed Administrator, as the case may be, shall have no other option but to recommend to the creditors that the Company be placed immediately into liquidation; and

- (g) the receipt of shareholder approval with respect to the terms of the Recapitalisation Proposal.
- (h) The Creditor Payment is offered for control of the Company and is made on the basis that immediately following shareholder approval the DOCA terminates and a creditors' trust fund is established to hold the Creditor Payment for creditors and claimants of the Company (Creditors' Trust).
- (i) All the subsidiaries that are dormant or not required by the Syndicate are to be excised from the Company and transferred into the Creditors' Trust.
- (j) All of the directors of the Company will be removed and replaced by nominees of the Syndicate.
- (k) To the extent that any secured creditor is unwilling to provide a release of its security over the assets of the Company, the Syndicate will take all necessary steps to obtain such a release, including if necessary funding any legal costs arising from an application under section 444F of the Corporations Act 2001 (Cth). Any such funding provided by the Syndicate will have fifty percent (50%) of its value deducted from the Creditor Payment and be capped at \$50,000.
- (l) The Recapitalisation Proposal will be complete within six months of the date of this Deed, or such further period as the Deed Administrators may in their absolute discretion provide for by notice in writing.

## 1.5 Costs

The Syndicate will:

- (a) prepare first drafts of the DOCA(s) and Creditors' Trust Deeds;
- (b) prepare the required shareholder meeting materials and will submit these materials to ASX, the ASIC and the Deed Administrator for approval prior to dispatch to the shareholders of the Company; and
- (c) bear its own costs in relation to the preparation of the above documents which sums shall be reimbursed by the Company in the event that the proposals are approved and the Company is reinstated to trading on the ASX.

If the Administrator/Deed Administrator incurs costs in reviewing the above meeting materials, those costs shall be borne by the Administrator/Deed Administrator. The Syndicate estimates that the costs of the matters to be undertaken relating to convening the shareholder meeting including the materials being printed, mailed, possibly audited and the incurring of legal costs could be up to \$100,000 which the Syndicate agrees to bear (subject to clause 1.5(c) above).

The Creditor Payment is to include fifty percent (50%) of the cost associated with preparing and auditing outstanding statutory accounts.

## 1.6 Additional Matters

The Syndicate confirms that:

- (a) no additional internal approvals are required in order to proceed to a binding offer; and
- (b) funding for the acquisition will be sourced from members of the Syndicate as well as third parties. No issues or delays are envisaged in relation to funding any proposal.

## 1.7 Other terms of Deed of Company Arrangement

- (a) The Deed Administrators are to be Mr Sule Arnautovic and Mr Glenn Anthony Crisp of Jirsch Sutherland.
- (b) All unsecured creditors of the Company with claims against the Company as at 9 November 2014 will be bound by the Deed (**Participating Creditors**).
- (c) The Deed Fund will be comprised of:
  - Monies recovered from the secured creditor Chillee Limited (**Chillee**) with respect to the equitable and statutory liens held by the Administrators and Deed Administrators;
  - The Creditor Payment;
  - Any surplus proceeds following the realisation of assets by Chillee as secured creditor;
  - All cash at bank of the Company (including cash on hand, deposits and cash held on Trust);
  - All accounts receivable/debtors/refunds/pre-payments owed to the Company on the execution date of the Deed.
- (d) The Deed Fund is to be applied as follows:
  - (i) Firstly, all out of pocket expenses of the Voluntary Administrators incurred during the administration period till the date of the execution of the Deed;
  - (ii) Secondly, all professional fees of the Voluntary Administrators;
  - (iii) Thirdly, all professional fees and out of pocket expenses of the Deed Administrators;
  - (iv) Fourthly, all priority employee creditor claims (if any) including superannuation and/or superannuation guarantee charge in accordance with Section 556 of the *Corporations Act 2001*;
  - (v) Fifthly, payment to all admitted participating unsecured creditors of the Company.
- (e) All Participating Creditors of the Company must accept their entitlement under the Deed in full settlement of all of their claims against the Company as at the date the Voluntary Administrators were appointed i.e. 9 November 2014.
- (f) Additional to any power of the Deed Administrators at law, if the Company or Deed Proponent are unable to comply with any of the fundamental provisions of the Deed including payment of monies due pursuant to the Deed, and/or the Deed Administrators form the view that the Company or others are unlikely to be able to comply with the terms of the Deed, then

the Deed Administrators are entitled to convene a meeting of the Company's creditors at which creditors may resolve to:

- (i) vary the Deed of Company Arrangement; or
- (ii) terminate the Deed of Company Arrangement and wind up the Company appointing Mr Sule Arnautovic and Mr Glenn Anthony Crisp as its Liquidators; or
- (iii) seek to enforce the terms of the Deed.

## 2. About the syndicate

### Otsana Capital

Otsana Capital is a private boutique company covering a broad range of corporate transactions with a specific emphasis in the restructure and recapitalisation of ASX-listed companies.

Otsana Capital has specialist skills in mergers and acquisitions, capital raisings and has many years of investment banking experience covering a wide range of sectors.

Otsana Capital has been involved in the recapitalisation, identification, facilitation and implementation of numerous acquisitions into a number of ASX listed companies.

Otsana Capital has more recently successfully recapitalised the following Companies:

- Boulder Steel Limited ASX Code "BGD"
- Actinogen Limited ASX Code "ACW"
- Prescient Therapeutics Limited ASX Code "PTX"
- Style Limited ASX Code "SYP"
- Kogi Iron Limited ASX Code "KFE" (formerly Brainytoys Ltd)
- Kangaroo Resources Limited ASX Code "KRL" (formerly Kangaroo Metals Ltd)
- Coventry Resources Limited ASX Code "CVY" (formerly Mobilesoft Ltd)
- Pan Asia Corporation Limited ASX Code "PZC" (formerly Sam's Seafood Holdings Ltd)
- NSL Consolidated Limited ASX Code "NSL" (formerly NSL Health Ltd)
- Environmental Clean Technologies Limited ASX Code "ESI" More details on our past

transactions can be found at [www.otsana.com](http://www.otsana.com)

## Trident Capital Proposal

16 December 2014

**Commercial in Confidence**

The Administrators  
Morning Star Gold Limited  
Jirsch Sutherland Advisory & Consulting  
Level 4, 55 Hunter Street  
SYDNEY NSW 2000

**Attn: Messrs Sule Arnautovic and Glenn Anthony Crisp**

**By Email to: [AmandaA@jirschsutherland.com.au](mailto:AmandaA@jirschsutherland.com.au);  
[SuleA@jirschsutherland.com.au](mailto:SuleA@jirschsutherland.com.au)**

Dear Sirs,

**Morning Star Gold Limited (Administrators Appointed)  
("MCO" or the "Company")**

**Recapitalisation Proposal**

I refer to the appointment of Sule Arnautovic and Glenn Anthony Crisp of Jirsch Sutherland Advisory & Consulting as Joint & Several Administrators of MCO on 9 November 2014.

The purpose of this communication is to provide you with a recapitalisation proposal as well as supporting information as to our experience and funding capabilities.

In brief our proposal is for the shell structure of MCO, for which we propose paying \$400,000 cash in three tranches as identified below:

- \$25,000 non refundable deposit on receipt of both ASX approval for reinstatement without recompliance with Chapters 1 and 2 of the ASX Listing Rules and approval from Creditors for the Administrator to enter into a Deed of Company Arrangement ("DOCA") with Trident;
- \$75,000 payable following shareholder approval of the DOCA and Reconstruction Deed arrangements through a Proponent Raising at 0.5 cents per share; and
- \$300,000 payable after Public Raising through a prospectus, which Trident will use reasonable endeavours to ensure is achieved by May 2015, but will undertake to keep the Administrator informed as to any possible delays that will not allow it to achieve this date.

**1. TRIDENT'S EXPERIENCE**

Trident Capital Pty Ltd ("Trident") is a Corporate Advisory company based in Perth and is experienced in the reconstruction, recapitalisation and reinstatement on the ASX of companies such as MCO. Trident is associated with Price Sierakowski Corporate, a legal firm that has worked with us on the transactions noted below.

- Comdek Limited - now Resource Generation Limited (ASX: RES)
- Maverick Energy Limited – now Triangle Energy (ASX: TEG)



- Lafayette Mining Limited – now Voyager Resources Limited (ASX: VOR)
- Soil Sub Limited (ASX: SOI)
- Safety Medical Products Limited (ASX: SFP)
- Coziron Resources Limited (ASX: CZR)
- Narhex Life Sciences Limited (ASX: NLS)
- Oz Brewing Limited (ASX: OZB)
- Reclaim Industries Limited (ASX: RCM)
- MyATM Holdings Limited (ASX: MYA)
- Cell Aquaculture Limited (ASX: CAQ)
- Windimurra Vanadium Limited (ASX: WVL)

Trident has a strong network with several reputable stockbroking companies that have proven experience in raising funds for small cap ASX listed companies. Each reconstruction, recapitalisation and reinstatement that Trident undertakes involves Trident raising funds directly through this broker network and through Trident's own Sophisticated Clients. Over the last 8 years Trident has never failed to complete a fund raising in respect of the recapitalisation of companies where it was approved as the DOCA proponent. Recent examples of this continued success include the following:

- Reclaim Industries Limited (ASX: RCM) involved Trident raising the full Proponent Raising and \$1m of the Public Raising, with Hartley's raising \$1.25m of the Public Raising;
- MyATM Holdings Limited (ASX: MYA) involved Trident raising the full Proponent Raising and \$1m of the Public Raising, with Black Swan Equities raising \$1m of the Public Raising;
- Cell Aquaculture Limited (ASX: CAQ) involved Trident raising the full Proponent Raising and the entire \$2.5m Public Raising; and
- Windimurra Vanadium Limited (ASX: WVL) involved Trident raising the full Proponent Raising and \$1m of the Public Raising, with CPS Capital raising \$1.5m of the Public Raising.

Trident would seek to work with the Administrators to identify suitable assets of MCO that, if retained, would allow the company to be re-instated without re-compliance with Chapters 1 & 2 of the ASX Listing Rules.

We have executed reinstatements through re-compliance with Chapters 1 & 2, showing that this process can occur – though it is not a process we particularly seek out. Examples of companies with which we have been involved that have reinstated on the ASX through re-compliance with Chapters 1 & 2 are:

- Supersorb Resources NL – now Nucoal Resources Limited (ASX: NCR)
- Western Kingfish Limited – now Cleveland Mining Limited (ASX: CDG)

We believe our experience and execution success should be a critical part of the Administrator and creditor decision process as:

- the timely and successful execution of the DOCA process provides an earlier, and assured, return to creditors;
- a changing environment exists within the ASX in relation to reinstatement of these companies, and one which our recent history shows we have clearly managed well. The Company may only get one chance at reinstatement, and it needs to be done correctly. As Administrators you may get higher offers than what we have proposed. However an assessment of the likelihood of that party achieving the required outcomes must be a key part of the

Creditor's decision process. We have recently lost a bid process to another party who offered a higher price and then failed to achieve the ASX outcomes and the fundraising and as such their proposal collapsed, leaving creditors and the Administrator out of pocket. Trident has never failed to complete a reconstruction;

- our proven ability to manage all aspects of the process with lawyers experienced in this area ensures reduced costs and work for the Administrator and hence improved returns for creditors; and
- alternative proposals from other parties that undertake to underwrite the recapitalisation inevitably do so with minimal or no track record of success in this sector, or make such an undertaking subject to a non-binding underwriting agreement, and as such we submit that significant reliance cannot be placed on such undertakings or proposals.

We understand that the Administrator's primary interest is the return to Creditors. However we also assert that our proposal is likely to be more acceptable to the existing shareholder base as it will probably provide for less dilution to that shareholder base, in spite of the 1 for 15 reconstruction, given our track record for legacy shareholder returns.

## 2. PROPOSAL FOR THE CORPORATE STRUCTURE

Principle elements of the proposal are as follows, however the complete proposal is attached as 'Appendix A':

- i. Establishment of a DOCA between the Administrator, the Company and Trident Capital to enable settlement of creditor claims, outstanding administration costs and the re-capitalisation and re-instatement of MCO. The DOCA is to incorporate a Reconstruction Deed and Creditor's Trust.
- ii. MCO is to consolidate its capital on a 1 for 15 basis such that the existing 284,318,462 shares (or such other number as is the actual number of shares on issue) be reconstructed to 18,954,564 shares.
- iii. Any convertible notes, if they have rights that have survived the administration, are to convert to equity and be reconstructed in line with the Company's equity.
- iv. Existing listed options (if any) are to be reconstructed on a similar basis, and any unlisted options or partly paid shares are to be cancelled.
- v. Trident Capital and its associates to undertake a capital raising of up to \$2.9 million, as follows:
  - Issue of 80,000,000 shares at 0.5 cents per share to raise \$400,000 which are to be subject to shareholder approval, with shares to be issued immediately following shareholder approval ("Proponent Raising")
  - Issue of 180,000,000 (Minimum Subscription) to 250,000,000 (Maximum Subscription) shares at 1 cent per share to raise \$1,800,000 to \$2,500,000 ("Public Raising");
  - Both issues will be managed by Trident Capital and or its nominees, on a basis to be determined;

- vi. A cash amount of \$400,000 will be made available to the Administrator for the settlement of all costs associated with the Administrator to effectuate this proposal as well as all creditor claims under the DOCA. This payment will be made as follows:
- \$25,000 non-refundable deposit paid 7 days following the latter of DOCA execution and ASX approval for reinstatement without re-compliance with Chapters 1 and 2;
  - \$75,000 to be paid immediately following the issue of 80M shares at \$0.005 per share, to be issued within 21 days of shareholder approval;
  - \$300,000 to be paid from the Public Issue, anticipated to be in May 2015. Trident will use reasonable endeavours to ensure this payment is made by 25 May 2015 and will continue to keep the Administrator informed as to its ability to achieve this date.
- vii. Trident will carry all of the company's costs associated with the reconstruction and re-capitalization of MCO. It will expect the Administrator to carry its own costs through this exercise.
- viii. Trident to have the right to issue up to 50M options in MCO to facilitate the fundraising for the transaction. These options are to be exercisable at not less than 1 cent in certain periods, to be defined, up until their expiry, which is to be not greater than 4 years following the date of reinstatement of the Company.
- ix. MCO would then reinstate on the ASX in approximately May 2015 with approximately \$2.0M in cash at bank and approximately 350M shares on issue (assuming full subscription of the Public Offer).

