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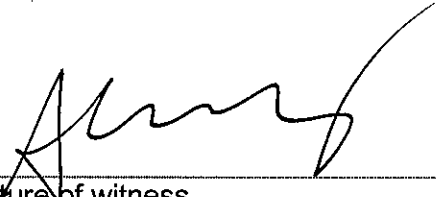
IN THE SUPREME COURT OF NEW SOUTH WALES
DIVISION: EQUITY
LIST: CORPORATIONS
REGISTRY: SYDNEY

No. of 2016

IN THE MATTER OF KUPANG RESOURCES LIMITED (SUBJECT TO DEED OF
COMPANY ARRANGEMENT) (RECEIVERS AND MANAGERS APPOINTED)
ACN: 098 773 785

**Damien Mark Hodgkinson (in his capacity as
deed administrator of Kupang Resources
Limited (Subject to Deed of Company Arrangement)
(receivers and managers appointed)
ACN 098 773 375
Plaintiff**

This is the Exhibit marked "**DMH-1**" referred to in the Affidavit of Damien Mark Hodgkinson affirmed on 27 July 2016.



Signature of witness

Filed on behalf of (name & role of party)	The Plaintiff		
Prepared by (name of person/lawyer)	Amanda Banton, Solicitor for the Plaintiff		
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DAMIEN HODGKINSON

STRATEGIC TRANSFORMATION + CRISIS MANAGEMENT

- PERSONAL SUMMARY -

Damien is Managing Director of DEM Australasia, a company he established in 2012 to meet the needs of organisations going through stress and distressed driven change.

Damien develops strategic solutions for groups dealing in crisis management and/or distress investment. He has over 28 years experience working with distressed companies in the financial assessment, recoverability, and sustainability of risk assets.

Damien is also passionate about community and provides his transformation and governance skills to a number of not for profit organisations seeking to re-align themselves with their changing needs and expectations.

"By reducing uncertainty, hedging risk and creating a buffer which distinguishes your business from that of your competitors, all contributes to putting you in the best position to take advantage of opportunities when others cannot."

- PROFESSIONAL EXPERIENCE -

Damien started his career with Arthur Andersen in Melbourne in their Insolvency practice before moving to Ferrier Hodgson in Sydney.

In 1996 he relocated to Hong Kong where he joined boutique restructuring firm RSM Nelson Wheeler as a partner. He has worked across the Asia Pacific and South America on complex cross border organisations representing lenders in the realisation of offshore assets in North American multinational companies including Akai Electric (Japan), Johnson and Evinrude (USA), and HIH Winterthur (Hong Kong).

Damien was the partner responsible for all regional offices in Thailand, Singapore and Malaysia including its affiliation relationships in Indonesia.

Damien was also a registered Liquidator in Hong Kong and Bermuda.

He has acted as corporate restructuring leader on numerous operational restructuring assignments across Asia, South America and Australia where he was appointed as Provisional Liquidator, Adviser or CRO reporting to Management and Creditors assisting distressed companies go through rapid cost reduction, crisis cash management and strategic change and formal insolvency

- Damien was Provisional Liquidator of Akai Holdings with operations in the USA, Germany, UK, Japan, Mainland China and South East Asia overseeing the identification and recovery of assets from entities in multiple jurisdictions.
- Damien acted for Vivendi in its attempted acquisition of PT Steadysafe, the largest Indonesian transport operator.
- Damien acted as advisor to a number of Indonesian families on the recovery and management of insolvent assets in Indonesia.
- Damien oversaw the management of Lehman Brothers Australian investments on behalf of KPMG Hong Kong including its investments in Indonesia.
- Damien managed the Provisional Liquidation of OMC Asia Inc the manufacturers of Johnson and Evinrude outboard motors and the sale and realisation of their offshore distribution entities including Indonesia.
- Advisor to syndicate of 30 banks to Thakral Corporation Limited a Singapore listed electronic distributor on its sustainable debt.

- EXPERTISE -

Damien's industry and strategic expertise focuses on three key markets:

- Hospitality Media and Entertainment
- Energy and Mining
- Education and Training

- EDUCATION -

- Bachelor of Commerce from University of Melbourne
- Member of Institute of Chartered Accountants
- Member of the Australian Restructuring and Turnaround Association.
- Registered Liquidator - Australia



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SYDNEY + HONG KONG + LOS ANGELES



DEM AUSTRALASIA

KUPANG RESOURCES LIMITED
(SUBJECT TO DEED OF COMPANY ARRANGEMENT)
(RECEIVERS AND MANAGERS APPOINTED)

INDEPENDENT EXPERT'S REPORT - DRAFT

26 JULY 2016



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Annexure 1	Report to Creditors dated 25 August 2015 pursuant to Section 439A of the Act
Annexure 2	Approved DOCA
Annexure 3	Information relied upon
Annexure 4	Technical Mining Expert Report
Annexure 5	Confidential Extract - Litigation Claims



GLOSSARY

Abbreviation	Full Text
439A Report the Act	Report to Creditors dated 25 August 2015 pursuant to Section 439A of the Act Corporations Act 2001 (Commonwealth)
Alliance Agreement	The funding terms sheet entered on 10 August 2010 between the Company and Cape Lambert regarding ILP and Murchison for \$6.5M
Approved DOCA	The DOCA approved by the creditors of the Company at the second meeting of creditors on 2 September 2015
ASIC	Australian Securities & Investments Commission
ASX	Australian Securities Exchange
AUD or AU\$	Australian Dollar
BV	Book Value
CFE	Cape Lambert Resources Limited
Company	Kupang Resources Limited (Subject to Deed of Company Arrangement) (Receivers and Managers Appointed)
Court	Supreme Court of New South Wales
CVL	Creditors' Voluntary Liquidation
D&O Insurance Policy	The directors' and officers' insurance policy number 0300012895
Directors	Directors of the Company
Deed Administrator	Damien Mark Hodgkinson
Deed of Forgiveness	The deed of forgiveness between the Company and Kimberly Resources dated 28 March 2014
DOCA Deed of Company Arrangement	
Enterprise Value	Enterprise value is the total Company value (including debt and equity)
ERV	Estimated Realisable Value

Abbreviation	Full Text
FY	Financial Year
Fund Holder. PT DUV.	PT Digjaya Untung Valasindo
GMT	PT GMT Indonesia
Grimaldi Proceedings	Litigation commenced by the Company against Mr Phillip Grimaldi, Murchison and Pinnacle in respect of the use of misappropriated Company funds
ILP or Secured Creditor	International Litigation Partners Pte Limited
Judgment Debt	The Judgment ILP obtained in the High Court of Australia against the Company in the amount of \$8,381,144
Kimberly Resources	Kimberly Resources Limited
Kupang	Kupang Resources Limited (Subject to Deed of Company Arrangement) (Receivers and Managers Appointed)
Kupang JV	The Company's acquisition of a 55% interest in a manganese project located in the Indonesian province of Nusa Tenggara Timur JV as set out in section 4.1.4
MKI	PT Mangan Kupang Industri
Murchison	Murchison Metals Ltd
NTT	NTT Manganese Pty Ltd
Petra	Petra Commodities Pte Ltd
Pinnacle	Pinnacle Nominees Pty Limited
Premises	18 Oxford Close, West Leederville, Western Australia
Proposed Recapitalisation	The proposed recapitalisation of the Company pursuant to Section 444GA of the Act and as contemplated in the Approved DOCA
RATA	Report as to Affairs
Receivers and Managers	Messrs Quentin James Olde and Nathan Vance Landrey
Secured Creditor	ILP
Shareholders	Shareholders of the Company
Standby Facility	A stand by working capital facility promised by Cape Lambert to the Company under the Alliance Agreement in the amount of \$6.5M
Transactions	Means the Alliance Agreement, the Deed of Forgiveness, the Termination of the ILP Funding Agreement and the Kupang JV



Abbreviation	Full Text
Technical Mining Expert Report	The Technical Mining Expert Report prepared by PT GMT Indonesia 21 April 2016
Termination of the ILP Funding Agreement	The termination of the funding agreement between the Company and ILP dated 28 October 2008
TM	PT Tanjung Mas
USD or US\$	United States Dollar



1. INTRODUCTION

1.1 APPOINTMENT

On 29 July 2015 I, Damien Mark Hodgkinson, was appointed Voluntary Administrator of Kupang Resources Limited, ACN 098 773 785, formerly known as Chameleon Mining NL (hereafter referred to as the "Company") by International Litigation Partners Pte Limited ("ILP") pursuant to Section 436C of the *Corporations Act 2001* (the "Act").

Prior to this, on 6 August 2014, ILP appointed Messrs Quentin James Olde and Nathan Vance Landrey of FTI Consulting ("FTI") as receivers and managers of the Company ("Receivers and Managers"). The appointment of the Receivers and Managers was challenged by the Company wherein it obtained an interim injunction preventing the Receivers and Managers from taking any action pending the Court's determination on the validity of their appointment. The Company's application was dismissed, as was its appeal of that decision, and on 28 May 2015, the Receivers and Managers assumed control of the Company's business and assets.

On 25 August 2015, I issued a report pursuant to Section 439A of the Act to creditors ("**439A Report**"). A copy of which is attached to this report as **Annexure 1**, that detailed the deed of company arrangement ("**DOCA**") for the Company as proposed by ILP.

On 2 September 2015, the second meeting of creditors for the Company was held and the creditors voted in favour of the Approved DOCA and I became Deed Administrator on 9 September 2015. A copy of the Approved DOCA is attached to this report as **Annexure 2**.

Please refer to section 7 of this report for further details on the Approved DOCA and other proposals received.

1.1.1 *Control of the Company's Assets and Business*

As at the date of this report, the Receivers and Managers remain in control of the Company's assets being the shares in non trading subsidiaries pursuant to the corporate structure at section 3.1 of this report. There were no funds available as at the date of my appointment for the purposes of the administration of the Company. Funding for the administration was provided by ILP.

1.1.2 *Listing on the Australian Stock Exchange*

The Company is currently an unlisted public company.

The Company's shares were suspended from trade on the Australian Stock Exchange ("ASX") on 6 August 2014. The shares last traded at 4 cents a share before their suspension.

Following my appointment, the ASX issued the Company with a Tax Invoice in the amount of \$27,500 (GST inclusive), being for the Company's ASX listing annual subscription fee for the financial year 2015/16. On 5 August 2015, I invited shareholders, directors and ILP to fund the payment of the ASX subscription fee to maintain the Company's listing, however no funds were received. Consequently, the Company was removed from the ASX official list pursuant to ASX Listing Rule 17.15. on 29 August 2015

1.2 SCOPE OF WORK

This report has been prepared for the purposes of the proposed recapitalisation of the Company under Section 444GA of the Act and as set out in the Approved DOCA ("**Proposed Recapitalisation**").

The sole purpose of this report is to provide an independent assessment of the value of existing issued shares in the Company, and should not be used for any other purpose.

1.3 INFORMATION

A list of the information provided to me and referred to in this report is set out in **Annexure 3**.

My review has not involved an assurance review or audit of the information and documents relied upon for the purposes of this report. I have not, except as appears below:

- Reviewed the documents for evidence of forgery or fabrication;
- Undertaken "forensic information technology" analysis to determine the origin or authenticity of the documents.

From the review and enquiries I have made in relation to the information available to me, I believe that the information is reasonable for the scope of work set out in section

1.2 and that they are reasonable grounds for the enterprise value set out at section 8 of this report.

A glossary of terms included in this report is set out from page 5 of this report.

1.4 RELIANCE ON INDEPENDENT TECHNICAL EXPERT

The Australian Securities and Investments Commission ("ASIC") Regulatory Guidelines provide for the use of a technical expert if the independent expert does not possess the required expertise in assessing the value of certain assets. PT GMT Indonesia ("GMT"), an independent Indonesian mining consultancy firm, was engaged by me to prepare an independent technical mining report ("Technical Mining Expert Report"). A copy of the Technical Mining Expert Report is attached to this report at **Annexure 4**.

The Technical Mining Expert Report was prepared in accordance with the requirements of AusIMM and Valmin Code.

I have relied on the Technical Mining Expert Report in forming my view on the enterprise value of the Company.

1.5 PRE-EXISTING RELATIONSHIPS

I have read the ASIC Regulatory Guide 112 on independence for experts and am of the opinion that:

- There is no actual, or perceived, conflict of interest
- There is no actual, or perceived, threat to independence
- There is no other reason for which the engagement could not be accepted.

I do not consider that my previous role as voluntary administrator of the Company or my current role as Deed Administrator impacts upon my independence.

1.5.1 Previous and Existing Relationships

In accordance with Regulatory Guide 112.23 and RG112.28 to RG112.36, following is a summary of previous engagements relating to the Company.

Table 1 – Previous and Existing Engagements

Date	Engaging and Invoiced Party	Notes
29 July 2015 to 9 September 2015	Appointment pursuant to section 436C of the Act Invoiced to Kupang Resources Limited (Administrator Appointed) following approval by creditors pursuant to the Act and funded by ILP in accordance with the terms of the Approved DOCA	Voluntary Administrator
9 September 2015 to current	Appointment pursuant to the terms of the Approved DOCA. Invoiced to Kupang Resources Limited (Subject to Deed of Company Arrangement) (Receivers and Managers Appointed) following approval by creditors pursuant to the Act and funded by ILP in accordance with the terms of the Approved DOCA	Deed (ongoing) Administrator

No strategic advice was provided to the Company or any of its creditors or shareholders in respect of the engagements above.

My involvement as Deed Administrator enables me to prepare this report with the benefit of an understanding of the Company's operations and the consequences of the Company not entering into a DOCA.

1.5.2 Other Considerations

I have not previously:

- Provided strategic advice to the Company, with the exception of the work for the preparation of an orderly voluntary administration;
- Prepared an independent expert's report in relation to the Company.

1.5.3 Conclusion

In my opinion, the engagements outlined in this section do not impair my independence and the previous work streams support my understanding of the nature of the Company and its issues.

1.6 LIMITATIONS AND RELIANCE

This report has been prepared, and may be relied on, solely for the purpose set out at section 1.2 of this report. This report, or any part of it, may only be published or distributed:

- For the purpose specified in section 1.2 of this report; or
- In accordance with any law or by order of a court of competent jurisdiction.

My written consent must be obtained prior to relying upon, publishing or distribution this report, or any part of it, for any purpose other than that detailed above. Neither DEM Australasia nor I accept responsibility to anyone if this report is used for some other purpose and/or without consent.

In preparation of this report, I relied on information set out at **Annexure 3** and have had discussions with management and directors in relation to operations, financial position, and history of the Company.

The information provided to me has been evaluated through analysis, enquiry and review for the purposes of this report and forming an opinion as to the value of existing issued shares. Whilst I do not warrant that my enquiries have identified all matters that an audit, due diligence or tax investigation might disclose, we believe that the information is reasonable for the scope of my work set out herein.

In forming my opinion, I have also assumed that:

- The publically available information relied upon by for the purposes of this report is accurate and not misleading
- The Proposed Recapitalisation as set out in the Approved DOCA dated 9 September 2016 will be implemented in accordance with its terms.

The statements and opinions given in this report are given in good faith and in the belief that such statements and opinions are not false or misleading.

I reserve the right, should it be considered necessary, to revise the opinions expressed in this Report should information that is material to my assessment and which has not previously been available or becomes known to me after the delivery of this report.

1.7 ASSISTANCE BY COLLEAGUES

I supervised and reviewed the work undertaken by my staff. I have reviewed their work and the original documents where required, and confirm the conclusions expressed in this Report are mine.

1.8 STATEMENT REGARDING EXPERT WITNESS CODE

I am aware that this report will be tendered to the Court as part of the evidence in support of the application pursuant to Section 444GA of the Act, which is a condition of the Approved DOCA.

I have read the *Expert Witness Code of Conduct* contained in Schedule 7 of the *Uniform Civil Procedure Rules 2005* and agree to be bound by it for the purposes of this report.

I have complied with the requirements of both *APES 275 – Forensic Accounting Services* and *APES 225 – Valuation Services*, the professional code of practice of CPA Australia and the Institute of Chartered Accountants of Australia.

1.9 SUMMARY OF OBSERVATIONS AND CONCLUSIONS

I summarise my observations and conclusions below:

- The Company has two principal categories of assets, its mining interests in the Kupang JV and its interest in various litigation claims.
- The value of the Kupang JV has been independently valued by GMT at between \$775,000 and \$1,015,000, which can only be realised through a liquidation of the Indonesian entities in which the Company holds a direct interest. This would result in a return to the Company through liquidation of between \$22,500 and \$479,536 through the intercompany loans.
- The Company would need to obtain funding from a litigation funder in order to pursue the identified litigation claims at section 4 of this report. The recovery of the claims is subjective, and the return for the company can only be estimated.
- After the costs of realisation and the claims of the secured creditor and priority creditors there are no funds available to provide a distribution to unsecured creditors.
- Given that the return to unsecured creditors as set out in the **Table 2** is less than 100 cents, than the value of shares for existing shareholders is nil.



The table below summaries the estimated return to creditors and existing shareholders under the following scenarios:

- Approved DOCA (Low)
- Approved DOCA (High)
- Creditors' Voluntary Liquidation ("CVL") (Low)
- CVL (High)

Table 2: Kupang Resources Limited - Summary of Estimated Return to Creditors

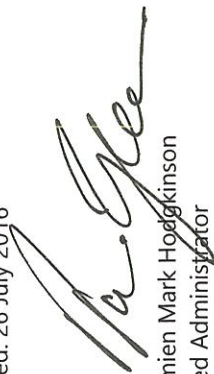
Kupang Resources Limited

(Subject to Deed of Company Arrangement) (Receivers and Managers Appointed)
ACN: 098 773 785

Estimated Return to Creditors

	Directors' RATA	Approved DOCA Low Scenario		Approved DOCA High Scenario		CVL Low Scenario		CVL High Scenario	
		cents/\$	Amount (\$)	cents/\$	Amount (\$)	cents/\$	Amount (\$)	cents/\$	Amount (\$)
Estimated Return to Creditors									
Priority Creditors	N/A	cents/\$	Amount (\$)	cents/\$	Amount (\$)	cents/\$	Amount (\$)	cents/\$	Amount (\$)
Secured Creditor	N/A	100 c/\$	0.00	100 c/\$	0.00	100 c/\$	12.54	100 c/\$	80.79
Unsecured Creditors	N/A	0.00	3.65	0.00	8.51	12.54	Nil	80.79	Nil

Dated: 26 July 2016


Damien Mark Hodgkinson
Deed Administrator

Level 4, 249 Pitt Street
Sydney NSW 2000

2. INDUSTRY OVERVIEW

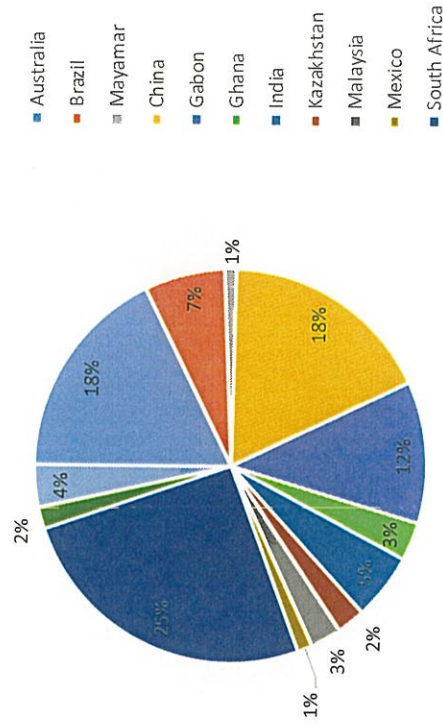
2.1 MANGANESE MARKET

According to information provided by the International Manganese Institute, manganese is the twelfth most abundant element in the Earth's crust. The element does not occur in isolation, it is usually found in combination with iron, and in many other minerals.

The chart below (Figure 1) shows the major global producers of Manganese. I note that South Africa accounts for approximately 75% of the world's identified Manganese resources. While China is the world's greatest producer of Manganese ore on a gross weight basis, it is mostly low grade, so it is the second biggest producer on a metal contained basis after South Africa.

From this I consider that Indonesia is an insignificant producer in the global market and as such is a price taker on supply and demand for the ore.

Figure 1: World Manganese mine production (2015) (Source: International Manganese Institute)



2.2 DEMAND AND SUPPLY

Demand for Manganese is driven by the steel industry which consumes 94% of the Manganese ore produced. After steel production the second most important market for Manganese, in the form of Electrolytic Manganese Dioxide (EMD), is for dry cell batteries. Manganese is also an important alloying element in aluminium and copper and is also used in plant fertilisers and animal feed and is a colorant. China represents approximately 60% of global trade and as such drives global manganese ore trade and price.

The Manganese market is highly concentrated with limited global suppliers. However, despite an increase in steel production, the price of Manganese has decreased. This is due to the fact that the amount of Manganese used in steel fabrication is decreasing. (Figure 2)

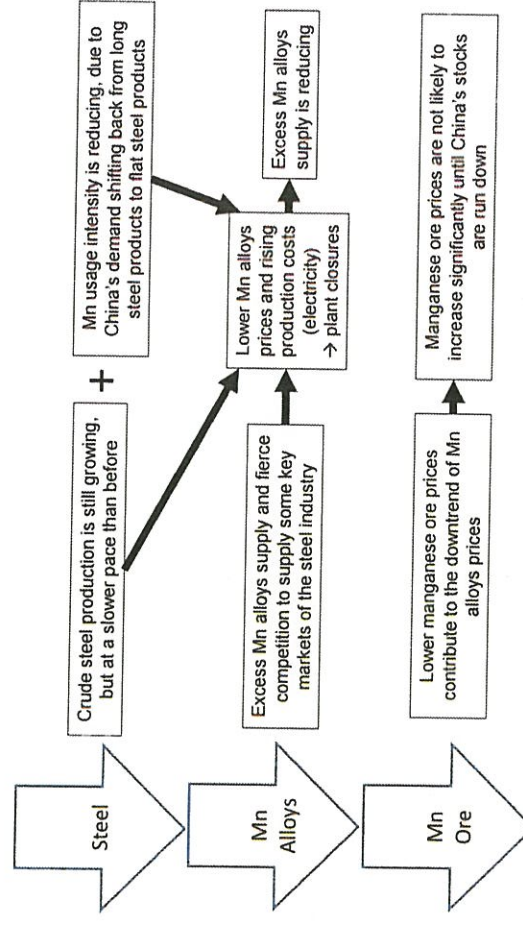


Figure 2: Why are prices for Manganese alloys depressed where steel production increases (Source: manganese.org)

2.3 MANGANESE PRICES

Below is the historical price of Manganese ore in AUD/t over the last five years to 31 May 2016, which has decline by approximately 25% (Source: Mining-Bulletin.com) (**Figure 3**). The price has declined as a result of the decrease in demand for steel production especially in China where the construction industry has weakened. The current price of Manganese ore is \$2,200 AUD/t as at 31 May 2016.

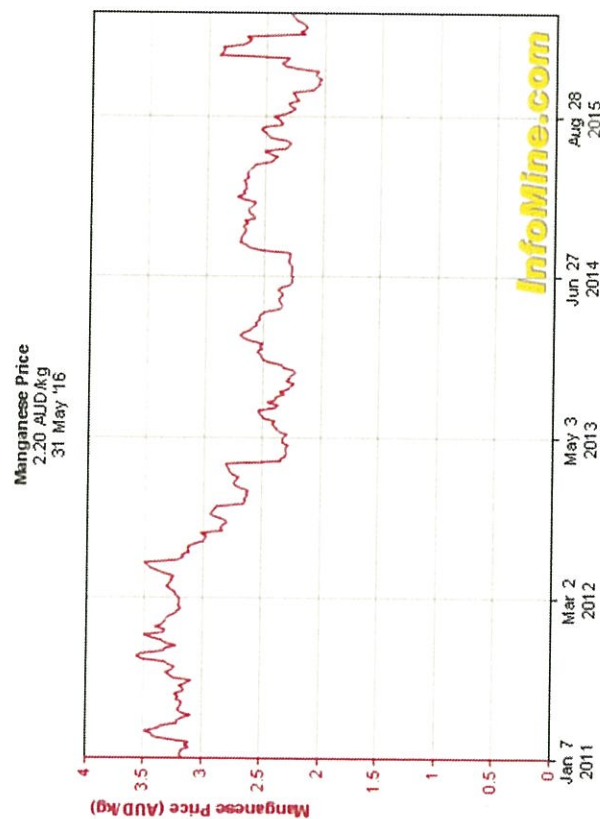


Figure 3: Manganese Price AUD/t – Five Years to 31 May 2016

3. COMPANY BACKGROUND

3.1 COMPANY HISTORY

The Company was registered on 16 November 2001 in New South Wales.

At the date of its incorporation, it was known as Chameleon Mining NL until 25 May 2012 when its named changed to Kupang Resources Limited.

On 6 August 2003 the Company was admitted to the Official List of the Australian Stock Exchange ("ASX") and subsequently to Official Quotation on 12 August 2003.

On 6 August 2014, ILP appointed Messrs Quentin James Olde and Nathan Vance Landrey of FTI as Receivers and Managers of the Company. That appointment was challenged by the Company wherein it obtained an interim injunction preventing the Receivers and Managers from taking any action pending the Court's determination on the validity of their appointment. On 6 August 2014, the Company's directors requested that the Company's shares be placed into suspension due to the appointment of the Receivers and Managers. They have remained in suspension since this date.

On 31 August 2015 the Company was delisted from the Australian Stock Exchange. All share transfers from shareholder CHES accounts has been suspended and cannot be processed.

The Company operates two distinct streams of business:

- Litigation Claims
- Mining Operations

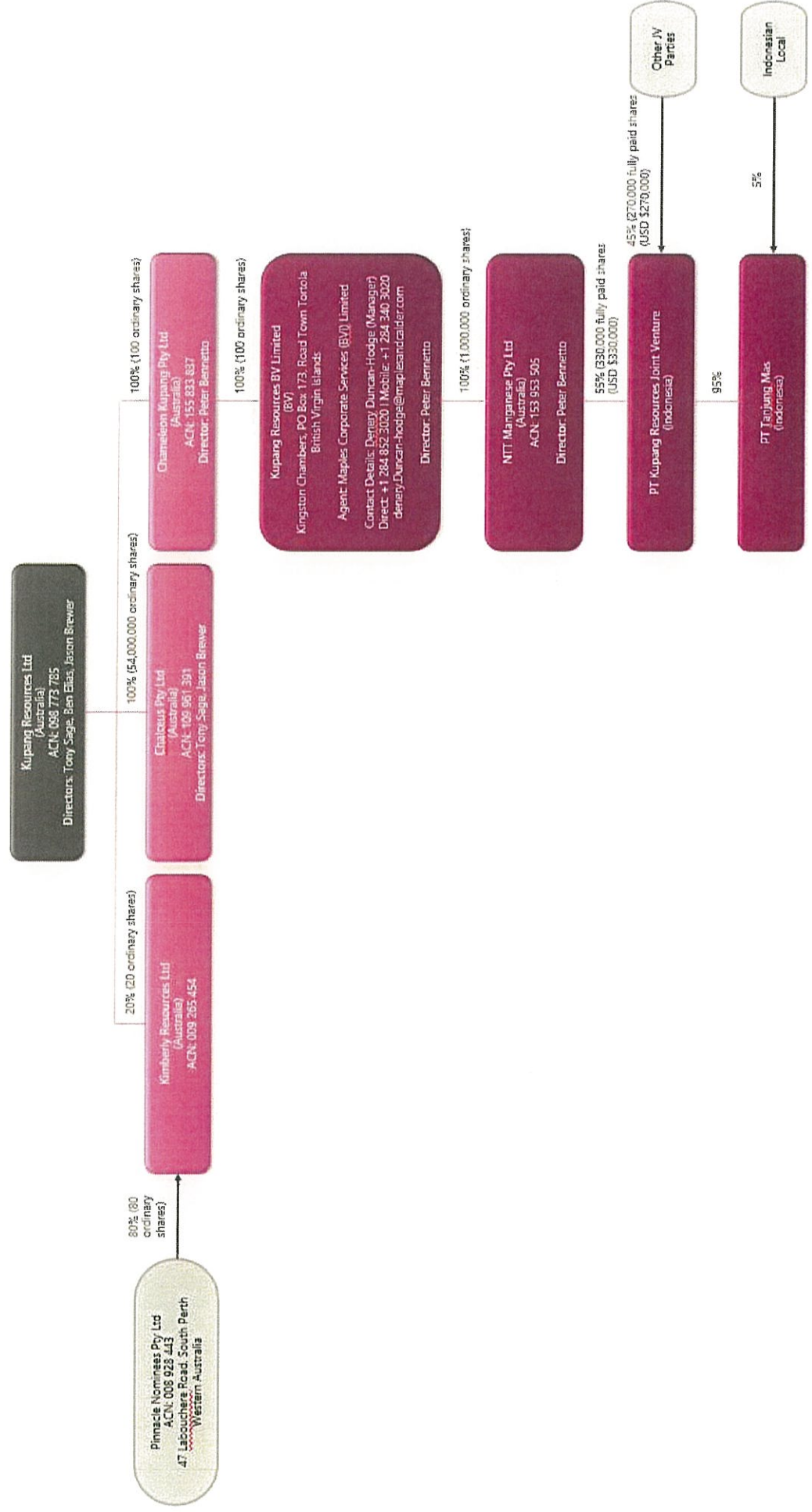
Each of these are considered under separate headings below.

