

10 November 2014

TO THE CREDITORS
RE: MORNING STAR GOLD N.L.
(ADMINISTRATORS 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 APPOINTMENT OF JOINT & SEVERAL ADMINISTRATORS
AND FIRST MEETING OF CREDITORS**

APPOINTMENT PARTICULARS

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

Our appointment as Joint & Several Administrators was the result of the Company experiencing financial difficulties.

MEETING OF CREDITORS

Formal notice is hereby given to creditors that the first meeting of the creditors of the Company will be held pursuant to Section 436E of the *Corporations Act 2001* ("CA"). The details of the meeting are as follows: -

MEETING DATE	TUESDAY, 18 NOVEMBER 2014
MEETING TIME	10:00 AM
MEETING LOCATION	LEVEL 4, 55 HUNTER STREET, SYDNEY NSW 2000

The purpose of the first 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 529A - Formal notice of meeting;
2. Declaration of Independence, Relevant Relationships, Prior Engagements and Indemnities;
3. Form 532 - Appointment of Proxy form;
4. Form 535 - Formal Proof of Debt/Claim form for all secured and unsecured creditors;
5. Remuneration Report - Initial Advice to Creditors; and
6. Information sheet produced by the Australian Securities & Investments Commission ("ASIC") titled Insolvency Information for Directors, Employees, Creditors and Shareholders.

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.

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 CA.

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 17 November 2014.

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 17 November 2014.

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;
- (d) The creditor's Email address;
- (e) The creditor's Telephone number; and
- (f) The creditor's 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.

SUPPLY OF GOODS AND SERVICES TO THE COMPANY




We advise that we are currently assessing the financial position of the Company to determine its ongoing viability. At this stage, we advise that we intend to continue to trade the business of the Company, whilst this assessment occurs as the continued trading of the business is considered to be in the best interests of all interested parties.

In this regard, we request your assistance in implementing the steps outlined below:

1. Close all credit trading accounts in the name of the Company as at the date of our appointment; and
2. Open a new account in respect of the Company, which should be styled "Morning Star Gold N.L. (Administrators Appointed)" with all statements to be forwarded to our office.

In this regard, we advise that the goods or services that we order are regarded as a priority cost of the liquidation and will be paid on normal credit terms. Pursuant to Section 443 of the CA, we as Joint & Several Administrators of the Company are personally liable to pay all debts incurred for which we have authorised on behalf of the Company.

During the period of the Administration, the Company can only purchase goods and services with written orders authorised by the Joint & Several Administrators or nominated members of our staff. Accordingly, Goods and Services should only be supplied on the authority of written purchase orders from our office signed by the Joint & Several Administrators or by members of our staff whose names and signatures appear below:

Name	Signature
Sule Arnautovic	
Glenn Anthony Crisp	
Amanda Arnautovic	

EXISTING CREDITOR CONTRACTS/LEASES

If you are party to a lease, hire purchase, loan agreement or any other agreement with the Company, we request that you immediately contact our office and provide details of your agreements.

Subject to our written notice to the contrary, we specifically refrain from adopting any of the pre-appointment contracts, agreements and leases of the Company. We will review the viability of all pre-appointment contracts, agreements and leases in due course. In the meantime, please do not construe that we have adopted any pre-appointment contracts, agreements and leases if payment is made to you by the Company for the current usage of your goods or services.

SECURITY INTERESTS IN GOODS/ASSETS HELD BY THE COMPANY

Any creditors who claim to have supplied the Company with goods on consignment or who hold a purchase money security interest ("PMSI") over goods/assets held by the Company, must immediately contact our office by telephone and confirm the particulars of their security interest/claim. Creditors must also make a formal written claim on the Joint & Several Administrators in this regard by forwarding the following information immediately to our office: -

1. A copy of your statement of account as at the date of our appointment; and
2. Copies of all outstanding invoices as detailed in your statement of account;
3. Detailed particulars of the goods/assets claimed; and
4. A copy of your supplier/credit agreement, consignment agreement, and details of your PMSI registered in accordance with the Personal Property Securities Act 2009 ("PPSA").

Creditors should then arrange for a representative of their business to make an appointment with our office to attend the premises of the Company to identify the relevant goods/assets which creditors believe may be the subject of their security interest/claim. In this regard, we advise that Pursuant to Section 440B of the CA, with the exception of perishable goods, those creditors seeking to enforce a retention of title claim over goods provided to the Company prior to our appointment are precluded from recovering the goods for the period of the Administration without obtaining the written consent of the Joint & Several Administrators or alternatively, leave of the Court.

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 CA, 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 of our office on (02) 9236 8333.

Yours faithfully,

MORNING STAR GOLD N.L.

SULE ARNAUTOVIC
Joint & Several Administrator

10 November 2014

FORM 529A

Corporations Act 2001
Regulation 5.6.12(6)

**NOTICE OF FIRST MEETING OF CREDITORS OF COMPANY
UNDER ADMINISTRATION**

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

On 9 November 2014 the Company pursuant to section 436A of the *Corporations Act 2001* ("CA"), appointed Sule Arnautovic and Glenn Anthony Crisp of Jirsch Sutherland as the Joint & Several Administrators of the Company.