### **3. CONDITIONS OF THE PROPOSALS:**

- i. The Administrator agreeing with Trident the retention of certain assets within the existing Company such that Trident can reasonably form an opinion that the Company can be re-instated without re-complying with Chapters 1 and 2;
- ii. The ASX confirming in writing that the transaction contemplated by this proposal will enable the Company to relist on the ASX without the need to comply with chapters 1 and 2 of the Listing Rules, and the ASX has no other conditions that are unsatisfactory to Trident; and
- iii. All necessary creditor and shareholder approvals being achieved.

We look forward to moving ahead with the recapitalisation as quickly as possible. Please contact Adam Sierakowski on (08) 6211 5099 to discuss any aspect of this proposal.

Yours faithfully,



Adam Sierakowski  
*Director*



tridentcapital  
[www.tridentcapital.com.au](http://www.tridentcapital.com.au)

Mob 0403 322 111 Ph (61-8) 6211 5099 Fax: (61-8) 9218 8875

## APPENDIX A

Trident Capital Pty Ltd (or its nominees) (the "Proponent") hereby proposes to re-capitalise MCO on the following basis.

### 1. DOCA

- 1.1. Establishment of a Deed of Company Arrangement ("DOCA") binding all parties to the terms of this Proposal.
- 1.2. An aggregate amount of \$400,000 will be made available to the Administrator for the settlement of all costs associated with the Administrator to effectuate this proposal as well as all creditor claims under the DOCA.
- 1.3. Retention of suitable assets as agreed between Trident and the Administrators, such that the assets will allow MCO to retain its listing on the ASX without having to re-comply with Chapters 1 and 2 of the ASX Listing Rules.

It should be noted that receiving ASX approval for reinstatement is an uncertain process. Trident believes that with a suitable submission to the ASX, with accompanying business plan, that the above should achieve the outcome required. We will seek to confirm that as soon as practically possible through an initial discussion with the ASX, following all required information being provided.

- 1.4. All other assets and subsidiaries held by the Company shall be disposed of or transferred by the Company to the "Creditors Trust" for the benefit of Administrator's Costs and Creditors.
- 1.5. If the sale of the entities mentioned in 1.4 above is not achievable then Trident would review further these assets to ascertain whether any of the assets were of further interest. In the absence of further interest Trident would request that these entities be liquidated.

### 2. DEPOSIT

- 2.1 An initial non-refundable deposit of \$25,000 will be paid direct to the Administrator to assist with the Administrator's costs within 7 days of the latter of Creditor approval of the DOCA and ASX approval for re-instatement being obtained. We would expect this to occur within 30 days after approval by Creditor's of Trident as the proponent, though that will depend upon timely agreement of the DOCA and associated documents, which process could be commenced as soon as we were to be appointed as the Proponent.

### 3. LISTING FEES

- 3.1 The Administrator shall confirm what Listing Fees have been paid up to date.

#### **4. EFFECTUATION OF DOCA**

- 4.1 A total of \$400,000 will be paid to the Creditor's Trust to effectuate the DOCA as follows:
- A non-refundable deposit of \$25,000 within 7 days of the latter of approval of DOCA and ASX approval for reinstatement.
  - A sum of \$75,000 within 21 days of all resolutions required to confirm this offer being approved by shareholders.
  - A final sum of \$300,000 to be paid within 7 days of closure of the Prospectus required for the Public Raising. Trident to use reasonable endeavours to ensure this sum is paid by 25 May 2015.

#### **5. RECAPITALISATION PROPOSAL**

##### **Capital Structure**

- 5.1 Any existing Convertible Notes to prove as debt or to convert to equity in accordance with their conversion terms.
- 5.2 MCO is to consolidate its capital on a 1 for 15 basis such that the existing 284,318,462 shares (or such other number as is the actual number of shares on issue) be reconstructed to approximately 18,954,564 shares;
- 5.3 Existing listed options to be reconstructed on a similar basis, and any unlisted options or partly paid shares are to be cancelled.

##### **Funding**

- 5.4 The Proponent, or nominee, will subscribe for 80,000,000 shares (post consolidation) at 0.5 cents per share in consideration for payment to the Company of \$400,000 ("Proponent's Issue"). These funds may be raised by way of convertible note which the Administrator using reasonable endeavours shall approve. Part of these funds will be used to pay the Creditor's Trust \$75,000, to effectuate the DOCA, with the balance to be used as required by Trident, to recapitalise and reinstate the company. Trident to be allowed to set up a bank account for these funds and to utilise them as required by Trident.
- 5.5 The Proponent will procure the Company to undertake a capital raising (post consolidation) of between \$1,800,000 and \$2,500,000 by issue of between 180,000,000 shares and 250,000,000 shares at 1 cent each ("Public Issue"). This raising will not be underwritten by the Proponent, but the Proponent will point to its existing and successful track record of achieving these fundraisings and that it has never failed to do so.
- 5.6 In aggregate \$400,000 shall be made available to the Company's Creditors.

- 5.7 The Proponent reserves the right to issue up to 50 million options exercisable at not less than 1 cent in certain periods, to be defined, up until their expiry, which is to be not greater than 4 years following the date of reinstatement of the Company.

#### **New Board**

- 5.8 The Administrator must procure the resignation of all existing directors of the Company and its subsidiaries on or before dispatch of the Notice of Meeting, or other period as requested by Trident.
- 5.9 The Proponent shall procure the appointment of not less than three new directors to be appointed on termination of the DOCA.

### **6. CONDITIONS PRECEDENT**

The binding offer is conditional on and subject to the following:

- 6.1 The Company varying (if required) any DOCA agreed by creditors in accordance with resolutions passed at meeting of the Company's creditors, to the extent necessary to implement the binding offer.
- 6.2 The retirement of the Receivers and Managers of the Company (if any), following which a Creditors Trust is to be created to enable the Company to seek a capital raising and apply for its securities to be re-listed on the ASX.
- 6.3 The ASX confirming to the Company and the Proponent that nothing contemplated by the binding offer will prevent the Company from retaining its ASX Listing and that Chapter 11 of the ASX Listing Rules will not be invoked.
- 6.4 The passing of all necessary shareholder and creditor approvals to implement the proposal.
- 6.5 The successful completion and full subscription of the Capital Raising.
- 6.6 All secured creditors providing their written consent to be bound by the reconstruction deed.
- 6.7 The parties executing a reconstruction deed to give legal effect to this binding offer within 30 days of the date of acceptance of the binding offer.

If the conditions are not waived by mutual written agreement or satisfied by 30 June 2015, this binding offer will be at an end.

### **7. RAISING OF CONSIDERATION**

- 7.1 Trident Capital and its associates to undertake a capital raising of between \$2.20 million and \$2.90 million, being:

- 7.1.1 Issue of 80,000,000 shares at 0.5 cents per share to raise \$400,000 ("Proponent Raising"); and
- 7.1.2 Issue of between 180,000,000 and 250,000,000 shares at 1.0 cents per share to raise between \$1.8 million and \$2.5 million ("Public Raising")
- 7.2 In respect of the Public Raising, the Proponent will prepare at its own expense (which it shall be entitled to be reimbursed by the Company from the proceeds of the Capital Raisings) a prospectus to raise the sums indicated in 7.1 above once shareholder resolutions are passed. Prospective investors will predominantly be those introduced by the Proponent in association with a syndicate of brokers and high net worth individuals.
- 7.3 The parties will be under no obligation to complete settlement in the event of an intervening Court Order in the event of a takeover offer to acquire 50% or more of the Shares pursuant to any compromise or arrangement under Section 411(4) of the *Corporations Act 2001*.

## 8. COSTS AND EXPENSES

- 8.1 The Proponent must at its own expense (which it shall be entitled to be reimbursed by the Company out of the proceeds of the Capital Raisings) promptly prepare or procure the following documents or approvals.
  - 8.1.1 Shareholder meeting documents to give effect to the resolutions required to undertake the proposal.
  - 8.1.2 All listing requirements approvals.
  - 8.1.3 Any ASIC lodgments, approvals or re-listing fees.
  - 8.1.4 Completion of all outstanding taxation and audit requirements (subject to required information being available).
  - 8.1.5 Draft DOCA and Reconstruction Deed for consideration and execution.

The meeting resolutions are to be inter-dependent and it will be a requirement that all resolutions be approved to give effect to the proposal.

- 8.2 The Administrator must bear its own costs of and incidental to the negotiation, review and execution of the DOCA, Creditor's Trust Deed and Reconstruction Deed.

## 9. PROPOSED TIMETABLE

The Proponent is prepared to work towards the following proposed timetable. These dates are indicative only and are subject to compliance with all regulatory requirements:

Event	Date
Preparation of draft DOCA, creditors trust deed, reconstruction deed	12-Jan-15
Administrators' report to Creditors	22-Jan-15
ASX Submission for relisting	23-Jan-15
ASX Approval for relisting	2-Feb-15
Creditors' Meeting	9-Feb-15
Execution of DOCA	10-Feb-15
Payment of initial \$25,000 deposit	10-Feb-15
Dispatch of Notice of Shareholder Meeting	17-Feb-15
Shareholders Meeting	18-Mar-15
Record Date for Consolidation of Capital	23-Mar-15
Issue of 80 million shares @ \$0.005 per share	27-Mar-15
Payment of \$75,000 to Creditor's Trust	30-Mar-15
Lodgment of Prospectus with ASIC	15-Apr-15
Prospectus offer opens	30-Apr-15
Prospectus offer closes	14-May-15
Allotment of all Shares	21-May-15
Final payment to Creditor's Trust and Effectuation of DOCA	25-May-15
Commencement of trading of Shares on ASX	29-May-15

## **Annexure "D"**

MORNING STAR GOLD N.L.  
 ABN: 34 003 312 721  
 (CONTROLLERS APPOINTED)  
 (ADMINISTRATORS APPOINTED)

ESTIMATED DIVIDEND OUTLOOK IN A LIQUIDATION SCENARIO AS AT 6 FEBRUARY 2015

	MORNING STAR GOLD N.L.	
	Liquidation LOW EST. \$	Liquidation HIGH EST. \$
<b>ASSETS SPECIFICALLY CHARGED TO CHILLEE LTD</b>		
Real Property: 6 Bridge Street, Woods Point VIC	240,000	240,000
Plant, Equipment, Vehicles, Furniture & Mine Infrastructure	1,010,000	1,010,000
Mining/Exploration Licenses	Unknown	Unknown
Mining/Drilling Data	Nil	Unknown
Joint Venture Interests - Triako Resources, Boona (2%) and Central West Gold (11.8%), Bobadah	Nil	Unknown
ASX Listed Shell & Recapitalisation Opportunity	Nil	Nil
Business/Goodwill/IP/Trademarks	Unknown	Unknown
Term Deposits/Bank Guarantees for Department of State Development, Business & Innovation (DSDBI)	208,500	208,500
Less: Department of State Development, Business & Innovation (DSDBI)	-208,500	-208,500
Less: Administrators' fees in relation to specifically charged assets as at 21/12/14 (say 85% of fees)	-148,960	-148,960
Less: Administrators' out of pocket expenses in relation to specifically charged assets as at 21/12/14 (say 95 % of costs)	-86,897	-86,897
Less: Fees for Agents for the Mortgagee In Possession (Korda Mentha)	-330,000	-220,000
Less: Out of pocket expenses re Agents for the Mortgagee In Possession (Korda Mentha) Incl. Mine Repairs	-220,000	-165,000
Less: Chillee Ltd (Secured Creditor, ALL PAAP)	-464,143	-629,143
<b>Total Assets Specifically Charged</b>	<b>0</b>	<b>0</b>
<b>ASSETS NOT SPECIFICALLY CHARGED TO CHILLEE LTD</b>		
Cash at bank/on hand as at 6/2/15	4,802	4,802
Accounts receivable as at 9/11/14 (Shandong Tianye) - Book Value \$242,000	Nil	Unknown
<b>Total Assets NOT Specifically Charged</b>	<b>4,802</b>	<b>4,802</b>
<b>OTHER RECOVERIES</b>		
Voidable preference payments	Nil	Unknown
Uncommercial Transactions and/or Claim for Damages: Chillee Ltd	Nil	Unknown
Legal counter Claim: Edrill Pty Ltd	Nil	Unknown
Other Voidable and/or Insolvent Transaction Recoveries	Nil	Unknown
Claims against directors: Insolvent Trading & Other	Nil	Unknown
<b>Total Other Recoveries</b>	<b>0</b>	<b>0</b>
<b>PROFESSIONAL &amp; OTHER COSTS</b>		
Professional fees: Administration - 9/11/14 to 16/2/15 (Less: fees in relation to specifically charged assets as at 21/12/14)	91,040	91,040
Professional fees: Liquidation	165,000	110,000
Legal costs (Less: costs in relation to specifically charged assets as at 21/12/14)	220,000	110,000
Out of Pocket Expenses (Less: expenses in relation to specifically charged assets as at 21/12/14)	5,500	3,300
<b>Total Costs</b>	<b>481,540</b>	<b>314,340</b>
<b>FUNDS AVAILABLE FOR PRIORITY &amp; SECURED CREDITORS</b>	<b>-476,738</b>	<b>-309,538</b>
<b>PRIORITY EMPLOYEE CREDITORS</b>		
Superannuation & SGC/Wages & Salary - Terminated Employees	8,000	8,000
Annual Leave/Long Service Leave - Terminated Employees	17,520	6,000
Severance/PILN/Redundancy - Terminated Employees	31,680	Nil
<b>Total Priority Employee Creditor Claims</b>	<b>57,200</b>	<b>14,000</b>
<b>SECURED CREDITORS</b>		
Chillee Ltd (Less funds from specifically charged assets but excludes additional interest and legal costs till conclusion)	2,776,509	2,611,509
Yarandi Investments Pty Ltd	Nil	Nil
<b>Total Secured Creditor Claims</b>	<b>2,776,509</b>	<b>2,611,509</b>
<b>FUNDS AVAILABLE FOR UNSECURED CREDITORS</b>	<b>-3,310,447</b>	<b>-2,935,047</b>
<b>UNSECURED CREDITORS</b>		
Related Party Creditors	984,958	984,958
ATO	76,073	76,073
OSR	3,500	3,500
Yarandi Investments Pty Ltd	738,107	738,107
Other Unsecured Creditors	271,406	271,406
Contingent Creditor: Edrill Pty Ltd	1,518,835	1,518,835
Contingency, say 5%	179,644	179,644
<b>Total Unsecured Creditors</b>	<b>3,772,523</b>	<b>3,772,523</b>
<b>SURPLUS (DEFICIENCY) TO UNSECURED CREDITORS</b>	<b>-7,082,970</b>	<b>-6,707,570</b>
<b>Estimated Dividend Outlook</b>		
Chillee Ltd	14 Cents/\$	19 Cents/\$
Priority Employee Claims (Subject to FEG)	Nil	Nil
Unsecured Creditors	Nil	Nil