At the date of this report, the Receivers and Managers remain in control of the entities which hold the indirect mining interest in the Kupang JV.

3.1 CORPORATE STRUCTURE

Following (Figure 4) is the corporate structure of the Company as at the date of this report.

Figure 4: Corporate Structure of the Company.



3.2 FINANCE FACILITIES

ILP is the secured creditor of the Company. The Receivers and Managers did not disclose the amount owed to ILP in their RATA lodged with the ASIC on 27 June 2015. **Table 3:** below sets out my comments in respect of each components claimed by ILP as reflected in the directors' RATA (refer to section 8.3.1 for further details).

Table 3: ILP Secured Debt by Component

Component Claimed	Directors' RATA Amount \$ (as at 28 May 2015)	Administrator's ERV (Low) \$ (as at 29 February 2016)	Administrator's ERV (High) \$ (as at 29 February 2016)	Comments
Principal Debt	1,980,000	1,980,000	1,980,000	This amount accords with the books and records of the Company
Accrued Interest on Principal Debt to date of Voluntary Administration	628,312	628,312	628,312	This amount accords with the books and records of the Company.
Accrued Interest on Principal Debt and accrued expenses to date of Report		293,751	293,751	This is the interest payable at the civil court rate from the date of the Voluntary Administration to the date of the Report.
Costs of Receivership/recovery costs to date of Report	Nil	1,518,773	1,518,773	The directors of the Company disputed this amount. I am unable to identify any restriction or assessment criteria governing the quantum of costs claimed by ILP, accordingly I am of the that ILP is entitled to claim this amount.
Disputed Amount Owing in respect of ILP Debt	400,000	400,000	Nil	This amount is in respect of consideration for shares issued by the Company to ILP by way of offset against ILP debt. This transfer was previously disputed by the ATO however; I understand the dispute is now resolved. As the shares are still held by ILP, I am of the view this component of ILP's debt cannot be claimed.
Total	\$3,008,312	\$4,820,836	\$4,420,836	

ILP proposed a Deed of Company Arrangement that resulted in the Approved DOCA. Please refer to section 7 for further comments in this regard.

4. LITIGATION

4.1 POTENTIAL CLAIMS AGAINST THE DIRECTORS

In the 439A Report I identified potential claims against the directors and officers of the Company associated with the following transactions:

- a) the **"Alliance Agreement"** (referred to at pages 29-30 and 34 of the 439A Report);
- b) the **"Deed of Forgiveness"** (referred to at pages 30 and 34-35 of the 439A Report);
- c) the **"Termination of the ILP Funding Agreement"** (referred to at pages 12 and 35 of the 439A Report); and
- d) participation in the **"Kupang JV"**, (together, the **"Transactions"**).

4.1.1 The Alliance Agreement

In 2007, the Company commenced proceedings in the Federal Court of Australia against Mr Philip Grimaldi, Murchison Metals Limited ("**Murchison**") and Mr Greg Barnes and his private company Pinnacle Nominees Pty Ltd ("**Pinnacle**") in respect of the use of misappropriated company funds ("**Grimaldi Proceedings**").

In October 2009, the Company settled the proceedings against Mr Barnes and Pinnacle for approximately \$6 million.

The litigation was funded by a litigation funding facility provided by the secured creditor ILP.

The legal proceedings against Murchinson were still on-going.

On 10 August 2010, the Company entered into an agreement with Cape Lambert Resources Ltd ("**CFE**") ("**the Alliance Agreement**"), Pursuant to the Alliance Agreement,

CFE promised to provide a working capital facility ("**Standby Facility**") to the Company for \$6.5 million to replace the ILP Funding Agreement.

The purpose of the Standby Facility was said to allow the Company to make a payment to ILP in return for it discharging its security over the Company, or to make a tender of payment to ILP conditional on the discharge of its security.

Upon the execution of the Alliance Agreement, CFE was entitled to appoint 50% of directors to the board of the Company. Clause 11 of the Alliance Agreement provided that, conditional upon the draw down on the Standby Facility, CFE was also entitled to be repaid out of the proceeds of litigation with Murchison on the following terms:

- a) a priority payment for the firm \$9 million of any judgment sum received by the Company; and
- b) for a judgment sum:
 - i) between \$9 million and \$24.5 million, 100% of the proceeds to be paid to the Company;
 - ii) in excess of \$24.5 million, a priority payment of the first \$350,000 of the amount of any judgment sum received by the Company; and
 - iii) in excess of \$24.85 million, a fee equivalent to 20% of the judgment sum payable to the Company.

Clause 11 of the Alliance Agreement states that payment of these sums to CFE was conditional upon the Company drawing down the \$6.5 million. The Company never drew down on those funds, and CFE never advanced any funds to the Company pursuant to the Standby Facility.

In December 2011, the Company settled its claim against Murchison for approximately \$25 million. Had the Standby Facility been drawn down, CFE would have been entitled to a payment of \$9.35 million under the Alliance Agreement. However, as stated above, there was never any draw down by the Company.

On 1 March 2012, all directors with the exception of Ben Elias resigned from the Board, and CFE representatives took up the remaining Board seats giving CFE effective control of the Company.

On 9 March 2012, after CFE directors representing the majority of the Board were appointed, CFE and the Company entered into a settlement agreement whereby CFE agreed to take up 40 million shares in the Company in full and final settlement of its purported entitlements under the Alliance Agreement. The issue of the shares was ratified by the Company's shareholders at a general meeting held on 25 May 2012. At the time that they were issued, the 40,000,000 shares were valued at \$1,720,000.

On 13 March 2012, the CFE controlled Board resolved that CFE was entitled to be repaid the \$6.5 million. This resolution was passed although the Alliance Agreement clearly records the fact that CFE's entitlement to payment was conditional upon the Company actually drawing down on the Standby Facility.

CFE directors appointed to the Board effectively changed the terms of the Alliance Agreement to award CFE \$6.5M from the Murchinson settlement, which was then converted to a controlling shareholding in the Company, which was now "cash rich" as a result of the Murchinson settlement.

In the section 439A Report I formed the view that the conduct of the former directors and officers of the Company in relation to the Alliance Agreement may have constituted a breach of directors' duties on the grounds that the directors may have improperly used their position to gain an advantage for CFE, and because the Alliance Agreement may have not been in the Company's best interests.

4.1.2 *The Deed of Forgiveness*

On 28 March 2014, the Company entered into a deed of forgiveness with Kimberly Resources Limited ("**Kimberly Resources**") ("**the Deed of Forgiveness**"). Pursuant to the Deed of Forgiveness, the Company forgave a debt of \$986,066 owing from Kimberly Resources.

I reviewed the circulating resolution of directors for the meeting, which purportedly provided director approval for the Deed of Forgiveness. However, the resolution was for

the execution of a share and shareholder agreement term sheet between Pinnacle, Kimberly Resources and the Company.

In the section 439A Report, I concluded that the Deed of Forgiveness may not have been in the best interests of the Company, and that the directors and officers conduct in relation to the Deed of Forgiveness may have constituted a breach of directors' duties. I am also of the view that the Deed of Forgiveness could also constitute a breach of Sections 588FB and / or 588FH of the Act, for which the directors of Company could be ordered to compensate the Company pursuant to Section 1317H of the Act.

4.1.3 *Termination of the ILP Funding Agreement*

In order to fund the Grimaldi proceedings, on 28 October 2008, the Company entered into a funding agreement with ILP. On 10 October 2012, the Company terminated the funding agreement and denied ILP's entitlement to termination fees. ILP commenced proceedings against the Company for recovery of the termination fees. On 5 October 2012, ILP obtained judgment in the High Court of Australia for \$8,381,144, as well as interest and costs ("**Judgment Debt**").

Following the judgment, the Company made a payment of \$5,041,000 and agreed to make subsequent payments of \$50,000 (plus interest of 9.5%) in instalments. The Company defaulted on its payment obligations under this agreement, and on 6 August 2014 ILP appointed the Receivers and Managers and demanded payment of \$2,448,620, being the remainder of the Judgment Debt owing, as well as \$574.22 interest for each day that the amount demanded remained outstanding.

The termination of the ILP Funding Agreement, and decision to withhold the termination fee had substantial financial consequences for the Company and its shareholders. As set out at page 19 of the Annual Report for the Company for the Financial Year ended 30 June 2014 at 30 June 2013, the Current Assets of the Company totalled \$6,101,397. After the Initial Payment, as at 30 June 2014, the Company's current assets totalled \$1,755,183. This is less than the amount of the Judgment debt that remains outstanding. The termination of the ILP Funding Agreement has not only cost the Company the amount of the Judgment Debt, but has put the Company into a precarious financial position. This represents a substantial loss to the Company, resulting from the actions

of the former directors and officers in terminating the ILP Funding Agreement the decision to terminate of the ILP Funding Agreement may have constituted a breach of directors' duties pursuant to the Act. Further, in the 439A Report, I also formed the view that there may be a relationship between the termination of the ILP Funding Agreement, and the execution of the Alliance agreement, which may give rise to further breaches of directors' duties by the directors of the Company.

4.1.4 *Participation in the Kupang JV*

On 30 March 2012, the Company announced that it had entered into a conditional heads of agreement to acquire a 55% interest in a Manganese project located in the Indonesian province of Nusa Tenggara Timur, the Kupang JV. Kupang paid a total consideration of \$10,000,000 to obtain the 55% interest in the Kupang JV. Kupang Resources BV Limited (a wholly owned subsidiary of Kupang) acquired 100% of the shareholding in NTT Manganese Pty Ltd ("**NTT**") for \$3,500,000. NTT held a 30% interest in PT Kupang Resources, which held 100% of the rights to Manganese produced from the Kupang JV. After Kupang took control of NTT, NTT then increased its interest in the Kupang JV to 55% following a payment of \$6,500,000.

There are concerns that the terms of the joint venture agreement entered into between the parties to the Kupang JV was not in the commercial interests of the Company. The joint venture agreement provides that the Manager of the joint venture is entitled to remuneration equivalent to 50% of the net revenue of PT Tegu Perkasa, which held a 32.63% interest in the Kupang JV.

The formula provided in the joint venture agreement for the calculation of the Managers remuneration provided that the Manager was entitled to 50% of the 'net revenue'. This reduced the Company's effective interest in the project to 27.5%.

In November 2012, the joint venture which controlled the Kupang JV obtained further land in the Belu Province of Timor, as well as a production licence. Based on Technical Mining Expert Report, this land did not contain substantial Manganese reserves.

The consideration \$10.0M provided by the Company for the 55% interest in the Kupang JV substantially outweighed the value of the Kupang JV.

In or around April 2012, Mr Robby Valentino of Kupang JV commissioned GMT to conduct a mapping and sampling programme of the Manganese at the Kupang JV. The report concluded that there were 'no significant Manganese occurrences' in the concession area. The current valuation was conducted by the same valuer who completed the initial mapping and sampling programme above, who now states the value of the exploration assets is between \$590,000 and \$780,000, substantially less than the \$10.0M consideration paid by the Company for the 55% interest in the Kupang JV.

NTT interest in the Kupang JV was created in February 2012, just prior to its sale to the Company. The directors and officers of the Company would not appear to have conducted sufficient due diligence prior to obtaining the interest in the Kupang JV, or they were aware of the value of the Kupang JV, but, against the interests of the Company, decided to acquire the interest. This conduct may constitute an actionable breach of directors' duties by the Company's former directors and officers.

According to announcements by the Company to the ASX, the joint venture acquired 926 hectares from PT Tanjung Mas, being the joint venture partner. The value of the land purchase has not been provided nor have I sighted a copy of the agreement. There is evidence that on 11 February 2013 the Company transferred \$2.0M for the land purchase which would increase its investment in the Kupang JV to \$12.0M.

According to the limited books and records of the joint venture there is an amount of \$1.0M still outstanding on the land purchase. It has not been disclosed whether or not the debt is secured against the land or whether the Indonesian Commercial Court will give priority to the joint venture partner.

The non-disclosure of the liability may give rise to additional to claims against the directors of the Company (refer to section 4.1.5 below) in relation to the Kupang JV.

4.1.5 *Misleading and deceptive conduct of directors*

Further to the potential claims against the Company's former directors and officers that I have identified, there may also be claims available to the Company's shareholders and/or creditors for misleading and deceptive conduct in relation to statements and representations made in relation to the Transactions.

In relation to the Kupang JV, the Company made a number of ASX announcements regarding the Kupang JV which referred to the Company's 55% interest in the Kupang JV, and imminent production by the Kupang JV. These announcements made no reference to the impact of the 'Manager remuneration' on the Company's actual percentage interest in the Kupang JV, or the concerns regarding the Manganese deposits at the tenements which comprised the Kupang JV. The content of these announcements may constitute misleading statements by the Company regarding the ownership, viability and profitability of the Kupang JV.

The value of this claim is difficult to assess, as it is subject to when each announcement was made and whether that announcement impacted a shareholder's decision to buy, sell or hold the shares and which then resulted in a detrimental loss.

The result (**Figure 5**) below shows the share price movement over the period from May 2012 when the share issue to CFE was approved until the Company suspending trade on 4 August 2014.

The share price of the Company rose from 4 cents to 10.5 cents after the announcement of the Kupang JV on 18 April 2012, which then fell to 4 cents prior to its suspension.

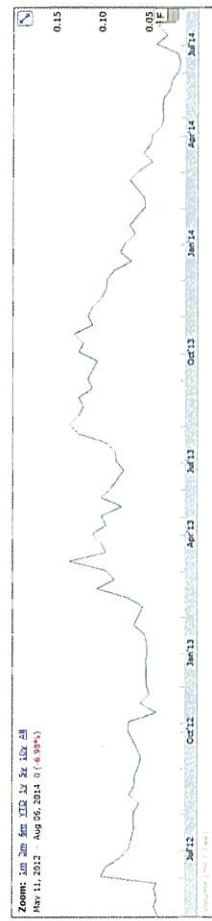


Figure 5 – Share price graph KPR May 2012 – August 2014

4.2 POTENTIAL QUANTUM OF LITIGATION CLAIMS

I have considered the potential quantum of the claims under each of the above categories as follows:

Potential Quantum of Claims against Cape Lambert and Kupang Directors

Section	\$
4.1.1 Alliance Agreement	6,500,000
4.1.2 Deed of Forgiveness - Kimberly Resources	978,000
4.1.3 ILP Funding Agreement	8,381,144
4.1.4 Participation in Kupang JV	12,000,000
4.1.5 False and Misleading Conduct	Unknown
Total Potential Claims Quantum	27,859,144

The value of the claim for false and misleading conduct is unknown, and is difficult to quantify. This claim would likely be made by shareholders in a class action claim in respect to their acquisition of shares in the Company as a result or subsequent to false and misleading statements being made. This claim will survive any application for the transfer of shares under section 444GA of the Act.

4.3 CAPACITY OF PARTIES TO SETTLE CLAIMS

As the details of the Directors' and Officers' Insurance Policy are confidential, and breach of confidentiality may void the policy, the ability of the various parties to meet the claims is contained in a confidential extract **Annexure 5**.

4.4 ESTIMATED RECOVERY OF LITIGATION CLAIMS

I estimate net of costs that in an optimistic scenario \$3.0M would be available to meet creditors' claims, and \$530,000 in a pessimistic scenario.

In order to pursue these litigation claims, the following steps would also need to be undertaken, which could impact the proceeds available to creditors:

- The availability of funding either under a litigation funding agreement with a litigation funder or by raising funds from shareholders and or creditors;
- The proper assessment of the merits of each cause of action;
- The validity and reliability of the D&O insurance policy;
- The consideration of the ability of each defendant to meet a judgment if the claims are successful; and
- The assessment of return to each class of claimant and the likely recovery after settlement of costs and expenses.

5. MINING OPERATIONS

5.1 HISTORY

In March 2012 the Company acquired for a total acquisition cost of \$10.0M a 55% shareholding in a Joint Venture entity known as PT Kupang Resources that owns a Manganese mining project in the Kupang region of Indonesia, being the Kupang JV.

GMT an independent mining consultancy firm, was engaged by me to prepare the Technical Mining Expert Report. A copy of the Technical Mining Expert Report is attached to this report as **Annexure 4**.

The Technical Mining Expert Report, dated 21 April 2016 has been prepared under the Valmin Code (2005) and JORC Code (2012).

PT GMT Indonesia or **GMT** was retained to assist the Deed Administrator and the Court in assessing the value of the underlying interests of the Company in the Kupang JV.

GMT conducted a previous valuation of the tenements for the joint venture partners in 2011 prior to the Company's 55% acquisition of the Kupang JV in March 2012.

The Technical Mining Expert Report can be summarised in the sections described below:

- PT Mangan Kupang Industri which holds two groups of assets, the exploration mining tenement outside the city of Kupang and the port assets at the Port of Kupang; and
- A 95% interest in PT Tanjung Mas which holds mining exploration tenements outside the city of Atambua in the province of Belu.

The assets are located in the provinces of Kupang and Belu on the island of Timor, they are marked in green on the adjacent map. (**Figure 6**)

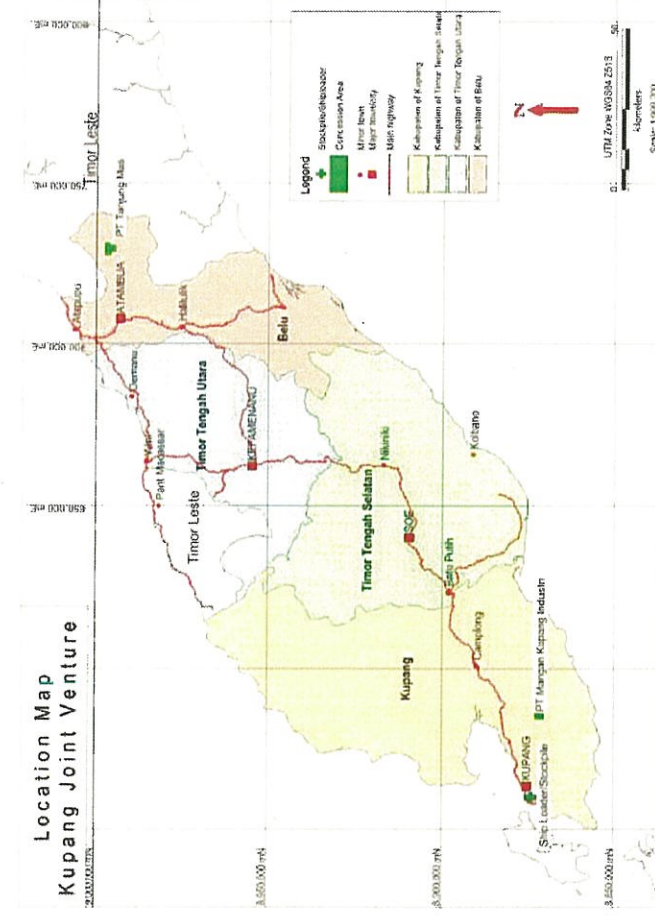


Figure 6. Map of Kupang Island

PT Mangan Kupang Industri ("MKI")

Mining Exploration Concession

MKI holds an exploration mining concession one hours drive by road from the city of Kupang at the following geographical co-ordinates.

Point	Longitude (E)		Latitude (S)	
	°	'	°	'
	Decimal		Decimal	
1	123	46	123.775859	10 46.75
2	123	47	123.792875	10 43.88
3	123	47	123.792905	10 6.84
4	123	46	123.776252	10 7.48

GMT has not sighted the IUP ("izin usaha pertambangan") which is the mining exploration license in relation to the concession, and believes that the IUP was not granted or has now lapsed.

GMT also advise that there appears to be no viable Manganese deposits in the concession area and recommended that no further exploration was warranted

On this basis PT GMT Indonesia has advised that the value of the mining concession and IUP is nil.

Port and Crushing Facilities

MKI has constructed a number of new facilities at the Port of Kupang including the weigh bridge, crushing facilities and stock loader

The facilities have a book value in the joint venture of \$2.168M. GMT have indicated a value for these assets of between \$185,000 and \$235,000 and I have used these values for the purpose of this report.

I note however that in my experience it will be difficult to realise the equipment where there are no alternative mining operations on the island, and there would be substantial costs in dismantling and relocating the equipment, which has been in effective care and maintenance for several years.

PT Tanjung Mas ("TM")

The MKI also holds a 95% interest in the shares of PT Tanjung Mas which has an IUP mining concession in the production stage. The mining exploration concession is outside the city of Atambua in the province of Belu at the following geographical co-ordinates set out below:

No	Longitude (E)			Latitude (S)		
	°	'	"	°	'	"
1	125	6	11.85	125.1033	9	38.2
2	125	6	11.85	125.1033	9	4
3	125	5	51.12	125.0975	9	14
4	125	5	51.12	125.0975	9	19
5	125	4	49.99	125.0806	9	19
6	125	4	49.99	125.0806	9	46
7	125	4	41.88	125.0783	9	46
8	125	4	41.88	125.0783	9	37
9	125	4	27.78	125.0744	9	37
10	125	4	27.78	125.0744	9	32.4
11	125	4	12.39	125.0701	9	32.4
12	125	4	12.39	125.0701	9	38.2

GMT conducted an appraisal in December 2012 based on field testing in November 2012 which concluded based on field samples and previous mining operations in the concession that further exploration and testing was warranted.

GMT have stated that the value of the licenses is the costs that would be incurred to establish the corporate entity in Indonesia which it indicated had a replacement value of between \$590,000 and \$780,000. As this value is not directly related to the value of the exploration license it was not included in the Kupang JV balance sheet as it is a reimbursement of incurred costs. They have also indicated that the costs of further exploration and testing to verify the deposits was in the order US\$0.49M or \$0.69M.

5.2 PROFORMA BALANCE SHEET FOR KUPANG JV

I have prepared a proforma balance sheet based on the audit working papers and last available entity balance sheet for the joint venture as at 31 December 2015 with ERV High and Low scenarios, and adopting the valuations in the Technical Mining Expert Report.

The book value of the net assets of PT Kupang Resources Joint Venture after the revaluation of the mining exploration concession is a deficiency of AU\$11.8M as set out in **Table 4: Estimated distribution from the Kupang JV** on the following page.

Table 4.- Estimated Distribution from the Liquidation of Kupang JV

PT Kupang Resources Joint Venture Proforma Balance Sheet

Proforma Balance Sheet	PT Kupang Resources Joint Venture BV 30 June 2015	PT Kupang Resources Joint Venture ERV Low 31 December 2015	PT Kupang Resources Joint Venture ERV High 31 December 2015	Notes
CURRENT ASSETS				
Cash and cash equivalents	45,080	0	0	
Trade and other receivables	31,973	0	0	
Other current assets (prepayments)	291,074	0	0	1
Trade and other receivables - Fund Holder	703,345	0	457,174	2
	<u>1,071,472</u>	<u>0</u>	<u>457,174</u>	
NON-CURRENT ASSETS				
Property, plant and equipment	2,168,473	185,000	235,000	3
Exploration Licence	Unknown	560,500	741,000	4
Less Land Acquisition (if priority)	0	0	0	5
	<u>2,168,473</u>	<u>745,500</u>	<u>976,000</u>	
TOTAL ASSETS	<u>3,239,945</u>	<u>745,500</u>	<u>1,433,174</u>	
CURRENT LIABILITIES				
Trade and other payables	2,561,037	2,561,037	2,561,037	
Trade and other payables - land acquisition	1,000,000	1,000,000	1,000,000	5
Loan from NTT	9,250,000	9,250,000	9,250,000	
Payable to other JV parties (45%)	2,250,000	2,250,000	2,250,000	
	<u>15,061,037</u>	<u>15,061,037</u>	<u>15,061,037</u>	
COSTS OF BANRUPTCY - Indonesia				
Costs of Asset Realisation	0	600,000	600,000	6
	<u>0</u>	<u>600,000</u>	<u>600,000</u>	
TOTAL LIABILITIES	<u>15,061,037</u>	<u>15,661,037</u>	<u>15,661,037</u>	
NET ASSETS	<u>(11,821,092)</u>	<u>(14,915,537)</u>	<u>(14,227,863)</u>	
Dividend to Unsecured Creditors (cents/AUD)		\$0.01	\$0.06	



Both PT Mangan Kupang Industri and PT Tanjung Mas are entities established under the laws of Indonesia and any recovery by the Kupang JV partners will be subject to the insolvency and restructuring laws of that country.

5.3 INDONESIAN BANKRUPTCY LAW (LAW NO. 37 OF 2004)

A review of the balance sheets of the Indonesian entities indicates that they are likely insolvent. In order to distribute the assets of the joint venture each of the entities must file a bankruptcy petition with the Commercial Court in Indonesia.

The Court summons the company and its creditor to a hearing where the petitioner must prove that it meets the tests for bankruptcy. If successful, the Court declares the company bankrupt and appoints a Receiver to manage the bankruptcy estate and a Supervisory Judge to supervise the bankruptcy.

On the petition of the Receiver, payments by the company to its creditors can be suspended temporarily for 45 days which can be extended up to 270 days.

An approval from a Supervisory Judge is then required for the sale of assets, such that any sale is conditional upon obtaining Court approval.

The secured creditors may enforce their security right as if there were no bankruptcy, subject to a stay of 90 days. The stay does not apply to cash collateral and does not affect the right of the creditors to a set off.

The process of bankruptcy under Indonesian law can be extremely slow, as each process in the recovery realisation and distribution of assets requires Court approval. The proof of debt process also favours Indonesian domestic creditors. I have however assumed that all unsecured creditors domestic and foreign are treated equally on a pari passu basis.

Given the involvement of the Commercial Court and the process for realisation and approval of asset sales, it is expected that the liquidation of the Indonesian entities would take more than 2 years.

5.4 WATERFALL DISTRIBUTION KUPANG JV

Based on the proforma balance sheet (**Table 4**) I have then prepared an ERVs of the assets of the Kupang JV of \$745,500 (Low) and \$1,433M (High), which indicates a return to unsecured creditors after the costs of bankruptcy of 1 cents (Low) to 6 cents (High) in the dollar.

NTT Manganese Pty Limited is the Australian entity which holds the interest in the Kupang JV and is a creditor of the joint venture for \$9.25M. Based on an estimated dividend distribution of 6 cents the maximum amount recoverable through a bankruptcy process is \$511,709.

Notes to Table 4

Note 1 - Prepayments of \$291,074 are not expected to be recovered and will be off set against creditor claims.

Note 2 - Monies due from Fund holder PT DUV as trustee for the Kupang JV represents cash held for the benefit of the Kupang JV to fund operations and held on trust. The balance of funds held as at 31 December 2014 was \$703,345. As operations are currently suspended I have assumed that 65% of the monies held by the Fund holder remain available \$457,174.

Note 3 - Plant and Equipment held in the Kupang JV relates to the crushing, weigh bridge and loading facilities built at and around the port of Kupang for the processing of Manganese from funds invested by the Company. The book value of these assets was \$2,168,473 as at 31 December 2014.

As previously noted there is no alternate use for the crushing and loading facilities in their current location unless a Manganese export license is granted and a viable source of Manganese identified at the mining concessions held by the joint venture. In these circumstances the value of the plant and equipment is limited. In my experience the scape value of this type of asset is minimal after allowing for decommissioning and transport off the island. I have however for the purposes of this Report used the values used by the GMT.

On this basis the estimated realisable value is limited to \$185,000 (Low) and \$235,000 (High).

Note 4 - The Technical Mining Expert Report values the mining Exploration Licence held in PT Tanjung Mas at AU\$590,000 (Low) and AU\$780,000 (Low). As 95% of PT Tanjung Mas is held by PT Mangan Kupang Industri I have attributed an estimated realisable value of \$560,500 (Low) and \$741,000 (High).

Note 5 - Amount Payable for land acquisition of 926 hectares from PT Tanjung Mas joint venture partner of \$1.0M. I have not sighted any of the land purchase documentation. I note that on 11 February 2013 the Company advanced \$2.0M for the acquisition of land. For the purposes of determining the outcome for stakeholders I have assumed in the ERV (High) scenario that this claim ranks as an unsecured claim however, failure to pay the amount may result in the forfeiture of any entitlement to the property or the mineral rights.

Note 6 - Given the complex nature of Indonesian bankruptcy law and the practical difficulties of the Commercial Court process out the capital of Jakarta I have estimated the costs of realisation and recovery of the assets at \$0.6M.