NOTICE OF MEETING

Notice is hereby given to creditors that the first meeting of the creditors of the Company will be held pursuant to Section 436E of the CA. The details of the meeting are as follows: -

MEETING DATE	TUESDAY, 18 NOVEMBER 2014
MEETING TIME	10:00 AM
MEETING LOCATION	LEVEL 4, 55 HUNTER STREET, SYDNEY NSW 2000
PROOFS AND PROXIES TO BE SUBMITTED BY	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 17 November 2014.
TELECONFERENCE FACILITIES	<p>We advise that Teleconference facilities will be available at this meeting.</p> <p>Any creditor wishing to attend the meeting via teleconference must provide the following information in writing not later than 4.00 pm on 17 November 2014:</p> <ul style="list-style-type: none">(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; and(f) The creditor's Facsimile number (if applicable). <p>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.</p>

PURPOSE OF MEETING

The purpose of the meeting is to determine:

- (a) whether to appoint a committee of creditors; and
- (b) if so, who are to be the committee's members.

OTHER AGENDA ITEMS

At the meeting, creditors may also by resolution:

- (a) remove the Administrators from office; and
- (b) appoint someone else as Administrator(s) of the company.

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

Yours faithfully,

MORNING STAR GOLD N.L.

SULE ARNAUTOVIC

Joint & Several Administrator

**DECLARATION OF INDEPENDENCE, RELEVANT RELATIONSHIPS, PRIOR
ENGAGEMENTS AND INDEMNITIES**

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

This document is required as Practitioners appointed to an insolvent entity need to make declarations as to:

- A. their independence generally;
- B. relationships, including:
 - i the circumstances of the appointment;
 - ii any relationships with the Company and relevant others within the previous 24 months;
 - iii any prior professional services for the Company within the previous 24 months;
 - iv. that there are no other relationships to declare; and
- C. any indemnities given, or up-front payments made, to the Practitioner(s).

This declaration is made in respect of the Joint & Several Administrators of the Company, our partners, and Jirsch Sutherland.

This Declaration is being made in accordance with Section 436DA and 60(1) of the *Corporations Act 2001* and Sections 6.4, 6.17.1 and 22.1 of the Australian Restructuring Insolvency & Turnaround Association ("ARITA") Code.

A. INDEPENDENCE

We, Mr Sule Arnautovic ("Mr Arnautovic") and Mr Glenn Anthony Crisp ("Mr Crisp") of Jirsch Sutherland, have undertaken a proper assessment of the risks to our independence prior to accepting our appointment as Joint & Several Administrators of the Company.

Subject to what is disclosed below, this assessment identified no real potential risks to our independence and we are not aware of any reasons that would prevent us from accepting this appointment.

We have directed a practice wide conflict search to be undertaken and we have not been advised by any partner or staff member of Jirsch Sutherland of any existing or prior relationship with the Company.

B. DECLARATION OF RELEVANT RELATIONSHIPS

i. Circumstances of Appointment

We advise that the Company was referred to Jirsch Sutherland by Mr Peter Hegarty ("Mr Hegarty"), a partner of Thomson Geer Lawyers ("TG").

From time to time, Jirsch Sutherland has received work referrals from TG. However, Jirsch Sutherland is not dependent on these work referrals in number or revenue. From time to time, TG has provided legal services for Jirsch Sutherland. Any prior services rendered or work referrals between TG and Jirsch Sutherland have not been in relation to the Company.

Mr Arnautovic had an initial brief conversation with Mr Hegarty on 20 October 2014 in relation to the Company's affairs.

We were then approached by TG to provide appointment documentation and consents to act in this matter on 7 November 2014. On this day, Mr Hegarty provided Mr Arnautovic with a high-level explanation of the Company's financial position which included an explanation of some of the financial issues the Company was having with Chillee Limited, a major creditor of the Company.

Mr Hegarty also provided us with a copy of the resignation as director of Mr Alexei Motlokhov effective 5 November 2014.

We have not had any meetings or phone conversations with any of the current directors of the Company, in respect to the proposed administration of the Company, prior to our appointment on 9 November 2014.

We also note that some internet searches were completed prior to our appointment for the purpose of obtaining background information with regard to the Company.

The above noted pre-appointment work and discussions were for the purposes of:

1. Obtaining sufficient background information about the Company;
2. To clarify and explain to the Directors (via TG) the various options available to the Company and the nature and consequences of an insolvency appointment; and
3. For us to consent to act in this regard.

We confirm that neither we nor Jirsch Sutherland have charged for or received any payment of fees or expenses in regard to the above-mentioned pre-appointment work.