Notes:

1. Figures above are GST Inclusive, if applicable
2. GST Refunds/Payments excluded in the above analysis
3. Claims of creditors have not been formally adjudicated for dividend purposes at this time



**UNSECURED CREDITORS**

Chilfee Ltd (less: funds from specifically charged assets but excludes additional interest and legal costs till conclusion)

Related Party Creditors	2,611,509	2,776,509	2,611,509	2,776,509	2,611,509	NI	NI
AID	984,958	984,958	984,958	984,958	984,958	984,958	984,958
OSR	76,073	76,073	76,073	76,073	76,073	76,073	76,073
Yarandi Investments Pty Ltd	3,500	3,500	3,500	3,500	3,500	3,500	3,500
Other Unsecured Creditors	738,107	738,107	738,107	738,107	738,107	738,107	738,107
Contingent Creditor: Edmill Pty Ltd	271,406	271,406	271,406	271,406	271,406	271,406	271,406
Contingency, say 5%	1,518,835	1,518,835	1,518,835	1,518,835	1,518,835	1,518,835	1,518,835
Total Unsecured Creditors	318,469	318,469	310,219	318,469	310,219	318,469	310,219
	<b>6,687,857</b>	<b>6,514,607</b>	<b>6,514,607</b>	<b>6,687,857</b>	<b>6,514,607</b>	<b>3,911,348</b>	<b>3,993,098</b>

**SURPLUS (DEFICIENCY) TO UNSECURED CREDITORS**

	-6,591,895	-6,334,745	-6,362,245	-6,513,895	-6,262,245	-6,593,169	-6,257,619
--	------------	------------	------------	------------	------------	------------	------------

**Estimated Dividend Outlook - Chilfee Ltd proving as an Unsecured Creditor in DOCA Fund**

Chilfee Ltd - Assets specifically charged	14 Cents/\$	19 Cents/\$	19 Cents/\$	14 Cents/\$	19 Cents/\$	22 Cents/\$	30 Cents/\$
Chilfee Ltd - DOCA Fund as an unsecured creditor	1.4 Cents/\$	2.8 Cents/\$	2.3 Cents/\$	2.6 Cents/\$	3.9 Cents/\$	NI	NI
Priority Employee Claims	100 Cents/\$	NI	NI				
Unsecured Creditors	1.4 Cents/\$	2.8 Cents/\$	2.3 Cents/\$	2.6 Cents/\$	3.9 Cents/\$	NI	NI

**Estimated Dividend Outlook - Chilfee Ltd proving as a Secured Creditor in DOCA Fund (but after priority employee claims)**

Chilfee Ltd - Assets specifically charged	14 Cents/\$	19 Cents/\$	19 Cents/\$	14 Cents/\$	19 Cents/\$	22 Cents/\$	30 Cents/\$
Chilfee Ltd - DOCA Fund as a secured creditor (but after priority employees being paid)	3.5 Cents/\$	6.9 Cents/\$	5.8 Cents/\$	6.3 Cents/\$	9.7 Cents/\$	NI	NI
Priority Employee Claims	100 Cents/\$	NI	NI				
Unsecured Creditors	NI	NI	NI	NI	NI	NI	NI

**Estimated Dividend Outlook - Chilfee Ltd do NOT release Security &/or Assets to enable third party DOCA Fund to be paid**

Chilfee Ltd - Assets specifically charged	14 Cents/\$	19 Cents/\$	19 Cents/\$	14 Cents/\$	19 Cents/\$	22 Cents/\$	30 Cents/\$
Chilfee Ltd - DOCA Fund as a secured creditor (but after priority employees being paid)	NI	NI	NI	NI	NI	NI	NI
Priority Employee Claims	100 Cents/\$	NI	NI				
Unsecured Creditors	NI	NI	NI	NI	NI	NI	NI

**Notes:**

1. Figures above are GST inclusive, if applicable
2. GST Refunds/Payments excluded in the above analysis
3. Claims of creditors have not been formally adjudicated for dividend purposes at this time
4. It is unknown at this time whether Chilfee Ltd will release its security to allow a third party DOCA to be entered into
5. It is uncertain at this time whether Chilfee Ltd will release its security to allow a DOCA to be entered into
6. It is uncertain at this time what priority Chilfee Ltd will have to the proposed DOCA funds in relation to priority employee claims and ordinary unsecured creditor claims
7. Chilfee Ltd have not agreed to the DOCA's proposed by any third parties this time
8. Under the Chilfee Ltd proposal if Korda Memtha/Agents are able to sell the Assets (including the shell) of the Company for in excess of \$2.85m (gross) - Unsecured creditors get \$50,000 (Approx. 1.2 Cents/\$)
9. Under the Chilfee Ltd proposal if Korda Memtha/Agents are able to sell the Assets (including the shell) of the Company for in excess of \$3.075m (gross) - Unsecured creditors get \$75,000 (Approx. 1.9 Cents/\$)

## **Annexure "E"**

## COMMENTARY ON DOCA VERSUS A LIQUIDATION SCENARIO

This is to be read in conjunction with the DOCA versus Liquidation Analysis attached as Annexure "D" to this report.

ASSETS SPECIFICALLY CHARGED TO CHILLEE LTD	COMMENTARY – DOCA VS LIQUIDATION	
	LIQUIDATION	DOCA
Real Property: 6 Bridge Street, Woods Point VIC	<p>A valuation conducted on this property revealed that the property had an estimated realisable value of \$240,000.</p> <p>This asset is subject to a general security interest held by Chillee Ltd and is currently subject to a sale campaign being run by the Controllers. Accordingly, the value attributed to this asset may change once the business/assets of the Company are sold.</p> <p>We note that all funds from the sale of this asset are payable to Chillee Ltd. There will be no funds available for unsecured creditors of the Company from the sale of this asset, unless there are funds realised in excess of the liability owed to Chillee Ltd. This appears unlikely however.</p>	
Plant, Equipment, Vehicles, Furniture & Mine Infrastructure	<p>A valuation conducted on these assets revealed that the estimated realisable value of these assets was in the vicinity of \$1,010,000.</p> <p>This asset is subject to a general security interest held by Chillee Ltd and is currently subject to a sale campaign being run by the Controllers. Accordingly, the value attributed to this asset may change once the business/assets of the Company are sold.</p> <p>We note that all funds from the sale of this asset are payable to Chillee Ltd. There will be no funds available for unsecured creditors of the Company from the sale of this asset, unless there are funds realised in excess of the liability owed to Chillee Ltd. This appears unlikely however.</p>	
Mining/Exploration Licenses	<p>These assets are subject to a general security interest held by Chillee Ltd and are currently subject to a sale campaign being run by the Controllers.</p> <p>We note that all funds from the sale of these assets are payable to Chillee Ltd. There will be no funds available for unsecured creditors of the Company from the sale of these assets, unless there are funds realised in excess of the liability owed to Chillee Ltd. This appears unlikely however.</p>	
Mining/Drilling Data		
NSW Joint Venture Interest - Triako Resources, Boona (2%) and Central West Gold (11.8%), Bobadah		
Business/Goodwill/IP/Trademarks		
Term Deposits/Bank Guarantees for Department of State Development, Business & Innovation (DSDBI)	<p>In the event the Mining Licences are sold, the DSDBI could refund any surplus monies (after satisfying their costs). These funds are subject to a general security interest held by Chillee Ltd and</p>	

<p><i>Less: Department of State Development, Business &amp; Innovation (DSDBI)</i></p>	<p>are not an asset that can be recovered for the benefit of creditors, unless there are sufficient funds realised by the Controllers in excess of the liability owed to Chillee Ltd. This appears unlikely however.</p>	
<p><i>Less: Administrators' fees in relation to specifically charged assets as at 21/12/14 (say 85% of fees)</i></p>	<p>The Administrators are entitled to a statutory lien in respect of remuneration and costs incurred from dealing with assets that are specifically charged. These costs are paid as a priority from funds realised from the sale of these specifically charged assets, in priority to any distribution to Chillee Ltd.</p>	
<p><i>Less: Balance of Administrators' fees for the period 9/11/14 till execution of the DOCA</i></p>	<p>In the event the Company is wound up, this remuneration would not be paid as a priority from funds from the sale of specifically charged assets.</p>	<p>In the event creditors vote in favour of the DOCA/recapitalisation proposal from Chillee Ltd, this remuneration will be paid as a priority from funds realised from the sale of the specifically charged assets.</p> <p>In the other DOCA/recapitalisation proposals however, these costs would be paid from the recapitalisation/DOCA fund, leaving less available funds for creditors</p>
<p><i>Less: Administrators' out of pocket expenses in relation to specifically charged assets as at 21/12/14 (say 95 % of costs)</i></p>		
<p><i>Less: Balance of Administrators' out of pocket expenses for the period 9/11/14 till execution of the DOCA</i></p>	<p>In the event the Company is wound up, this remuneration would not be paid as a priority from funds from the sale of specifically charged assets.</p>	<p>In the event creditors vote in favour of the DOCA/recapitalisation proposal from Chillee Ltd, these out of pocket expenses will be paid as a priority from funds realised from the sale of the specifically charged assets.</p> <p>In the other DOCA/recapitalisation proposals however, these costs would be paid from the recapitalisation/DOCA fund, leaving less available funds for creditors</p>

Less: Fees for Agents for the Mortgagee In Possession (Korda Mentha)	The Controllers are entitled to a statutory lien in respect of remuneration and costs incurred from dealing with assets that are specifically charged.	
Less: Out of pocket expenses re Agents for the Mortgagee In Possession (Korda Mentha) Incl. Mine Repairs	These costs are paid as another priority from funds realised from the sale of these specifically charged assets, in priority to any distribution to Chillee Ltd.	
Less: Chillee Ltd (Secured Creditor, ALL PAAP)	Once all specifically charged assets of the Company have been realised and the costs of enforcing their security interest have been paid by Chillee Ltd, we expect that Chillee Ltd will receive this amount.	
<b>Total Assets Specifically Charged</b>	We do not expect that there will be any surplus funds available for priority and unsecured creditors of the Company from specifically charged assets.	
<b><u>ASSETS NOT SPECIFICALLY CHARGED TO CHILLEE LTD</u></b>		
Cash at bank/on hand as at 6/2/15	Cash at bank is a circulating asset and is not specifically charged. Accordingly, Chillee Ltd do not have a priority in this regard.	
Accounts receivable as at 9/11/14 (Shandong Tianye) - Book Value \$242,000	Debtors are a circulating asset and are not specifically charged. Accordingly, Chillee Ltd do not have a priority in this regard.  As noted in our Previous Report, the Company has debtors totalling \$242,000. It is still unknown whether these debtor receipts would be realisable for the benefit of creditors.	
ASX Listed Shell & Recapitalisation Opportunity - Upfront Deed Contribution on approval by creditors and ASX	In the event the Company is wound up, there will be no recapitalisation opportunity.	In the event creditors vote in favour of Chillee Ltd's proposed holding DOCA, the recapitalisation proposals may still be viable options.
ASX Listed Shell & Recapitalisation Opportunity - Deed Contribution on formal approval by shareholders		
<b>Total Assets NOT Specifically Charged</b>	In the event the Company is wound up, the only assets that would be available for the benefit of creditors would be the cash at bank and the accounts receivable.	In the event creditors vote in favour of a proposed DOCA, the assets that would be available for the benefit of creditors would increase significantly, mainly as a result of the recapitalisation opportunity.
<b><u>OTHER RECOVERIES</u></b>		
Voidable preference payments	Creditors should refer to my Previous Report for further information in this regard.	In the event creditors vote in favour of a proposed DOCA, this asset would not be available for recovery by creditors.
Uncommercial Transaction and/or Claim for Damages: Chillee Ltd	Creditors should refer to section 5 of this report to creditors for further	

	information in this regard.	
Legal Counter Claim: Edrill Pty Ltd	Creditors should refer to section 5 of this report to creditors for further information in this regard.	
Other Voidable and/or Insolvent Transaction Recoveries	Creditors should refer to my Previous Report for further information in this regard.	In the event creditors vote in favour of a proposed DOCA, this asset would not be available for recovery by creditors.
Claims against directors: Insolvent Trading & Other	Creditors should refer to my Previous Report for further information in this regard.	
<b>Total Other Recoveries</b>	<b>N/A</b>	<b>N/A</b>
<b><u>PROFESSIONAL &amp; OTHER COSTS</u></b>		
Professional fees: Administration - 9/11/14 to 16/2/15 ( <i>Less: fees in relation to specifically charged assets as at 21/12/14</i> )	At the meeting of creditors held on 9 December 2014, creditors approved our remuneration totalling \$150,000 plus GST. We have reviewed our remuneration and note that approximately 85% of the remuneration incurred between 9 November 2014 and 9 December 2014 relates to work completed on attempting to realise specifically charged assets. Accordingly, the balance of that remuneration and the remuneration incurred between 9 December 2014 and 16 February 2015 (that does not relate to specifically charged assets) has a priority in respect of funds realised from circulating assets i.e. assets that are not specifically charged by Chillee Ltd.	
Professional fees: Administration - 16/2/15 to Execution of Deed of Company Arrangement	In the event that the Company is wound up, these costs do not apply.	In the event that creditors vote in favour of a proposed DOCA, there is a period of 15 business days wherein a DOCA must be executed, otherwise the Company will automatically be wound up. This remuneration relates to this period.
Professional fees: DOCA		These costs relate to the costs of the Administrators in administering the DOCA.
Legal costs ( <i>Less: costs in relation to specifically charged assets as at 21/12/14</i> )	Out of pocket expenses of the Administrators receive a priority in respect of payment from funds	