5.5 PROFORMA BALANCE SHEET FOR NTT MANGANESE (NTT)

I have prepared a proforma balance sheet based on the audit working papers and entity balance sheet for the joint venture as at 31 December 2015.

The book value of the net assets of NTT is \$963. The entity does not operate in its own right and as such does not generate any profit from operations. The assets and liabilities of the entity are set out in the **Table 5** on the following page.

5.6 AUSTRALIAN INSOLVENCY LAW

The liquidation of NTT will be governed by the Act. NTT is a 100% controlled entity of the Company and as such its assets can be realised through either the voluntary administration or creditors' voluntary liquidation process.

Realisation and distribution of the entity's assets is however subject to a distribution being made from the bankruptcy of the Kupang JV on NTT claim of \$9.25M.

5.7 WATERFALL DISTRIBUTION OF NTT

Based on the proforma balance sheet (**Table 5**) I have prepared an ERV Low and ERV High of the assets of the NTT, being \$89,361 (Low) and \$511,709 (High) respectively.

which indicates a dividend return to unsecured creditors of NTT after the costs of liquidation of Nil (Low) and 4 cents in the dollar (High).

The timing of the liquidation process for the Australian company will be dependent on the bankruptcy process of the Indonesian entities, and the timing of a distribution. It is assumed that the liquidation and bankruptcy processes would run concurrently, with an additional 6 months for the final distribution to the Company from the Australian liquidation. Any distribution to the Company from the Joint Venture could therefore take more than 3 years and realise.

Table 5: Estimated Distribution from the Liquidation of NTT

NTT Manganese Pty Limited Proforma Balance Sheet				
Proforma Balance Sheet	NTT Manganese Pty Ltd BV	NTT Manganese Pty Ltd ERV Low	NTT Manganese Pty Ltd ERV High	Notes
	30 June 2015	31 December 2015	31 December 2015	
CURRENT ASSETS				
Cash and cash equivalents	0	0	0	0
Trade and other receivables	590	0	0	0
	590	0	0	0
NON-CURRENT ASSETS				
Investment in PT Kupang JV	173,412	0	0	1
Loan to PT Kupang JV	9,250,000	89,361	511,709	2
	9,423,412	89,361	511,709	
TOTAL ASSETS	9,424,002	89,361	511,709	
CURRENT LIABILITIES				
Loan - KPR	9,250,000	9,250,000	9,250,000	3
Trade Payable - PT Global	173,039	173,039	173,039	4
Trade and other payables	0	0	0	0
	9,423,039	9,423,039	9,423,039	
COSTS OF LIQUIDATION - Australia				
Costs of Asset Realisation	0	150,000	150,000	5
	0	150,000	150,000	
TOTAL LIABILITIES	9,423,039	9,573,039	9,573,039	
NET ASSETS	963	(9,483,678)	(9,061,330)	
EQUITY				
Issued capital	963	963	963	6
Retained earnings	0	(9,484,641)	(9,062,293)	
Current year result	0	0	0	
TOTAL EQUITY	963	(9,483,678)	(9,061,330)	
Dividend to Unsecured Creditors (cents/AUD)		\$0.00	\$0.04	

Notes to Table 5

Note 1 and 4 - The value of NTT investment in the Kupang JV is \$173,412. On the basis that the joint venture is realised through a bankruptcy process and there is a shortfall to unsecured creditors there is no value in the equity.

Note 2 and 3 - NTT made a loan to the joint venture of \$9.25M to fund the construction of port facilities and to fund the development of the mining exploration licenses. Based on the estimated recovery from the bankruptcy distribution of the joint venture the recovery of this debt is estimated to be \$89,361 (Low) and \$511,709 (High).

Note 5 - The estimated costs of the liquidation given the time and oversight of the Indonesian bankruptcy process is estimated at \$150,000. In respect of the ERV Low Scenario, the recoverable costs of the liquidation will be capped to the net realisable asset value.

Note 6 - There are two subsidiary entities that hold the shares in NTT on behalf of the Company. The immediate holding company is a BVI entity Kupang Resources Limited. According to our investigations and the audited accounts both Kupang Resources BV Limited and its parent company Chameleon Kupang Pty Limited, an Australian entity, have no assets or liabilities other than shareholdings in NTT.

The waterfall through the intercompany loan accounts to the Company are set out in Figure 7.

ACM 098 773 785
Estimated Return to Creditors

ACM 098 773 785
Estimated Return to Creditors

[illegible]

6. FINANCIAL OVERVIEW

6.1 CONSOLIDATED ACCOUNTS

The Company prepared its accounts on a consolidated basis.

Below is a summary of the Company's profit and loss statement for financial years ending 30 June 2012 to 30 June 2014 inclusive and half year ending 31 December 2014. The Company had made losses since financial year ending 30 June 2013. **Table 6: Kupang Resources Limited - Profit and Loss Summary** below is the Company's statement of financial position for FYs ending 30 June 2012 to 30 June 2014 inclusive and HY ending 31 December 2014. On the following page is **Table 7: Kupang Resources Limited Comparative Balance Sheets**, being the Company's balance sheets FYs ending 30 June 2012 to 30 June 2014 inclusive and HY ending 31 December 2014.

Table 6: Kupang Resources Limited - Profit and Loss Summary

Kupang Resources Limited

(Subject to Deed of Company Arrangement)(Receivers and Managers Appointed)

ACN: 098 773 785

Profit and Loss Summary

	Financial Year Ending 30/06/2012	Financial Year Ending 30/06/2013	Financial Year Ending 30/06/2014	Half Year Ending 31/12/2014
Total Income	\$25,291,856	\$251,204	\$0	\$0
Total Expenses	\$10,177,205	\$14,033,278	\$2,239,229	\$917,388
Trading Profit/(Loss)	\$15,114,651	(\$13,782,074)	(\$2,239,229)	(\$917,388)
Total Other Income	\$0	\$3,073,415	\$0	\$0
Total Other Expenses	\$1,834,335	\$0	\$0	\$0
Closing Profit / (Loss)	\$13,280,316	(\$10,708,659)	(\$2,239,229)	(\$917,388)

Table 7: Kupang Resources Limited Comparative Balance Sheets

Kupang Resources Limited
(Subject to Deed of Company Arrangement)(Receivers and Managers Appointed)
ACN: 098 773 785
Comparative Balance Sheets

	Financial Year Ending 30/06/2012	Financial Year Ending 30/06/2013	Financial Year Ending 30/06/2014	Half Year Ending 31/12/2014
CURRENT ASSETS				
Cash and cash equivalents	\$14,751,501	\$760,343	\$152,108	\$108,317
Trade and other receivables	\$846,247	\$219,166	\$165,741	\$128,249
Trade and other receivables - other deposit	\$28,142	\$28,142	\$28,142	\$28,142
Trade and other receivables - TD (guarantee)	\$560,995	-	-	-
Trade and other receivables - Security deposit	\$600,391	-	-	-
Receivables - JV	-	-	-	-
Other current assets (prepayments)	-	\$27,016	\$18,234	\$27,830
Other financial assets	\$97,340	\$10,360	\$8,035	\$7,400
Receivable - from outside JV partners	-	\$2,250,000	\$2,250,000	\$2,250,000
Current Subtotal	<u>\$16,884,618</u>	<u>\$3,295,028</u>	<u>\$2,622,260</u>	<u>\$2,549,939</u>
NON-CURRENT ASSETS				
Property, plant & equipment	-	-	-	-
Exploration assets	\$862,950	-	-	-
Investment in JV	-	-	-	-
Intercompany - JV	-	-	-	-
Funding to JV	-	-	-	-
Funding to JV (committed)	-	-	-	-
Investment in subsidiary	\$3,678,000	\$3,500,000	\$3,500,000	\$3,500,000
Intercompany	\$2,021,236	\$9,250,000	\$9,250,000	\$9,250,000
Non-Current Subtotal	<u>\$6,562,186</u>	<u>\$12,750,000</u>	<u>\$1,275,000</u>	<u>\$12,750,000</u>
TOTAL ASSETS	<u>\$23,446,804</u>	<u>\$16,045,029</u>	<u>\$15,372,260</u>	<u>\$15,299,939</u>
CURRENT LIABILITIES				
Trade and other payables	(\$424,685)	(\$232,299)	(\$85,780)	(\$836,658)
Trade and other payables - ATO (re: ILP)	-	-	(\$400,000)	(\$400,000)
Payable from NTT to JV	-	-	-	-
Provision for income tax	(\$1,834,335)	-	-	-
Provision for litigation	(\$2,500,000)	-	-	-
	(\$4,759,020)	-	-	-
Trade and other payables - ILP settlement	-	(\$3,000,000)	\$1,980,000	\$1,980,000
Trade and other payables - ILP settlement interest	-	(\$251,164)	\$457,218	\$552,041
Current Liabilities Subtotal	<u>(\$4,759,020)</u>	<u>\$3,483,463</u>	<u>(\$2,922,998)</u>	<u>\$3,768,699</u>
NON-CURRENT LIABILITIES				
Rehabilitation provision	\$0	-	-	-
TOTAL LIABILITIES	<u>(\$4,759,020)</u>	<u>\$3,483,463</u>	<u>\$2,922,998</u>	<u>(\$3,768,699)</u>
NET ASSETS	<u>\$18,687,783</u>	<u>\$12,561,566</u>	<u>\$12,449,262</u>	<u>\$11,531,240</u>
EQUITY				
Issued capital	(\$25,854,731)	\$30,618,235	Not Available	\$32,682,235
Contributed funds - NTT Manganese	-	-	-	-
FX reserve	-	-	-	-
Option reserve	(\$282,163)	(\$1,340,180)	-	\$1,405,430
Revaluation Reserve	-	-	-	\$2,960
Retained earnings	\$20,729,426	\$8,688,190	-	\$21,636,077
Current year result	(\$13,280,316)	\$10,708,658	-	\$917,388
TOTAL EQUITY	<u>(\$18,687,783)</u>	<u>(\$12,561,566)</u>	<u>-</u>	<u>\$11,531,240</u>

NOTE: Variances due to rounding errors



I make the following observations on the financial performance of the Company:

- The Company had no income in FY ending 30 June 2014 and HY ending 31 December 2014, yet it continued to incur significant expenses that totalled \$2.2M and \$0.9M respectively.
- In FY ending 30 June 2012 the Company recorded its highest profit, being the year that the settlement funds were received in the Grimaldi Proceedings.

The Company made a significant loss in FY 2013 being the subsequent year to when it acquired its interest in the Kupang JV.

6.2 CARRY FORWARD TAX LOSSES

According to the Annual Report to 30 June 2014, the Company had accumulated losses of \$32,193,937 and available carry forward tax losses of \$3,174,310.

No further tax reconciliations have been completed and the accounts after 31 December 2014 have not been audited. There will be additional losses which have not been quantified by the Company, its auditors and its tax advisers.

Carry forward tax losses are only available where a company passes the same ownership test or the same business test pursuant to Tax Ruling 1999/9 ITAA 1997 Section 165-13 and section 165-210. The Proposed Recapitalisation as outlined in the Approved DOCA means that the Company would fail the same ownership test, and would then have to rely solely on the same business test.

If the Company has made no changes to its business as a consequence of the Proposed Recapitalisation then the carry forward tax losses of \$3,174,310 as at 30 June 2014 plus any additional losses after that date may be available to the Company.

The maximum realisable value of these losses at the tax rate of 30% is \$952,293. In order for this to be realised the Company would need to generate at least \$3,000,000 in net profit within a reasonable period i.e 7 years. If future profits are not realised then the value of these carry forward losses would be nil.

Carry forward tax losses are not transferable and as such cannot be sold.

In the event of liquidation and the Company ceasing to trade the carry forward tax losses have nil value.

6.3 SHARE PRICE AND VOLUME TRADED HISTORY

On 6 August 2014, the Company's directors requested that the Company's shares be placed into suspension due to the appointment of the Receivers and Managers. They have remained in suspension since this date.

On 29 August 2015 the Company was delisted from the Australian Stock Exchange. All share transfers from shareholder CHESS accounts has been suspended and cannot be processed. I am unable to extract the share volume traded from the ASX.

The share price movements are set out in **Figure 4** in section 4.1.5 of this Report.

The Company's shares last traded at AUD0.04.

7. OVERVIEW OF THE PROPOSED CAPITALISATION

7.1 KEY FEATURES

On 2 September 2015, creditors of the Company voted in favour of the Approved DOCA.

The purpose of the Approved DOCA is to give effect to a recapitalisation of the Company.

As a summary, the Approved DOCA has the following terms:

- A deed contribution of \$45,000 paid into two (2) creditor funds:
 - a) Fund 1 - \$36,000 to adjudicated unsecured creditors' claims;
 - b) Fund 2 - \$9,000 to adjudicated unsecured creditor claims that relate to director and director related consulting fees net of any cross claims from the Transactions identified in Section 4.1.
- Any surplus of Fund 2 after assessment of cross claims is distributed to Fund 1 creditors;
- Fund 1 creditors are also entitled to 5% of any net recoveries of any identified claim by the Deed Administrator up to a cap of \$50,000;
- ILP convert all of its debt over \$2.30M to equity and control 100% of the issued capital;
- The share transfer is subject to ASIC relief and the transfer of the shares in the Company to ILP, with leave of the Court pursuant to Section 444GA of the Act;
- On Court approval and completion of the debt for equity swap the Receivers and Managers will retire;
- ILP would not participate for a dividend for the \$2.3M; and
- That the Deed Administrator investigates and pursues for breaches of directors' duties and other commercial claims identified.

The source of funds for the Approved DOCA is provided by ILP as one cash payment.

The Approved DOCA contemplates ILP becoming entitled to a transfer of all the shares in the Company from existing shares held by current shareholders. In order to effect this

transfer, the Deed Administrator is required to apply for leave of the Court under Section 444GA of the Act to transfer 100% of the existing shares in the Company.

7.2 IMPACT OF THE PROPOSED RECAPITALISATION ON STAKEHOLDERS

7.2.1 Impact on Shareholders

If the Court makes the orders pursuant to Section 444GA of the Act and the other conditions of the Proposed Recapitalisation are satisfied, then 100% of the existing shares will be transferred to ILP as set out in Table 9 below. Existing Company shareholders will not be compensated for their shares.

Table 8 below sets out the share structure after implementation of the Approved DOCA.

Shareholding (millions)	Existing Shareholders	Secured Creditor	Total Shares outstanding
Shares outstanding as at 29 July 2015	241.2 100.0%	0	241.2 100.0%
Transfer as per Approved DOCA Effectuation	(241.2)	241.2	241.2
Post Approved DOCA Effectuation	0.0	241.2	241.2 100.0%

Table 8: Kupang Resources Limited – Shareholding

The transfer of shares will likely result in a capital gains tax event, crystallising a capital loss for tax purposes for existing shareholders. If the Court makes orders pursuant to Section 444GA of the Act, the Deed Administrator makes the appropriate declaration as to the value of shares for Shareholder tax purposes.

Given the shortfall to both the secured creditor and unsecured creditors, there is no residual financial benefit to existing shareholders in the event of liquidation.

Completion of the terms of the Approved DOCA would therefore allow shareholders to claim a capital loss on the cancellation of their shares pursuant to the terms of the Approved DOCA.

7.2.2

Impact on Unsecured Creditors

Table 9 is a summary of unsecured creditors of the Company as at the date of the appointment of the Voluntary Administrator.

Unsecured Creditor Type	Directors' RATA Amount \$ (as at 28 May 2015)	Deed Administrator's ERV (Low) \$ (as at 30 June 2016)	Deed Administrator's ERV (High) \$ (as at 30 June 2016)	Comments
Trade Creditors	180,640	180,640	180,640	This amount accords with the books and records of the Company
Unsecured Related Creditors	911,768	884,520	911,768	I have excluded the accrued interest claimed by CFE on my Low estimate on the basis that further information is required to substantiate the claim
Non-Executive Director Claim	Nil	91,970	91,970	This amount relates to an employee entitlement claim made by a director and has been reallocated from Employee Entitlements in the RATA.
Landlord Claim	Nil	46,855	46,855	The Company is subject to a lease of premises that was terminated prior to its expired date of 31 March 2016. This amount is an estimate of the amount that may be claimed by the Landlord as the lease was terminated prior to its expiry.
Total	\$1,092,408	\$1,203,985	\$1,231,233	

Table 9: Kupang Resources Limited - Unsecured Creditors

The Directors' RATA shows trade creditors totalling approximately \$180,640 as at the date of my appointment.

The Company leased premises at 18 Oxford Close, West Leederville, Western Australia (the "Premises"). The lease term expired on 31 March 2016. As the lease was terminated prior to its expiry date, the landlord may be entitled to claim rent for the period commencing on the date of termination to the expiry date of the lease. The monthly rent payable was \$6,000 plus GST, outgoing and car parking, being approximately \$8,333 per month. The directors have disclosed that the Premises were partially sublet to Intiga Security for \$1,845 per month plus GST however there is no formal sub-lease for this arrangement. I have estimated a potential contingent claim for

the remainder of rent payable in the event of an early termination taking into account the security deposit in the amount of \$28,142 of \$46,855.

The total amount of unsecured trade creditor claims may vary once formal claims are sought and adjudicated upon.

I note that as at the date of the appointment of the Receivers and Managers, the Company had ceased trading and continues to do so as at the date of this report.

If the Court makes the orders pursuant to Section 444GA of the Act and the other conditions of the Proposed Recapitalisation are satisfied trade creditors who had claims outstanding as at 29 July 2015 will be subject to the terms of Approved DOCA and be entitled to participate in the distribution of Fund 1.

For unsecured related creditor claims, including claims that relate to director and director related entity consulting fees outstanding as at 29 July 2015, those creditors will be entitled to participate in the distribution of Fund 2 of the Approved DOCA

7.2.3 *Impact on Priority Creditors (Employees)*

The Company has no employees, therefore the Approved DOCA will have no impact on employees.

In relation to the Non-Executive Director Claim in the amount of \$91,970, this amount relates to a claim for outstanding employee entitlements made by a director of the Company. If the Court makes the orders pursuant to Section 444GA of the Act and the other conditions of the Proposed Recapitalisation are satisfied, the Non-Executive Director Claim will be subject to the terms of Approved DOCA and be entitled to participate in the distribution of Fund 1/Fund 2, subject to the limitations imposed by Section 556 of the Act concerning 'excluded employee' as defined in the Act.

7.2.4 *Impact on Lessors*

The Company is currently not in possession or any leased premises.

I have estimated a potential contingent claim for the remainder of rent payable in the event of an early termination taking into account the security deposit in the amount of \$28,142 of \$46,855. Their amount would now claim as an unsecured creditor in a distribution from Fund 1 of the Approved DOCA.

7.2.5 *Impact on Secured Creditors*

If the Court makes the orders pursuant to Section 444GA of the Act and the other conditions of the Proposed Recapitalisation are satisfied, ILP will receive 100% of the existing shares of the Company and remain a secured lender for \$2.3m. The general terms of repayment of the remaining secured debt of \$2.3m follows:

- The term of the loan is 7 years;
- Year 1 commences on the date of the Approved DOCA effectuation;
- No repayment required for Year 1 to Year 3 inclusive;
- All interest to be capitalised at the current rate;
- Payment of \$0.5M every six months commencing at the beginning of Year 4;
- Balloon payment of any outstanding balance payable at the end of Year 7.

7.2.6 *Conditions Precedent to effectuation of the Approved DOCA*

The Approved DOCA will become fully effectuated and control will revert to the directors following:

- The Court grants leave under Section 444GA and ILP becomes entitled to the shares of existing shareholders
- The Deed Administrator transfers the shares of the Company pursuant to the Court orders to ILP
- ASIC provides the necessary relief from the Takeover Code
- Fund 1 and Fund 2 are distributed in accordance with provisions of the Approved DOCA.

8. VALUATION OF THE COMPANY

8.1 METHODOLOGY

I have sought to determine whether, in my opinion, the enterprise value of the Company exceeds the value of its indebtedness. I have prepared this analysis to assess the implied value under a going concern non distressed arm's length transaction.

In forming my view, I have noted that Kupang JV was not in operating production, I have therefore relied on the valuations provided by GMT to determine a valuation range for the Company as a resource asset. Further, I have assessed relevant information available to me, including Deed of Company Arrangement proposals, to support my valuation range.

I have considered the valuation methodologies outlined in ASIC RG 111 (*Contents of expert reports*) and am of the opinion that the following valuation methodologies are the most appropriate:

- Analysis of Deed of Company Arrangement proposals received as part of the external administration process for the Company;
- The amount that would be available for distribution for security holders and creditors on an orderly realisation of assets
- The last quoted price for the Company – however this may not reflect their value given that the Company is now removed from the ASX Official List.

8.2 DEED PROPOSAL(S) VALUATION

During the Voluntary Administration period, I received proposals from three parties:

- Petra Commodities Pte Limited
- Potential Investor – Ben Elias
- ILP

8.2.1 *Petra Commodities Pte Ltd Proposal*

On 27 August 2015, Petra Commodities Pte Ltd ("**Petra**") submitted a deed of company arrangement proposal with the following essential terms:

- Cash payment of A\$127,500. Of this amount, \$27,500 would be allocated to the payment of the ASX Invoice;
- A Creditors' Trust vehicle would be required;
- All PPSR charges against the Company and its subsidiaries would need to be removed and a release from debts of all creditors, including secured creditors and security interests. Petra required the Company to be debt free following its payment of \$127,500. This meant that the secured creditor had to accept Petra's proposal;
- Petra's proposal was subject to due diligence;
- Petra would pay reasonable administration costs of calling shareholder meetings etc.

As Petra required the Company to be debt free and for the secured creditor to release all security upon payment of \$127,500, Petra's deed proposal was subject to the secured creditor accepting its terms. The secured creditor did not accept Petra's proposal as, after payment of the ASX Invoice, only \$100,000 would remain to satisfy the secured creditor's claim in excess of \$3.3 million.

I advised Petra that the secured creditor did not accept its proposal and invited them to either submit their proposal in the usual form for creditors to consider at this meeting, or to submit a revised proposal. As at the date of the Company's second meeting of creditors (2 September 2015), I had not received any proposal from Petra.

8.2.2 *Potential Investor – Ben Elias*

In my report to creditors dated 25 August 2015, I informed creditors of a potential investor put forward by Company director Mr Ben Elias who was prepared to offer the secured creditor \$2.0M in full and final settlement of all claims and retirement of the Receivers and Managers. The offer was subject to due diligence.

At the Company's second meeting of creditors, Mr Elias informed those in attendance that the potential investor was unable to complete due diligence and was no longer willing to provide funding.

8.2.3 *ILP*

The secured lender, ILP, submitted the proposal for the Approved DOCA that was approved at the second meeting of creditors of the Company on 2 September 2015. Consequently, the Company entered the Approved DOCA on 9 September 2015, the terms of which are set out at section 7 of this report.

8.3 ASSET BASE VALUATION

I have sought to determine the enterprise value of the Company by determining the amount that would be available for distribution for security holders and creditors on an orderly realisation of assets. I have relied on the Technical Mining Expert Report and the Report as to Affairs ("RATA") as discussed in this section.

8.3.1 Report as to Affairs

The directors of the Company provided me a RATA, in my capacity as Voluntary Administrator, with a Report as to Affairs for the Company, summarised on the following page, in the **Table 10: Kupang Resources Limited - Estimated Return to Creditors**. A RATA provides information on the financial position of the Company as at the date of the appointment of an external administrator and is prepared on a standalone basis.

Based on the independent valuation of the mining exploration licenses held by the Kupang JV, I have reassessed the return to both secured and unsecured creditors based on the waterfall distributions from sale and liquidation of the Kupang JV assets.

Set out in **Table 10** on the following page is the comparative dividend distributions to creditors under the Approved DOCA and in a CVL scenario (High and Low).

I have prepared an assessment of the comparable returns under the Approved DOCA and CVL with High and Low scenarios.

8.3.2 Cash at the Bank

Directors' RATA (28 May 2015): \$162,141; ERV CVL Scenario (Low) \$Nil; ERV CVL Scenario (High) \$Nil

The directors' RATA notes that as at 28 May 2015 the Company had \$162,141 cash at bank.

On 28 May 2015 the Receivers and Managers assumed control of all assets of the Company, including cash at bank. Following my appointment, I was informed by the Receivers and Managers that the Company's cash at bank was \$Nil.

I understand that the cash at bank was used in the Receivership administration. The Receivers and Managers are required to account for all payments and receipts during the receivership pursuant to Section 432 of the Act.

8.3.3 Sundry Debtors

Directors' RATA (28 May 2015): \$12,013,542; ERV CVL Scenario (Low) \$22,500; ERV CVL Scenario (High) \$479,536

Table 11: Kupang Resources Limited - Debtors below details the debtors of the Company as at the date of the appointment of the Receivers and Managers, with the Deed Administrator's estimated realisable value ("ERV") as at 30 June 2016 in CVL Low and High scenarios.

Table 11: Kupang Resources Limited - Debtors

Debtor	Directors' RATA Amount	ERV CVL Scenario	
		Low Scenario	High Scenario
	\$	\$	\$
	(as at 28 May 2015)	(as at 30 June 2016)	(as at 30 June 2016)
PT Kupang Resources Joint Venture	103,487	Nil	Nil
PT Teguh Perkasa	2,250,000	22,500	124,470
NTT Manganese Pty Ltd	9,250,000	Nil	355,066
Australian Taxation Office	10,055	Nil	Nil
International Litigation Partners Pte Limited	400,000	Nil	Nil
Total	\$12,013,542	\$22,500	\$479,536

Table 10: Kupang Resources Limited - Estimated Return to Creditors

Kupang Resources Limited
 (Subject to Deed of Company Arrangement) (Receivers and Managers Appointed)
 ACN: 098 773 785
Estimated Return to Creditors

	Directors' RATA	Approved DOCA Low Scenario	Approved DOCA High Scenario	CVL Low Scenario	CVL High Scenario	Notes
	Amount (\$)	Amount (\$)	Amount (\$)	Amount (\$)	Amount (\$)	
Realisations						
Cash at Bank	\$162,141	\$0	\$0	\$0	\$0	8.3.2
Sundry Debtors	\$12,013,542	\$0	\$0	\$22,500	\$479,536	8.3.3
Other Assets	\$3,535,542	\$0	\$0			
Shares in Non-listed Entities				\$0	\$5,000	8.3.4
Grimaldi				\$0	\$23,895	8.3.4
Proceeds from Litigation				\$532,000	\$3,063,250	8.3.5
Tax Losses				Nil	Nil	8.3.6
Contribution by Deed Proponent (DOCA Fund 1)	\$0	\$45,000	\$45,000	\$0	\$0	
Offences - Recoveries (DOCA Fund 2)	\$0	\$0	\$50,000	\$0	\$0	
Assets Available	\$15,711,225	\$45,000	\$95,000	\$554,500	\$3,571,681	
Less the Secured Debt						
Secured Creditor - ILP						
Principal Debt owing to ILP	\$1,980,000	Partial Debt for Equity	Partial Debt for Equity	\$1,980,000	\$1,980,000	
Accrued Interest on Principal Debt	\$628,312	Partial Debt for Equity	Partial Debt for Equity	\$922,063	\$922,063	
Costs of Receiver and recovery costs	\$0	Partial Debt for Equity	Partial Debt for Equity	\$1,518,773	\$1,518,773	
Disputed amount owing to ATO in respect of ILP Debt	\$400,000	Partial Debt for Equity	Partial Debt for Equity	\$400,000	\$0	
Secured Debt				\$4,820,836	\$4,420,836	8.3.8
Surplus / Shortfall of Security	\$12,702,913	45000	\$95,000	(\$4,266,336)	(\$849,155)	
Assets Available to Unsecured Creditors						
Surplus of Assets from payment of Secured Debt	\$12,702,913	45000	\$95,000	\$0	\$0	
Voidable Transactions - Preferences	\$0	\$0	\$0	Nil	Nil	9.2.1
Voidable Transactions - Uncommercial Transactions	\$0	\$0	\$0	Unknown	Unknown	
Insolvent Trading	\$0	\$0	\$0	Nil	Nil	
Total Realisations Available to Priority and Unsecured Creditors	\$12,702,913	\$45,000	\$95,000	\$0	\$0	
Less: Costs of External Administration						
Administrator's Remuneration	\$0	Funded	Funded	\$35,000	\$35,000	
Deed Administrator's Remuneration	\$0	Funded	Funded	\$0	\$0	
Liquidator's Remuneration	\$0	\$0	\$0	\$150,000	\$40,000	
Administrator's/Deed Administrator's/Liquidator's Disbursements	\$0	Funded	Funded	\$15,000	\$5,000	
Legal Costs	\$0			\$150,000	\$150,000	
Total Costs of Recovery	\$0	\$0	\$0	\$350,000	\$230,000	
Funds Available for Distribution to Priority Creditors	\$12,702,913	\$45,000	\$95,000	(\$350,000)	(\$230,000)	
Priority Creditor Claims	\$93,970	\$2,000	\$2,000	\$2,000	\$2,000	8.3.7
Funds Available for Distribution to Unsecured Creditors	\$12,608,943	\$43,000	\$93,000	(\$352,000)	(\$232,000)	
Unsecured Creditors						
Unsecured Creditors	\$1,092,407	\$1,092,407	\$1,092,407	\$1,231,233	\$1,203,985	8.3.9
Shortfall of Secured Debt	N/A	N/A	N/A	\$4,266,336	\$849,155	
Total Unsecured Creditor Claims	\$1,092,407	\$1,178,985	\$1,092,407	\$5,497,569	\$2,053,140	
Estimated Return to Creditors	cents/\$	cents/\$	cents/\$	cents/\$	cents/\$	
Priority Creditors	N/A	100 c/\$	100 c/\$	100 c/\$	100 c/\$	
Secured Creditor	N/A	0.00	0.00	12.54	80.79	
Unsecured Creditors	N/A	3.65	8.51	Nil	Nil	



Monies advanced to PT Teguh Perkasa, Wihers Rihi and Refafi Gah for \$2.25M was a loan made in respect their capital contributions to the joint venture. The loan agreement does not provide for security.