We believe that the above pre-appointment work does not result in a conflict to our appointment as Administrators of the Company as:

- We are not prohibited by law or by the ARITA code from accepting the appointment. The Courts and the ARITA's Code of Professional Practice specifically recognise the need for practitioners to provide advice on the insolvency process and the options available and do not consider that such advice results in a conflict or is an impediment to accepting an appointment. Further, the nature of the advice provided is such that it would not be subject to review and challenge during the course of the matter.
- We are independent. The advice provided prior to our appointment will not influence our ability to be able to fully comply with the statutory and fiduciary obligations associated with the work to be carried out on the matter in an objective and impartial manner.
- It is our view that a reasonable and informed third party would, based on the information available to us at the time, not form the view that a conflict arose.

We have provided no other information or advice to the Company or its directors prior to our appointment beyond that outlined in this DIRRI.

Finally, we confirm that we advised the Directors of the Company (via TG) to seek independent professional advice as to their own personal position as a result of the administration of the Company.

ii. Relevant Relationships (excluding Professional Services to the Insolvent)

Other than what is disclosed at "*Circumstances of appointment and referral source*" above, within the preceding 24 months of our appointment the following professional and/or personal relationships between Jirsch Sutherland and the Company existed:

Whom	Nature of relationship	Reason why not an impediment or conflict
Company Morning Star Gold N.L. (Administrators Appointed)	Jirsch Sutherland has never formally acted for the Company prior to this matter.	There have been no known previous dealings with the Company.
Current Directors <ul style="list-style-type: none"> • Nicholas Mark Garling • Peter Gilbert Jackson • Zhaoqin Zeng • Noel Robert Laidlaw 	Jirsch Sutherland has never formally acted for the current directors of the Company.	There have been no known previous dealings with current directors.
Previous Directors / Secretaries <ul style="list-style-type: none"> • Jeffrey Wayne Williams • Alexei Motlokhov • Peter Gordon Hepburn Brown • Max Michael Garling • Malcolm Harvey Bird • Timothy 	Jirsch Sutherland has never formally acted for the former directors of the Company.	There have been no known previous dealings with the former directors.

Whom	Nature of relationship	Reason why not an impediment or conflict
<p>Richard Allen</p> <ul style="list-style-type: none"> • Warren John Staude • Lincoln De Siou McClatchie • Geoffrey Stephen Gemell • Arthur John Reynolds • Julian Reynolds • Natasha Sever • Peter Frederick Harrowsmith • Maxwell James Davis 		
<p>Current/Past Shareholders</p> <p>The Company is a Public Company</p>	<p>We are not aware of any circumstances where Jirsch Sutherland has formally acted for any of the current or former shareholders of the Company.</p>	<p>There have been no known previous dealings with the current or previous shareholders of the Company.</p>
<p>Former Auditor</p> <ul style="list-style-type: none"> • Cowell Abbott 	<p>Jirsch Sutherland has never formally acted for the former auditor of the Company.</p> <p>The former auditor of the Company has never formally acted for the Jirsch Sutherland.</p>	<p>There have been no known previous dealings with the former auditor of the Company.</p>
<p>Current Security Interest Holders (ALL PAP, No</p>		

Whom	Nature of relationship	Reason why not an impediment or conflict
Exceptions) <ul style="list-style-type: none"> Chillee Ltd 	Jirsch Sutherland has never formally acted for Chillee Ltd.	There have been no known previous dealings with Chillee Ltd.
Current Security Interest Holders (Other Goods - Not ALL PAP) <ul style="list-style-type: none"> Bluescope Distribution Pty Ltd Capital Finance Australia Ltd Jennmar Australia Pty Ltd Sandvik Mining & Construction Australia Pty Ltd Metal Manufactures Ltd 	<p>We are not aware of Jirsch Sutherland having ever formally acted for noted Security Interest Holders.</p> <p>Jirsch Sutherland may have had previous business dealings with the noted Security Interest Holders in respect to other insolvency appointments.</p>	None of the previous dealings with the noted Security Interest Holders have been in relation to the Company.
Former insolvency practitioners	N/A	N/A

We are not aware of any other prior professional/personal relationships or prior engagements that should be disclosed.

iii. Prior Professional Services to the Insolvent

Neither we nor Jirsch Sutherland have provided any professional services to the Company in the previous 24 months apart from that stated above.

iv. No other Relevant Relationships to Disclose

There are no other known relevant relationships, including personal, business and professional relationships, from the previous 24 months with the Company, an associate of the Company or any person or entity that has security over the whole or substantially whole of the property of the Company that should be disclosed apart from that stated above.

C. INDEMNITIES AND UP-FRONT PAYMENTS

We have not been indemnified by any party in relation to this administration, other than any indemnities that we may be entitled to under statute.

Independence

Our independence is a serious matter. Not only should someone in our position be independent in fact but must be seen or perceived as independent. An insolvency practitioner must not accept an appointment or continue to act under an existing appointment if a reasonable and informed third party, on the information available, might reasonably form the opinion that the insolvency practitioner might not bring an independent mind to the conduct of the administration and thus might not be impartial or may in fact act with bias.

In this respect, we welcome any enquiries from all stakeholders as to our independence.