Out of Pocket Expenses ( <i>Less:</i> expenses in relation to specifically charged assets as at 21/12/14)	realised from assets that are not specifically charged.	
Indemnity to fund legal costs against Chillee Ltd re DOCA	This indemnity is not available in the event the Company is wound up.	In the event creditors vote in favour of Otsana's proposed DOCA, there is an indemnity for legal costs against Chillee Ltd in securing assets to ensure the Company can be relisted on the ASX.
<b>Total Costs</b>	N/A	N/A
<b>FUNDS AVAILABLE FOR PRIORITY &amp; SECURED CREDITORS</b>	N/A	N/A
<b><u>PRIORITY EMPLOYEE CREDITORS</u></b>		
Superannuation & SGC/Wages & Salary - Terminated Employees	Pursuant to section 556 of the Corporations Act 2001, these entitlements receive a priority to all creditors of the Company, in respect of circulating assets.	
Annual Leave/Long Service Leave - Terminated Employees		
Severance/PILN/Redundancy - Terminated Employees		
<b>Total Priority Employee Creditor Claims</b>	N/A	N/A
<b><u>SECURED CREDITORS</u></b>		
Chillee Ltd (Assuming release of security given to fulfil DOCA proposal)	Chillee Ltd have a claim for the shortfall of the liability owing to them, after application of funds from specifically charged assets.  The priority of Chillee Ltd's claim for the shortfall is currently unknown. Accordingly, we have provided some commentary around a number of scenarios i.e. whether Chillee Ltd have a priority claim, whether they do not have a priority claim and what is expected to occur under the relevant DOCA proposals.	
Yarandi Investments Pty Ltd	Yarandi Investments Pty Ltd lodged a general security interest over the Company after our appointment as Administrators. It is our view that this registration should be removed from the PPSR and that there is no priority claim for Yarandi Investments Pty Ltd in this administration.	
<b>Total Secured Creditor Claims</b>	N/A	N/A
<b>FUNDS AVAILABLE FOR UNSECURED CREDITORS</b>	In the event the Company is wound up, there will be no dividend to unsecured creditors.	This amount may change depending on which DOCA proposal is accepted by creditors.

<b>UNSECURED CREDITORS</b>		
Chillee Ltd ( <i>Less funds from specifically charged assets but excludes additional interest and legal costs till conclusion</i> )	Chillee Ltd have a claim for the shortfall of the liability owing to them, after application of funds from specifically charged assets.	
	The priority of Chillee Ltd's claim for the shortfall is currently unknown. Accordingly, we have provided some commentary around the various DOCA proposals presented in the report.	
Related Party Creditors	N/A	N/A
ATO	N/A	N/A
OSR	N/A	N/A
Yarandi Investments Pty Ltd	N/A	N/A
Other Unsecured Creditors	N/A	N/A
Contingent Creditor: Edrill Pty Ltd	N/A	N/A
Contingency, say 5%	We have included a contingency of 5% to try and capture expected increases in creditor claims, once all claims are received.	
<b>Total Unsecured Creditors</b>	N/A	N/A
<b>SURPLUS (DEFICIENCY) TO UNSECURED CREDITORS</b>	N/A	N/A
<b>Estimated Dividend Outlook - Chillee Ltd proving as an Unsecured Creditor in DOCA Fund</b>	This dividend outlook for the various classes of creditors of the Company has been estimated with the assumption that Chillee Ltd will be proving as an Unsecured Creditor in the DOCA Fund	
Chillee Ltd - Assets specifically charged		
Chillee Ltd - DOCA Fund as an unsecured creditor		
Priority Employee Claims		
Unsecured Creditors		
<b>Estimated Dividend Outlook - Chillee Ltd proving as a Secured Creditor in DOCA Fund (but after priority employee claims)</b>	This dividend outlook for the various classes of creditors of the Company has been estimated with the assumption that Chillee Ltd will be proving as a Secured Creditor in the DOCA Fund (but after priority employee claims)	
Chillee Ltd - Assets specifically charged		
Chillee Ltd - DOCA Fund as a secured creditor (but after priority employees being paid)		
Priority Employee Claims		
Unsecured Creditors		
<b>Estimated Dividend Outlook - Chillee Ltd do NOT release Security &amp;/or Assets to enable third party DOCA Fund to be paid</b>	This dividend outlook for the various classes of creditors of the Company has been estimated with the assumption that Chillee Ltd does not release their security interest over the assets of the Company.	

Chillee Ltd - Assets specifically charged	
Chillee Ltd - DOCA Fund as a secured creditor (but after priority employees being paid)	
Priority Employee Claims	
Unsecured Creditors	

## **Annexure "F"**

## STATEMENT OF ADMINISTRATORS' OPINION

**RE: MORNING STAR GOLD N.L.  
(ADMINISTRATORS APPOINTED)  
(CONTROLLERS APPOINTED)  
ABN: 34 003 312 721  
(THE "COMPANY")**

Pursuant to Section 439A(4)(b) of the *Corporations Act 2001*, we are required to make a statement and give reasons for our opinion in relation to the following matters:

### 1. DEED OF COMPANY ARRANGEMENT

**Based on the information available to us it is our opinion that the recapitalisation/DOCA proposal from Chillee Ltd provides the best chance of a return for unsecured creditors of the Company.**

The reasons for our recommendation are outlined in sections 7 and 8 of the attached report to creditors.

### 2. ADMINISTRATION TO END

The company is insolvent and consequently it is not appropriate for the administration to end and control of the company to be returned to the directors. We therefore do not recommend that creditors vote for the administration to end.

### 3. COMPANY TO BE WOUND UP

It is not our recommendation that the company be wound up.

The reasons for our recommendation are outlined in section 7 and 8 of the attached report. Based on the information available to us it is our opinion that the DOCA proposal provides the best return for creditors of the company. At this stage we do not think it is in the interests of creditors to wind up the company.

## VOIDABLE TRANSACTIONS

Pursuant to the Corporations Regulations 5.3A.02, we must specify whether there are any transactions that appear to be voidable in respect of which money, property or other benefits may be recoverable to a Liquidator under Part 5.7B of the *Corporations Act 2001*.

We hereby refer you to section 8 of our Report to Creditors dated 1 December 2014 and section 6 of this report for details in this regard.

Dated this 6<sup>th</sup> day of February 2015

**SULE ARNAUTOVIC**  
Joint and Several Administrator

## **Annexure "G"**

**REMUNERATION REPORT  
VOLUNTARY ADMINISTRATION**

**APPROVAL OF RESTROSPECTIVE AND PROSPECTIVE REMUNERATION**

**RE: MORNING STAR GOLD N.L.  
(ADMINISTRATORS APPOINTED)  
(CONTROLLERS APPOINTED)  
A.B.N.: 34 003 312 721  
("THE COMPANY")**

**INTRODUCTION**

We, Sule Arnautovic and Glenn Anthony Crisp, advise that we were appointed as Joint & Several Administrators of the Company on 9 November 2014.

The purpose of this remuneration report is to provide creditors with details of the current and prospective professional fees and out of pocket expenses to be incurred by us for the Voluntary Administration of the Company.

This remuneration report is a formal requirement under the *Corporations Act 2001* and the ARITA Code of Professional Practice.

**DECLARATION**

We, Sule Arnautovic and Glenn Anthony Crisp, have undertaken a proper assessment of this remuneration report and we are satisfied that the remuneration claimed is:

- In accordance with the law and applicable professional standards; and
- In respect of necessary work (and properly performed work) in the conduct of the liquidation.

**REMUNERATION REPORT – INITIAL ADVICE**

This Remuneration Report should be read in conjunction with our **Remuneration Report – Initial Advice** ("Initial Advice") dated 10 November 2014 and our **Remuneration Report** dated 1 December 2014. Copies of our Remuneration Report – Initial Advice and the Remuneration Report were mailed to all known creditors of the Company as part of our Reports to Creditors dated 10 November 2014 and 1 December 2014.

Enclosed in our Initial Advice was:-

- The current schedule of remuneration and disbursement rates adopted by Jirsch Sutherland; and
- ASIC's guide for creditors in approving fees.

In our Initial Advice we were un able to provide an estimate of our remuneration for the conduct of the Voluntary Administration as the scope of the matter was uncertain.

If any creditor of the Company has not as yet received our Initial Advice or our Remuneration Report dated 1 December 2014, they should make a written request for same with our office.

## PAST REMUNERATION APPROVED

To date, the following remuneration has been previously approved and/or paid in this administration:

<b>PAST REMUNERATION APPROVED</b>	<b>AMOUNT (\$ EXCL. GST)</b>
1. For the period 9 November 2014 to 1 December 2014	130,000
2. For the period 1 December 2014 to 9 December 2014	20,000
<b>TOTAL PAST REMUNERATION APPROVED</b>	<b>150,000</b>
Less: Remuneration Paid to Date	Nil
<b>BALANCE OF PAST REMUNERATION APPROVED</b>	<b>150,000</b>

## CURRENT REMUNERATION APPROVAL SOUGHT:

This remuneration report details approval sought for the following remuneration:

<b>PERIOD</b>	<b>REPORT SCHEDULE</b>	<b>AMOUNT (\$EX GST)</b>
<b>VOLUNTARY ADMINISTRATION</b>		
Resolution 1 - Date of Appointment to Date of Report (9 November 2014 to 6 February 2015)	1 & 2	58,181.82
Resolution 2 - Post Date of Report to Date of Meeting (Post 6 February 2015 to 16 February 2015)	3 & 4	10,000.00
<b>TOTAL – VOLUNTARY ADMINISTRATION</b>		
<b>LIQUIDATION</b>		
Resolution 3 - Liquidation Period	5 & 6	150,000.00
<b>DEED OF COMPANY ARRANGEMENT</b>		
Resolution 4 - Post 16 February 2015 to Execution of Deed of Company Arrangement	7 & 8	20,000
Resolution 5 - Deed of Company Arrangement Period	9 & 10	60,000
<b>TOTAL – DEED OF COMPANY ARRANGEMENT</b>		

Please refer to the attached schedules, as referenced above, for full details of the calculation and composition of the various remuneration approvals sought.

## CALCULATION OF RETROSPECTIVE AND PROSPECTIVE REMUNERATION

### a) Resolution 1 - Date of Appointment to Date of Report

As at 6 February 2015 we have outstanding remuneration of \$58,181.82, plus GST.

We attach the following in support of our claim:

- **Schedule "1"** - a summary which sets out the hours charged by staff member and task category; and
- **Schedule "2"** - a summary of tasks undertaken by task category including time and hours charged by task category.

#### **b) Resolution 2 - Post Date of Report to Meeting Date**

We estimate that our future remuneration for the period post the date of this Remuneration Report till the date of the forthcoming meeting of creditors will be within the vicinity of \$10,000.00, plus GST.

Our estimate is based on a number of tasks required to be undertaken by us and employees of Jirsch Sutherland. We attach the following in support of our claim:

- **Schedule "3"** - a summary which sets out an estimate of the hours to be charged by staff member and task category; and
- **Schedule "4"** - a summary of tasks to be undertaken by task category including an estimate of time and hours to be charged by task category.

#### **c) Resolution 3 - Liquidation Period**

Should we be appointed as Liquidators of the Company, we estimate that our remuneration for acting as Liquidators of the Company will be within the vicinity of \$150,000, plus GST.

Our estimate is based on a number of tasks required to be undertaken by us and employees of Jirsch Sutherland. We attach the following in support of our claim:

- **Schedule "5"** - a summary which sets out an estimate of the hours to be charged by staff member and task category; and
- **Schedule "6"** - a summary of tasks to be undertaken by task category including an estimate of time and hours to be charged by task category.

#### **d) Resolution 4 – Post Date of Meeting to Execution of DOCA**

Should we be appointed as Deed Administrators of the Company, we estimate that our remuneration for acting as Voluntary Administrator(s) of the Company up to the period of the execution of the DOCA will be within the vicinity of \$20,000, plus GST.

Our estimate is based on a number of tasks required to be undertaken by us and employees of Jirsch Sutherland. We attach the following in support of our claim:

- **Schedule "7"** – a summary which sets out an estimate of the hours to be charged by staff members by task category; and
- **Schedule "8"** - a summary of tasks to be undertaken by task category including an estimate of time and hours to be charged by task category.

#### **e) Resolution 5 – DOCA Period**

Should we be appointed as Deed Administrators of the Company, we estimate that our remuneration for acting as Deed Administrators of the Company will be within the vicinity of \$60,000 plus GST.

Our estimate is based on a number of tasks required to be undertaken by us and employees of Jirsch Sutherland. We attach the following in support of our claim:

- **Schedule "9"** – a summary which sets out an estimate of the hours to be charged by staff members by task category; and

- **Schedule "10"** - a summary of tasks to be undertaken by task category including an estimate of time and hours to be charged by task category.