I have estimated that any recovery under the loan agreement will be limited to any distribution that PT Teguh receives from the bankruptcy of the Kupang JV. Assuming a high scenario dividend distribution from the Joint Venture of 6 cents in the dollar the recovery would amount to \$124,470.

As outlined in section 5, the estimated distribution from the liquidation of NTT to the Company (on a High scenario) will be 4 cents in the dollar or \$355,066.

8.3.4 Other Assets

Directors' RATA (28 May 2015): \$3,535,542; ERV CVL Scenario (Low) \$5,000; ERV CVL Scenario (High) \$28,895 as at 30 June 2016 outlined in **Table 12** below:

Table 12: Kupang Resources Limited - Other Assets

Asset Description	Directors' RATA Amount \$ (as at 28 May 2015)	ERV CVL Low Scenario \$ (as at 31 December 2015)	ERV CVL High Scenario \$ (as at 31 December 2015)
Deposit on Leased Premises	28,142	Nil	Nil
Investments – other			
- Kimberley Resources	7,400	5,000	5,000
- Chalceus	Nil	Nil	Nil
Investment in subsidiaries – NTT Manganese Pty Limited	3,500,000	Nil	Nil
Claim in the bankrupt estate of Phillip Grimaldi	477,900	Nil	23,895
Pursuit of Grimaldi Proceedings arising from Mr Grimaldi's fiduciary breaches	Unknown	Nil	Nil
Total	\$3,535,542	\$5,000	\$28,895

The deposit on the leased premises of \$28,142 will be fully offset by the landlord, the shortfall of \$46,855 will rank as an unsecured creditor claim refer **Table 10**.

The Company holds two 'Other Investments' - 20% of Kimberley Resources which holds a 95% interest in two tenements M80/106 and M80/315 and a 100% interest in two tenements M80/418 and E80/3522, and 100% of Chalceus Pty Limited.

Kimberley - Under the terms of the sale agreement dated 12 December 2013, Pinnacle was to fund all maintenance costs in respect to the four tenements noted until a feasibility study was completed. To date no feasibility study has been completed. The tenements are now subject to significant clean-up costs. Mr Greg Barnes, the principal shareholder of Pinnacle has offered to acquire the Company's interest for \$5,000.

Chalceus - According to a trial balance for Chalceus Pty Limited its has no assets and is indebted to the Company for \$150,474. I have therefore estimated that Nil will be recoverable under all scenarios.

The Company commenced litigation against Mr Phillip Grimaldi, Murchinson and Barnes in respect to the misappropriation of Company funds, referred to as the "**Grimaldi Proceedings**".

The litigation continued against Mr Grimaldi (in his personal capacity) until Mr Grimaldi declared bankruptcy on 2 July 2014, and Mr Max Donnelly of Ferrier Hodgson was appointed as his Bankruptcy Trustee. As a result, the Grimaldi Proceedings were stayed against Mr Grimaldi by operations of the Bankruptcy Act.

The Company is a creditor of the Estate for the amount of \$477,900 and an unproven amount in damages in respect to the malfeasance claim.

The Trustee in Bankruptcy has advised that there are only two creditors in the Estate, the Company and the Australian Taxation Office for \$20.0M. The Trustee expects to recover \$1.5M from litigation proceedings and net of costs this would provide a recovery for the Company of 5 cents or \$23,895.

The value of Other Investments – is \$5,000 in CVL (Low) and \$28,895 (High) in all scenarios as set out in **Table 12**.

8.3.5 Litigation Claims

These claims are outlined in Section 4 of this Report. I have considered the potential quantum of the claims under each of the categories as follows:

Potential Quantum of Claims against Cape Lambert and Kupang Directors

Section	\$
4.1.1 Alliance Agreement	6,500,000
4.1.2 Deed of Forgiveness - Kimberly Resources	978,000
4.1.3 ILP Funding Agreement	8,381,144
4.1.4 Participation in Kupang JV	12,000,000
4.1.5 False and Misleading Conduct	Unknown
Total Potential Claims Quantum	27,859,144

As the details of the Directors' and Officers' Insurance Policy are confidential, and breach of confidentiality may void the policy, the ability of the various parties to meet the claims is contained in a confidential extract **Annexure 5**.

I estimate net of costs that in an optimistic scenario \$3.0M would be available to meet creditors' claims, and \$530,000 in a pessimistic scenario.

8.3.6 Tax Losses

According to the Annual Report to 30 June 2014, the Company had accumulated losses of \$32,193,937 and available carry forward tax losses of \$3,174,310.

No detailed tax reconciliations have been completed and the accounts after 31 December 2014 have not been audited. There will be additional losses which have not been quantified by the Company, its auditors and its tax advisers.

Carry forward tax losses are only available where a company passes the same ownership test or the same business test. The Proposed Recapitalisation as outlined in the executed Deed of Company Arrangement means that the Company would fail the same ownership test, and would then have to rely solely on the same business test.

If the Company has made no changes to its business as a consequence of the Recapitalisation then the carry forward tax losses of \$3,174,310 as at 30 June 2014 plus any additional losses after that date and which may have resulted from the external administration may be available to the company.

The maximum realisable value of these losses is the tax rate of 30% or \$952,293. In order for this to be realised the Company would need to generate at least \$3,000,000 in net profit within a reasonable period i.e. 7 years. If future profits are not realised the value of these carry forward losses is nil.

Carry forward tax losses are non-transferable and as such cannot be sold.

In the event of liquidation and the Company ceasing to trade the carry forward tax losses have nil value.

8.3.7 Priority Creditor Claims

Directors' RATA (28 May 2015): \$93,970; ERV CVL Scenario (Low) \$2,000; ERV CVL Scenario (High) \$2,000 as at 30 June 2016.

The Directors' RATA shows a priority claim in the amount of \$93,870, being outstanding director fees claimed by Mr Ben Elias, a non-executive director of the Company.

Each of the directors have completed a questionnaire in relation to the affairs of the Company where all state that there were no employees of the Company.

My view is that, other than \$2,000 (being the maximum amount payable to an excluded employee for wages pursuant to Section 556(1A) of the Act; an excluded employee includes a director for the purposes of this provision), the balance of the claim is unsecured claim relating to director fees and not a priority creditor claim

8.3.8 Secured Creditors

Table 3 in section 3.2 of this Report sets out my comments in respect of each components claimed by ILP as reflected in the directors' RATA. The value of the secured debt in CVL (Low) is \$4,820,836 and CVL (High) is \$4,420,836.

8.3.9 Unsecured Creditors

Directors' RATA (28 May 2015) \$1,092,407; ERV CVL Scenario (Low) \$1,203,985; ERV CVL Scenario (High) \$1,231,233 as at 30 June 2016.

Table 9 at section 7.2.2 of this Report is a summary of unsecured creditors of the Company as at the date of the appointment of the Receivers and Managers and updated to 30 June 2016.

8.4 CONCLUSION

The Company's secured debt that I estimate at \$4.420M (set out at section 3.2) materially exceeds the enterprise value of its assets. The estimated shortfall the secured creditor is between \$849,155 and \$4,266,336

Given that there is a shortfall to the secured creditor and there is no return to unsecured creditors, then the enterprise value for existing shareholders is nil.



9. ALTERNATIVES TO THE PROPOSED RECAPITALISATION

9.1 LIQUIDATION

In the event that the terms of the Approved DOCA cannot be effected and the shares are not transferred, then pursuant to the Approved DOCA a meeting of creditors will be called, and if an alteration to the Approved DOCA cannot be agreed then the Company will be placed into liquidation by the operation of the Act.

In my opinion, therefore the only alternative to the Proposed Recapitalisation is the liquidation of the Company as:

- The Company has not received any other alternative proposals that are capable of being accepted without the consent of the secured creditor;
- The Company has been delisted from the ASX and as such there is no realisable value in the corporate shell;
- There is no other source of funds to pay outstanding creditor claims;
- In order to assess the size of the resource of the Kupang JV requires additional funds of \$0.69M;
- Unless agreed with other creditors of the Kupang JV the assets of the Company can only be realised through an Indonesian liquidation of the Kupang JV assets in Indonesia;
- The Company is no longer trading as a going concern;
- The Company does not have direct management control over the interest in the Kupang JV;
- There is no option in placing the Company's joint venture interest mine into care and maintenance as it is currently not operating.

9.2 ESTIMATED OUTCOME IN LIQUIDATION

I have estimated the possible return to shareholders and creditors should the Company be placed into liquidation in my report to creditors dated 25 August 2015.

The estimated outcome in a liquidation is identical to the return to unsecured creditors in an asset based valuation as set out in section 8 of this Report.

The only additional recoveries which may occur in a liquidation relate to voidable recoveries and insolvent trading. My view in respect to these recoveries is set out below.

9.2.1 Voidable Recoveries

I refer to **Annexure 1** being the Section 439A Report to Creditors where Section 10 of that report assessed the recovery of potential claims that would arise from the powers of a liquidator to recover certain voidable or insolvent transactions.

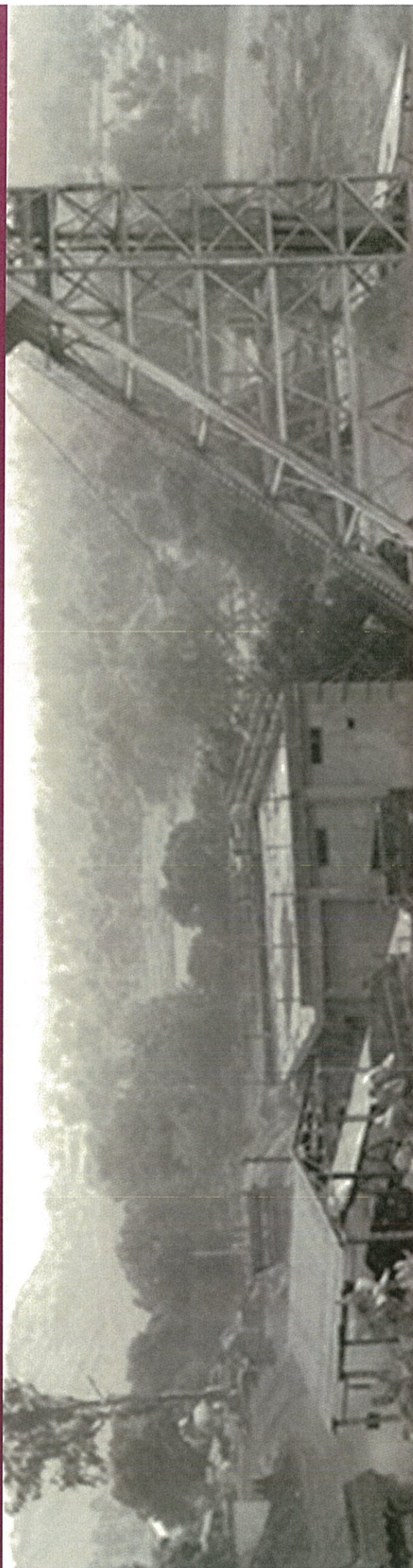
Pursuant to that investigation I consider that the voidable transactions which could be initiated are immaterial and are uncommercial to pursue. I have assessed a nil under all scenarios.

If the Company is placed into liquidation, I estimate that:

- priority creditor claims (capped pursuant to Section 556 of the Act) would receive 100 cents/\$;
- secured creditor would receive between 12.54 cents and 80.79 cents/\$;
- unsecured creditors would receive no return as any surplus from the liquidation of the operating subsidiaries would be utilised in the administration of the liquidation; and
- Given there is no return to unsecured creditors then there would be no recovery for existing shareholders in a liquidation.



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KUPANG RESOURCES LIMITED
(SUBJECT TO DEED OF COMPANY ARRANGEMENT) (RECEIVERS AND
MANAGERS APPOINTED)

ANNEXURE 1 – REPORT TO CREDITORS SECTION 439A OF THE ACT

26 JULY 2016



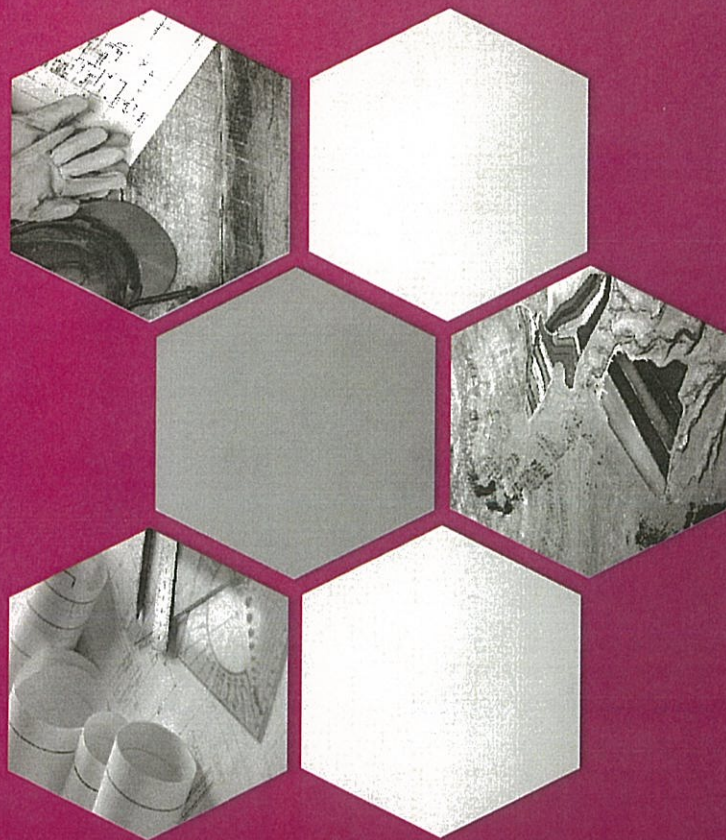


DEM AUSTRALASIA

KUPANG RESOURCES LIMITED
(ADMINISTRATOR APPOINTED)
(RECEIVERS AND MANAGERS APPOINTED)
ACN: 098 773 785

**REPORT TO CREDITORS PURSUANT TO
S439A OF THE CORPORATIONS ACT 2001**

25 AUGUST 2015



REPORT TO CREDITORS

**KUPANG RESOURCES LIMITED
(ADMINISTRATOR APPOINTED)
(RECEIVERS AND MANAGERS APPOINTED)
ACN: 098 773 785**

("THE COMPANY")

On 29 July 2015, I was appointed Administrator of the above Company pursuant to Section 436C of the Corporations Act 2001.

The purpose of this report is to:

- a) provide creditors with information about the Company's business, property, affairs and financial circumstances; and
- b) set out my opinion about the following matters accompanied by my reasons for forming those opinions
 - i) whether it would be in the creditors' interests for the Company to execute a Deed of Company Arrangement;
 - ii) whether it would be in the creditors' interests for the administration to end and for control of the Company to be returned to its directors; or
 - iii) whether it would be in the creditors' interests for the Company to be wound up.

Pursuant to Section 435A of the Corporations Act 2001, the objective of a voluntary administration can be summarised as follows:

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

The comparative financial returns to creditors under a deed proposal compared to liquidation is only one assessment of whether or not the deed proposal represents a better return than immediate liquidation. Other qualitative factors including but not limited to the benefit to creditors of ongoing business and the discounted value of prolonged recoveries including the costs of litigation should also be assessed. Creditors are also entitled to vote in their own best interest, regardless of my recommendation.

The Company's secured creditor, International Litigation Partners Pte Ltd, has submitted a proposal for a Deed of Company Arrangement. Creditors are referred to Section 13 of this Report to Creditors for a comparison of the estimated return to creditors under the proposed Deed of Company Arrangement and in a liquidation scenario.

RECOMMENDATION STATEMENT

It is my recommendation that creditors resolve at the upcoming meeting of creditors to be held on 2 September 2015 to accept the proposed Deed of Company Arrangement.

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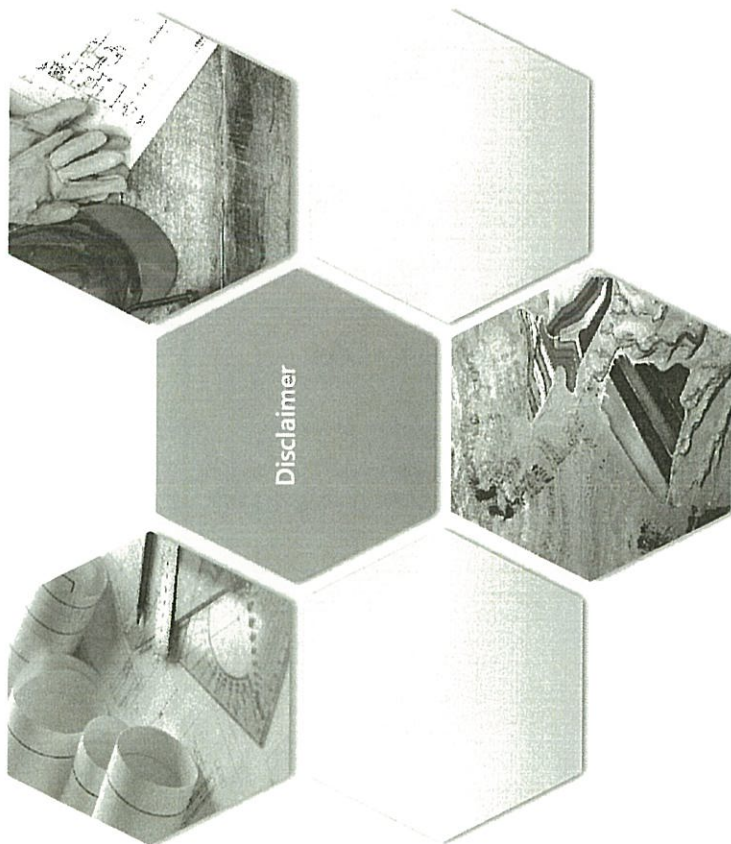
1. DISCLAIMER

Whilst every care has been taken in the preparation of this report, I am unable to warrant the accuracy, completeness or reliability of the information contained as it was compiled from the available books and records of the Company and information provided by relevant parties and no audit has been conducted. My conclusions as detailed herein must be regarded as preliminary and subject to change as future investigations are undertaken.

In considering the options available to creditors, in formulating my recommendations, I have forecast asset realisations and costs of recovery and have been required to make estimates of the ultimate quantum of creditors' claims against the Company. These forecasts and estimates will change as:

- the appointment of the Receivers and Managers continues;
- my assessment of potential asset realisations progresses; and
- creditors' claims are made and adjudicated upon.

The forecasts and estimates in this report are my best assessment in the circumstances and creditors should note that the Company's ultimate deficiency, and therefore the outcome for creditors, could differ from the information provided in this report.



2. EXECUTIVE SUMMARY

2.1 APPOINTMENT

On 29 July 2015 I, Damien Mark Hodgkinson, was appointed Voluntary Administrator of Kupang Resources Limited, ACN 098 773 785, formerly known as Chameleon Mining NL (hereafter referred to as the "Company") by International Litigation Partners Pte Limited ("ILP") pursuant to Section 436C of the *Corporations Act 2001* (the "Act").

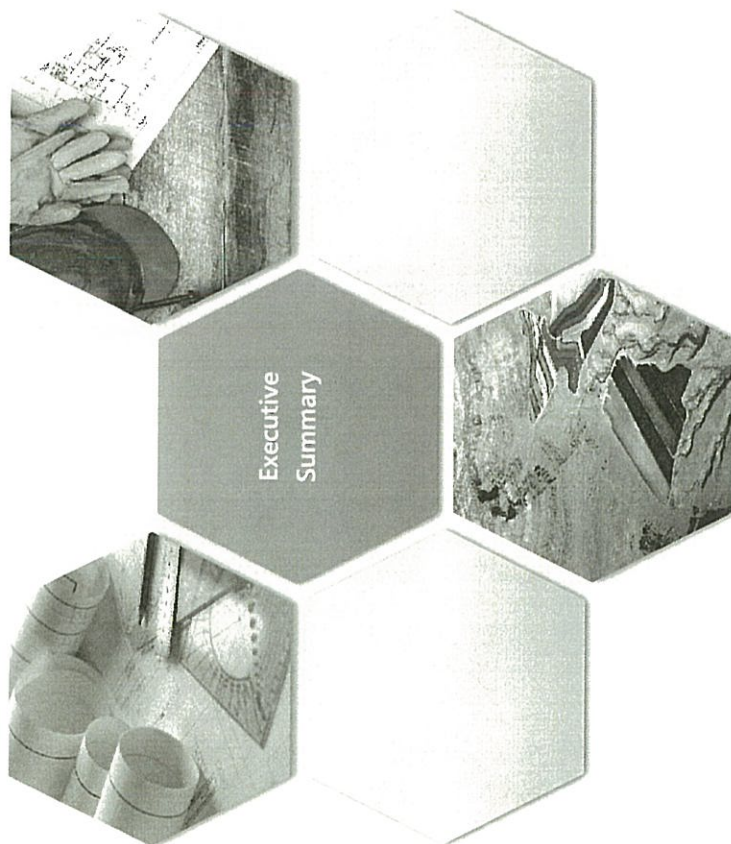
Prior to this, on 6 August 2014, ILP appointed Messrs Quentin James Olde and Nathan Vance Landrey of FTI Consulting ("FTI") as receivers and managers of the Company ("Receivers and Managers"). That appointment was challenged by the Company wherein it obtained an interim injunction preventing the Receivers and Managers from taking any action pending the Court's determination on the validity of their appointment. The Company's application was dismissed, as was its appeal of that decision, and on 28 May 2015, the Receivers and Managers assumed control of the Company's business and assets.

2.2 CONTROL OF THE COMPANY'S ASSETS AND BUSINESS

As at the date of this report, the Receivers and Managers remain in control of the Company's assets and business.

I note that the Company's shares continue to be suspended from trade on the Australian Stock Exchange ("ASX") (refer to Section 5 of this report for further details). The shares last traded at 4 cents a share before their suspension.

I further note that the ASX has issued the Company with a Tax Invoice in the amount of \$27,500 (GST inclusive), being for the Company's ASX listing annual subscription fee for the financial year 2015/16. If this invoice is not paid by 28 August 2015, being 20 business days after the due date on 31 July 2015, the ASX Listing Rule 17.15 requires the Company's removal from the ASX official list. As at the date of this report, the ASX Tax Invoice remains unpaid. On 31 July 2015 I invited shareholders by ASX notice to provide funding of the fees to maintain the ASX listing. This amount remains unfunded.



2.3 PRELIMINARY INVESTIGATIONS

I have conducted my preliminary investigations into the affairs of the Company and have identified a number of items requiring further investigation. Please refer to Section 10 of this report for further details.

2.4 FIRST MEETING OF CREDITORS

The first meeting of the Company's creditors was held on 7 August 2015. At that meeting, creditors considered the appointment of a Committee of Creditors and the appointment of alternative Administrator(s). A Committee of Creditors was formed and my appointment as Administrator of the Company was confirmed.

2.5 SECOND MEETING OF CREDITORS

The Second Meeting of Creditors of the Company pursuant to Section 439A of the Act will be held as follows:

Date:	Wednesday, 2 September 2015
Time:	2pm
Location:	DEM Australasia Level 4, 249 Pitt St Sydney NSW 2000

Attached as Annexure 1 is a formal Notice of Second Meeting of Creditors of the Company.

Creditors may attend by teleconference. Creditors can register for teleconference by emailing Hamish Lawson on hamish.lawson@demaustralasia.com.

2.6 ADMINISTRATOR'S RECOMMENDATION

It is my recommendation that creditors resolve at the upcoming meeting of creditors to be held on 2 September 2015 to accept the proposed Deed of Company Arrangement.

Please refer to Section 13 of this report for further comments in this regard.

3. PURPOSE OF THIS REPORT

The purpose of this report is to provide information on the Company's business, property, affairs and financial circumstances, and to provide the Administrator's view on the future of the Company pursuant to Part 5.3A of the Act.

Section 438A of the Act requires that, as soon as practicable, the Administrator must investigate the Company's business, property, affairs and financial circumstances and form an opinion about each of the following matters:

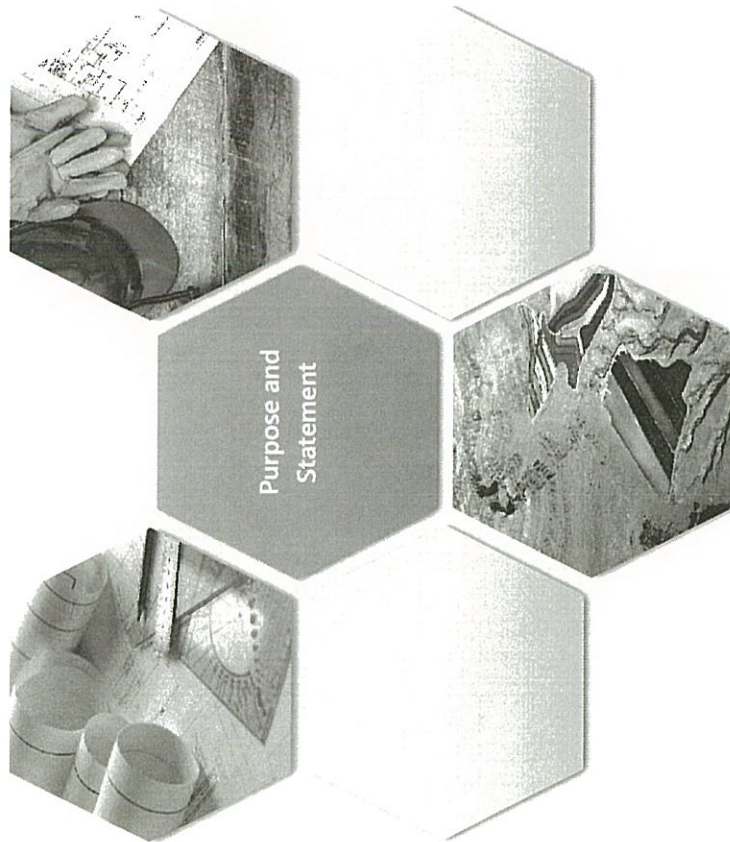
- whether it would be in the creditors' interests for the Company to execute a Deed of Company Arrangement ("DOCA");
- whether it would be in the creditors' interests for the Administration to end; and
- whether it would be in the creditors' interests for the Company to be wound up.

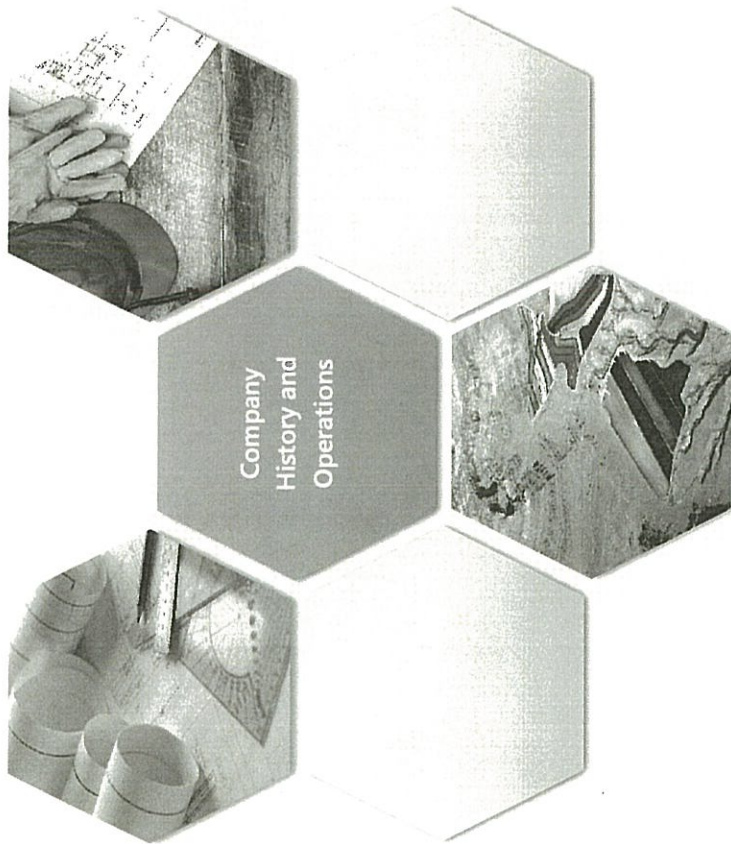
This report has been prepared mainly from information received from the Company's directors and secretary, the Receivers and Managers and the books and records of the Company.