Dated this 10th day of November 2014



SULE ARNAUTOVIC
Joint & Several Administrator



GLENN ANTHONY CRISP
Joint & Several Administrator

Notes:-

1. *If circumstances change, or new information is identified, we are required under the Corporations Act 2001 and our Code of Professional Practice to update this Declaration and provide a copy to creditors with our next communication as well as table a copy of any replacement declaration at the next meeting of the Company's creditors.*
2. *Any relationships, indemnities or up-front payments disclosed in the DIRRI must not be such that the Practitioner(s) is no longer independent. The purpose of components B and C of the DIRRI is to disclose relationships that, while they do not result in the Practitioner having a conflict of interest or duty, ensure that creditors are aware of those relationships and understand why the Practitioner nevertheless remains independent.*

FORM 532
APPOINTMENT OF PROXY

Corporations Act 2001
Regulation 5.6.29

RE: MORNING STAR GOLD N.L.
(ADMINISTRATORS 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 Tuesday, 18 November 2014, 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:

	Resolution	For	Against	Abstain
(1)	That a creditors' committee be appointed consisting of _____ (insert number) members being: _____ _____ _____	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
(2)	That Sule Arnautovic and Glenn Anthony Crisp of Jirsch Sutherland be removed as Joint & Several Administrators of the Company and that _____ be appointed as replacement Joint & Several Administrator(s).	<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 17 November 2014.

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

Insert Signature Above

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

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)
A.B.N.: 34 003 312 721
("THE COMPANY")**

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

CREDITOR'S NAME:	
CONTACT PERSON:	
CONTACT DETAILS: (Address, Phone, Email)	Address: _____

	Phone: _____
	Email: _____

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

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:** _____

**REMUNERATION REPORT – INITIAL ADVICE TO CREDITORS
VOLUNTARY ADMINISTRATION**

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

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.

REMUNERATION METHODS

There are generally four methods that can be used to calculate the remuneration charged by an insolvency practitioner. They are: -

1. Time Based/Hourly Rate Method
This is the most common used method. The total fee charged is based on the hourly rate charged by each person who carried out the work multiplied by the number of hours spent by each person on each of the tasks performed. The relevant rate charged per person is based on that person's experience and is usually set by market conditions.
2. Fixed Fee Method
This is where the total fees charged is normally quoted at the commencement of the administration and is the total cost for the administration. Sometimes a practitioner will finalise the administration for a fixed fee.
3. Percentage Fee Method
This is where fees are based on a percentage of a particular variable, such as the proceeds of asset realisations.
4. Contingency Method
This is where fees are structured to be contingent on a particular outcome being achieved.

REMUNERATION METHOD FOR THE LIQUIDATION OF THE COMPANY

The remuneration of the Joint & Several Administrators, the partners of Jirsch Sutherland, and their staff for the conduct of the administration of the Company will be calculated on the basis of time spent at the level appropriate to the work performed. That is, the Time Based/Hourly Rates Method will be adopted for the administration of the Company.

We have adopted the Time Based/Hourly Rates Method due to the following reasons: -

- i. It is our opinion that the Percentage of Assets Method is not appropriate as we are not fully aware of all of the assets of the Company as at the date of our appointment and therefore we may either overstate or understate the level of fees for the administration;
- ii. It is our opinion that the Fixed Fee Method and Contingency Method is not appropriate as we are not fully aware of all of the work necessary to bring to a conclusion the administration of the Company as at the date of our appointment and therefore we may either overstate or understate the level of fees for the administration; and
- iii. It ensures that creditors in the administration are only charged fees for work that is actually performed by the Administrators, their partners and staff.

CURRENT SCHEDULE OF RATES

We attach as **Annexure "A"** the current schedule of remuneration and disbursement rates adopted by Jirsch Sutherland, which will be applicable to this administration.

INFORMATION FOR CREDITORS ON REMUNERATION

We attach as **Annexure "B"** an information sheet produced by the Australian Securities & Investments Commission ("ASIC") titled Approving Fees – A Guide for Creditors.

ESTIMATE OF REMUNERATION

We are unable at this time to provide an estimate of our remuneration for the conduct of the Voluntary Administration as the scope of this matter is currently uncertain.

STAFF RESPONSIBLE FOR THE ADMINISTRATION OF THE COMPANY

The following persons will be responsible for the conduct of the administration of the Company: -

NAME	TITLE	HOURLY RATE (\$ EX. GST)
Sule Arnautovic	Administrator/Partner	560
Glenn Anthony Crisp	Administrator/Partner	560
Amanda Arnautovic	Principal	485
Kathryn Gesilva	Supervisor 1	380
Timothy Kelly	Senior 2	305
Louise Sutherland	Intermediate 2	255
Administrative Staff	Various	\$100 - \$200

The hourly rates charged encompass the total cost of providing professional services and should not be compared to an hourly wage.

Creditors should note that other staff may be required to work on the administration of the Company.