## **STATEMENT OF REMUNERATION CLAIM**

### **a) Resolutions**

The following resolutions will be put at the forthcoming meeting of creditors to be held on 16 February 2015: -

#### **Resolution 1 - Date of Appointment to Date of Report**

*"That the outstanding remuneration of the Administrators for the period 9 November 2014 to 6 February 2015 be approved in the sum of \$58,181.82, plus GST, such amount calculated on a time cost basis using hourly rates adopted by Jirsch Sutherland, and that such remuneration be drawn at the discretion of the Administrators".*

#### **Resolution 2 – Post the Date of Report to Meeting Date**

*"That the remuneration of the Administrators for the period post 6 February 2015 to 16 February 2015 be approved to a limit of \$10,000.00, plus GST, beyond which further approval must be sought from creditors or the Court, such amount to be calculated on a time cost basis using hourly rates adopted by Jirsch Sutherland, and that such remuneration be paid as and when incurred."*

#### **Resolution No. 3 - Liquidation Period**

Should the Company be placed into liquidation, the following resolution will be put at the forthcoming meeting: -

*"That the remuneration of the Liquidators for the period post 16 February 2015 be approved to a limit of \$150,000 plus GST, beyond which further approval must be sought from creditors or the Court, such amount to be calculated on a time cost basis using the hourly rates adopted by Jirsch Sutherland, and that such remuneration be drawn as and when incurred."*

#### **Resolution No. 4 – Post Date of Meeting to Execution of DOCA**

Should the creditors authorise the Company to execute a Deed of Company Arrangement, the following resolutions will be put at the forthcoming meeting:

*"That the remuneration of the Administrators for the period post 16 February 2015 to the execution of the Deed of Company Arrangement be approved to a limit of \$20,000, plus GST, beyond which further approval must be sought, from creditors or the Court, such amount to be calculated on a time cost basis using the hourly rates adopted by Jirsch Sutherland, and that such remuneration be drawn as and when incurred."*

#### **Resolution No. 5 - DOCA Period**

*"That the remuneration of the Deed Administrators from the execution date of the Deed of Company Arrangement be approved to a limit of \$60,000, plus GST, beyond which further approval must be sought from creditors or the Court, such amount to be calculated on a time cost basis using the hourly rates adopted by Jirsch Sutherland, and that such remuneration be drawn as and when incurred."*

## b) Future Remuneration and Monetary Cap/Limit

We do not expect to make a further remuneration claim in relation to this matter in addition to the approval sought herein.

Any future remuneration sought is subject to a capped/limited amount which represents our indicative estimate of the highest level of remuneration to be charged to the liquidation for the particular period identified. This cap/limit has been calculated based on the supporting schedules provided setting out time to be charged to the liquidation by staff members and task/work category.

However, in the event our remuneration within the liquidation exceeds the amount we anticipate will be approved by creditors at the upcoming meeting, we may seek approval of this additional remuneration by creditors. Should additional remuneration approval be required, we will provide creditors with a further detailed summary of the additional work undertaken.

## c) Drawing of Remuneration

We advise that any remuneration approved by creditors at the forthcoming meeting will be drawn, from time to time, at our discretion from available funds held by us or under our control.

## d) Remuneration Recoverable from External Sources

Please refer to our Initial Advice for information in this regard.

## DISBURSEMENTS

All disbursements charged to the Company have and will be charged in accordance with the schedule of remuneration and disbursement rates adopted by Jirsch Sutherland from time to time. The current rates in this regard were attached to our Initial Advice.

In our Initial Advice we were not able to provide an estimate of the out of pocket expenses and disbursements for the Voluntary Administration period as the scope of the matter was uncertain.

In summary, as at the date of this Remuneration Report, the following disbursements have been directly incurred and/or paid by Jirsch Sutherland:

<b>DISBURSEMENTS</b>	<b>AMOUNT (EXCL. GST)</b>
<b>Externally Provided Professional Services</b>	
Advertising - AFR + Insolvency Notices	6,536.91
Hymans P&E Valuation	24,426.94
Hymans Land/Property Valuation	5,500.00
Legal Costs: Thomson Geer	21,194.88
Legal costs: William James	9,667.50
PRM Insurance Brokers & Insurance	2,933.00
Search Fees (including ASIC, PPSR and Property)	1,300.00
RTA Search Fees	21.00
Mail Redirection	169.55
Activ8me (internet)	49.95
Sundry Expenses	23.40

<b>Internally Provided Professional Services</b>	
Photocopying	6,625.50
Printing	162.70
Postage	224.35
Facsimile	162.00
<b>SUB-TOTAL</b>	<b>78,997.68</b>
<b>GST</b>	<b>7,899.77</b>
<b>TOTAL</b>	<b>86,897.45</b>

*Please refer to the receipts and payment summary attached to the Report to Creditors dated 6 February 2015 that encloses this Remuneration Report for details of other disbursement payments made direct to parties from the relevant administration bank account. Those other payments **are not noted** in the above table as disbursements which have been incurred and/or paid directly by Jirsch Sutherland.*

We have undertaken a proper assessment of disbursements claimed/to be claimed for Morning Star Gold N.L. (Administrators Appointed) in accordance with the law and applicable professional standards. We are satisfied that the disbursements claimed/to be claimed are necessary and proper.

Creditor approval for the payment of disbursements is not required. Creditors however have the right to question the incurring of disbursements and can challenge disbursements in Court.

#### **REPORT ON PROGRESS OF THE LIQUIDATION**

For a report on the progress of the Voluntary Administration please refer to the attached report to creditors which encloses this Remuneration Report.

#### **GENERAL SUPPORTING INFORMATION**

##### **a) Summary of Receipts & Payments**

Please refer to the receipts and payment summary attached to the Report to Creditors dated 6 February 2015 that encloses this Remuneration Report.

##### **b) Information Sheet**

Included in our Initial Advice was an information sheet produced by the Australian Securities & Investments Commission ("ASIC") titled "Approving Fees – A Guide for Creditors". A copy of same is available to creditors upon written request or by visiting [www.arita.com.au](http://www.arita.com.au) or [www.asic.gov.au](http://www.asic.gov.au)

#### **QUERIES**

Creditors can request more information in support of our remuneration claims and/or receipts and payments by making a written request on our office in this regard.

Should you require any further information, please contact Ms Kathryn Gesilva or Ms Amanda Arnautovic of this office on (02) 9236 8333.

Dated this 6th day of February 2015

**SULE ARNAUTOVIC**  
**JOINT & SEVERAL ADMINISTRATOR**

MORNING STAR GOLD N.L.  
 ABN: 34 003 312 721  
 (ADMINISTRATORS APPOINTED)

CALCULATION OF REMUNERATION FOR THE PERIOD 9 NOVEMBER 2014 TO 6 FEBRUARY 2015

Employee Name	Position	Hourly Rate Excl. GST	Total Hours	Total (\$) Excl. GST	Assets		Creditors		Employees		Trade on		Investigations		Administration	
					Hours	\$	Hours	\$	Hours	\$	Hours	\$	Hours	\$	Hours	\$
Sule Arnautovic	Appointee	560	90.7	50,792.00	24.40	13,664.00	14.7	8,232.00	-	-	0.0	-	0.1	56.00	51.5	28,840.00
Sule Arnautovic	Principal	510	1.0	510.00	1.00	510.00	-	-	-	-	-	-	-	-	-	-
Glenn Crisp	Appointee	560	25.5	14,280.00	17.80	9,968.00	3.8	2,128.00	-	-	-	-	-	-	3.9	2,184.00
Roderick Mackay Sutherland	Partner	560	0.1	56.00	0.1	56.00	-	-	-	-	-	-	-	-	-	-
Andrew Spring	Partner	560	1.2	672.00	1.2	672.00	-	-	-	-	-	-	-	-	-	-
Peter Ngan	Partner	560	0.3	168.00	-	-	0.3	168.00	-	-	-	-	-	-	-	-
Amanda Arnautovic	Principal	510	57.6	29,376.00	28.9	14,739.00	28.7	14,637.00	-	-	-	-	-	-	-	-
Amanda Arnautovic	Senior Manager	485	89.2	43,266.82	40.9	19,841.32	31.6	15,326.00	-	-	-	-	12.3	5,965.50	4.4	2,134.00
Carolyn Docherty	Practice Manager	485	0.9	436.50	-	-	-	-	-	-	0.3	145.50	-	-	0.6	291.00
Terry Sandy	Snr Manager	485	10.4	5,044.00	9.5	4,607.50	0.9	436.50	-	-	-	-	-	-	-	-
Kathryn Gesliva	Supervisor 1	380	106.6	40,508.00	28.7	10,906.00	39.9	15,162.00	-	-	-	-	9.5	3,610.00	28.5	10,830.00
Timothy Kelly	Senior 2	305	31.3	9,546.50	2.3	701.50	6.1	1,860.50	0.3	91.50	-	-	4.5	1,372.50	18.1	5,520.50
Louise Sutherland	Intermediate 2	255	19.6	4,998.00	-	-	1.2	306.00	-	-	-	-	-	-	18.4	4,692.50
Deborah Grapsas	Snr Administration Assistant	205	35.0	7,175.00	4.9	1,004.50	14.4	2,952.00	-	-	0.2	41.00	5.6	1,148.00	9.9	2,029.50
Francis Manalastas	Snr Administration Assistant	205	0.2	44.00	-	-	-	-	-	-	-	-	-	-	0.2	44.00
Jean Fearon	Snr Administration Assistant	205	0.3	61.50	-	-	-	-	-	-	-	-	-	-	0.3	61.50
Maria Dal Cin	Receptionist	200	1.3	260.00	-	-	-	-	-	-	-	-	-	-	1.3	260.00
Rosemary Cooper	Receptionist	200	1.3	260.00	-	-	-	-	-	-	-	-	-	-	1.3	260.00
Caithin Duffly	Administration Assistant	165	2.5	412.50	-	-	-	-	-	-	-	-	-	-	2.5	412.50
Caithin Sutherland	Administration Assistant	150	1.2	180.00	-	-	-	-	-	-	-	-	-	-	1.2	180.00
Natalie Megna	Administration Assistant	150	0.4	60.00	-	-	-	-	-	-	-	-	-	-	0.4	60.00
Natalie Moore	Administration Assistant	150	0.5	75.00	-	-	-	-	-	-	-	-	-	-	0.5	75.00
<b>TOTAL (Hours/\$)</b>			<b>477.1</b>	<b>208,181.82</b>	<b>159.7</b>	<b>76,669.82</b>	<b>141.6</b>	<b>61,208.00</b>	<b>0.3</b>	<b>91.50</b>	<b>0.5</b>	<b>186.50</b>	<b>32.0</b>	<b>12,152.00</b>	<b>143.0</b>	<b>57,874.00</b>

Less Amount Already Approved 150,000.00

TOTAL OUTSTANDING (EX GST) AS AT 6 FEBRUARY 2015 58,181.82

GST (10%) 5,818.18  
 TOTAL (Including GST) 64,000.00

## Remuneration Report - Description of Work Completed

<b>Company</b>	Morning Star Gold N.L.
<b>Practitioner</b>	
<b>Firm</b>	Jirsch Sutherland
<b>Administration Type</b>	Voluntary Administration
<b>Report Period</b>	09 November 2014 to 06 February 2015

<b>Task Area</b>	<b>General Description</b>	<b>Includes</b>
<b>Assets</b> <b>Hours 159.70</b> <b>\$76,669.82</b>	Sale of Business as a Going Concern	Collate Relevant Documentation for the Preparation of an Information Memorandum and Sale of Business Package  Liaising with Interested Parties regarding due diligence  Dealing with EOI Received including Maintaining an EOI Register  Review and Analyse Offers Received  Correspondence/Meeting with Interested Parties and their advisors  Internal meetings to discuss/review sale of business as a going concern
	Plant and Equipment	Liaising with valuers, auctioneers and interested parties  Review of Valuation of Plant and Equipment Assets  Correspondence with Management Regarding Plant and Equipment
	Real Property	Conduct Review of Real Property Valuation  Dealing with the Care and Preservation of Real Property Assets

## Remuneration Report - Description of Work Completed

<b>Company</b>	Morning Star Gold N.L.
<b>Practitioner</b>	
<b>Firm</b>	Jirsch Sutherland
<b>Administration Type</b>	Voluntary Administration
<b>Report Period</b>	09 November 2014 to 06 February 2015

<b>Task Area</b>	<b>General Description</b>	<b>Includes</b>
<b>Assets</b> <i>Continued</i>		Dealing with the Realisation of Real Property Assets
	Debtors	Review and Collate Relevant Tax Invoices and Supporting Documentation
	Other Assets	Care and Preservation of Other Assets
	Assets - Converted Time	Converted Time
	Insurance	Deal with Ongoing Insurance Requirements
<b>Creditors</b> <b>Hours 141.60</b> <b>\$61,208.00</b>	Creditor Enquiries	Deal with General Creditor Enquiry  Maintain Creditor Enquiry and Claims Register  Prepare and Review General Correspondence to Creditors and their Advisors
	Creditor Claims	Corrospondence with Creditors Regarding Claims  Processing and Reviewing Proof of Debts  Dealing with Contingent Creditor Claims

## Remuneration Report - Description of Work Completed

<b>Company</b>	Morning Star Gold N.L.
<b>Practitioner</b>	
<b>Firm</b>	Jirsch Sutherland
<b>Administration Type</b>	Voluntary Administration
<b>Report Period</b>	09 November 2014 to 06 February 2015

<b>Task Area</b>	<b>General Description</b>	<b>Includes</b>
<b>Creditors</b> <i>Continued</i>	Reports to Creditors	<p>Internal Meetings/Discussions Regarding Report to Creditors</p> <p>General Report to Creditors - Prepare and Review Report and associated Annexures</p> <p>Report to Committee - Prepare and Review Report to Committee and Associated Annexures</p>
	Meeting of Creditors	<p>Preparation of Relevant Meeting Documentation</p> <p>Meeting of Creditors</p> <p>General Meeting of Creditors</p> <p>Prepare Proxy/Attendance Register</p> <p>Attend to Enquiries Regarding Meeting of Creditors</p>
	439A Report to Creditors	<p>Prepare and Review Report to Creditors pursuant to Section 439A of the Act and associated Annexures</p> <p>Prepare and Review Supplementary Report to Creditors pursuant to Section 439A of the Act and associated Annexures</p>