4. STATEMENT OF INDEPENDENCE

Please refer to the Notice to Creditors dated 29 July 2015 for the Declaration of Independence, Relevant Relationships and Independence ("DIRRI"). The DIRRI was tabled at the First Meeting of Creditors of the Company held on 7 August 2015.

At the date of this report there are no changes to the DIRRI.





5. COMPANY HISTORY AND OPERATIONS

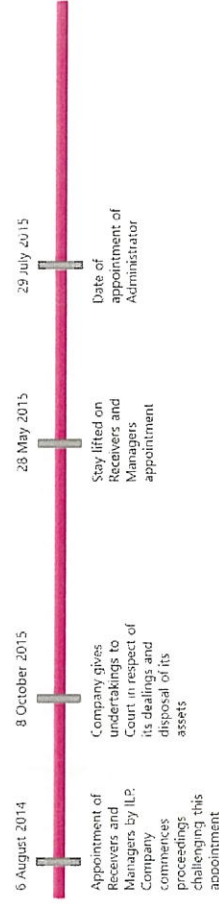
5.1 COMPANY HISTORY

The Company was registered on 16 November 2001 in New South Wales.

At the date of its incorporation, it was known as Chameleon Mining NL until 25 May 2012 when its named changed to Kupang Resources Limited.

On 6 August 2003 the Company was admitted to the Official List of the Australian Stock Exchange ("ASX") and subsequently to Official Quotation on 12 August 2003.

On 6 August 2014, ILP appointed Messrs Quentin James Olde and Nathan Vance Landrey of FTI as Receivers and Managers of the Company. That appointment was challenged by the Company wherein it obtained an interim injunction preventing the Receivers and Managers from taking any action pending the Court's determination on the validity of their appointment. On 6 August 2014, the Company's directors requested that the Company's shares be placed into suspension due to the appointment of the Receivers and Managers. They have remained in suspension since this date. The Company's Court application was dismissed, as was its appeal of that decision, and on 28 May 2015, the Receivers and Managers assumed control of the Company's business and assets. I was appointed as administrator of the Company on 29 July 2015. Please refer below to a timeline diagram detailing the key dates noted above.



As at the date of my appointment, the Company had no direct employees but retained a number of consultants to manage the day to day operations of the Company.

Please refer to Annexure 2 for a detailed corporate structure diagram of the Company.

5.2 COMPANY OPERATIONS

The Company appears to have two streams of business:

- Mining
- Litigation

Each of these are considered under separate heading below.

At the date of my appointment, the Receivers and Managers were, and remain, in control.

5.2.1 Mining

In April 2012 the Company acquired for a total acquisition cost of \$10.0M a 55% shareholding in a Joint Venture entity known as PT Kupang Resources that owns a Manganese mining project in the Kupang region of Indonesia ("Kupang JV").

The Kupang JV owns two tenements and one manganese production licence plus another awaiting approval.

I understand that the Kupang JV is currently awaiting approval to export up to 80,000 tonnes of manganese per month. Furthermore, there is an agreement for local manganese miners to provide the Kupang JV processing facility with a minimum of 30,000 tonnes per month of raw manganese to process into export quality product.

The Kupang JV business operates independently to the Company; however, I note common directorships between the entities.

5.2.2 Litigation

The Company commenced litigation against Mr Phillip Grimaldi, Murchison Metals Ltd ("Murchison") and Pinnacle Nominees Pty Ltd ("Pinnacle") in the Court in respect of the use of misappropriated Company funds ("Grimaldi Proceedings").

Mr Greg Barnes was the director of Pinnacle, and Mr Grimaldi was the director of Murchison.

Ultimately the litigation involved three main elements; whether Mr Grimaldi as a consultant had assumed director like powers and therefore the responsibilities and duties that a director is bound by; whether his and Mr Barnes' actions, relating to

transference of monies was a breach of those duties and whether Murchison through Mr Barnes and whether Mr Grimaldi was complicit in the use of those funds.

Both Mr Grimaldi and Mr Barnes were, while working for the Company, found to be simultaneously acting as properly appointed directors of Murchison. Unlike Mr Barnes, who was formally appointed as a director of the Company, Mr Grimaldi was not. The Court determined that Mr Grimaldi had been either given the duties of a director and/or arrogated to himself with the acquiescence of at least the two executive directors. In doing so, the Court determined that he was a de facto director of the Company and thus bound by all the obligations and responsibilities of a (properly appointed) director.

As a result, the Company has been involved in a number of litigation claims related to transactions between its former managing director, Mr Barnes and former Murchison Metals director, Mr Grimaldi.

- Mr Barnes, (Pinnacle)
 - a) In October 2009 the Company settled its claim against its former managing director and his private company, Pinnacle Nominees for approximately \$6.0M.
- Murchison
 - a) In 2011 the Company settled its claim against Murchison Metals in respect to the benefit it received from the acquisition of 60% in the "Iron Jack" tenement in Western Australia. The settlement received amounted to approximately \$25.0M.
- Mr Grimaldi
 - a) The litigation continued against Mr Grimaldi (in his personal capacity) until Mr Grimaldi declared bankruptcy on 2 July 2014, and Mr Max Donnelly of Ferrier Hodgson was appointed as his Bankruptcy Trustee. As a result, the Grimaldi Proceedings were stayed against Mr Grimaldi by operation of the Bankruptcy Act.

The Company is a creditor in the bankrupt estate of Mr Grimaldi for the amount of \$477,900, as well as a contingent creditor for an unqualified amount in respect of the damages sought in the proceedings. I have requested an update from Mr Donnelly on

the status of the bankrupt estate of Mr Grimaldi, together with any reports to creditors to ascertain the likelihood of any distribution.

Management have estimated the value of the contingent claim against Mr Grimaldi at \$10.0M. The litigation claim is an asset subject to the secured charge and as such is not available to unsecured creditors. The claim would require additional funding to pursue through the Bankruptcy Trustee.

ILP

Funding Agreement

In order to fund the Grimaldi Proceedings, the Company entered into a funding agreement with ILP on 28 October 2008. On 10 August 2010, the Company terminated the funding agreement and denied ILP's entitlement to termination fees.

On 23 December 2011, the claim against Murchison was settled for \$25.0M.

On 11 August 2010, ILP commenced action against the Company for recovery of its unpaid termination fees payable under the funding agreement.

On 5 October 2012 ILP obtained judgment in the High Court of Australia in the amount of \$8,381,144, plus interest and costs.

In November 2012 the Company entered into a settlement agreement with ILP which granted ILP security over the Company.

The finding in favour of ILP by the High Court of Australia led to an immediate payment of \$5,041,000 and subsequent payments of \$500,000 plus interest of 9.5% paid by the Company by monthly instalments or the Company's Cash Flow, whichever was greater. ILP was granted a charge over the assets of the Company in the event of the Company failing to comply.

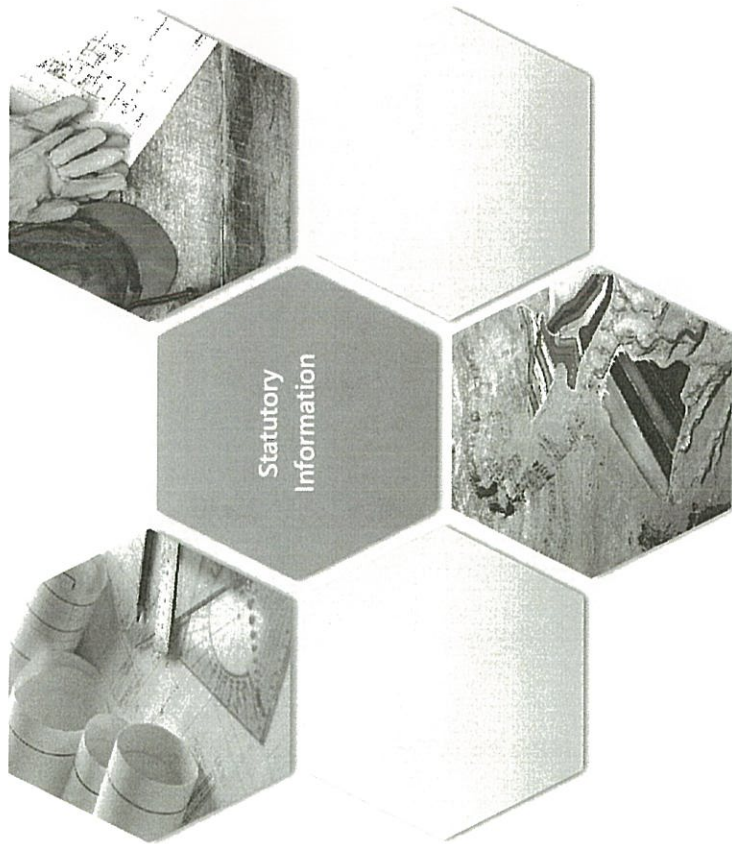
Appointment of Receivers and Managers

On 5 February 2013 the Australian Taxation Office ("ATO") issued a notice under Section 260-5 requiring the Company to direct any future payments due to ILP instead to the ATO (the garnishee order). In February 2014, ILP issued a demand to the Company demanding payment on the balance payable under the settlement agreement within seven (7) days on the basis that the Company had defaulted under the terms of the settlement agreement. Following this demand, on 6 August 2014 ILP appointed the

Receivers and Managers. The notice further "contended that the arrangements made between the Company and the ATO constituted a compromise between the Company and the ATO and a Material Adverse Event, as defined in the Deed of Settlement, had occurred as a result of Phillip Grimaldi entering into Bankruptcy on 2 July 2014. Accordingly, ILP via its solicitors, demanded payment forthwith of the sum of \$2,448,620 plus interest of \$574,22 per day for the period of 30 days after 25 July 2014."

Following the appointment of the Receivers and Managers, the Company proceeded to note its objections to the appointment and subsequently lodged a Court application to declare the appointment invalid. The Company was initially granted an injunction against the appointment with an extension of that injunction granted until 28 May 2015. With no subsequent extension granted, the Receivers and Managers were duly appointed and continue to maintain possession of all of the Company's assets and control of its business.

As at the date of this report, the Receivers and Managers continue to maintain possession of all the Company's assets and control of its business.



6. STATUTORY INFORMATION

Detailed below is a summary of information relating to the Company as recorded by the Australia Securities and Investment Commission ("ASIC") as at the date of my appointment.

Incorporation

Company:	Kupang Resources Ltd
ACN:	098 773 785
Date of Incorporation:	16/11/2001
Registered Office:	18 Oxford Close, Leederville WA 6007
Principal Place of Business:	18 Oxford Close, Leederville WA 6007
Former Company Name:	Chameleon Mining NL
Business / Trading Names:	Kupang Resources Ltd

Former and Current Directors and Secretaries

A search of the records of ASIC revealed that the directors of the Company since the Company's formation are as follows:

Name of Director	Date Appointed	Date Ceased
Ben Elias	13/02/2008	Current
Antony William Paul Sage	13/09/2010	Current
Jason Brewer	01/09/2013	Current
Mark Gregory Gwynne	31/01/2013	31/08/2013
Paul Anthony Kelly	13/09/2010	31/01/2013
Anthony Joseph Karma	06/06/2007	01/03/2012
Jason Anthony Bontempo	13/09/2010	01/03/2012
James Socrates Arkoudis	21/10/2011	01/03/2012
Ahmed Assad Hassan	01/07/2010	21/10/2011
John Keland Chambers	11/01/2006	01/07/2010
Siew Hong Koh	11/01/2006	30/04/2008
David Andrew Evans	24/02/2007	17/10/2007
Vaughan Reid Parkinson	11/01/2006	22/01/2007
Landan Roberts	16/11/2001	11/01/2006
Gregory Bennet Barnes	16/11/2001	11/01/2006

Name of Director	Date Appointed	Date Ceased
Sullana Tausia Niurou	15/11/2002	11/01/2006
Nicholas Manuel Dondas	15/11/2002	11/01/2006
Thomas George Whitbread	20/12/2001	15/11/2002
Robert Marshal Malennan	11/06/2002	15/11/2002
Maurice James Howe	16/11/2001	16/11/2001
Marea Ellen Howe	16/11/2001	16/11/2001
Susan Lang	16/11/2001	16/11/2001

Previous Alternate Director	Date Appointed	Date Ceased
James Socrates Arkoudis	13/09/2010	01/03/2012

A search of the records of ASIC revealed that the secretaries of the Company since the Company's formation are as follows:

Name of Secretary	Date Appointed	Date Ceased
Catherine Julie Grant	31/12/2013	Current
Pippa Louise Leverington	01/03/2012	31/12/2013
James Socrates Arkoudis	01/07/2010	01/03/2012
Ahmed Assad Hassan	11/02/2009	21/10/2011
John Keland Chambers	11/01/2006	01/07/2010
Sing Pyng Teng	05/02/2007	02/10/2007
Landan Roberts	16/11/2001	11/01/2006
Gregory Bennet Barnes	16/11/2001	11/01/2006
Maurice James Howe	16/11/2001	16/11/2001
Marea Ellen Howe	16/11/2001	16/11/2001
Susan Lang	16/11/2001	16/11/2001

Shareholding

The Company is a public company listed on the ASX. As stated, the Company's shares are currently suspended from trading.

As at the date of my appointment, there were 241,207,292 class shares full paid.

Class	Description	Number Issued	Total Amount Paid	Total Unpaid Amount	Document Number
ORD	Ordinary Shares	241,207,292	24,914,600.00	0.00	7E5745567

Registered Security Interests

A search of the Personal Property Securities Register ("PPSR") which details all registered security interests against the Company and/or its property pursuant to the *Personal Property Securities Act 2009* reveal the following registered security interest:

International Litigation Partners Pte Ltd

Registration Number	Registration Start Date	PMSI	Collateral Type
2012111400065173	14/11/2015 21:44:07	Yes	All present and after acquired property. No exceptions

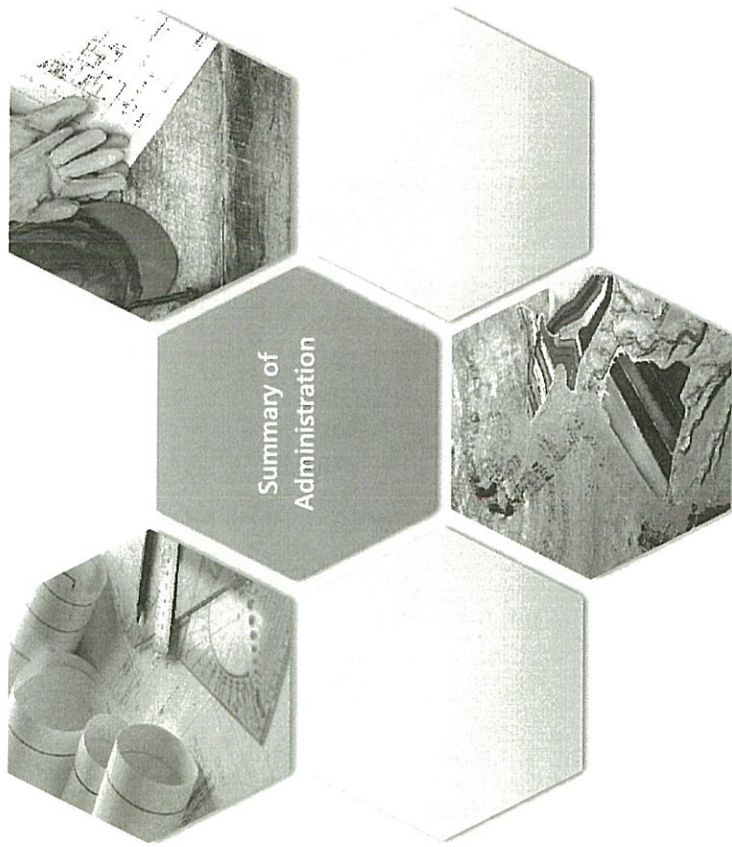
There is a dispute in respect to \$0.4M connected to an equity allocation made by the Company in August 2013 to a party related to ILP. By agreement dated 2 September 2013, ILP agreed to offset the issue price of the shares allocated to it against a debt due to ILP.

Payments to ILP by the Company were subject to a Garnishee Notice served on the Company.

The ATO disputed the right of offset in their letter dated 8 October 2013. However, on 12 August 2015 the ATO terminated its litigation and withdrew its garnishee notice to the Company. ILP submitted a proof of debt in the amount of \$3,733,570. I have assessed their claim for voting purposes in the amount of \$3,333,570. Given the withdrawal of the garnishee order, I am of the view that for the purposes of voting the \$0.4M should be disallowed on the basis that ILP continue to have the benefits of the shares in the Company.

The amount owed to ILP may change due to alterations of the principal and/or interest and other charges accruing on the debt subject to the ILP security.





7. SUMMARY OF ADMINISTRATION TO DATE

Following my appointment, I met with Receivers and Managers and the officeholders of the Company to consider the likely scenarios that may arise through the Voluntary Administration process.

Operational and statutory tasks were attended to for the conduct of the Voluntary Administration. The operational tasks include:

- correspondence with the Insurance Underwriters;
- meeting and liaising with the Receivers and Managers and the secured creditor;
- meeting and corresponding with officeholders;
- dealing with creditor and shareholder enquiries;
- circular to shareholders regarding my appointment; and
- liaised with the Company's secured creditors and their legal representatives.

The statutory tasks include:

- preparing and lodging relevant ASIC notices;
- preparing and lodging announcements with the ASX;
- convened First Meeting of Creditors of the Company;
- convened Second Meeting of Creditors;
- commenced preliminary investigations into the affairs of the Company;
- considered and assessed the Deed of Company Arrangement Proposal(s) received to formulate my recommendation for the purposes of this report; and
- preparation of this report to creditors.

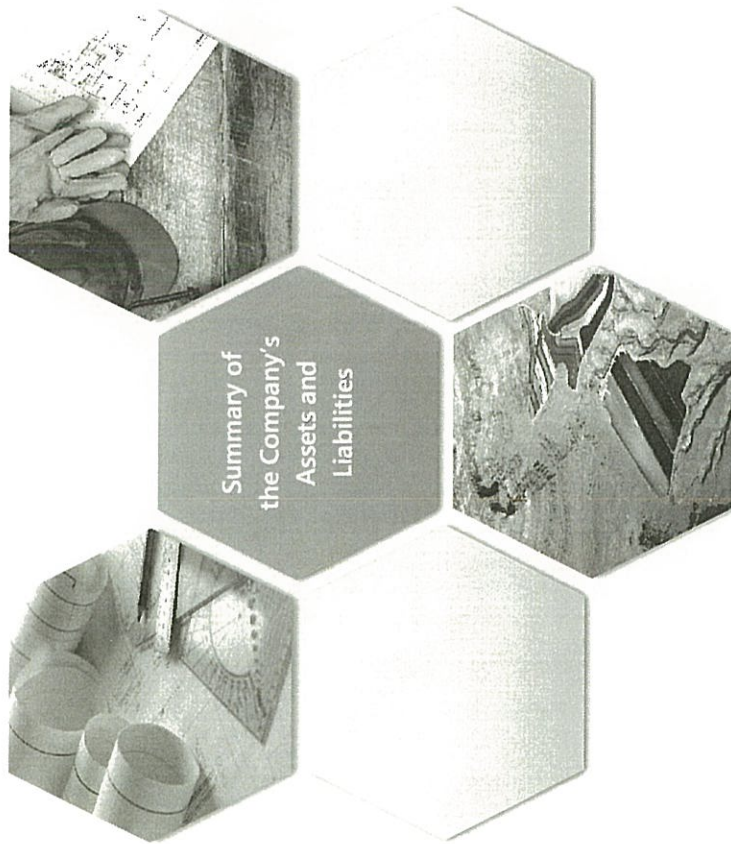
For a detailed list of tasks attended to please refer to the Remuneration Request Report in Annexure 3.

8. SUMMARY OF THE COMPANY'S ASSETS AND LIABILITIES

Pursuant to Section 438B(2) of the Act, the directors of the Company are required to submit a Report as to Affairs ("RATA") of the Company that provides information on the financial position of the Company as at the date of my appointment.

The directors have provided me with a copy of the RATA as at 28 May 2015 previously submitted by them to the Receivers and Managers. Given that the directors ceased control of the Company's business and assets on 28 May 2015, and the short period between the date of their report and the date of my appointment, I accepted this RATA as being the directors' view of the Company's financial position as at the date of my appointment.

The table on the following page sets out the director's RATA, the Receivers' and Managers' Estimated Realisable Values ("ERV") on those items as at 28 May 2015, together with my ERV assessment as at the date of my appointment, 29 July 2015.



Kupang Resources Limited
(Administrator Appointed) (Receivers and Managers Appointed)
ACN: 098 773 785
Report as to Affairs (RATA)

Notes	Directors' Report as to Affairs (as at 28 May 2015)		Receivers and Managers' Assessment (as at 28 May 2015)		Administrator's Estimated Realisable Value (as at 29 July 2015)	
	Book Value	Book Value	Book Value	Estimated Realisable Value	Pessimistic	Optimistic
	\$	\$	\$	\$	\$	\$
Assets						
Cash at Bank and on Hand	8.2	\$162,141	\$162,036	\$162,036	Nil	Nil
Sundry Debtors	8.3	\$12,013,542	\$11,613,542	Withheld	\$10,055	\$10,055
Plant, Equipment and Office Furniture		Nil	Nil	Nil	Nil	Nil
Motor Vehicles		Nil	Nil	Nil	Nil	Nil
Real Property		Nil	Nil	Nil	Nil	Nil
Other Assets	8.4	\$3,535,542	\$3,984,077	Withheld	\$7,400	\$2,007,400
Estimated Total Assets		\$15,711,225	\$15,759,655	Withheld	\$17,455	\$2,017,455
Priority Liabilities						
Priority Creditor Claims	8.6	\$93,970	\$2,000	\$2,000	\$2,000	\$2,000
Estimated Shortfall After Priority Claims		\$15,617,255	\$15,757,655	Withheld	\$17,455	\$2,017,455
Secured Creditors						
Secured Creditor - ILP	8.7	\$1,980,000	Withheld	Withheld	\$1,980,000	\$1,980,000
Principal Debt owing to ILP		\$628,312	Withheld	Withheld	\$628,312	\$628,312
Accrued Interest on Principal Debt		Nil	Withheld	Withheld	\$725,258	\$725,258
Costs of Receiver and recovery costs		\$400,000	Withheld	Withheld	\$400,000	Nil
Disputed amount owing to ATO in respect of ILP Debt		\$12,608,943	Withheld	Withheld	(\$3,716,115)	(\$1,316,115)
Estimated Shortfall After Secured Creditor Claims						
Unsecured Creditors						
Unsecured Creditors	8.8	\$1,092,407	Unknown	Unknown	\$1,231,233	\$1,203,985
Director Claim	8.6	N/A	N/A	N/A	\$91,970	\$91,970
Total Estimated Surplus/(Deficiency) (excluding Administration Costs)		\$11,516,536	Withheld	Withheld	(\$5,039,318)	(\$2,612,070)



My observations follow.

8.1 ESTIMATED DEFICIENCY

The Company's estimated deficiency of assets to meet liabilities as at the date of my appointment, prior to any administration costs, is (\$5,039,318) (Low) and (\$2,612,070) (High).

8.2 CASH AT THE BANK

Directors' RATA (28 May 2015): \$162,141; Administrator's ERV (29 July 2015): \$Nil (Low and High)

The directors' RATA notes that as at 28 May 2015 the Company had \$162,141 cash at bank.

On 28 May 2015 the Receivers and Managers assumed control of all assets of the Company, including cash at bank. Following my appointment, I was informed by the Receivers and Managers that the Company's cash at bank was \$Nil. I understand that the cash at bank was used in the receivership administration. The Receivers and Managers are required to account for all payments and receipts during the receivership pursuant to Section 432 of the Act.

8.3 SUNDRY DEBTORS

Directors' RATA (28 May 2015): \$12,013,542; Administrator's ERV (29 July 2015): \$10,055 (Low and High)

The table below details the debtors of the Company as at the date of my appointment.

Debtor	Related Party	Directors' RATA Amount \$ (as at 28 May 2015)	Administrator's ERV (Low) \$ (as at 29 July 2015)	Administrator's ERV (High) \$ (as at 29 July 2015)
PT Kupang Resources	Yes	103,487	Nil	Nil
PT Kupang Resources	Yes	2,250,000	Nil	Nil
NTT Manganese Pty Ltd	Yes	9,250,000	Nil	Nil
Australian Taxation Office	No	10,055	10,055	10,055
International Litigation Partners Pte Limited	No	400,000	Nil	Nil
Total		\$12,013,542	\$10,055	\$10,055

The recoverability of these loans will be dependent on a more detailed assessment of the commerciality of pursuing a claim against each borrower. A number of the borrowers are located in Indonesia where recovery processes are long and expensive, and are subject to the ability of the Kupang JV to create cash flow for the joint venture partners. I comment further on related party loans at Section 10.4.3 of this report.

8.4 OTHER ASSETS

Directors' RATA (28 May 2015): \$3,535,542; Administrator's ERV (29 July 2015): \$7,400 (Low), \$2,007,400 (High).

Asset Description	Directors' RATA Amount \$ (as at 28 May 2015)	Administrator's ERV (Low) \$ (as at 29 July 2015)	Administrator's ERV (High) \$ (as at 29 July 2015)	Comments
Deposit on Leased Premises	28,142	Nil	Nil	This amount accords with the books and records of the Company
Investments – non related entities	7,400	7,400	7,400	This amount accords with the books and records of the Company
Investment in subsidiaries – NTT Manganese Pty Limited	3,500,000	Nil	2,000,000	The amount provided in the RATA accords with the books and records of the Company however recovery will be depended on the profitability of the subsidiary
Contingent Asset – Federal Court Certificate of Taxation in Grimaldi Proceedings	477,900			Mr Grimaldi has declared bankruptcy. Any recovery of this amount will be subject to whether there are any distributions declared in his bankrupt estate and the trustee adjudicating on the claim
Pursuit of Grimaldi Proceedings arising from Mr Grimaldi's fiduciary breaches	Unknown			The amount claimable against Mr Grimaldi remains unquantified. Any recovery of this claim will be subject to whether there are any distributions declared in his bankrupt estate, establishing the quantum of the claim and the trustee adjudicating on the claim.
Total	\$3,535,542	\$7,400	\$2,007,400	

I was approached by Private Advisor Group to restructure the shell which was conditional on payment of the outstanding ASX listing fees of \$27,500. Their offer to creditors was a debt for equity conversion with no cash component. The value of the offer was nominal.

I have been verbally advised by a director Ben Elias on behalf of a potential investor and that investor is prepared to offer ILP an amount of \$2.0M in full and final settlement of all their claims and retirement of the Receivers and Managers. The offer is subject to due diligence by the investor over the next two-four business days. Mr Elias has requested that the name of the investor be withheld pending completion of due diligence.

8.5 PRIORITY CREDITOR CLAIMS

Directors' RATA (28 May 2015): \$93,970; Administrator's ERV (29 July 2015): \$2,000 (Low and High)

The Directors' RATA shows a priority claim in the amount of \$93,870, being outstanding director fees claimed by Mr Ben Elias, a non-executive director of the Company. Each of the directors have completed a questionnaire in relation to the affairs of the Company where all state that there were no employees of the Company. My preliminary view is that, other than \$2,000 (being the maximum amount payable to an excluded employee for wages pursuant to Section 556(1A) of the Act; an excluded employee includes a director for the purposes of this provision), the balance of the claim is unsecured claim relating to director fees and not a priority creditor claim.

8.6 SECURED CREDITORS

Directors' RATA (28 May 2015) \$3,008,312; Administrator's ERV (29 July 2015): \$3,733,570 (Low), \$3,333,570

As noted, ILP is the secured creditor of the Company. The Receivers and Managers withheld the amount owed to ILP in their RATA lodged with the ASIC on 27 June 2015.

The table below sets out my comments in respect of each components claimed by ILP as reflected in the directors RATA.