REMUNERATION RECOVERABLE FROM EXTERNAL SOURCES

During the course of this administration, funds may be paid to the Joint & Several Administrators from external sources (i.e. not from the Company's assets/recoveries) to assist with the conduct of certain aspects of work required to be undertaken.

In this regard, if applicable to this administration, we may seek funding from one of the following external sources:

- i. Department of Employment, Education and Workplace Relations ("DEEWR") in relation to administering the calculation and payment of outstanding employee entitlements under the Fair Entitlements Guarantee Act 2012 ("FEG");
- ii. Australian Securities and Investments Commission - Assetless Administration Fund ("ASIC") to assist with matters identified within our investigations;
- iii. Unsecured creditors of the Company to assist with the pursuit of actions identified within our investigations;
- iv. Secured creditors of the Company to assist with the realisation of assets;
- v. Litigation Funding providers to assist with the pursuit of actions identified within our investigations; and
- vi. Indemnities or upfront payments provided at the outset of our appointment from the directors, shareholders or other associates of the Company.

Any funds received from the above external sources, will be paid into the administration bank account, as administered by us, and all professional time charged in relation to the relevant work will be charged to the administration. In the event that remuneration is charged to the administration over and above the amount of funding provided by the external source, any shortfall amount will be a cost direct to the administration on the basis that the remuneration is necessary and is properly incurred. Any remuneration drawn in respect to the above work, will relate to remuneration as approved by creditors or the Court, if such approval is required under Law.

DETAILS OF CURRENT EXTERNAL FUNDING

We advise that as at the date of this report, there are no external funding arrangements in place.

DISBURSEMENTS

All disbursements charged to the Company will be charged in accordance with the current schedule of remuneration and disbursement rates adopted by Jirsch Sutherland and attached as **Annexure "A"**.

There are a number of unknown variables (at this time) which may have a significant effect on this disbursements estimate. We will keep creditors advised of the details of our disbursements in our future reports to creditors.

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

Dated this 10th day of November 2014



SULE ARNAUTOVIC
Joint & Several Administrator

ANNEXURE "A"

HOURLY REMUNERATION RATES EFFECTIVE 1 JULY 2014



Classification	Guide to level of Relevant Experience	Amount (\$Ex. GST)
Partners	Generally in excess of 10 years' experience. Maybe a Registered Liquidator, Official Liquidator and/or Trustee. Maybe CA and/or CPA qualified. Brings specialist skills to the appointment.	560
Senior Managers, Principals or Directors	More than 8 years' experience. Maybe ARITA (formerly IPA), CA and/or CPA qualified. Maybe a Registered Liquidator, Official Liquidator and/or Trustee. Well-developed technical and commercial skills. Answerable to the Appointee (if not acting as the actual Appointee), but otherwise responsible for all aspects of an appointment. Experienced at all levels and considered very competent. Controls staff and their training.	485
Manager 1	More than 6 years' experience. Maybe ARITA (formerly IPA), CA and/or CPA qualified. Well-developed technical and commercial skills. Answerable to the appointee but otherwise responsible for all aspects of an appointment. Will have had conduct of minor administrations. Controls staff and their training.	460
Manager 2	More than 5 years' experience. Maybe ARITA (formerly IPA), CA and/or CPA qualified or undertaking study. Well-developed technical and commercial skills. Will have had conduct of minor administrations. Controls a small to medium team of staff. Answerable to the appointee.	435
Forensic Accountants	Experienced accountant. Maybe CA and/or CPA qualified. High level of investigative accounting skills. Experience with providing litigation support for a wide range of varying matters including insolvency related matters and fraud investigations.	430
Supervisor 1	Has 4 to 6 years' experience. May hold undergraduate degree and maybe undertaking ARITA (formerly IPA), CA/CPA study. Will have had conduct of minor administrations and experience in control of one to three staff, assists planning and control of medium to larger administrations. Answerable to a Manager and/or an appointee if applicable.	380
Supervisor 2	More than 4 years' experience. May hold undergraduate degree and maybe undertaking ARITA (formerly IPA), CA/CPA study. Will have had conduct of minor administrations and experience in control of one to three staff, assists planning and control of medium administrations. Answerable to a Manager and/or an appointee if applicable.	355
Senior 1	Has 2 to 4 years' experience. May hold undergraduate degree and may commence the ARITA (formerly IPA) course. Assists planning and control of small to medium sized administrations as well as performing some of the more difficult work on larger administrations. Answerable to more senior staff.	330
Senior 2	Has 1 to 3 years' experience. May hold undergraduate degree and may commence the ARITA (formerly IPA), course. Required to control the fieldwork on small administrations and is responsible for assisting complete fieldwork on medium sized administrations. Answerable to more senior staff.	305
Intermediate 1	Up to 2 years' experience. Maybe undertaking an undergraduate degree. Required to assist in day-to-day fieldwork under supervision of more senior staff. Answerable to more senior staff.	280
Intermediate 2	Up to 1 year experience. Maybe undertaking an undergraduate degree. Required to assist in day-to-day fieldwork under supervision of more senior staff. Answerable to more senior staff.	255
Graduates/ Accountant	Trainee with a less than 1 year of experience. Maybe undertaking an undergraduate degree. Required to assist in day-to-day fieldwork under supervision of more senior staff including books and records management. Answerable to more senior staff.	205
Administration Staff – Senior	Appropriately experienced and undertakes support activities, including but not limited to word processing, maintaining the bookkeeping tasks including, receipts & payments and managing the cash book, preparing bank reconciliations and statutory lodgements for the ASIC and the ATO, accounts processing and books and records management. Answerable to Managers and/or more senior staff.	205
Administration Staff – Junior	Appropriately experienced and undertakes support activities. Answerable to more senior staff. These staff may typically be local or foreign (outsourced) administrative contractors.	150
Cadets	Trainee, very little experience. Required to assist in day-to-day fieldwork under supervision of more senior staff including books and records management. Answerable to more senior staff.	100