## Remuneration Report - Description of Work Completed

<b>Company</b>	Morning Star Gold N.L.
<b>Practitioner</b>	
<b>Firm</b>	Jirsch Sutherland
<b>Administration Type</b>	Voluntary Administration
<b>Report Period</b>	09 November 2014 to 06 February 2015

<b>Task Area</b>	<b>General Description</b>	<b>Includes</b>
<b>Creditors</b> <i>Continued</i>		Internal Discussions regarding Report to Creditors pursuant to Section 439A of the Act
	Shareholder Enquires	Correspondence with shareholders
	Creditors - Converted Time	Converted Time
<b>Employees</b> Hours 0.30 \$91.50	Employees - Converted Time	Converted Time
<b>Trade On</b> Hours 0.50 \$186.50	Trade On Administration	Processing and Authorising Purchase Orders
	Trade On - Converted Time	Converted Time
<b>Investigation</b> Hours 32 \$12,152.00	Conducting Investigations	Converted Time  Preparation of investigation file
	Books and Records	Collection of company books and records
	Voidable Transactions	Prepare and Review Correspondence to Relevant Parties Regarding Potential Voidable Transactions

## Remuneration Report - Description of Work Completed

<b>Company</b>	Morning Star Gold N.L.
<b>Practitioner</b>	
<b>Firm</b>	Jirsch Sutherland
<b>Administration Type</b>	Voluntary Administration
<b>Report Period</b>	09 November 2014 to 06 February 2015

<b>Task Area</b>	<b>General Description</b>	<b>Includes</b>
<b>Investigation</b> <i>Continued</i>	Investigations - Converted Time	Converted Time
<b>Administration</b> Hours 143.00 \$57,874.00	Quality Control	Ongoing Maintenance of Matter Checklist
	File/Document Maintenance	Filing of Matter Documents Maintenance of Matter Files
	Planning / Review	Internal Meeting to discuss ongoing administration Preparation of File Note/Memo regarding ongoing administration
	Statutory Lodgements	Prepare and Lodge Statutory Forms with the ASIC Other Statutory Lodgements Required
	Taxation	Correspondence with the ATO regarding Post Appointment taxation Liabilities
	Bank Account Administration	Prepare and Review Bank Account Reconcillations Prepare and Review relevant Receipts and Payment Forms

## Remuneration Report - Description of Work Completed

<b>Company</b>	Morning Star Gold N.L.
<b>Practitioner</b>	
<b>Firm</b>	Jirsch Sutherland
<b>Administration Type</b>	Voluntary Administration
<b>Report Period</b>	09 November 2014 to 06 February 2015

<b>Task Area</b>	<b>General Description</b>	<b>Includes</b>
<b>Administration</b> <i>Continued</i>	Directors and Members	Correspond with Directors and Members
	Restructuring Proposals	<p>Review and Assess Proposed Deed of Company Arrangement</p> <p>Meeting/Discussions with Directors/Proponents and their Advisors regarding Deed of Company Arrangement Proposal</p> <p>Internal Meetings/Discussions regarding proposed Deed of Company Arrangement</p> <p>Liasing with Solicitors Regarding the Draft Deed of Company Arrangement</p>
	Reception/General Administration Activities	<p>Dealing with Incoming Telephone Calls</p> <p>Dealing with Outgoing Mail</p>
	Administration Matters - converted Time	Converted Time
	Other - Converted Time	Converted Time

MORNING STAR GOLD N.L.  
 ABN: 34 003 312 721  
 (ADMINISTRATORS APPOINTED)

ESTIMATE OF REMUNERATION FOR THE PERIOD OF 6 FEBRUARY 2015 TO 16 FEBRUARY 2015

Employee Name	Position	Hourly Rate Excl. GST	Total Hours	Total (\$) Excl. GST	Task Area											
					Assets Hours	Assets \$	Creditors Hours	Creditors \$	Employees Hours	Employees \$	Investigations Hours	Investigations \$	Administration Hours	Administration \$		
Sule Arnautovic	Joint Appointee	560	1.5	840.00	0.5	280.00	0.3	168.00	0.0	-	0.2	112.00	0.5	280.00		
Glenn Crisp	Joint Appointee	560	0.5	280.00	0.2	112.00	0.0	-	0.0	-	0.0	-	0.3	168.00		
Amanda Arnautovic	Principal	485	4.0	1,940.00	2.0	970.00	0.5	242.50	0.0	-	0.5	242.50	1.0	485.00		
Kathryn Gesilva	Supervisor 1	380	6.5	2,470.00	3.5	1,330.00	1.0	380.00	0.0	-	1.0	380.00	1.0	380.00		
Timothy Kelly	Senior 2	305	8.0	2,440.00	2.5	762.50	1.5	457.50	0.0	-	2.5	762.50	1.5	457.50		
Louise Sutherland	Intermediate 2	255	5.4	1,377.00	1.5	382.50	1.0	255.00	0.4	102.00	1.0	255.00	1.5	382.50		
Deborah Grapsas	Administration Assistant Snr	205	2.6	533.00	1.1	225.50	0.5	102.50	0.0	-	0.0	-	1.0	205.00		
Various	Administration Assistant Jnr	100	1.2	120.00	0.0	-	0.0	-	0.0	-	0.0	-	1.2	120.00		
<b>TOTAL (Hours/\$)</b>			<b>29.7</b>	<b>107,000.00</b>	<b>11.3</b>	<b>4,062.50</b>	<b>4.8</b>	<b>1,605.50</b>	<b>0.4</b>	<b>102.00</b>	<b>5.2</b>	<b>1,752.00</b>	<b>8.0</b>	<b>2,478.00</b>		

1,000.00  
 11,000.00

GST (10%)  
 TOTAL (Including GST)

**SUMMARY OF WORK FOR THE VOLUNTARY ADMINISTRATION  
REMUNERATION POST THE DATE OF THE REMUNERATION REPORT TO DATE OF MEETING  
(6 FEBRUARY 2015 TO 16 FEBRUARY 2015)**

**RE: MORNING STAR GOLD N.L.  
(ADMINISTRATORS APPOINTED)  
A.B.N.: 34 003 312 721  
("THE COMPANY")**

**JIRSCH SUTHERLAND  
APPOINTEES: SULE ARNAUTOVIC AND GLENN ANTHONY CRISP**

Major Tasks	Amount (\$ Ex. GST)	General Description	Specific Tasks
<b>Assets (11.3 hours)</b>	<b>4,062.50</b>	Sale of Business	<ul style="list-style-type: none"> <li>- Providing information to potential purchasers</li> <li>- Liaising/corresponding with several interested parties (in respect to acquiring the assets of the Company)</li> <li>- Updating Sale of Business Package/Memorandum</li> <li>- Updating data room</li> <li>- Internal meetings to discuss interested parties</li> <li>- Liaising with lawyers re sale contract matters</li> </ul>
		Plant and Equipment	<ul style="list-style-type: none"> <li>- Discussing and corresponding with directors/management re plant and equipment items</li> <li>- Assess realisation options for plant and equipment items</li> <li>- Discussion with Chillee re: sale of assets</li> </ul>
		Sale of Real Property	<ul style="list-style-type: none"> <li>- Liaising with lawyers re sale contract matters</li> </ul>
		Assets subject to specific charges	<ul style="list-style-type: none"> <li>- Following up information required from Charge holders</li> </ul>
		Debtors	<ul style="list-style-type: none"> <li>- Reviewing and assessing debtors ledger</li> <li>- Correspondence with debtors</li> <li>- Liaising with debt collectors and solicitors</li> </ul>
		Other Assets	<ul style="list-style-type: none"> <li>- Steps associated with realising other assets</li> </ul>
		Insurance	<ul style="list-style-type: none"> <li>- Correspondence with insurance brokers</li> </ul>

**SUMMARY OF WORK FOR THE VOLUNTARY ADMINISTRATION  
REMUNERATION POST THE DATE OF THE REMUNERATION REPORT TO DATE OF MEETING  
(6 FEBRUARY 2015 TO 16 FEBRUARY 2015)**

Major Tasks	Estimate Time excl. GST (\$)	General Description	- Specific Tasks
<b>Creditors (4.8 hours)</b>	<b>1,605.50</b>	Creditor Enquiries	<ul style="list-style-type: none"> <li>- Receive and follow up creditor enquiries via telephone and e-mail</li> <li>- Review and prepare correspondence to creditors</li> </ul>
		Secured Creditor Reporting	<ul style="list-style-type: none"> <li>- Corresponding with Chillee Pty Ltd</li> <li>- Responding to secured creditor's queries</li> </ul>
		Meeting of Creditors	<ul style="list-style-type: none"> <li>- Preparation of meeting package, including attendance/proxy register, list of creditors, report of creditors and draft minutes of meeting</li> <li>- Confirming meeting room availability</li> <li>- Confirming teleconferencing facility</li> </ul>
		Dealing with Proofs of Debt	<ul style="list-style-type: none"> <li>- Review of proofs of debt received by creditors, entry of proofs of debt received</li> <li>- Maintain MYOB database</li> <li>- Correspondence with OSR and ATO regarding proofs of debt</li> </ul>
		Other	<ul style="list-style-type: none"> <li>- Responding to other queries</li> </ul>

**SUMMARY OF WORK FOR THE VOLUNTARY ADMINISTRATION  
 REMUNERATION POST THE DATE OF THE REMUNERATION REPORT TO DATE OF MEETING  
 (6 FEBRUARY 2015 TO 16 FEBRUARY 2015)**

<b>Major Tasks</b>	<b>Estimate Time excl. GST (\$)</b>	<b>General Description:</b>	<b>- Specific Tasks</b>
<b>Employees (0.4 hours)</b>	<b>102.00</b>	Contractor	- Corresponding with Contractor

**SUMMARY OF WORK FOR THE VOLUNTARY ADMINISTRATION  
REMUNERATION POST THE DATE OF THE REMUNERATION REPORT TO DATE OF MEETING  
(6 FEBRUARY 2015 TO 16 FEBRUARY 2015)**

<b>Major Tasks</b>	<b>Estimate Time excl. GST (\$)</b>	<b>General Description</b>	<b>Specific Tasks</b>
<b>Investigation (5.2 hours)</b>	<b>1,752.00</b>	Conducting Investigation	<ul style="list-style-type: none"> <li>- Further Review of all books and records received</li> <li>- Following up banks, utility providers, and government organisations</li> <li>- Reviewing investigations</li> <li>- Liaising with director/s regarding history and background of Company and reasons for failure</li> <li>- Review of RATA provided by director/s</li> <li>- Review correspondence to/from creditors and other third parties</li> <li>- Review of financial statements</li> <li>- Review of bank statements and other supporting financial information</li> <li>- Preparation and lodgement of report to ASIC pursuant to Section 438D of the Act</li> </ul>
		Litigation Recoveries /	<ul style="list-style-type: none"> <li>- Internal meetings to discuss status of litigation</li> <li>- Preparing brief to Solicitors</li> <li>- Liaising with Solicitors regarding recovery action</li> <li>- Attending to negotiations</li> <li>- Attending to settlement matters</li> </ul>
		ASIC Reporting	<ul style="list-style-type: none"> <li>- Preparation of statutory investigation reports</li> <li>- Liaising with ASIC if required</li> </ul>

**SUMMARY OF WORK FOR THE VOLUNTARY ADMINISTRATION  
REMUNERATION POST THE DATE OF THE REMUNERATION REPORT TO DATE OF MEETING  
(6 FEBRUARY 2015 TO 16 FEBRUARY 2015)**

Major Tasks	Estimate Time excl. GST (\$)	General Description	Specific Tasks
<b>Administration (8 hours)</b>	<b>2,478.00</b>	ATO and other statutory reporting	- Preparation and lodgement of Business Activity Statements with ATO
		Correspondence	- Attend to day to day mail, telephone calls, facsimiles and e-mails
		Document Maintenance/File Maintenance	- Filing, photocopying and scanning of documents - File Reviews - Updating checklists
		Insurance	- Identification of potential issues requiring attention of insurance specialists - Review of insurance policies with previous brokers
		Bank Account Administration	- Preparing correspondence opening and closing accounts - Requesting additional bank statements - Bank account reconciliations - Correspondence with bank regarding specific transfers - Payment and receipt forms
		ASIC Forms and other forms	- Preparing and lodging ASIC forms - Correspondence with ASIC regarding statutory forms
		Planning Review /	- Discussions regarding status of administration
		Books and records storage /	- Dealing with records in storage - Sending job files to storage

MORNING STAR GOLD N.L.  
 ABN: 34 003 312 721  
 (ADMINISTRATORS APPOINTED)