Component Claimed	Directors' RATA Amount \$ (as at 28 May 2015)	Administrator's ERV (Low) \$ (as at 29 July 2015)	Administrator's ERV (High) \$ (as at 29 July 2015)	Comments
Principal Debt	1,980,000	1,980,000	1,980,000	This amount accords with the books and records of the Company
Accrued Interest on Principal Debt	628,312	628,312	628,312	This amount accords with the books and records of the Company
Costs of Receivership/recovery costs	Nil	725,258	725,258	The directors of the Company disputed this amount. I am unable to identify any restriction or assessment criteria governing the quantum of costs claimed by ILP, accordingly I am of the preliminary view that ILP may be entitled to claim this amount. Further investigation and legal advice on this subject matter may be required.
Disputed Amount Owing in respect of ILP Debt	400,000	400,000	Nil	This amount is in respect of consideration for shares issued by the Company to ILP by way of offset against ILP debt. This transfer was previously disputed by the ATO however; I understand the dispute is now resolved. As the shares are still held by ILP, I am of the view this component of ILP's debt may not be claimed.
Total	\$3,008,312	\$3,733,570	\$3,333,570	

Please refer to Section 10.4.8 of this report for further comments.



8.7 UNSECURED CREDITORS

Directors' RATA (28 May 2015) \$1,092,407; Administrator's ERV (29 July 2015): \$1,231,233 (Low) and \$1,203,985 (High)

Below is a summary of unsecured creditors of the Company as at the date of my appointment.

Unsecured Creditor Type	Directors' RATA Amount \$ (as at 28 May 2015)	Administrator's ERV (Low) \$ (as at 29 July 2015)	Administrator's ERV (High) \$ (as at 29 July 2015)	Comments
Trade Creditors	180,640	180,640	180,640	This amount accords with the books and records of the Company
Unsecured Related Creditors	911,768	911,768	884,520	I have excluded the accrued interest claimed by Cape Lambert Resources Limited on my High estimate on the basis that further information is required to substantiate the claim
Non-Executive Director Claim	Nil	91,970	91,970	Refer to Section 8.5 of the report
Landlord Claim	Nil	46,855	46,855	The Company is subject to a lease of premises that expires in March 2016. This amount is an estimate of the amount that may be claimed by the Landlord should the lease terminate prior to its expiry. Refer to my further comments below
Total	\$1,092,408	\$1,231,233	\$1,203,985	

The Directors' RATA shows trade creditors totalling approximately \$180,640 as at the date of my appointment.

This amount comprises one claim in the amount of \$206,205, however I have estimated this amount to be \$178,785 as a portion of the amount claimed is in respect of work undertaken after the Receivers and Managers were appointed.

There is also a small number of creditors not listed on the RATA by director including the landlord.

The Company leased premises at 18 Oxford Close, West Leederville, Western Australia (the "Premises"). The lease term will expire on 31 March 2016. If the lease is terminated prior to its expiry date, the landlord may be entitled to claim rent for the period commencing on the date of termination to the expiry date of the lease. The monthly rent payable is \$6,000 plus GST, outgoing and car parking, being approximately \$8,333 per month. The directors have disclosed that the Premises are part sublet to Intiga Security for \$1,845 per month plus GST however there is no formal sub-lease for this arrangement. I have estimated a potential contingent claim for the remainder of rent

payable in the event of an early termination taking into account the security deposit in the amount of \$28,142 of \$46,855.

The total amount of unsecured trade creditor claims may vary once formal claims are sought and adjudicated upon.

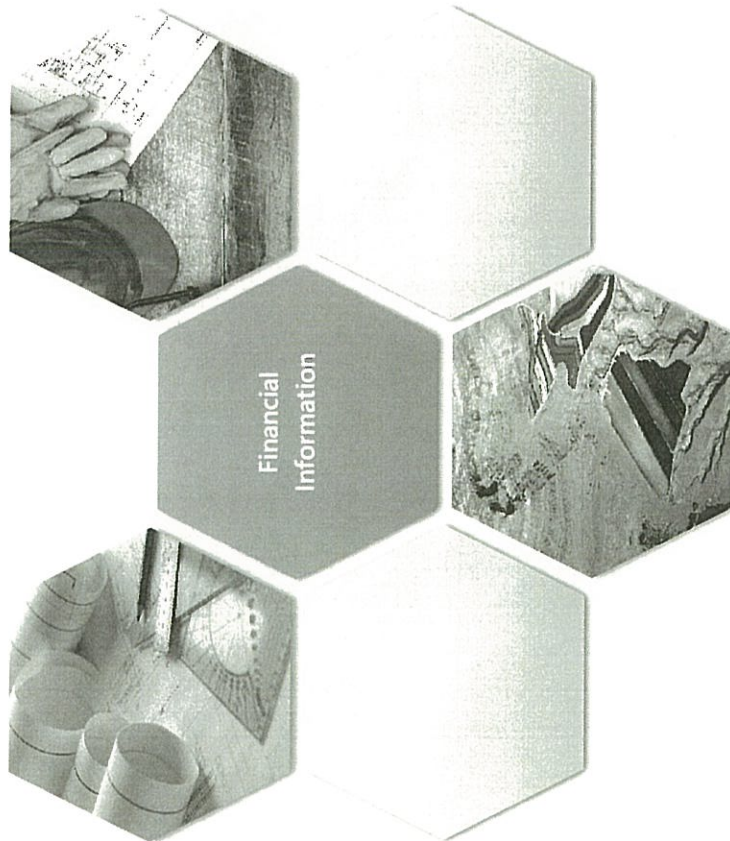
9. FINANCIAL INFORMATION

I have been provided with a copy of the Company's financial statements for financial years ending 30 June 2011 to 30 June 2014 and a half year to 31 December 2014.

The audited financial statements of the Company were prepared on a consolidated basis and included its controlled entities and were lodged with the ASX. The financial reports noted in this report have been extracted from these consolidated financial statements to reflect the Company's financial position on a non-consolidated basis.

As I am not appointed to the Company's controlled entities I have reviewed the financial information of the Company on a non-consolidated basis, summarised below. I understand that financial information for the Company is unaudited, therefore I cannot attest to its accuracy or completeness.

Detailed summaries of the Statement of Financial Performance (Income Statement) and the Statement of Financial Position (Balance Sheet) are provided as Annexure 4 and Annexure 5 respectively to this report. Provided below is a summary of key findings from my preliminary investigation into the Company's financial statements. A more detailed review will be undertaken by a Liquidator if and when appointed.



9.1 PROFIT AND LOSS STATEMENT

The table below summarises the Company's profit and loss statement for the financial years ending 30 June 2012, 30 June 2013, 30 June 2014 and half year to 31 December 2014.

Kupang Resources Limited
(Administrator Appointed)(Receivers and Managers Appointed)
ACN: 098 773 785

Profit and Loss Summary

	Financial Year Ending 30/06/2012	Financial Year Ending 30/06/2013	Financial Year Ending 30/06/2014	Half Year Ending 31/12/2014
Total Income	\$25,291,856	\$251,204	\$0	\$0
Total Expenses	\$10,177,205	\$14,033,278	\$2,239,229	\$917,388
Trading Profit/(Loss)	\$15,114,651	(\$13,782,074)	(\$2,239,229)	(\$917,388)
Total Other Income	\$0	\$3,073,415	\$0	\$0
Total Other Expenses	\$1,834,335	\$0	\$0	\$0
Closing Profit / (Loss)	\$13,280,316	(\$10,708,659)	(\$2,239,229)	(\$917,388)

I make the following observations on the financial performance of the Company:

- The Company had no income in financial years ending 30 June 2014 and half year ending 31 December 2014, yet it continued to incur significant expenses that totalled \$2.2M and \$0.9M respectively.
- In financial year ending 30 June 2012 the Company recorded its highest profit, being the year that the settlement funds were received in the Grimaldi Proceedings.
- The Company made a significant loss in financial year 2013 being the subsequent year to when it acquired its interest in the Kupang JV.

9.2 BALANCE SHEET AND CURRENT RATIO

Balance Sheet

The table below summarises the Company's balance sheet for the financial years ending 30 June 2012 to 30 June 2014 inclusive and half year to 31 December 2014.

Kupang Resources Limited
(Administrator Appointed)(Receivers and Managers Appointed)
ACN: 098 773 785

Summary Balance Sheet

	Financial Year Ending 30/06/2012	Financial Year Ending 30/06/2013	Financial Year Ending 30/06/2014	Half Year Ending 31/12/2014
Current Assets	\$16,884,618	\$3,295,028	\$2,622,260	\$2,549,939
Non-Current Assets	\$6,562,186	\$12,750,000	\$1,275,000	\$12,750,000
Total Assets	\$23,446,804	\$16,045,028	\$15,372,260	\$15,299,939
Current Liabilities	\$4,759,020	\$3,483,463	\$2,922,998	\$3,768,699
Non-Current Liabilities				
Total Liabilities	\$4,759,020	\$3,483,463	\$2,922,998	\$3,768,699
Net Assets/ (Liabilities)	\$18,687,784	\$12,561,565	\$12,449,262	\$11,531,240

Current Ratio

Kupang Resources Limited

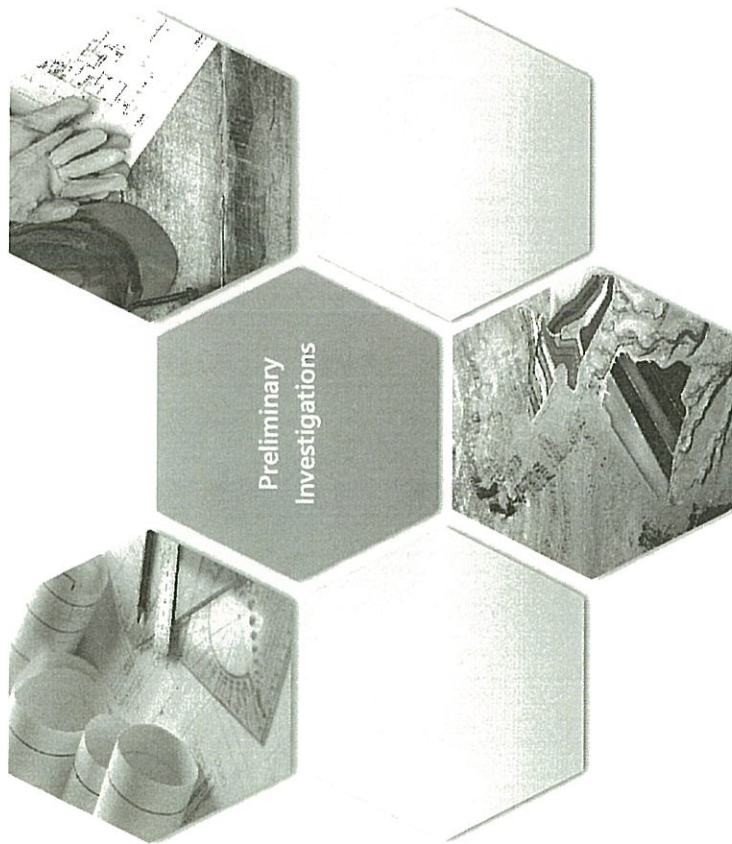
(Administrator Appointed)(Receivers and Managers Appointed)
ACN: 098 773 785

Current Ratio Assessment

	Financial Year Ending 30/06/2012	Financial Year Ending 30/06/2013	Financial Year Ending 30/06/2014	Half Year Ending 31/12/2014
Current Assets	\$16,884,618	\$3,295,028	\$2,622,260	\$2,549,939
Current Liabilities	\$4,759,020	\$3,483,463	\$2,922,998	\$3,768,699
Working Capital (CA-CL)	\$12,125,598	(\$188,435)	(\$300,738)	(\$1,218,760)
Current Ratio (CA/CL)	3.55	0.95	0.90	0.68

I make the following observations:

- The net asset position of the Company declined, most notably between financial year ending 30 June 2012 and 30 June 2013.
- Save for financial year 30 June 2012, the Company had deficit working capital.
- The Company had a current ratio of loss less than 1 for all report periods save for financial year ending 30 June 2012.



10. PRELIMINARY INVESTIGATIONS

I have undertaken preliminary investigations into the affairs of the Company to identify any transactions that may be voidable, or other causes of action that may be recoverable under the provisions of the Act.

An Administrator (or Deed Administrator) does not have the power to commence voidable transactions or insolvent trading recovery action. These recoveries can only be actioned by a Liquidator.

The purpose of this section is to inform creditors of potential recoveries that would incorporate additional asset resources that may be available in the event that creditors resolve that the Company be wound up.

10.1 LIMITATIONS

The Act provides a strict timeframe within which the Administrator is to report to creditors on a Company's affairs prior to the Second Meeting of Creditors.

I have conducted a preliminary investigation into the affairs of the Company within the time constraints. Further investigation would be required in the event that the Company is wound up and potential recoveries pursued.

10.2 BOOKS AND RECORDS

I have reviewed the schedule of records of the Company for the purpose of my preliminary investigations.

Section 286 of the Act provides that:

"A company, registered scheme or disclosing entity must keep written financial records that:

- *Correctly record and explain its transactions and financial position and performance; and*
- *Would enable true and fair financial statements to be prepared and audited."*

Section 286(2) of the Act also provides that such records must be retained for seven (7) years after the transactions covered by the records and completed. Failure to comply

with Section 286 of the Act creates a presumption of insolvency, and this presumption can be used by a Liquidator in pursuing any potential recovery action for voidable transactions, should the Company be placed into liquidation at the upcoming meeting of creditors or by the Court.

The records of the Company were maintained at the Company's offices located at the Premises. The Receivers and Managers took possession of the Company's books and records, comprising 292 boxes and an electronic back-up of the server once the stay on their appointment was removed.

Following my appointment, I have requested access to certain books and records of the Company held by the Receivers and Managers to enable me to conduct my preliminary investigations in accordance with the requirements under the Act, however, not all have been made available to me as at the date of this report.

The Receivers and Managers have provided me with a copy of the Company's electronic records in their possession. The electronic files contain most of the financial records of the Company, including audited financial statements.

The Company's books and records available to me are adequate for me to form my view and opinions for the purposes of this report. I am, however, unable to verify whether the books and records of the Company that I have access to are the entirety of the Company's books and records that may exist.

From the books and records of the Company available to me, I am of the opinion that the Company kept adequate books and records to meet the requirements of Section 286 of the Act.

10.3 LITIGATION RISK AND PROOF OF INSOLVENCY

Litigation Risk

As noted, if a company is wound up, Part 5.7B of the Act gives Liquidator(s) the right to commence certain legal proceedings to recover money, property or other benefits for the benefit of the unsecured creditors of a company that are otherwise not available to Administrator(s) and/or Deed Administrator(s).

Creditors should note that while recovery actions have the potential to increase the pool of funds available to creditors, it can be an expensive protracted process with unknown outcomes. Even if a recovery action is successful, it will depend on whether defendant(s)

have the financial means to satisfy any judgment against them or any insurance policies that may respond to the judgment. In this regard I note that the Company maintained a Directors and Officers Insurance Policy for the period up to 28 February 2016.

Any successful litigation to recover funds under this section would be subject to the following:

- the availability of further information;
- the ability to secure funding and pay legal costs and disbursements, which may be significant;
- the decision of the matter by the Court;
- any defence by the respondent(s);
- the ultimate costs of the litigation and the winding up;
- the ability of the respondents to financially satisfy any Court orders against them or on the terms of any insurance policy;
- the terms of any insurance policy that may respond to any Court orders; and
- any litigation is also likely to be a lengthy process.

Recovery actions will need to be funded out of the Company's existing assets, or where such assets do not exist, by creditors or by external litigation funders (who are likely to require a significant share of the proceeds of any judgments as a condition of funding the litigation).

If a Liquidator had insufficient funds to undertake litigation, one of the following would have to take effect in order that litigation could be pursued:

- A creditor or creditors may contribute funds for additional investigations and litigation. Such creditors would need to indemnify the Liquidator against any adverse cost orders should the litigation be unsuccessful. However, if the litigation is successful, creditors who have funded the litigation may apply to the court to have their claim met in priority to other creditors not participating in the funding arrangement.

- The Liquidator may request funding from an independent, specialist litigation funding firm. Generally, the litigation funder may require a premium of 30%-40% of any recoveries arising out of the litigation.

Proof of Insolvency

Some of the recovery actions discussed in this section of the report will require the Liquidator to prove that the Company was insolvent at the date of the transaction (or relevant period of time) for the action to be successful. This includes unfair preference claims (Section 10.4.2), and uncommercial transaction claims (Section 10.4.4), but not unreasonable director-related transaction claims (Section 10.4.7).

Proving insolvency is a complicated, extensive and expensive process. Further investigations as to the Company's solvency would be required by the Liquidator when considering pursuing these actions. Based on my preliminary assessment it appears that the Company may have been insolvent from as early as February 2014, being the date of the first demands from ILP or by at least 6 August 2014 (being the date that ILP appointed the Receivers and Managers). Please refer to Section 10.4.9 for my comments on insolvent trading.

10.4 VOIDABLE TRANSACTIONS

Voidable transactions include transactions such as unfair preferences, uncommercial transactions, unfair loans, unreasonable director related transactions and floating charges created within six months of the relation-back day, which is the date of the appointment of the Administrator, and were made at a time that the Company was insolvent or likely to become insolvent as a result of the transaction.

These transactions usually relate to the period six months prior to the date of my appointment, however in certain circumstances this period can be extended in relation to transactions with related entities.

10.4.1 Relation-Back Period

I was appointed Administrator of the Company on 29 July 2015. If the Company is placed into liquidation at the upcoming Second Meeting of Creditors, the relation-back date would be 29 July 2015, being the date of my appointment. The six-month period for recovery for unfair preference transactions would therefore be 29 January 2015 to 29 July 2015.

10.4.2 Unfair Preferences

An unfair preference is when the Company and a creditor are parties to a transaction(s) and the creditor receives more than it would receive if the transaction(s) is set aside, and the creditor proved for the debt in the winding up. If it is ultimately determined that certain payments are potentially recoverable as unfair preferences, it would be necessary to establish that:

- The Company was insolvent at the time the payments were made; and
- The recipient creditor had reasonable grounds to suspect that the Company was insolvent at that time or would become insolvent as a result of the payment(s).

Generally, if a Liquidator is appointed, investigations into preferential payments and related parties will continue and recovery action may be pursued if its deemed to be commercially viable to do so. Recipients of any payments considered as preferential may have defences available to them pursuant to the Act.

I consider that given the appointment of the Receivers and Managers on 6 August 2014, and that the appointment was lodged with ASIC and announced on the ASX; there may be little or no defence available to creditors that they did not suspect the company was insolvent, in respect of payments from the date of the Receivers and Managers (6 August 2014) appointment and 29 January 2015.

I note that the Company provided undertakings to the Court in the ILP Proceedings that limited its dealing and disposing of assets from as early as 6 August 2014 (being the initial date of the Receivers and Managers appointment). During this period, the Company made few payments, partly due to the undertakings it provided, but also due to its limited resources. I further note that during this period, Cape Lambert Resources Limited ("Cape Lambert") provided funding to the Company to continue its litigation against ILP and make working capital payments (refer to Section 10.4.4 and 10.4.7 of the report for further comments in this regard).

As noted, the Receivers and Managers took control of the Company's assets, including its bank accounts from 28 May 2015. Accordingly, from 28 May 2015 to 29 July 2015, being the date of my appointment, the Company made no payments to creditors.

My investigations into the Company's affairs have identified payments made to preferential creditors during the relation-back period that require further investigations.

According to records maintained on MYOB, payments to suppliers amounted to \$123,120 during the relation back date period. The debts were paid by the Company with paid from Cape Lambert. Assuming an average cost of recovery is \$7,500 we consider only those claims in excess of this amount would be commercial to pursue. This reduced the amount of preferential creditor payments to \$76,440.

The table below sets out a summary of the likely preferential payments recoveries.

	Amount Estimated Optimistic \$	Amount Estimated Pessimistic \$
Total Potential Preferential Payments made during Relation Back Period (29 January 2015 to 29 July 2015)	58,740	76,440
Costs of Recovery	(45,000)	(45,000)
Potential Recovery	11,748	57,330
Likely Recovery (%)	20%	75%
Net Likely Recovery	(\$33,252)	\$12,330

I estimate that the net likely recovery of preferential payments between (\$33,252) and \$12,330, most likely overall recovery being \$Nil. It is therefore my preliminary view that the likely recovery from preferential creditors would be immaterial and therefore uncommercial to pursue.

10.4.3 Unfair Loans (S588FD)

A loan is unfair if it is made to a Company at extortionate interest rates or the charges in relation to the loan are extortionate. In considering whether interests and charges are extortionate, regard must be had to the following:

- risk the lender is exposed to;
- value of the security;
- term;
- repayment schedule; and
- amount of loan.

My preliminary investigations to date have not revealed any loans that may be deemed to be unfair.

10.4.4 Uncommercial Transactions (S588FB)

A transaction is considered uncommercial if it is made at a time when the Company is insolvent and it may be expected that a reasonable person in the Company's circumstances would not have entered into the transaction having regard to:

- the benefits or detriment to the Company of entering into the transaction; and
- the prospective benefits to other parties to the transaction

Alliance Agreement

As noted in Section 5, prior to August 2010 the Company had in place a funding agreement with ILP for the Grimaldi Proceedings.

On 10 August 2010 the Company then entered a funding terms sheet regarding ILP and Murchison with Cape Lambert for \$6.5M ("Alliance Agreement"), the terms of which entitled Cape Lambert to appoint 50% of directors to the Board of the Company, and entitled Cape Lambert to repayment as follows:

- a priority payment to Cape Lambert of first \$9.0M of any judgment sum;
- for a judgment sum in excess of \$24.5M a priority payment of \$350,000;
- for a judgment sum in excess of \$24.850M, Cape Lambert to be paid first \$350,000; and
- for any sum in excess of \$24.85M, 20% of the excess.

Any payment was conditional on draw down of the \$6.5M funding to settle ILP security.

On 23 December 2011 the Company reached a settlement with Murchison for \$25.0M. The Alliance Agreement, on the condition that there had been a draw down, entitled Cape Lambert to a payment of \$9.35M.

A review of the Company financial accounts as at 31 December 2011 that were signed 14 March 2012 indicates that the Cape Lambert Alliance Agreement remained undrawn. On 1 March 2012, the non Cape Lambert nominees resigned from the Board of the Company.

On 3 March 2012, Cape Lambert and the Company entered into a settlement agreement whereby it agreed to take up 40.0M shares in exchange for settlement of its purported entitlements under the Alliance Agreement.

On 13 March 2012, the Board resolved that Cape Lambert was entitled to its repayment fee on the basis that the \$6.5M was held on "standby", even though it was not drawn by the Company as required pursuant to the terms of the Alliance Agreement.

As a result of the settlement Cape Lambert became a significant shareholder with 13.7% of the shares on issue.

At the time of the transaction the value of the claimed entitlement was \$9.35M which was converted to shares with an issue price of \$1.72M and a market value of \$4.0M.

This matter requires further investigation and may result in a further claim for breach of directors' duties against the directors and possible claims against Cape Lambert.

The realisable value of any claims above is unknown although I note from the publicly available financial accounts of Cape Lambert that it had \$12.7M in cash as at 31 March 2015.

10.4.5 Discharge of Related Party Debts (S588FH)

A transaction is considered to have discharged a related party's debt if funds from the Company are used to pay that creditor which has had the effect of discharging to the extent of a particular amount, a liability (whether under a guarantee or otherwise) of a related entity of the Company.

Release of Kimberley Resources Debt \$978,000

A Deed of Forgiveness dated 28 March 2014 ("Deed of Forgiveness") was entered by the Company and Kimberley Resources Limited ("Kimberley Resources"). Kimberley Resources has common directors with the Company, namely Mr Tony Sage, Mr Ben Elias and secretary, Ms Catherine Grant. At the date of the Deed of Forgiveness Kimberley Resources was the holder of tenements to Pinnacle Nominees Pty Limited ("Pinnacle") (also a former co-defendant in the Grimaldi Proceedings). I have reviewed a copy of the Company's circulating resolution of directors said to be authorising the Company's execution of a Deed of Forgiveness where it is noted that its purpose was to approve an execution of the share sale and shareholder's agreement term sheet between Pinnacle, Kimberley Resources and the Company, whereas the purpose of the Deed of Forgiveness

is for the Company to forgive the debt owed by Kimberley Resources. I have not been provided with the agreement annexed to the circulating resolution that the directors have authorised the execution of on behalf of the Company. Given the purpose of the resolution stated I have assumed that the agreement relates to the execution of a share sale and shareholders' agreement, and not the Deed of Forgiveness.

Further investigations as to whether the Deed of Forgiveness is a voidable transaction is required.

I do not have information as to the recoverability of the debt owed by Kimberley Resources at the date of the Deed of Forgiveness.

In the event that it is determined that Kimberley Resources in not a related entity as defined in the Act, this transaction may still be an uncommercial transaction as it occurred after the earliest date of insolvency (February 2014).

10.4.6 Transactions for the Purpose of Defeating Creditors (S588FE)

Transactions involving the removal or concealment of assets of the Company for the purpose of preventing the Liquidator from realising their value are voidable transactions and are recoverable by a Liquidator. These actions may constitute fraud by the director or any other person.

My preliminary investigations to date have not revealed any transitions of this nature, however, my investigations are ongoing.

10.4.7 Unreasonable Director Related Transactions (S588FDA)

A transaction is an unreasonable director related transaction of the Company if:

- The transaction is a payment, a conveyance, transfer or disposition of property, the issue of securities, or incurring of an obligation to make a payment, disposition, or issue by the Company.
- The transaction is to a director or close associate of the director or for their benefit.
- A reasonable person in the Company's circumstances would not have entered into the transaction having regard to the benefit or detriment to the Company or other parties involved in the transaction.

The relation back day for director related transaction is four (4) years, as such the applicable date is 29 July 2011.

I note that director remuneration was approved annually at the AGM in respect to the previous financial year. A resolution on the last remuneration report was approved at the annual general meeting on 27 November 2014 in respect to fees for the forthcoming financial year ending 30 June 2015.

In the absence of an employment agreement, Mr Elias is a director and his remuneration is an unsecured creditor claim. Alternatively, if he is an employee his claim is subject to the statutory limits of \$2,000.

The amount of bonus and success fees paid to directors in the 30 June 2012 accounts amounted to \$746,982, as well as options to acquire shares at a discounted grant value to the prevailing market price.

There are a number of director related transactions which require further investigation including the payment of fees to former and current Company directors from the Murchison settlement funds.

10.4.8 Voidable Charges

Pursuant to Section 588FJ of the Act a charge may be void against a Liquidator if it was created in the period beginning six months prior to the commencement of the administration. However, charges that are created within this period for consideration paid at or after the date of creation of the charge remain valid.

I have reviewed the PPSR and note that there is one registered security interest over the Company held by ILP. Given that this charge was created on 14 November 2012, I do not consider this charge to be voidable by the Liquidator.

Accordingly, I have not identified any charges that may be voidable by a Liquidator.

10.4.9 Insolvent Trading (S588G)

Insolvent trading occurs when a company incurs a debt at a time when there are reasonable grounds to suspect that the company will be unable to pay the debt as and when it falls due.

Directors may be held personally liable for such debts incurred in the above circumstances. Recovery under insolvent trading actions is a remedy available to a Liquidator only.

Despite the recovery of insolvent trading transactions not being available to a Voluntary Administrator, I am required to give my opinion on any possible recoveries that may be available to a Liquidator in order that creditors are informed prior to deciding the company's future at the upcoming meeting.

Section 95A of the Act defines solvency as follows:

"95A(1) [when person is solvent] A person is solvent if, any only if, the person is able to pay all the person's debts, as and when they become due and payable.

95A(2) [insolvent person not solvent] A person who is not solvent is insolvent"

When considering insolvent trading it must be determined at what point the director knew or ought to have suspected insolvency, or when a reasonable person in the director's position would have been aware of or suspected insolvency. It is ultimately the Court's role to determine the actual date of insolvency based on the evidence provided.

The onus is on the liquidator to prove if and when insolvent trading occurred. If a liquidator is appointed, investigations in relation to insolvent trading must be considered in greater detail.

The commerciality of the potential recoveries from directors for insolvent trading must be considered. The liquidator will be required to investigate several indicators for insolvency in more detail which necessitate incurring substantial legal fees.

When considering the costs associated with recovery of those transactions and in addition to the above mentioned associated cost; the personal assets of the directors must also be considered to determine if the directors have sufficient funds available to meet any judgment obtained against them.

The Act imposes an obligation on directors to prevent insolvent trading by the Company. This section provides for a director to be held personally liable for debts incurred whilst the Company was trading whilst insolvent. Section 588G states that if:

- a) a person is a director of the Company at the time when the Company incurs a debt;

- b) the Company is insolvent at that time or becomes insolvent by incurring that debt, or by incurring at that time debts including that debt; and
- c) at that time, there are reasonable grounds for suspecting that the Company is insolvent, or would so become insolvent, as the case may be.

A director may be held personally liable for a contravention under Section 588G(2) if:

- a) the director was aware at the time there were such grounds for suspecting that the Company is insolvent, or would become insolvent by incurring that debt; or
- b) a reasonable person in a like position in a company in the Company's circumstances would have been aware.