Notes:

- Remuneration is calculated on a time cost basis in accordance with the above rates and Jirsch Sutherland administers this time cost record via APS, a computerised software program.
- Staff members are classified in accordance with academic qualifications and/or relevant experience.
- Rates are generally reviewed at twelve (12) monthly intervals and are therefore subject to change from time to time. Any increase in rates will be in accordance with the consumer price index.
- The hourly rates charged encompass the total cost of providing professional services and should not be compared to an hourly wage.
- Any contingency arrangement/percentage of assets arrangement within the scope of the ARITA Code is not applicable as a standard charge; this requires a Creditors' resolution and /or Court Approval.
- Disbursements are calculated on the following basis:

Disbursements	Rate (\$ Ex. GST)
Standard Photocopy - Per Page	0.75
Colour Photocopy - Per Page	1.50
Facsimile - Per page	2.00
ASIC/PPSR Search Requests - Per Search Request	50.00
Vehicle/Vessel Search Requests - Per Search Request	35.00
LPI & Property Search Requests - Per Search Request	25.00
Other Statutory Searches	Cost + 10%
Statutory Advertising: ASIC Insolvency Notices	At Cost
Other Print Advertising	Cost + 10%
Vehicle Mileage Travel Costs - Cents Per Kilometre	0.75
Postage	Cost + 10%
Couriers	Cost + 10%
Security Storage	Cost + 10%
All Other Expenses & Disbursements	At Cost



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INFORMATION SHEET 85 APPROVING FEES: A GUIDE FOR CREDITORS

If a company is in financial difficulty, it can be put under the control of an independent external administrator.

This information sheet gives general information for creditors on the approval of an external administrator's fees in a liquidation of an insolvent company, voluntary administration or deed of company arrangement (other forms of external administration are not discussed in this information sheet). It outlines the rights that creditors have in the approval process.

ENTITLEMENT TO FEES AND COSTS

A liquidator, voluntary administrator or deed administrator (i.e. an 'external administrator') is entitled to be:

- paid reasonable fees, or remuneration, for the work they perform, once these fees have been approved by a creditors' committee, creditors or a court, and
- reimbursed for out-of-pocket costs incurred in performing their role (these costs do not need creditors' committee, creditor or court approval).

External administrators are only entitled to an amount of fees that is reasonable for the work that they and their staff properly perform in the external administration. What is reasonable will depend on the type of external administration and the issues that need to be resolved. Some are straightforward, while others are more complex.

External administrators must undertake some tasks that may not directly benefit creditors. These include reporting potential breaches of the law and lodging a detailed listing of receipts and payments with ASIC every six months. The external administrator is entitled to be paid for completing these statutory tasks.

For more on the tasks involved, see ASIC's information sheets INFO 45 Liquidation: a guide for creditors and INFO 74 Voluntary administration: a guide for creditors.

Out-of-pocket costs that are commonly reimbursed include:

- legal fees
- valuer's, real estate agent's and auctioneer's fees
- stationery, photocopying, telephone and postage costs
- retrieval costs for recovering the company's computer records, and
- storage costs for the company's books and records.

Important note: This information sheet contains a summary of basic information on the topic. It is not a substitute for legal advice. Some provisions of the law referred to may have important exceptions or qualifications. This document may not contain all of the information about the law or the exceptions and qualifications that are relevant to your circumstances. You will need a qualified professional adviser to take into account your particular circumstances and to tell you how the law applies to you.

Creditors have a direct interest in the level of fees and costs, as the external administrator will, generally, be paid from the company's available assets before any payments to creditors. If there are not enough assets, the external administrator may have arranged for a third party to pay any shortfall. As a creditor, you should receive details of such an arrangement. If there are not enough assets to pay the fees and costs, and there is no third party payment arrangement, any shortfall is not paid.

WHO MAY APPROVE FEES

Who may approve fees depends on the type of external administration: see Table 1. The external administrator must provide sufficient information to enable the relevant decision-making body to assess whether the fees are reasonable.