ESTIMATE OF REMUNERATION FOR THE PERIOD OF THE LIQUIDATION

Employee Name	Position	Hourly Rate Excl. GST	Total Hours	Total (\$) Excl. GST	Assets						Creditors						Employees						Investigations						Administration						Dividend	
					Hours	\$	Hours	\$	Hours	\$	Hours	\$	Hours	\$	Hours	\$	Hours	\$	Hours	\$	Hours	\$	Hours	\$	Hours	\$	Hours	\$	Hours	\$	Hours	\$	Hours	\$		
Sule Arnaudovic	Joint Appointee	560	17.0	9,520.00	5.0	2,800.00	5.0	2,800.00	0.0	-	1.0	560.00	0.0	-	0.0	-	5.0	2,800.00	5.0	2,800.00	1.0	560.00	5.0	2,800.00	5.0	2,800.00	1.0	560.00	0.0	-	1.0	560.00				
Glenn Crisp	Joint Appointee	560	8.0	4,480.00	2.0	1,120.00	1.0	560.00	0.0	-	0.0	-	0.0	-	0.0	-	15.0	7,275.00	15.0	7,275.00	15.0	7,275.00	15.0	7,275.00	15.0	7,275.00	2.0	970.00	2.0	970.00	2.0	970.00				
Amanda Arnaudovic	Principal	485	67.0	32,495.00	20.0	9,700.00	15.0	7,275.00	0.0	-	25.0	9,500.00	0.0	-	25.0	9,500.00	25.0	9,500.00	25.0	9,500.00	25.0	9,500.00	25.0	9,500.00	25.0	9,500.00	5.0	1,900.00	5.0	1,900.00	5.0	1,900.00				
Kathryn Gesliva	Supervisor 1	380	90.0	34,200.00	20.0	7,600.00	25.0	9,500.00	0.0	-	30.0	7,625.00	0.0	-	30.0	7,625.00	25.0	9,150.00	25.0	9,150.00	25.0	9,150.00	25.0	9,150.00	25.0	9,150.00	12.0	3,660.00	12.0	3,660.00	12.0	3,660.00				
Timothy Kelly	Senior 2	305	117.0	35,685.00	25.0	7,625.00	25.0	7,625.00	0.0	-	25.0	7,625.00	0.0	-	25.0	7,625.00	25.0	7,625.00	25.0	7,625.00	25.0	7,625.00	25.0	7,625.00	25.0	7,625.00	2.0	510.00	2.0	510.00	2.0	510.00				
Louise Sutherland	Intermediate 2	255	86.0	21,930.00	23.0	5,865.00	25.0	6,375.00	1.0	255.00	25.0	6,375.00	1.0	255.00	25.0	6,375.00	25.0	6,375.00	25.0	6,375.00	25.0	6,375.00	25.0	6,375.00	22.0	4,510.00	22.0	4,510.00	22.0	4,510.00						
Deborah Grapsas	Administration Assistant Snr	205	54.0	11,060.00	1.0	205.00	25.0	5,115.00	0.0	-	0.0	-	0.0	-	0.0	-	6.3	630.00	6.3	630.00	6.3	630.00	6.3	630.00	6.3	630.00	1.0	205.00	1.0	205.00	1.0	205.00				
Various	Administration Assistant Jnr	100	6.3	630.00	0.0	-	0.0	-	0.0	-	0.0	-	0.0	-	0.0	-	0.0	-	0.0	-	0.0	-	0.0	-	0.0	-	0.0	-	0.0	-	0.0	-	0.0	-		
<b>TOTAL (Hours/\$)</b>			<b>445.3</b>	<b>150,000.00</b>	<b>96.0</b>	<b>34,915.00</b>	<b>121.0</b>	<b>39,250.00</b>	<b>1.0</b>	<b>255.00</b>	<b>101.0</b>	<b>33,885.00</b>	<b>103.3</b>	<b>33,890.00</b>	<b>23.0</b>	<b>7,805.00</b>	<b>103.3</b>	<b>33,885.00</b>	<b>103.3</b>	<b>33,885.00</b>	<b>103.3</b>	<b>33,885.00</b>	<b>103.3</b>	<b>33,885.00</b>	<b>103.3</b>	<b>33,885.00</b>	<b>23.0</b>	<b>7,805.00</b>	<b>23.0</b>	<b>7,805.00</b>	<b>23.0</b>	<b>7,805.00</b>				

GST (10%)  
 15,000.00  
 TOTAL (Including GST)  
 165,000.00

GST (10%)  
 15,000.00  
 TOTAL (Including GST)  
 165,000.00

**SUMMARY OF WORK FOR THE VOLUNTARY ADMINISTRATION  
REMUNERATION FOR THE LIQUIDATION OF THE COMPANY  
(POST 9 DECEMBER 2014)**

**RE: MORNING STAR GOLD N.L.  
(ADMINISTRATORS APPOINTED)  
A.B.N.: 34 003 312 721  
("THE COMPANY")**

**JIRSCH SUTHERLAND  
APPOINTEES: SULE ARNAUTOVIC AND GLENN ANTHONY CRISP**

Major Tasks	Amount (\$ Ex. GST)	General Description	Specific Tasks
<b>Assets (96.0 hours)</b>	<b>34,915.00</b>	Correspondence with Controllers Re: Sale of Business	<ul style="list-style-type: none"> <li>- Liaising with Purchasers</li> <li>- Internal meetings to discuss and review offers received</li> <li>- Liaising with lawyers re sale contract matters</li> <li>- Finalising Sale</li> <li>- Receipting Funds</li> </ul>
		Correspondence with Controllers Re: Plant and Equipment	<ul style="list-style-type: none"> <li>- Liaising with valuers/auctioneers and interested parties</li> <li>- Reviewing asset listings</li> <li>- Discussing and corresponding with directors/management re plant and equipment items</li> <li>- Assess realisation options for plant and equipment items</li> <li>- Realising available plant and equipment</li> </ul>
		Correspondence with Controllers Re: Sale of Real Property	<ul style="list-style-type: none"> <li>- Liaising with valuers/auctioneers and interested parties</li> <li>- Liaising with lawyers re sale contract matters</li> <li>- Finalising Sale of Property</li> </ul>
		Correspondence with Controllers Re: Assets subject to specific charges	<ul style="list-style-type: none"> <li>- All tasks associated with realising a charged asset</li> </ul>
		Debtors	<ul style="list-style-type: none"> <li>- Reviewing and assessing debtors ledger</li> <li>- Correspondence with debtors</li> <li>- Liaising with debt collectors and solicitors</li> </ul>
		Other Assets	<ul style="list-style-type: none"> <li>- All tasks associated with realising other assets</li> </ul>
		Insurance	<ul style="list-style-type: none"> <li>- Notification to Insurance brokers of appointment of Liquidators</li> <li>- Correspondence with previous insurance brokers</li> </ul>

**SUMMARY OF WORK FOR THE VOLUNTARY ADMINISTRATION  
REMUNERATION FOR THE LIQUIDATION OF THE COMPANY  
(POST 9 DECEMBER 2014)**

Major Tasks	Estimate Time excl. GST (\$)	General Description	- Specific Tasks
Creditors (121.0 hours)	39,250.00	Creditor Reports	<ul style="list-style-type: none"> <li>- Preparing meeting and general reports to creditors</li> <li>- Preparing Remuneration report for creditors</li> <li>- Preparing investigation report to creditors</li> </ul>
		Creditor Enquiries	<ul style="list-style-type: none"> <li>- Receive and follow up creditor enquiries via telephone and e-mail</li> <li>- Review and prepare correspondence to creditors</li> </ul>
		Secured Creditor Reporting	<ul style="list-style-type: none"> <li>- Corresponding with Chillee Limited</li> <li>- Responding to secured creditor's queries</li> </ul>
		Meeting of Creditors	<ul style="list-style-type: none"> <li>- Preparation of future meeting notices</li> <li>- Forward notice of meeting to all known creditors</li> <li>- Preparation of meeting package, including attendance/proxy register, list of creditors, report of creditors and draft minutes of meeting</li> <li>- Responding to stakeholder queries and questions immediately following meeting</li> </ul>
		Dealing with Proofs of Debt	<ul style="list-style-type: none"> <li>- Review of proofs of debt received by creditors, entry of proofs of debt received</li> <li>- Maintain MYOB database</li> <li>- Correspondence with OSR and ATO regarding proofs of debt</li> </ul>
		Other	<ul style="list-style-type: none"> <li>- Other Queries</li> </ul>

**SUMMARY OF WORK FOR THE VOLUNTARY ADMINISTRATION  
 REMUNERATION FOR THE LIQUIDATION OF THE COMPANY  
 (POST 9 DECEMBER 2014)**

<b>Major Tasks</b>	<b>Estimate Time excl. GST (\$)</b>	<b>General Description:</b>	<b>- Specific Tasks</b>
<b>Employees (1.0 hours)</b>	<b>255.00</b>	Contractor	<ul style="list-style-type: none"> <li>- Corresponding with Contractor</li> <li>- Payment of Contractor</li> </ul>

**SUMMARY OF WORK FOR THE VOLUNTARY ADMINISTRATION  
REMUNERATION FOR THE LIQUIDATION OF THE COMPANY  
(POST 9 DECEMBER 2014)**

Major Tasks	Estimate Time excl. GST (\$)	General Description	Specific Tasks
<b>Investigation (101.0 hours)</b>	<b>33,885.00</b>	Conducting Investigation	<ul style="list-style-type: none"> <li>- Further review of all books and records received</li> <li>- Reviewing investigations</li> <li>- Liaising with director/s</li> <li>- Review of RATA provided by director/s</li> <li>- Review correspondence to/from creditors and other third parties</li> <li>- Reviewing statutory searches on director/s and any related entity/s</li> <li>- Review of financial statements</li> <li>- Review of bank statements and other supporting financial information to consider possible preference payments to creditors or other uncommercial payments</li> <li>- Review of factors and information to support the possible insolvency of the Company</li> <li>- Preparation and lodgement of report to ASIC pursuant to Section 533 of the Act</li> <li>- Preparation and lodgement of supplementary report if required to ASIC</li> </ul>
		Litigation / Recoveries	<ul style="list-style-type: none"> <li>- Internal meetings to discuss status of litigation</li> <li>- Preparing brief to Solicitors</li> <li>- Liaising with Solicitors regarding recovery action</li> <li>- Attending to negotiations</li> <li>- Attending to settlement matters</li> </ul>
		ASIC Reporting	<ul style="list-style-type: none"> <li>- Preparation of statutory investigation reports</li> <li>- Liaising with ASIC if required</li> </ul>

**SUMMARY OF WORK FOR THE VOLUNTARY ADMINISTRATION  
REMUNERATION FOR THE LIQUIDATION OF THE COMPANY  
(POST 9 DECEMBER 2014)**

Major Tasks	Estimate Time excl. GST (\$)	General Description	Specific Tasks
<b>Administration (103.3 hours)</b>	<b>33,890.00</b>	ATO and other statutory reporting	<ul style="list-style-type: none"> <li>- Preparation and lodgement of Business Activity Statements with ATO</li> <li>- Completing PAYG Certificates for former staff (if required)</li> </ul>
		Correspondence	<ul style="list-style-type: none"> <li>- Attend to day to day mail, telephone calls, facsimiles and e-mails</li> <li>- Notification to Sheriff of appointment of Liquidator</li> </ul>
		Document Maintenance/File Maintenance	<ul style="list-style-type: none"> <li>- Filing, photocopying and scanning of documents</li> <li>- File Reviews</li> <li>- Updating checklists</li> </ul>
		Insurance	<ul style="list-style-type: none"> <li>- Identification of potential issues requiring attention of insurance specialists</li> <li>- Review of insurance policies with previous brokers</li> <li>- Notification to insurance broker of appointment of Liquidator</li> </ul>
		Bank Account Administration	<ul style="list-style-type: none"> <li>- Preparing correspondence opening and closing accounts</li> <li>- Requesting bank statements</li> <li>- Bank account reconciliations</li> <li>- Correspondence with bank regarding specific transfers</li> <li>- Payment and receipt forms</li> </ul>
		ASIC Forms and other forms	<ul style="list-style-type: none"> <li>- Preparing and lodging ASIC forms</li> <li>- Correspondence with ASIC regarding statutory forms</li> </ul>
		Planning Review /	<ul style="list-style-type: none"> <li>- Discussions regarding status of administration</li> </ul>
		Books and records storage /	<ul style="list-style-type: none"> <li>- Dealing with records in storage</li> <li>- Sending job files to storage</li> </ul>

**SUMMARY OF WORK FOR THE VOLUNTARY ADMINISTRATION  
REMUNERATION FOR THE LIQUIDATION OF THE COMPANY  
(POST 9 DECEMBER 2014)**

Major Tasks	Estimate Time excl. GST (\$)	General Description:	- Specific Tasks
Dividend (23.0 hours)	7,805.00	Processing Proofs of Debt	Preparation of correspondence to potential creditors inviting lodgement of POD Receipt of PODs Maintain POD register Request further information from claimants regarding POD Preparation of correspondence to claimant advising outcome of adjudication
		Dividend Procedures	Preparation of correspondence to creditors advising of intention to declare dividend Online notice of intention to declare dividend Obtain clearance from ATO to allow distribution of Company's assets Preparation of dividend calculation Preparation of correspondence to creditors announcing declaration of dividend Preparation of distribution Preparation of dividend file Preparation of payment forms to pay dividend Preparation of correspondence to creditors enclosing payment of dividend Calculation of increasing/decreasing adjustment re GST Forward of unclaimed monies to ASIC

MORNING STAR GOLD N.L.  
 ABN: 34 003 312 721  
 (ADMINISTRATORS APPOINTED)

ESTIMATE OF REMUNERATION FOR THE PERIOD OF 16 FEBRUARY 2015 TO EXECUTION OF DOCA

Employee Name	Position	Hourly Rate Excl. GST	Total Hours	Total (\$) Excl. GST	Task Area										
					Assets \$	Hours	Creditors \$	Hours	Employees \$	Hours	Investigations \$	Hours	Administration \$	Hours	
Sule Arnautovic	Joint Appointee	560	3.5	1,960.00	280.00	0.5	280.00	0.0	-	-	0.0	-	-	2.5	1,400.00
Glenn Crisp	Joint Appointee	560	1.0	560.00	280.00	0.5	-	0.0	-	-	0.0	-	-	0.5	280.00
Annanda Arnautovic	Principal	485	8.0	3,880.00	485.00	1.0	1,455.00	0.0	-	-	0.0	-	-	4.0	1,940.00
Kathryn Gesilva	Supervisor 1	380	13.0	4,940.00	760.00	2.0	1,900.00	0.0	-	-	1.0	380.00	-	5.0	1,900.00
Timothy Kelly	Senior 2	305	13.5	4,117.50	610.00	2.0	1,830.00	0.0	-	-	1.5	457.50	-	4.0	1,220.00
Louise Sutherland	Intermediate 2	255	9.5	2,422.50	255.00	6.0	1,530.00	0.5	127.50	-	0.0	-	-	2.0	510.00
Deborah Grapsas	Administration Assistant Snr	205	10.0	2,050.00	-	4.0	820.00	0.0	-	-	0.0	-	-	6.0	1,230.00
Various	Administration Assistant Jnr	100	0.7	70.00	-	0.0	-	0.0	-	-	0.0	-	-	0.7	70.00
<b>TOTAL (Hours/\$)</b>			<b>59.2</b>	<b>20,000.00</b>	<b>2,670.00</b>	<b>7.0</b>	<b>7,815.00</b>	<b>0.5</b>	<b>127.50</b>	<b>0.0</b>	<b>2.5</b>	<b>837.50</b>	<b>0.0</b>	<b>24.7</b>	<b>9,550.00</b>