If it can be established that the directors have contravened Section 588G then the director is personally liable under the Act. Section 588M of the Act entitles a Liquidator to recover as a debt due to the company, an amount equal to the amount of the loss or damage incurred by the company.

10.4.10 *Indicators of Insolvency*

There is extensive judicial commentary on the subject to determining insolvency. One of the leading authorities is the matter of ASIC v Plymin which identified fourteen (14) indicators of insolvency as follows:

- i) continuing losses;
- ii) liquidity ratios below 1
- iii) overdue commonwealth and state taxes
- iv) poor relationship with present Bank, including liability to borrow further funds
- v) no access to alternative finance
- vi) inability to raise further equity capital
- vii) suppliers placing company on COD, or otherwise demanding special payments before resuming supply
- viii) creditors unpaid outside trading terms
- ix) issuing of post-dated cheques

- x) dishonoured cheques
- xi) special arrangements with selected creditors
- xii) solicitors' letters, summons(es), judgments or warrants issued against the company
- xiii) payments to creditors of rounded sums which are not reconcilable to specific invoices
- xiv) inability to produce timely and accurate financial information to display the company's trading performance and financial position, and make reliable forecasts.

In 2004 a study of insolvent trading was completed by Clayton Utz and Centre for Corporate Law and Securities Regulation at the University of Melbourne. The study examined 103 cases of insolvent trading from the inception of the company's legislation in 1961.

In the majority of cases where an insolvent trading claim was considered by a court, 74.8% were found guilty, however the median amount of compensation was \$110,600.

Since the study was completed there have been few subsequent insolvent trading cases.

The total additional unsecured debt incurred was \$897,787 with \$728,537 incurred with Cape Lambert. The Company had total cash reserves of \$162,141.

The funding was provided by on a 30 day at call facility from Cape Lambert with a purported interest rate of 9%. Cape Lambert have lodged a proof of debt for \$728,537 plus interest.

In my opinion there were no reasonable grounds for the directors to consider the Company solvent after the appointment of the Receivers and Managers and accordingly each invoice issued by Cape Lambert was a debt incurred when there were no reasonable grounds for the directors to consider the Company was solvent and that the full amount of \$728,537 is a potential insolvent trading claim available to a Liquidator.

10.4.11 Directors Defences to an Insolvent Trading Claim

Pursuant to Section 588H of the Act, there are several defences available to a director for an insolvent trading claim which we list a few below:

- the director had reasonable grounds at the time the debt was incurred to expect the Company to be solvent and would remain solvent even after the debt was incurred;
- the director relied on another person to provide information about whether or not the Company was solvent;
- the director did not take part in the management of the company at the time due to illness or other good reason and
- the director took reasonable steps to prevent the company from incurring the debt.

It should be noted that pursuing a director for alleged breach of duty to prevent a company from trade whilst insolvent is complex and:

- in invariable involves litigation that is expensive with an uncertain outcome. Funding from creditors and/or a litigation funder may be necessary to pursue a claim;
- any action for insolvent trading would, in my experience, be defended by the director which necessarily involves the administration incurring significant costs and potentially long delays;
- there is a risk that a Court may dismiss any claim with a costs order against the Company, thus reducing the funds available to creditors;
- any return to ordinary unsecured creditors would be contingent upon not only a successful action but also there being property against which to recovery;
- insolvent trading claims are expensive to run, legal costs are generally high and it may be necessary to obtain expert reports in pursuit of a claim. Typically, not all costs, for running such an action, would be recovered; and

- creditors would need to fund this action as the current available assets are insufficient.

The question of potential defence to insolvent trading will ultimately turn upon the directors' reasonable belief that the Company was solvent, which includes the ability to realise assets or fund debts due from other sources of funding and the ability to raise additional capital.

In the same study 63% of directors claimed the defence but only 11% of directors were able to argue the defence successfully applied

	Insolvent Trading		
	Optimistic \$	Pessimistic \$	Most Likely \$
Value of Claims	879,787	717,646	879,787
Estimated Recovery	439,893	Nil	100,600
Litigation Costs	(360,000)	(360,000)	(360,000)
Cost Order / Exposure	216,000	(270,000)	216,000
Premium Funding (40%)	(118,357)	630,000	17,360
Net Recovery	\$177,535	\$Nil	\$26,040

NOTE 1: If the director is unsuccessful, it is likely that directors would be successful in recovering part of their costs. For the purposes of assessment, I have assumed that defence costs are 25% higher but only recover 3/5 on a party-party basis.

In the event the claim is successful, I expect that only 3/5 of my costs would be recovered on a party-party basis by a funder.

10.4.12 Administrator's Preliminary Findings

I have identified a number of indicators of insolvency. Ultimately the issue of insolvency is determined by a Court. My preliminary investigation has revealed that following indicative factors of insolvency:

- ILP appointing the Receivers and Managers on 6 August 2014 on the basis of a default under the Deed of Settlement and Release dated 8 November 2012 ("ILP Settlement Deed");
- The Company failing to meet its obligations under the ILP Settlement Deed.

In February 2014 ILP made a demand on the Company for repayment of its outstanding loan within 7 days. The demand noted that if the Company did not repay the loan then that was an indication of insolvency. On 6 August 2014 ILP appointed Receivers and Managers to the Company. I consider that the Company was insolvent from the expiry of the demand or at least the appointment of the Receivers and Managers on 6 August 2014.

From the date of the appointment the Company incurred a significant amount of debt principally with two parties, Cape Lambert and Youds Mine Consultancy Pty Limited

Quarter Period Ending	Cumulative Debt Incurred \$	Cash Available \$	Shortfall \$
30 September 2014	157,084	64,985	(92,098)
31 December 2014	420,404	108,317	(469,171)
31 March 2015	184,705	139,773	(622,420)
30 June 2015	117,594	162,141	(717,646)
Total	\$879,797		

The quantum of the insolvent trading claim may range from \$717,646, being the shortfall of available cash over total debt incurred, and \$879,797 being the cumulative debt incurred from the date that the Receivers and Managers were appointed.

10.4.13 Conclusion

A Liquidator, if appointed, would need to further investigate this matter with a view to assessing the merits of a claim. Any litigation would carry significant risk as the onus of proof rests with the Liquidator.

When assessing any potential litigation for insolvent trading, the Liquidator must assess the directors' financial position and their ability to meet any insolvent trading claim should be successfully proven. I am not empowered at law to demand from the director's statements as to their personal financial position.

It is my recommendation that a Liquidator would need to undertake further investigations, particularly in respect of quantifying a claim and then seek the approval of creditors before commencing any action for the purposes of the report given the quantum of the claim. I have assumed the commercial value as nil.

10.5 OFFENCES

Pursuant to Sections 180 to 183 of the Act, directors and officers are required to:

- exercise their powers and discharge their duties with the degree of care and diligence of a reasonable person in their position;
- discharge their duties and exercise their powers in good faith and in the best interest of the Company and for a proper purpose; and
- not improperly use their position and information about the Company to gain an advantage for themselves or others or cause detriment to the Company.

Pursuant to Section 438D of the Act, I am required to report to ASIC on:

- offences committed by past or present officers or members of the Company; and
- misapplication, retention, liabilities, accountability, negligence, default, breach of duty or breach of trust by persons who have taken part in the formation, promotion, administration, management or the winding up of a company.

On the basis of my investigations to date, my preliminary view is that the directors and officers of the Company may have contravened the requirements of Sections 180 to 183 of the Act.

There are a number of transactions which should be subject to further investigation and represent potential claims against Company director(s) (and/or related parties):

Alliance Agreement

The directors of the Company may have improperly used their position to gain an advantage for related entity, Cape Lambert. It is also arguable whether the Alliance Agreement and indeed the subsequent settlement of that agreement, was in the best interest of the Company (refer to Section 10.4.4 of the report).

Deed of Forgiveness

The directors of the Company may have improperly used their position to gain an advantage for a related entity, Kimberley Resources. It is unclear why the debt was forgiven, or whether consideration of that debt is reflected in another transaction not referenced in the Deed of Forgiveness. My preliminary view is that the Deed of

Forgiveness may not have been in the best interest of the Company (refer to Section 10.4.5).

Termination of the LLP Funding Agreement

Having reviewed the history of the LLP funding agreement with the Company in respect of the Grimaldi Proceedings there appears to be a relationship between the termination of the LLP Funding Agreement and the Company entering into the Alliance Agreement with Cape Lambert. These circumstances require further investigation but may give rise to potential claims of the Company, including that the Cape Lambert nominated Company directors may have breached their duties.

Approval of Payments to Directors and Director Related Entities

Following the Murchison settlement, the financial statements of the Company record an aggregate payment of \$746,000 to directors (and director related entities) as a settlement fee. From the documents available to me I am unable to ascertain whether these payments were approved and/or disclosed in the Company's remuneration report approved at the annual general meeting.

Disclosure of Structure

By way of announcement released on the ASX, the Company presented the corporate structure of its subsidiaries, however that representation would suggest that the Company directly owns shares in NTT Manganese Pty Ltd (an Australian entity) that has a 55% stake in the Kupang JV whereas the actual corporate structure (as detailed in Annexure 2) shows that the Company directly owns Chameleon Kupang Pty Ltd (an Australian entity) that in turn owns Kupang Resources BV Limited (a BVI company) which is the entity that wholly owns NTT Manganese Pty Ltd.

Reporting to ASIC

Pursuant to Section 438D of the Act, if it appears to us Administrators that a part or present officer, employee or member may be guilty of an offence, or a person who has taken part in the formation, promotion, management or winding up of the Company may have misapplied or retained Company property or been guilty of negligence, default, breach of duty or trust, I am required to lodge a report on the matter with ASIC.

Should the Company go into liquidation, the Liquidator is required to completed an investigation into the Company's affairs and, if offences are identified, or if the Company is unable to pay its creditors more than 50 cents in the dollar, lodge a further report with ASIC pursuant to Section 533 of the Act. If I become aware of any information from my future investigations into the affairs of the Company that require me to lodge an updated report with ASIC, I will do so. If a report is lodged with ASIC, the contents are confidential.

10.6 REQUEST FOR INFORMATION AND FUNDING

To assist in my investigations into the affairs of the Company, creditors are requested to provide details, in writing, of the following:

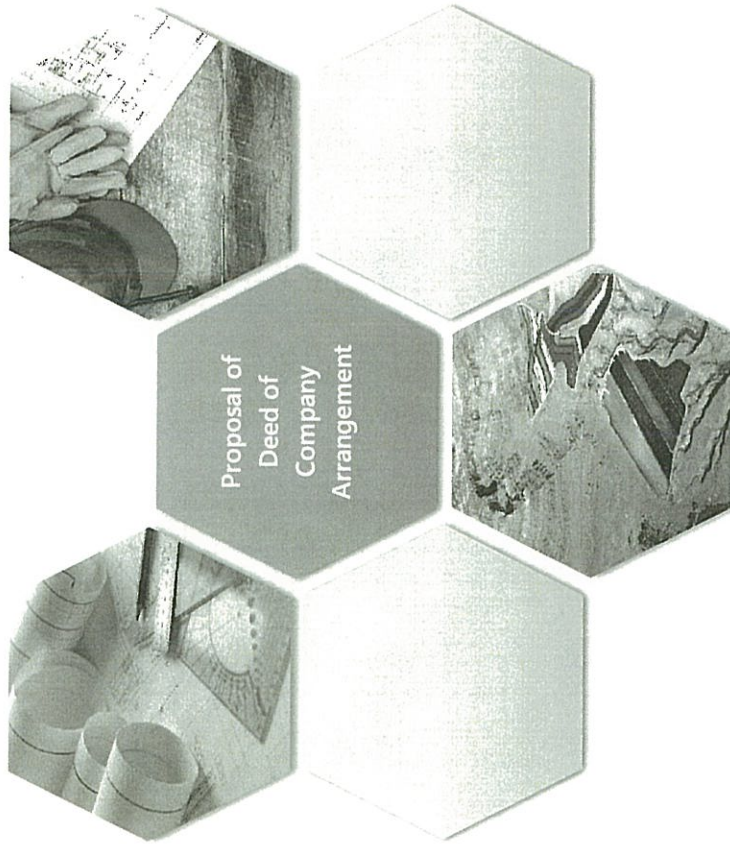
- 1) evidence of indicators of insolvency such as letters of demand, statutory demands, bounced cheques, and instalment payment agreements;
- 2) evidence of fraud or misconduct by any party associated with the Company; and
- 3) details of all known assets.

Creditors are requested to advise in writing, if they may be willing to fund any recovery actions available to a liquidator, if appointed. Pursuant to Section 564 of the Act, the Court can effectively alter the priority of payment of funds recovered to give an indemnifying creditor an advantage over others in consideration of the risk assumed by the indemnifying creditor. Creditors should be aware that orders by the Court are discretionary.

The above assessment is only a preliminary assessment and is not an exhaustive list of the issues considered to determine if the Company traded whilst insolvent. If the Company is placed into liquidation, this will be investigated further.

If the Company is placed into liquidation, given the potential lack of funding available from asset realisations and the likely costs required to conduct insolvent trading proceedings, I am unlikely to pursue any civil proceedings against the director for insolvent trading without funding and the appropriate indemnities from creditors or other parties.

Creditors should note that a director cannot be pursued for insolvent trading if the Deed proposal is accepted.



11. PROPOSAL OF DEED OF COMPANY ARRANGEMENT

The secured creditor ILP have provided me with a proposal for a Deed.

As a summary, the proposed Deed has the following terms:

- A deed contribution of \$45,000 paid into two (2) creditor funds:
 - a) Fund 1 - \$36,000 to adjudicated unsecured creditors' claims;
 - b) Fund 2 - \$9,000 to adjudicated unsecured creditor claims that relate to director and consulting fees not of any cross claims.
- Any surplus of Fund 2 after assessment of cross claims is distributed to Fund 1 creditors;
- Fund 1 creditors are also entitled to 5% of any net recoveries of any identified claim by the Deed Administrator up to a cap of \$50,000;
- ILP convert all of its debt over \$2.30M to equity and control 100% of the issued capital;
- The share transfer is subject to ASIC relief and the transfer of the shares in the Company to ILP, with leave of the Court pursuant to Section 444GA of the Act;
- On court approval and completion of the debt for equity swap the Receivers and Managers will retire;
- ILP would not participate for a dividend for the \$2.0M; and
- That the Deed Administrator investigates and pursues for breaches of directors' duties and other commercial claims identified.

The source of funds for the above Deed proposal would be provided by ILP as one cash payment.

Please refer to Annexure 8 for further information.

12. ESTIMATED RETURN TO CREDITORS

Set out below is a comparative of the potential dividend distributions to creditors under the proposed Deed and in a liquidation scenario based on my investigations and best estimates at the date of this report.

In the absence of more substantive funding, I have been unable to undertake a formal valuation of the Company's investment in the Kupang JV. The investment book value as at 30 June 2014 was \$3.0M after significant write downs in the previous twelve months from approximately \$14.0M.

A review of the corporate structure within which the investment is held reveals that the Company only holds an indirect interest in the Kupang JV via a series of offshore and onshore companies (refer to Annexure 2 that shows the Company's corporate structure).

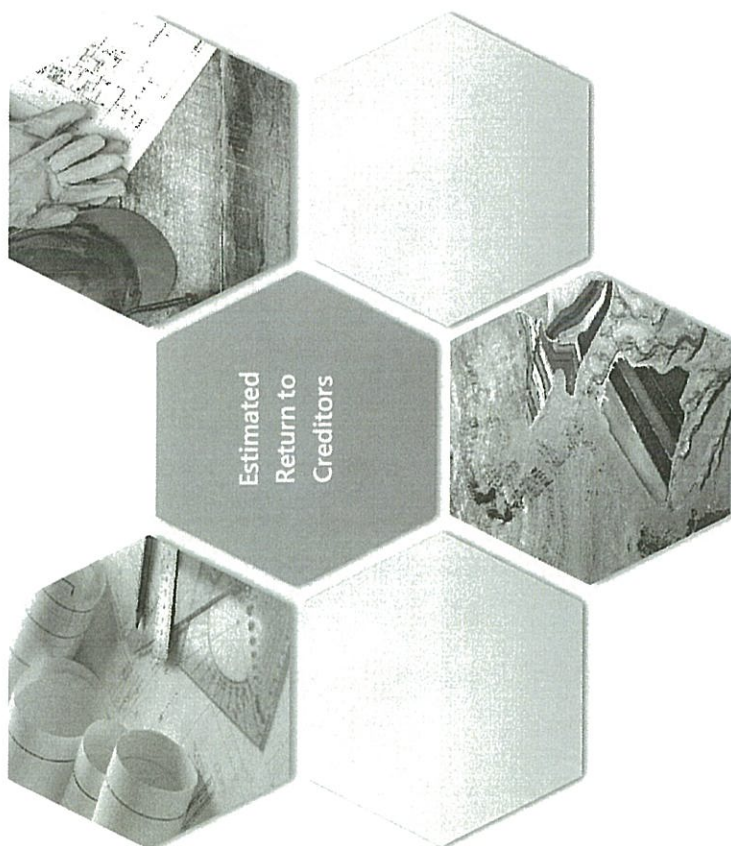
From discussions with Company management, the investment does not have an international export license and is therefore subject to the domestic price market for manganese, which at present has short term benefits at an operating level, but limits the saleability of the asset(s) on the international market.

I have not been provided with a disposal program by the Receivers and Managers, nor are am I aware of any offers they may have received as part of a disposal program.

On this basis, I do not consider that the investment asset can be realised for its book value within a reasonable time period. I have therefore limited the value of this asset to the indicative level of \$2.0M provided by the Company's director, Mr Ben Elias for settlement of the ILP debt.

I have prepared an assessment of the comparable returns under the ILP DOCA proposal and Liquidation on an optimistic, pessimistic and most likely basis.

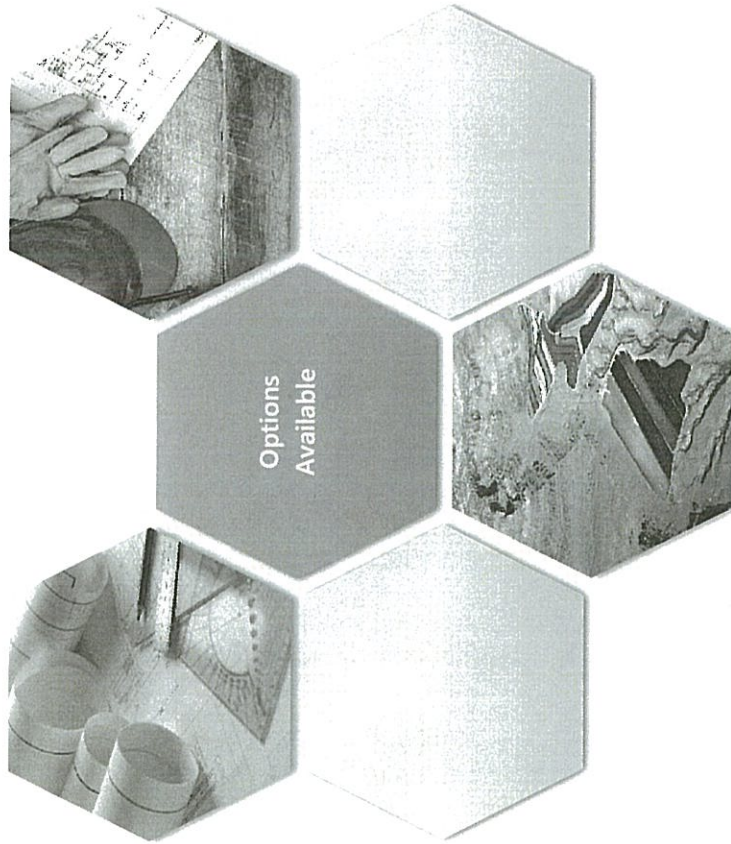
The most likely assessment for the liquidation is the basis for comparison of the ILP DOCA proposal.



Kupang Resources Limited
(Administrator Appointed) (Receivers and Managers Appointed)
ACN: 098 773 785
Estimated Return to Creditors

	Notes (Reference in Report)	Directors' RATA	ILP DOCA Proposal Optimistic Scenario	ILP DOCA Proposal Pessimistic Scenario	CVL Optimistic Scenario	CVL Pessimistic Scenario	CVL Most Likely Scenario
		Amount (\$)	Amount (\$)	Amount (\$)	Amount	Amount (\$)	Amount (\$)
Realisations							
Cash at Bank	8.2	\$162,141	\$0	\$0	\$0	\$0	\$0
Sundry Debtors	8.3	\$12,013,542	\$0	\$0	\$10,055	\$10,055	\$10,055
Other Assets	12	\$3,535,542	\$0	\$0	\$2,007,400	\$7,400	\$2,007,400
Contribution by Deed Proponent (DOCA Fund 1)	11	\$0	\$45,000	\$45,000	\$0	\$0	\$0
Offences - Recoveries (DOCA Fund 2)	11	\$0	\$50,000	\$0	\$0	\$0	\$0
Offences - Recoveries	10.8	\$0	\$0	\$0	Unknown	Unknown	Unknown
Assets Available		\$15,711,225	\$95,000	\$45,000	\$2,017,455	\$17,455	\$2,017,455
Less the Secured Debt							
Secured Creditor - ILP	8.6						
Principal Debt owing to ILP		\$1,980,000	Partial Debt for Equity	Partial Debt for Equity	\$1,980,000	\$1,980,000	\$1,980,000
Accrued Interest on Principal Debt		\$628,312	Partial Debt for Equity	Partial Debt for Equity	\$628,312	\$628,312	\$628,312
Costs of Receiver and recovery costs		\$0	Partial Debt for Equity	Partial Debt for Equity	\$725,258	\$725,258	\$725,258
Disputed amount owing to ATO in respect of ILP Debt		\$400,000	Partial Debt for Equity	Partial Debt for Equity	\$0	\$400,000	\$0
Surplus / Shortfall of Security		\$12,702,913	\$95,000	\$45,000	(\$1,316,115)	(\$3,716,115)	(\$1,316,115)
Assets Available to Unsecured Creditors							
Surplus of Assets from payment of Secured Debt		\$12,702,913	\$95,000	\$45,000	\$0	\$0	\$0
Voidable Transactions - Preferences	10.4.2	\$0	\$0	\$0	\$12,330	(\$33,252)	\$0
Voidable Transactions - Uncommercial Transactions	10	\$0	\$0	\$0	Unknown	Unknown	Unknown
Insolvent Trading	10.4.9	\$0	\$0	\$0	\$177,535	\$0	\$0
Total Realisations Available to Priority and Unsecured Creditors		\$12,702,913	\$95,000	\$45,000	\$189,865	\$0	\$0
Less: Costs of External Administration							
Administrator's Remuneration	15	\$0	Funded	Funded	\$35,000	\$35,000	\$35,000
Deed Administrator's Remuneration		\$0	Funded	Funded	\$0	\$0	\$0
Liquidator's Remuneration		\$0	\$0	\$0	\$40,000	\$150,000	\$65,000
Administrator's/Deed Administrator's/Liquidator's Disbursements		\$0	Funded	Funded	\$5,000	\$15,000	\$10,000
Legal Costs		\$0			\$150,000	\$150,000	\$50,000
Total Costs of Recovery		\$0	\$0	\$0	\$230,000	\$350,000	\$160,000
Funds Available for Distribution to Priority Creditors		\$12,702,913	\$95,000	\$45,000	(\$40,135)	(\$350,000)	(\$160,000)
Priority Creditor Claims	8.5	\$93,970	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000
Funds Available for Distribution to Unsecured Creditors		\$12,608,943	\$93,000	\$43,000	(\$42,135)	(\$352,000)	(\$162,000)
Unsecured Creditors							
Unsecured Creditors	8.7	\$1,092,407	\$1,114,263	\$1,087,015	\$1,231,233	\$1,203,985	\$1,231,233
Unsecured portion of Director's Claim	8.5	N/A	\$91,970	\$91,970	\$91,970	\$91,970	\$91,970
Shortfall of Secured Debt		N/A	N/A	N/A	\$1,316,115	\$3,716,115	\$1,316,115
Total Unsecured Creditor Claims		\$1,092,407	\$1,206,233	\$1,178,985	\$2,639,318	\$5,012,070	\$2,639,318
Estimated Return to Creditors							
		cents/\$	cents/\$	cents/\$	cents/\$	cents/\$	cents/\$
Priority Creditors		N/A	100 c/\$	100 c/\$	100 c/\$	100 c/\$	100 c/\$
Unsecured Creditors		N/A	7.71	3.65	Nil	Nil	Nil





13. OPTIONS AVAILABLE TO CREDITORS AND ADMINISTRATOR'S RECOMMENDATION

Pursuant to Section 439A of the Act, I am required to convene a meeting of creditors within five (5) business days before or after the period of twenty (20) business days beginning on the day after my appointment. At this meeting, creditors may resolve one of the following options:

- 1) that the administration should end;
- 2) that the Company execute a Deed of Company Arrangement;
- 3) that the Company be wound up; or

Creditors may consider a resolution that the second meeting of creditors be adjourned for an aggregate period of up to 45 business days, for example, to consider any Deed of Company Arrangement proposals submitted subsequent to the issuance of this report.

Pursuant to Section 439A(4)(b) of the Act I am required to make a statement and give the reasons for my opinions in relation to the following matters:

- 1) whether it would be in the creditors' interests for the Company to execute a Deed of Company Arrangement; or
- 2) whether it would be in the creditors' interests for the administration to end; or
- 3) whether it would be in the creditors' interests for the Company to be wound up.

13.1 OPTIONS AVAILABLE TO CREDITORS

It should be noted that regardless of the recommendations of the Administrator, the future of the Company will be decided by the creditors of the Company by resolution at the meeting to be held on 2 September 2015 (or any adjourned meeting thereof); or by the Court.

1. *Deed of Company Arrangement*

ILP as the secured creditor has proposed a Deed of Company Arrangement for creditors to consider. Please refer to Section 11 of this report for a summary of the Deed proposal.

Advantages of Proposed Deed

The advantages of the proposed Deed of Company Arrangement, assuming it is fully effectuated, when compared to a liquidation scenario are detailed as follows:

- allows the company to pursue its objectives including the development of the Kupang JV;
- provides price stability to the Kupang Joint Venture in negotiations with ore buyers;
- unsecured creditors receive a greater return than liquidation;
- claims against directors and former directors can be examined and if pursued provide additional return to unsecured creditors; and
- payment is received by creditors within 3 - 6 months' subject to adjudication.

Disadvantages of the Proposed Deed

Any legal actions potentially available to a liquidator will not be available to the deed administrator. The actions not available include, but are not limited to, if applicable, the following:

- unfair preference recoveries;
- uncommercial transaction recoveries;
- unreasonable director-related transaction recoveries; and
- insolvent trading action against the directors

The deed proposal is conditional on ASIC relief and Court approval of the proposed equity restructure which would pass ownership to ILP.

In the event these conditions aren't met, the company would be placed into liquidation. In the event creditors position would not worsen.

The significant timeframe it may take to prosecute and recover the benefit of these transactions could be 18 months to 2 years.

13.2 ADMINISTRATOR'S RECOMMENDATION

13.2.1 *Deed of Company Arrangement*

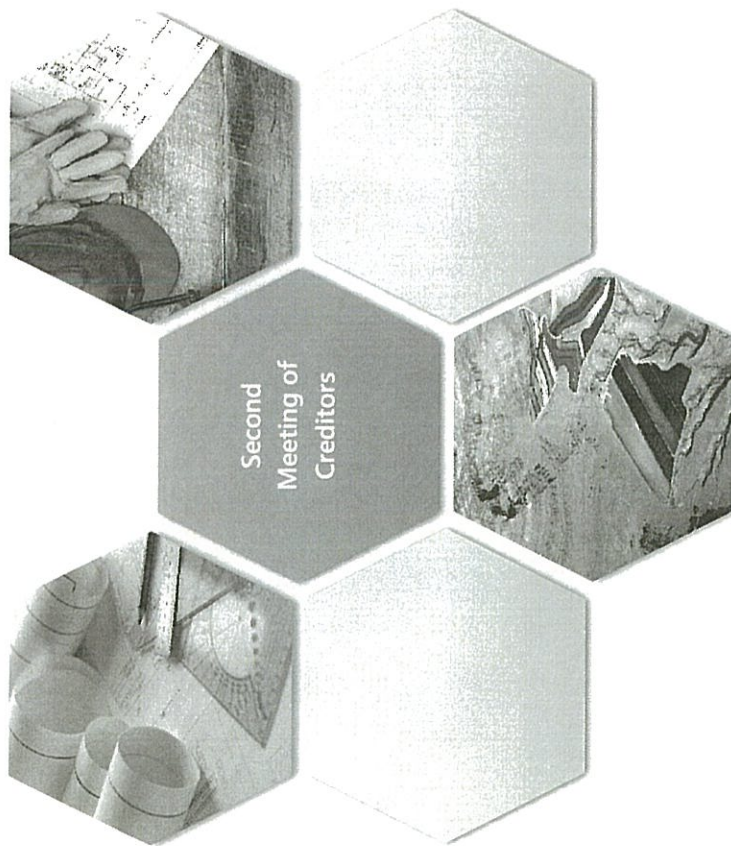
It is my opinion that it would be in the best interests of creditors for the Company to enter into a Deed of Company Arrangement.