Table 1: Who may approve fees

TABLE 1: WHO MAY APPROVE FEES		CREDITORS' COMMITTEE	CREDITORS	COURT
Administrator	in a voluntary administration	✓ ¹	✓	✓
Administrator	of a deed of company arrangement	✓ ¹	✓	✓
Creditors'	voluntary liquidator	✓ ¹	✓ ⁵	× ³
Court-appointed	liquidator	✓ ¹	✓ ^{4,5}	✓ ²

1. If there is one.
2. If there is no approval by the committee or the creditors.
3. Unless an application is made for a fee review.
4. If there is no creditors' committee or the committee fails to approve the fees.
5. If insufficient creditors turn up to the meeting called by the liquidator to approve fees, the liquidator is entitled to be paid up to a maximum of \$5000, or more if specified in the Corporations Regulations 2001.

CREDITORS' COMMITTEE APPROVAL

If there is a creditors' committee, members are chosen by a vote of creditors as a whole. In approving the fees, the members represent the interests of all the creditors, not just their own individual interests.

There is not a creditors' committee in every external administration. A creditors' committee makes its decision by a majority in number of its members present at a meeting, but it can only act if a majority of its members attend.

To find out more about creditors' committees and how they are formed, see ASIC's information sheets INFO 45 Liquidation: a guide for creditors, INFO 74 Voluntary administration: a guide for creditors and INFO 41 Insolvency: a glossary of terms.

CREDITORS' APPROVAL

Creditors approve fees by passing a resolution at a creditors' meeting. Unless creditors call for a poll the resolution is passed if a simple majority of creditors present and voting, in person or by proxy, indicate that they agree to the resolution. Unlike where acting as committee members, creditors may vote according to their individual interests.

If a poll is taken, rather than a vote being decided on the voices or by a show of hands, a majority in number and value of creditors present and voting must agree. A poll requires the votes of each creditor to be recorded.

A separate resolution of creditors is required for approving fees for an administrator in a voluntary administration and an administrator of a deed of company arrangement, even if the administrator is the same person in both administrations.

A proxy is where a creditor appoints someone else to represent them at a creditors' meeting and to vote on their behalf. A proxy can be either a general proxy or a special proxy. A general proxy allows the person holding the proxy to vote as they wish on a resolution, while a special proxy directs the proxy holder to vote in a particular way.

A creditor will sometimes appoint the external administrator as a proxy to vote on the creditor's behalf. An external administrator, their partners or staff must not use a general proxy to vote on approval of their fees; they must hold a special proxy in order to do this. They must vote all special proxies as directed, even those against approval of their fees.

CALCULATION OF FEES

Fees may be calculated using one of a number of different methods, such as:

- on the basis of time spent by the external administrator and their staff
- a quoted fixed fee, based on an upfront estimate, or
- a percentage of asset realisations.

Charging on a time basis is the most common method. External administrators have a scale of hourly rates, with different rates for each category of staff working on the external administration, including the external administrator.

If the external administrator intends to charge on a time basis, you should receive a copy of these hourly rates soon after their appointment and before you are asked to approve the fees.

The external administrator and their staff will record the time taken for the various tasks involved, and a record will be kept of the nature of the work performed.

It is important to note that the hourly rates do not represent an hourly wage for the external administrator and their staff. The external administrator is running a business—an insolvency practice—and the hourly rates will be based on the cost of running the business, including overheads such as rent for business premises, utilities, wages and superannuation for staff who are not charged out at an hourly rate (such as personal assistants), information technology support, office equipment and supplies, insurances, taxes, and a profit.

External administrators are professionals who are required to have qualifications and experience, be independent and maintain up-to-date skills. Many of the costs of running an insolvency practice are fixed costs that must be paid, even if there are insufficient assets available to pay the external administrator for their services. External administrators compete for work and their rates should reflect this.

These are all matters that committee members or creditors should be aware of when considering the fees presented. However, regardless of these matters, creditors have a right to question the external administrator about the fees and whether the rates are negotiable.

It is up to the external administrator to justify why the method chosen for calculating fees is an appropriate method for the particular external administration. As a creditor, you also have a right to question the external administrator about the calculation method used and how the calculation was made.

REPORT ON PROPOSED FEES

When seeking approval of fees, the external administrator must send committee members/creditors a report with the notice of meeting setting out:

- information that will enable the committee members/creditors to make an informed assessment of whether the proposed fees are reasonable
- a summary description of the major tasks performed, or to be performed, and
- the costs associated with each of these tasks.

Committee members/creditors may be asked to approve fees for work already performed or based on an estimate of work yet to be carried out.

If the work is yet to be carried out, it is advisable to set a maximum limit ('cap') on the amount that the external administrator may receive. For example, future fees calculated according to time spent may be approved on the basis of the number of hours worked at the rates charged (as set out in the provided rate scale) up to a cap of \$X. If the work involved then exceeds this figure, the external administrator will have to ask the creditors' committee/creditors to approve a further amount of fees, after accounting for the fees already incurred.