GST (10%)  
 TOTAL (Including GST)

2,000.00
22,000.00

**SUMMARY OF WORK FOR THE VOLUNTARY ADMINISTRATION  
REMUNERATION FROM DATE OF MEETING TO EXECUTION OF DOCA**

**RE: MORNING STAR GOLD N.L.  
(ADMINISTRATORS APPOINTED)  
A.B.N.: 34 003 312 721  
("THE COMPANY")**

**JIRSCH SUTHERLAND  
APPOINTEES: SULE ARNAUTOVIC AND GLENN ANTHONY CRISP**

Major Tasks	Amount (\$ Ex. GST)	General Description	Specific Tasks
<b>Assets (7.0 hours)</b>	<b>2,670.00</b>	Sale of Business	- Liaising with lawyers re sale contract matters
		Correspondence with Controllers Re: Plant and Equipment	- Discussing and corresponding with directors/management re plant and equipment items - Assess realisation options for plant and equipment items - Discussion with Chillee re: sale of assets
		Correspondence with Controllers Re: Sale of Real Property	- Liaising with lawyers re sale contract matters
		Correspondence with Controllers Re: Assets subject to specific charges	- Following up information required from Charge holders
		Debtors	- Reviewing and assessing debtors ledger - Correspondence with debtors - Liaising with debt collectors and solicitors
		Other Assets	- Steps associated with realising other assets
		Insurance	- Correspondence with insurance brokers

Major Tasks	Estimate Time excl. GST (\$)	General Description	- Specific Tasks
<b>Creditors (24.5 hours)</b>	<b>7,815.00</b>	Creditor Enquiries	<ul style="list-style-type: none"> <li>- Receive and follow up creditor enquiries via telephone and e-mail</li> <li>- Review and prepare correspondence to creditors</li> </ul>
		Secured Creditor Reporting	<ul style="list-style-type: none"> <li>- Reporting to Chillee Limited</li> <li>- Responding to Chillee Limited</li> </ul>
		Dealing with Proofs of Debt	<ul style="list-style-type: none"> <li>- Review of proofs of debt received by creditors, entry of proofs of debt received</li> <li>- Maintain MYOB database</li> <li>- Correspondence with OSR and ATO regarding proofs of debt</li> </ul>

Major Tasks	Estimate Time excl. GST (\$)	General Description:	- Specific Tasks
Employees (0.5 hours)	127.50	Contractor	- Corresponding with Contractor

Major Tasks	Estimate Time excl. GST (\$)	General Description	Specific Tasks
Investigation (2.5 hours)	837.50	Conducting Investigation	<ul style="list-style-type: none"> <li>- Following up banks, utility providers, and government organisations and reviewing any responses received</li> <li>- Further review of RATA provided by director</li> <li>- Review correspondence to/from creditors and other third parties</li> <li>- Further review of financial statements</li> <li>- Further review of bank statements and other supporting financial information to consider possible preference payments to creditors or other uncommercial payments</li> <li>- Further review of factors and information to support the possible insolvency of the Company</li> <li>- Updating investigation program</li> </ul>
		Litigation / Recoveries	<ul style="list-style-type: none"> <li>- Internal meetings to discuss status of litigation</li> <li>- Liaising with Solicitor</li> </ul>
		ASIC Reporting	<ul style="list-style-type: none"> <li>- Liaising with ASIC if required</li> </ul>

Major Tasks	Estimate Time excl. GST (\$)	General Description	Specific Tasks
<b>Administration (24.7 hours)</b>	<b>8,550.00</b>	ATO and other statutory reporting	- Preparation and lodgement of Business Activity Statements with ATO
		Correspondence	- Attend to day to day mail, telephone calls, facsimiles and e-mails
		Document Maintenance/File Maintenance	<ul style="list-style-type: none"> <li>- Filing, photocopying and scanning of documents</li> <li>- File Reviews</li> <li>- Updating checklists</li> </ul>
		Insurance	- Review of insurance
		Bank Account Administration	<ul style="list-style-type: none"> <li>- Bank account reconciliations</li> <li>- Correspondence with bank regarding specific transfers</li> <li>- Payment and receipt forms</li> </ul>
		ASIC Forms and other forms	<ul style="list-style-type: none"> <li>- Preparing and lodging ASIC forms</li> <li>- Correspondence with ASIC regarding statutory forms</li> </ul>
		Planning / Review	- Discussions regarding status of administration
Books and records storage	- Maintaining books and records		

ESTIMATE OF REMUNERATION FOR THE PERIOD OF THE DEED OF COMPANY ARRANGEMENT

Employee Name	Position	Hourly Rate Excl. GST	Total Hours	Total (\$) Excl. GST	Assets		Creditors		Employees		Investigations		Administration		Dividend	
					Hours	\$	Hours	\$	Hours	\$	Hours	\$	Hours	\$	Hours	\$
Sule Arnautovic	Joint Appointee	560	12.0	6,720.00	2.0	1,120.00	5.0	2,800.00	0.0	-	1.0	560.00	3.0	1,680.00	1.0	560.00
Glenn Crisp	Joint Appointee	560	7.0	3,920.00	2.0	1,120.00	2.0	1,120.00	0.0	-	0.0	-	3.0	1,680.00	0.0	-
Amanda Arnautovic	Principal	485	19.0	9,215.00	3.0	1,455.00	7.0	3,395.00	0.0	-	2.0	970.00	5.0	2,425.00	2.0	970.00
Kathryn Gesilva	Supervisor 1	380	31.0	11,780.00	5.0	1,900.00	8.0	3,040.00	0.0	-	3.0	1,140.00	10.0	3,800.00	5.0	1,900.00
Timothy Kelly	Senior 2	305	42.0	12,810.00	5.0	1,525.00	10.0	3,050.00	0.0	-	5.0	1,525.00	10.0	3,050.00	12.0	3,660.00
Louise Sutherland	Intermediate 2	255	33.0	8,415.00	3.0	765.00	12.0	3,060.00	1.0	255.00	5.0	1,275.00	10.0	2,550.00	2.0	510.00
Deboraha Grapsas	Administration Assistant Snr	205	32.0	6,560.00	1.0	205.00	12.0	2,460.00	0.0	-	3.0	615.00	15.0	3,075.00	1.0	205.00
Various	Administration Assistant Jnr	100	5.8	580.00	0.0	-	0.0	-	0.0	-	0.0	-	5.8	580.00	0.0	-
<b>TOTAL (Hours/\$)</b>			<b>181.8</b>	<b>60,000.00</b>	<b>21.0</b>	<b>8,090.00</b>	<b>56.0</b>	<b>18,925.00</b>	<b>1.0</b>	<b>255.00</b>	<b>19.0</b>	<b>6,085.00</b>	<b>61.8</b>	<b>18,840.00</b>	<b>23.0</b>	<b>7,805.00</b>

GST (10%)  
 6,000.00  
 66,000.00

TOTAL (Including GST)

**SUMMARY OF WORK FOR THE VOLUNTARY ADMINISTRATION  
REMUNERATION FOR DOCA PERIOD**

**RE: MORNING STAR GOLD N.L.  
(ADMINISTRATORS APPOINTED)  
A.B.N.: 34 003 312 721  
("THE COMPANY")**

**JIRSCH SUTHERLAND  
APPOINTEES: SULE ARNAUTOVIC AND GLENN ANTHONY CRISP**

Major Tasks	Amount (\$ Ex. GST)	General Description	Specific Tasks
<b>Assets (21.0 hours)</b>	<b>8,090.00</b>	Sale of Business	- Liaising with lawyers re sale contract matters
		Correspondence with Controllers Re: Plant and Equipment	- Discussing and corresponding with directors/management re plant and equipment items - Assess realisation options for plant and equipment items - Discussion with Chillee re: sale of assets
		Correspondence with Controllers Re: Sale of Real Property	- Liaising with lawyers re sale contract matters
		Correspondence with Controllers Re: Assets subject to specific charges	- Following up information required from Charge holders
		Debtors	- Reviewing and assessing debtors ledger - Correspondence with debtors - Liaising with debt collectors and solicitors
		Other Assets	- Steps associated with realising other assets
		Insurance	- Correspondence with insurance brokers

Major Tasks	Estimate Time excl. GST (\$)	General Description	Specific Tasks
<b>Creditors (56.0 hours)</b>	<b>18,925.00</b>	Creditor Reports	<ul style="list-style-type: none"> <li>- Preparing meeting and general reports to creditors</li> </ul>
		Creditor Enquiries	<ul style="list-style-type: none"> <li>- Receive and follow up creditor enquiries via telephone and e-mail</li> <li>- Review and prepare correspondence to creditors</li> </ul>
		Secured Creditor Reporting	<ul style="list-style-type: none"> <li>- Corresponding with secured creditors</li> <li>- Responding to secured creditor's queries</li> </ul>
		Retention Title/PMSI Claims of	<ul style="list-style-type: none"> <li>- Liaising with creditor to advise of execution of DOCA</li> </ul>
		Meeting of Creditors (if applicable)	<ul style="list-style-type: none"> <li>- Preparation of meeting notices</li> <li>- Forward notice of meeting to all known creditors</li> <li>- Preparation of meeting package, including attendance/proxy register, list of creditors, report of creditors and draft minutes of meeting</li> <li>- Responding to stakeholder queries and questions immediately following meeting</li> </ul>
		Dealing with Proofs of Debt	<ul style="list-style-type: none"> <li>- Review of proofs of debt received by creditors, entry of proofs of debt received</li> <li>- Maintain MYOB database</li> <li>- Correspondence with OSR and ATO regarding proofs of debt</li> </ul>
		Other	<ul style="list-style-type: none"> <li>- Other Creditor queries</li> </ul>

Major Tasks	Estimate Time excl. GST (\$)	General Description:	- Specific Tasks
Employees (1.0 hours)	255.00	Contractor	- Corresponding with Contractor

Major Tasks	Estimate Time excl. GST (\$)	General Description	Specific Tasks
Investigation (19.0 hours)	6,085.00	Conducting Investigation	<ul style="list-style-type: none"> <li>- Finalise review of all books and records received</li> <li>- Liaising with director regarding history and background of Company</li> <li>- Review correspondence to/from creditors and other third parties</li> <li>- Complete investigation program</li> <li>- Preparation and lodgement of supplementary report if required to ASIC</li> </ul>
		Litigation / Recoveries	<ul style="list-style-type: none"> <li>- Internal meetings to discuss status of litigation</li> <li>- Preparing brief to Solicitor</li> <li>- Liaising with Solicitor regarding recovery action</li> <li>- Attending to negotiations</li> <li>- Attending to settlement matters</li> </ul>
		ASIC Reporting	<ul style="list-style-type: none"> <li>- Preparation of statutory investigation reports</li> <li>- Liaising with ASIC if required</li> </ul>

Major Tasks	Estimate Time excl. GST (\$)	General Description	Specific Tasks
<b>Administration (61.8 hours)</b>	<b>18,840.00</b>	ATO and other statutory reporting	<ul style="list-style-type: none"> <li>- Notification of appointment of DOCA</li> <li>- Preparation and lodgement of Business Activity Statements with ATO</li> <li>- Completing PAYG Certificates for former staff</li> </ul>
		Correspondence	<ul style="list-style-type: none"> <li>- Attend to day to day mail, telephone calls, facsimiles and e-mails</li> <li>-</li> </ul>
		Document Maintenance/File Maintenance	<ul style="list-style-type: none"> <li>- Filing, photocopying and scanning of documents</li> <li>- File Reviews</li> <li>- Updating checklists</li> <li>- Redirect mail if applicable</li> </ul>
		Insurance	<ul style="list-style-type: none"> <li>- Notification to insurance broker of Deed Administrators appointment</li> </ul>
		Bank Account Administration	<ul style="list-style-type: none"> <li>- Bank account reconciliations</li> <li>- Correspondence with bank regarding specific transfers</li> <li>- Payment and receipt forms</li> </ul>
		ASIC Forms and other forms	<ul style="list-style-type: none"> <li>- Preparing and lodging ASIC forms</li> <li>- Correspondence with ASIC regarding statutory forms</li> </ul>
		Planning Review /	<ul style="list-style-type: none"> <li>- Discussions regarding status of administration</li> </ul>
		Books records and storage /	<ul style="list-style-type: none"> <li>- Dealing with records in storage</li> <li>- Sending job files to storage</li> </ul>

Major Tasks	Estimate Time excl. GST (\$)	General Description:	- Specific Tasks
<b>Dividend (23.0 hours)</b>	<b>7,805.00</b>	Processing Proofs of Debt	Preparation of correspondence to potential creditors inviting lodgement of POD Receipt of PODs Maintain POD register Request further information from claimants regarding POD Preparation of correspondence to claimant advising outcome of adjudication
		Dividend Procedures	Preparation of correspondence to creditors advising of intention to declare dividend Online notice of intention to declare dividend Obtain clearance from ATO to allow distribution of Company's assets Preparation of dividend calculation Preparation of correspondence to creditors announcing declaration of dividend Preparation of distribution Preparation of dividend file Preparation of payment forms to pay dividend Preparation of correspondence to creditors enclosing payment of dividend Calculation of increasing/decreasing adjustment re GST Forward of unclaimed monies to ASIC