DECIDING IF FEES ARE REASONABLE

If asked to approve an amount of fees either as a committee member or by resolution at a creditors' meeting, your task is to decide if that amount of fees is reasonable, given the work carried out in the external administration and the results of that work.

You may find the following information from the external administrator useful in deciding if the fees claimed are reasonable:

- the method used to calculate fees
- the major tasks that have been performed, or are likely to be performed, for the fees
- the fees/estimated fees (as applicable) for each of the major tasks
- the size and complexity (or otherwise) of the external administration
- the amount of fees (if any) that have previously been approved
- if the fees are calculated, in whole or in part, on a time basis:
 - the period over which the work was, or is likely to be performed
 - if the fees are for work that has already been carried out, the time spent by each level of staff on each of the major tasks
 - if the fees are for work that is yet to be carried out, whether the fees are capped.
- If you need more information about fees than is provided in the external administrator's report, you should let them know before the meeting at which fees will be voted on.

WHAT CAN YOU DO IF YOU THINK THE FEES ARE NOT REASONABLE?

If you do not think the fees being claimed are reasonable, you should raise your concerns with the external administrator. It is your decision whether to vote in favour of, or against, a resolution to approve fees.

Generally, if fees are approved by a creditors' committee/creditors and you wish to challenge this decision, you may apply to the court and ask the court to review the fees. Special rules apply to court liquidations.

You may wish to seek your own legal advice if you are considering applying for a court review of the fees.

REIMBURSEMENT OF OUT-OF-POCKET COSTS

An external administrator should be very careful incurring costs that must be paid from the external administration—as careful as if they were dealing with their own money. Their report on fees should also include information on the out-of-pocket costs of the external administration.

If you have questions about any of these costs, you should ask the external administrator and, if necessary, bring it up at a creditors' committee/creditors' meeting. If you are still concerned, you have the right to ask the court to review the costs.

QUERIES AND COMPLAINTS

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

ASIC Complaints
PO Box 9149
TRARALGON VIC 3844

ASIC will usually not become involved in matters of commercial judgement by an external administrator. Complaints against companies and their officers can also be made to ASIC. For other enquiries, email ASIC through infoline@asic.gov.au, or call ASIC's Infoline on 1300 300 630 for the cost of a local call.

TO FIND OUT MORE

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

- INFO 74 Voluntary administration: a guide for creditors
- INFO 75 Voluntary administration: a guide for employees
- INFO 45 Liquidation: a guide for creditors
- INFO 46 Liquidation: a guide for employees
- INFO 54 Receivership: a guide for creditors
- INFO 55 Receivership: a guide for employees
- INFO 43 Insolvency: a guide for shareholders
- INFO 42 Insolvency: a guide for directors
- INFO 84 Independence of external administrators: a guide for creditors

These are also available from the Australian Restructuring, Insolvency & Turnaround Association (ARITA) website at www.arita.com.au. The ARITA website also contains ARITA's Code of Professional Practice for Insolvency Professionals, which applies to ARITA members.



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INSOLVENCY INFORMATION FOR DIRECTORS, EMPLOYEES, CREDITORS AND SHAREHOLDERS

ASIC has 11 insolvency information sheets to assist you if you're affected by a Company's insolvency and have little or no knowledge of what's involved.

These plain language information sheets give directors, employees, creditors and shareholders a basic understanding of the three most common Company insolvency procedures—liquidation, voluntary administration and receivership. There is an information sheet on the independence of external administrators and one that explains the process for approving the fees of external administrators. A glossary of commonly used insolvency terms is also provided.

The Australian Restructuring, Insolvency & Turnaround Association ("ARITA"), the leading professional organisation in Australia for insolvency practitioners, endorses these publications and encourages its members to make their availability known to affected people.

LIST OF INFORMATION SHEETS

- INFO 41 Insolvency: a glossary of terms
- INFO 74 Voluntary administration: a guide for creditors
- INFO 75 Voluntary administration: a guide for employees
- INFO 45 Liquidation: a guide for creditors
- INFO 46 Liquidation: a guide for employees
- INFO 54 Receivership: a guide for creditors
- INFO 55 Receivership: a guide for employees
- INFO 43 Insolvency: a guide for shareholders
- INFO 42 Insolvency: a guide for directors
- INFO 84 Independence of external administrators: a guide for creditors
- INFO 85 Approving fees: a guide for creditors

GETTING COPIES OF THE INFORMATION SHEETS

To get copies of the information sheets, visit ASIC's website at www.asic.gov.au/insolvencyinfosheets. The information sheets are also available from the ARITA website at www.arita.com.au. The ARITA website also contains the ARITA's Code of Professional Practice for Insolvency Professionals, which applies to ARITA members.

Important note: This information sheet contains a summary of basic information on the topic. It is not a substitute for legal advice. Some provisions of the law referred to may have important exceptions or qualifications. This document may not contain all of the information about the law or the exceptions and qualifications that are relevant to your circumstances. You will need a qualified professional adviser to take into account your particular circumstances and to tell you how the law applies to you.