13.2.2 *Administration Ends*

Creditors may resolve that the Administration of the Company should end and that control of the Company should be handed back to its directors. The Company is also subject to the appointment of the Receivers and Managers, therefore any Company assets required for the business of the Company to continue to operate will not be available to the directors, the Company would not be in a position to trade and its liabilities would continue to increase. Accordingly, I do not recommend that the Administration ends.

13.2.3 *Liquidation*

The appointment of a liquidator to the Company will allow further investigations to be conducted and voidable transactions to be pursued if it is commercially viable to do so.



14. SECOND MEETING OF CREDITORS

A Second Meeting of Company creditors has been called for Wednesday, 2 September 2015 at 2pm, to be held at the offices of DEM Australasia Pty Limited, Level 4, 249 Pitt Street, Sydney NSW 2000. Please refer to Annexure 1 being the Notice of Second Meeting of Creditors.

The purpose of this meeting is to:

- discuss this report and the position of the administration;
- determine the future of the Company;
- consider the appointment of a Committee of Inspection and where desired to appoint member to that Committee;
- consider and pass resolutions in respect of my remuneration; and
- consider and pass a resolution for the early destruction of the Company's books and records.

A Notice of Meeting of Creditors in accordance with Corporations Regulation 5.6.12(2), Form 535 - Formal Proof of Debt, Form 532 -Appointment of Proxy forms are enclosed (Annexure 9 and 10 respectively).

In accordance with Corporations Regulation 5.6.23, only those creditors who have lodged a formal Proof of Debt or Claim are entitled to vote at the meeting of creditors.

Creditors who have not lodged a Proof of Debt form to date are requested to complete this form and lodge it with my office or alternatively with the Chairperson at the meeting of creditors. Where the creditor is a company, the attendee is required to hold an Appointment of Proxy form in the name of the company.

I request that all documentation is received by me no later than 1 September 2015, 4pm AEST to facilitate checking and recording.

Telephone facilities will be made available at this meeting. Please contact Hamish Lawson of this office should you wish to attend the meeting by telephone and further instructions will be provided.

14.1 CASTING VOTE

Creditors should note that at the second meeting of creditors of the Company, all motions will be resolved on the voices, unless a poll is demanded pursuant to Corporations Regulations 5.6.19 and 5.6.20:

A poll could be demanded before or on the declaration of a result on the voices by:

- a) the Chairperson; or*
- b) at least two persons present in person, by proxy or by attorney and entitled to vote at the meeting; or*
- c) a person present in person, by proxy or by attorney and representing not less than 10% of the total voting rights of all creditors entitled to vote at the meeting.*

A resolution on a poll is carried if:

- a) a majority of the creditors voting (whether in person or by attorney or by proxy) vote in favour of; and
- b) the value of the debts owned by the corporation to those voting in favour is more than half the debts owed to all creditors voting.

The Chairperson may exercise a "casting vote" if no result was reached for or against a resolution on a poll (Corporations Regulations 5.6.21(4)). It is anticipated that the Chairperson may have to exercise a "casting vote" when creditors shall consider the future of the Company, particularly when contemplating the DOCA proposal. In this regard please find attached as Annexure 6 the ARITA Complaints Investigations Procedures for creditors' reference.

15. REMUNERATION OF THE ADMINISTRATOR / LIQUIDATOR / DEED ADMINISTRATOR

Section 449E(1) of the Act states as follows:

"The Administrator of a company under administration, or of a deed of company arrangement, is entitled to:

- a) such remuneration as is fixed by a resolution of the company's creditors passed at a meeting convened under Section 439A, or under Section 439A of 445F, as the case may be; or*
- b) if no remuneration is fixed – such remuneration as the Court fixes on the application of the Administrator"*

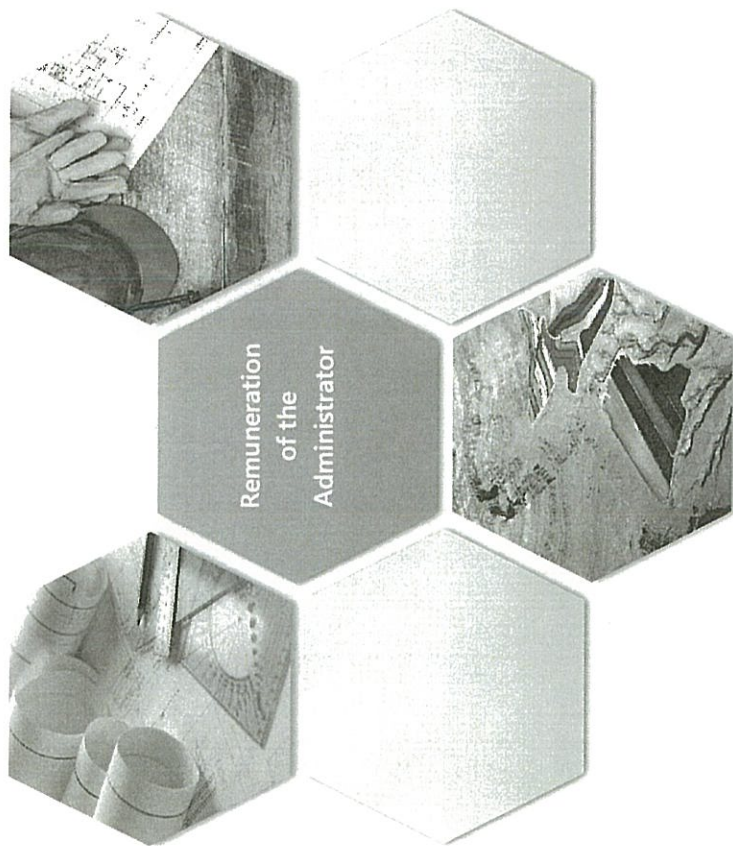
A computer printout of my and my staff's time costs will be tabled at the meeting of creditors.

I will be seeking approval of the following resolutions at the upcoming meeting of creditors.

- remuneration as Voluntary Administrator from 29 July 2015 to 2 September 2015 in the amount of \$30,000 plus GST;
- remuneration as Voluntary Administrator from 2 September 2015 to the conclusion of the voluntary administration in the amount of \$5,000 plus GST;
- remuneration as Liquidator (if applicable) set on an interim basis at an upper limit of \$65,000 plus GST; and
- remuneration as Deed Administrator (if applicable) set on an interim basis at an upper limit of \$25,000 plus GST.

It will be necessary to convene a further meeting of creditors to obtain approval of any additional fees, or obtain Court approval or the approval of a Committee of Inspection to draw any additional fees as Liquidator.

Creditors should note that the extent of remuneration will be limited to the funds available and may be less than the remuneration approval being sought.

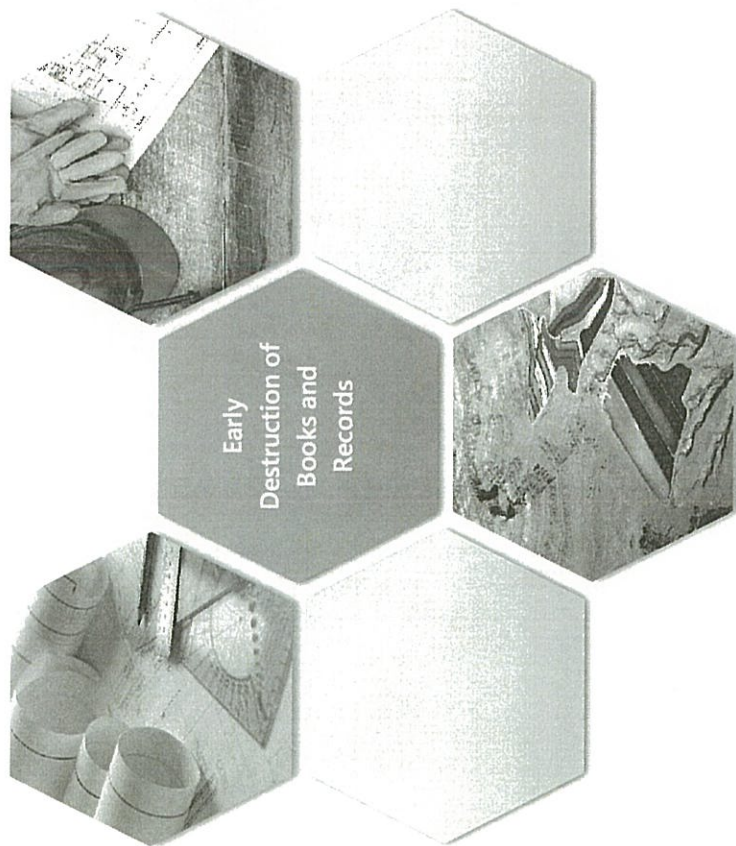


Attached as Annexure 7 is a Summary of Payments and Receipts during the administration period as at the date of this report.

Attached as Annexure 3 is the Remuneration Request Approval Report for creditors perusal.



16. EARLY DESTRUCTION OF BOOKS AND RECORDS (IF DOCA IS REJECTED)



Where a company has been wound up, the liquidator is required to retain all books and records of the company and of the Liquidator that are relevant to the affairs of the company at or subsequent to the commencement of the winding up for a period of five (5) years from the date of deregistration of the Company.

This requirement may however be modified by permission and is subject to the provisions of the Income Tax Assessment Act.

Furthermore, the directors of the company immediately before deregistration must keep the Company's books and records (other than those referred to in the previous paragraph) for three (3) years after deregistration of the Company.

The Income Tax Assessment Act requires every person carrying on a business to keep sufficient records and retain such records for a period of at least five (5) years after the completion of transactions, acts or operations to which those records relate. Such records do not need to be preserved if they are records of a company which has gone into liquidation and which has been finally dissolved.

Consequently, once dissolution has occurred, the provisions of the Income Tax Assessment Act do not require a liquidator or directors to preserve the books and records.

Pursuant to Section 542 of the Act, a Liquidator in a creditors' voluntary winding up may reduce the five (5) year retention period required after deregistration by seeking approval from creditors and ASIC of such a proposed action.

At the forthcoming meeting of creditors, I will be asking creditors to consider the following resolution should the Company be placed into liquidation:

"to authorise the liquidators to apply to the Australian Securities & Investments Commission, at their discretion, for the destruction of the books and records of the company within a period of less than five (5) years after the deregistration of the company"

17. FINALISATION OF THE ADMINISTRATION

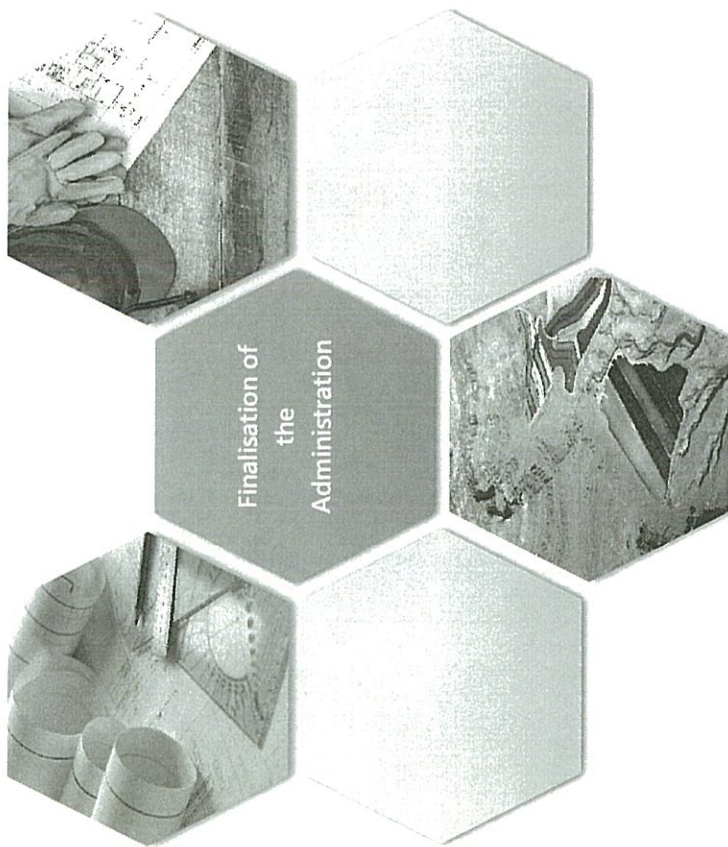
I will correspond with creditors further upon conclusion of the voluntary administration and the outcome of the Second Meeting of Creditors.

If you have any queries with respect to the administration, please do not hesitate to contact Mr Hamish Lawson of this office on (02) 8293 2959 or 0406 711 365.

Dated this 25th August 2015.



Damien M Hodgkinson
Administrator





DEM AUSTRALASIA

KUPANG RESOURCES LIMITED
(ADMINISTRATOR APPOINTED)
(RECEIVERS AND MANAGERS APPOINTED)
ACN: 098 773 785

**REPORT TO CREDITORS PURSUANT TO S439A
OF THE CORPORATIONS ACT 2001**

25 AUGUST 2015

**ANNEXURE 1: NOTICE OF SECOND MEETING OF
CREDITORS**



FORM 529A

PARAGRAPH 5.6.12(6)
CORPORATIONS ACT 2001

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

**KUPANG RESOURCES LTD
(ADMINISTRATOR APPOINTED) (RECEIVERS AND MANAGERS APPOINTED)
ACN: 098 773 785 (the "Company")**

1. On 29 July 2015, the secured creditor (International Litigation Partners) under section 436C appointed Damien Hodgkinson of DEM Australasia Pty Limited, 29 Chifley Tower, 2 Chifley Square, Sydney NSW 2000, as Administrator of the Company.
2. Notice is now given that the Second meeting of the creditors of the Company will be held at 2pm on 2 September 2015, at Level 4, 249 Pitt Street, Sydney NSW 2000. Registration for the Second meeting will open at 1:30pm with the meeting commencing at 2pm Sharp.
3. The purpose of the meeting is to determine:
 - (a) Whether the entity should be wound up; or
 - (b) That the administration of the entity ends; or
 - (c) Whether a Deed of Company Arrangement should be executed; or
 - (d) That the Second Meeting of Creditors be adjourned for a period of no longer than 45 business days.
4. At the meeting, a resolution will be considered to approve the Administrator's remuneration calculated in accordance with the rates charged by DEM Australasia Pty Limited for the period of the administration and if the creditors resolve that a Deed of Company Arrangement be executed or the winding up of the entity be commenced, a resolution will be considered to approve the remuneration of the said appointment.

Telephone conference details can be provided on request by email
hamish.lawson@demastralasia.com

CORPORATIONS REGULATIONS 5.6.13A:

1. A person, or the proxy or attorney of a person, who wishes to participate in the meeting by telephone must give to the administrator, not later than the second-last working day before the day on which the meeting is to be held, a written statement setting out:
 - (a) the name of the person and of the proxy or attorney (if any); and
 - (b) an address to which notices to the person, proxy or attorney may be sent; and

- (c) a telephone number at which the person, proxy or attorney may be contacted; and
 - (d) any facsimile transmission number to which notices to the person, proxy or attorney may be sent.
2. A person, or the proxy or attorney of a person, who participates in the meeting by telephone must pay any costs incurred by the person, proxy or attorney in participating and is not entitled to be reimbursed for those costs from the assets of the Company.

Date: 25 August 2015

Signed:

A handwritten signature in black ink, appearing to read 'Damien Hodgkinson', with a stylized flourish at the end.

Damien M Hodgkinson
Administrator



DEM AUSTRALASIA

KUPANG RESOURCES LIMITED

(ADMINISTRATOR APPOINTED)

(RECEIVERS AND MANAGERS APPOINTED)

ACN: 098 773 785

REPORT TO CREDITORS PURSUANT TO S439A OF THE CORPORATIONS ACT 2001

25 AUGUST 2015

ANNEXURE 2: KUPANG RESOURCES CORPORATE STRUCTURE DIAGRAM







DEM AUSTRALASIA

KUPANG RESOURCES LIMITED
(ADMINISTRATOR APPOINTED)
(RECEIVERS AND MANAGERS APPOINTED)
ACN: 098 773 785

**REPORT TO CREDITORS PURSUANT TO S439A
OF THE CORPORATIONS ACT 2001**

25 AUGUST 2015

**ANNEXURE 3: REMUNERATION REQUEST
APPROVAL REPORT**





DEM AUSTRALASIA

REMUNERATION REQUEST APPROVAL REPORT

KUPANG RESOURCES LIMITED (ADMINISTRATOR APPOINTED) (RECEIVERS AND MANAGERS APPOINTED)

ACN: 098 773 785
("THE COMPANY")

PART 1 DECLARATION

I have undertaken a proper assessment of this remuneration claim for my appointment as Administrator of the Company in accordance with the law and applicable professional standards. I am satisfied that the remuneration claimed is in respect of necessary work, properly performed in the conduct of the administration.

PART 2 EXECUTIVE SUMMARY

To date, no remuneration has been approved in this administration. This remuneration report details approval sought for the following fees:

Period	Report Reference	Amount (GST excl.)
Current Remuneration Approval Sought		
Voluntary Administration		
Resolution 1: 29 July 2015 to 2 September 2015 - \$43,500 but say	Part 3	\$30,000.00
Resolution 2: 3 September 2015 to Conclusion	Part 5	\$5,000.00
Total – Voluntary Administration		\$35,000.00
Deed of Company Arrangement		
Resolution 3: Execution of Deed to Conclusion of Deed*	Part 5	\$25,000.00
Liquidation		
Resolution 4: Commencement of Liquidation to Conclusion*	Part 5	\$65,000.00
*Approval for future remuneration sought is based on an estimate of the work necessary to the completion of the administration. Should additional work be necessary beyond what is contemplated, further approval may be sought from creditors		

PART 3 DESCRIPTION OF WORK COMPLETED

RESOLUTION 1

Company: Kupang Resources Limited
(Administrator Appointed)(Receivers and Managers Appointed)

Type of Administration: Voluntary Administration

Administrator: Damien M Hodgkinson of DEM Australasia Pty Limited

Period: 29 July 2015 to 2 September 2015

Following is a summary of the work undertaken by my partners, staff and myself for the period 29 July 2015 to 2 September 2015:

Task Area	General Description of Tasks	Additional Description
Assets 3.1 hours (Actual) \$1,940.00 (Actual)	Receivership	Liaise with Receivers and Managers as to status of the administration and business.
	Company Assets	- Conduct and review results of property searches. - Liaise with directors as to operations of business and JV interest.
	Other Assets	Conduct searches / enquiries.
Creditors 74.25 hours (Actual) \$23,402.50 (Actual and Estimate)	Creditor Enquiries	- Receive, address and follow up creditor enquiries. - Maintain file notes on creditor enquiries. - Review and prepare correspondence to creditors and their representatives via facsimile, email and post.
	Secured Creditor Reporting	- Prepare reports to secured creditor. - Responding to secured creditor's queries. - Provide regular updates by telephone to secured creditor and solicitor for secured creditor.
	Creditor Reports	- Prepare and send initial notification to creditors. - Prepare and send further reports to creditors. - Preparing Section 439A report, investigation, meeting and general report to creditors.
	Dealing with Proofs of Debt	Receipting and filing Proofs of Debt.
	Meeting of Creditors	- Preparation of meeting notices, proxies and advertisements. - Forward notice of meeting to all known creditors. - Preparation of meeting file, including agenda, certificate of postage, attendance register, list of



Task Area	General Description of Tasks	Additional Description
		creditors, reports to creditors, advertisement of meeting and draft minutes of meeting. • Conduct meeting of creditors. • Preparation and lodgement of minutes of meetings with ASIC. • Responding to stakeholder queries and questions immediately following meeting.
Investigation 31.15 hours <i>(Actual)</i> \$9,697.50 <i>(Actual and Estimate)</i>	Conducting Investigation	• Collection of Company books and records. • Reviewing Company's books and records. • Review and preparation of Company nature and history. • Conducting and summarising statutory searches. • Preparation of file notes of telephone calls with director regarding business operations etc.
Administration 21.8 hours <i>(Actual)</i> \$9,230.00 <i>(Actual and Estimate)</i>	Correspondence	• General correspondence RE: appointment. • Various correspondence with director via email and telephone.
	Insurance	• Identification of potential issues requiring attention of insurance specialists. • Correspondence with insurer regarding initial and ongoing insurance requirements. • Reviewing insurance policies.
	Shareholders	• General correspondence RE: appointment and correspondence with same.
	ASX	• Lodgements as required.
	ASIC Form 524 and Other Forms	• Prepare and lodge ASIC forms.
	ATO and Other Statutory Reporting	• Notification of appointment. • Register for GST. • ATO FOI Request.
	Planning & Reviews	• Reviews / discussions regarding status of administration. • General periodic file reviews.
	Books and Records	• Request books & records from accountant and solicitor.

PART 4 RESOLUTION 1: CALCULATION OF REMUNERATION

Employee	Position	\$ / hour (excl. GST)	Total actual hours	Total (\$)	Task Area						
					Assets hrs (\$)	Creditors hrs (\$)	Employees hrs (\$)	Trade On hrs (\$)	Investigation hrs (\$)	Dividend hrs (\$)	Admin hrs (\$)
Damien M Hodgkinson	Appointee	650	15.2	9,880.00	2.5 Hours 1,625.00	7 Hours 4,550.00			1.4 Hours 910.00		4.3 Hours 2,795.00
Lucy Vecchio	Director	525	31.1	16,327.50	0.6 Hours 315.00	15.5 Hours 8,137.50			8.5 Hours 4,462.50		6.5 Hours 3,412.50
Hamish Lawson	Graduate	180	84.0	15,120.00		51.75 Hours 9,315.00			21.25 Hours 3,825.00		11 Hours 1,980.00
Actual Total up to and including 24 August 2015 (excluding GST)				\$41,327.50	\$1,940.00	\$22,002.50	\$Nil	\$Nil	\$9,197.50	\$Nil	\$8,957.50
Estimate from 25 August 2015 to 2 September 2015 inclusive (excluding GST)				2,172.50		1,400.00			500.00		272.50
Total (Excluding GST)				\$43,500.00	\$1,940.00	\$23,402.50	\$Nil	\$Nil	\$9,697.50	\$Nil	\$9,230.00
Number of Hours Worked (Actual)				130.3	3.1 hrs	74.25 hrs	Nil hrs	Nil hrs	31.15 hrs		21.8 hrs

but say

\$35,000.00 (excluding GST)

PART 5 DESCRIPTION OF WORK TO BE COMPLETED

RESOLUTION 2

I will be seeking approval of my future professional fees as Administrator for the period 3 September 2015 to the conclusion of the Voluntary Administration on an interim basis at \$5,000.00 plus GST to be drawn progressively as earned.

If necessary, I will seek further approval from creditors by convening a meeting of creditors or obtain Court approval to obtain approval of any additional fees.

The extent of remuneration will be limited to the funds available and may be less than the remuneration approval being sought.

Company: Kupang Resources Limited
(Administrator Appointed)(Receivers and Managers Appointed)

Type of Administration: Voluntary Administration

Administrator: Damien M Hodgkinson of DEM Australasia Pty Limited

Period: 3 September 2015 to conclusion of Voluntary Administration

Task Area	General Description	Includes
Assets 1 hour \$490.20	Other Assets	Considering potential realisation of assets.
	Receivership	Liaising with Receivers and Managers regarding the ongoing operations of the business.
Creditors 7.2 hours \$3,529.41	Creditor Enquiries	- Receive, address and follow up creditor enquiries. - Maintain file notes on creditor enquiries / claims. - Review and prepare correspondence to creditors and their representatives via facsimile, email and post.
	Creditor Reports	Preparing reports, investigation, meeting and general reports to creditors.
	Dealing with Proofs of Debt	- Receipting and filing Proofs of Debt. - Correspondence with creditors RE: Proofs of Debt.
	Meeting of Creditors	- Preparation of meeting notices, proxies and advertisements. - Forward notice of meeting to all known creditors. - Preparation of meeting file, including agenda, certificate of postage, attendance register, list of creditors, reports to creditors, advertisement of meeting and draft minutes of meeting. - Conduct meeting of creditors. - Preparation and lodgement of minutes of meetings with ASIC.

Task Area	General Description	Includes
		Responding to stakeholder queries and questions immediately following meeting.
Administration 2 hours \$980.40	Correspondence	General correspondence RE: appointment with stakeholders.
	Insurance	- Correspondence with insurer regarding initial and ongoing insurance requirements. - Reviewing insurance policies.
	ATO and Other Statutory Reporting	Complete BAS.
	ASX	Announcements and necessary lodgements.
	DOCA	Preparation, reviewing and execution.

CALCULATION OF ESTIMATED FUTURE REMUNERATION

My estimate of the upper limit (exclusive of GST) has been determined as follows:

Employee Name	Title	\$ rate per hour (GST excl.)	Total hours	Total
Damien M Hodgkinson	Appointee / Director	650	2	1,300
Lucy Vecchio	Director	525	3	1,575
Hamish Lawson	Graduate	180	7.2	1,300
Total Excluding GST				\$5,000
Average hourly rate			10.2	\$490.20

RESOLUTION 3

If creditors accept a proposal for a Deed of Company Arrangement ("DOCA"), I will be seeking approval of my future professional fees as Deed Administrator from the date of execution of the Deed of Company Arrangement to the completion of same in the sum of \$25,000 plus GST to be drawn progressively as earned.

If necessary, I will seek further approval from creditors by convening a meeting of creditors or obtain Court approval to obtain approval of any additional fees.

The extent of remuneration will be limited to the funds available and may be less than the remuneration approval being sought.

Company: Kupang Resources Limited
(Administrator Appointed)(Receivers and Managers Appointed)

Type of Administration: Deed of Company Arrangement

Administrator: Damien M Hodgkinson of DEM Australasia Pty Limited

Period: Execution of DOCA to Conclusion of DOCA

Task Area	General Description	Includes
Creditors 19.45 hours \$5,375.98	Creditor Enquiries	- Receive, address and follow up creditor enquiries. - Maintain file notes on creditor enquiries / claims. - Maintain creditor register. - Review and prepare correspondence to creditors and their representatives via facsimile, email and post.
	Secured Creditor Reporting	- Preparing reports to secured creditor. - Responding to secured creditor's queries.
	Creditor Reports	Prepare and send statutory reports to creditors.
	Dealing with Proofs of Debt	- Receipting and filing Proofs of Debt. - Maintain Proof of Debt register. - Correspondence with creditors RE: Proofs of Debt
Dividend 38 hours \$10,503.20	Processing Proofs of Debt	- Prepare and send notice to creditors requesting formal Proofs of Debt. - Adjudicate on Proof of Debt claims. - Request evidence from claimants regarding Proof of Debt. - Prepare and send correspondence to creditors advising of outcome of adjudication.
	Dividend Procedures	- Notice to creditors advising of intention to declare dividend. - Advertisement of intention to declare dividend - Preparation of dividend calculation.



Task Area	General Description	Includes
		- Preparation of correspondence to creditors announcing declaration of dividend. - Preparation of distribution to creditors. - Maintain dividend file. - Prepare summary of receipts and payments. - Prepare dividend declaration notices for creditors. - Correspondence to creditors enclosing dividend payment.
Administration 29 hours \$8,015.60	Correspondence	General correspondence RE: appointment.
	Insurance	- Correspondence with insurer regarding initial and ongoing insurance requirements. - Reviewing insurance policies.
	Bank Account Administration	- Process receipts and payments for appointment. - Bank account reconciliations.
	ASIC Form 524 and Other Forms	Prepare and lodge ASIC forms.
	ATO and Other Statutory Reporting	Complete BAS.
	Finalisation	- Notify ATO of finalisation. - Complete checklists. - Notify directors / relevant parties of finalisation of Deed. - Finalise WIP.
	Planning & Reviews	- Reviews / discussions regarding status of administration. - General periodic file reviews. - Prepare & maintain file checklists. - Filing of documents.
	ASX	Liaising and lodgement with ASX as required.
	Shareholders	Corresponding with shareholders as required.

CALCULATION OF ESTIMATED FUTURE REMUNERATION

My estimate of the upper limit (exclusive of GST) has been determined as follows:

Employee Name	Title	\$ rate per hour (GST excl.)	Total hours	Total
Damien M Hodgkinson	Appointee / Director	650	8.0	5,200.00
Lucy Vecchio	Director	525	14.4	7,550.00
Hamish Lawson	Graduate	180	68.05	12,250.00
Total Excluding GST				\$25,000
Average hourly rate			90.45	\$276.40

RESOLUTION 4

Should the Company be placed into liquidation, I will be seeking approval of my professional fees as Liquidator for the period from the commencement of the liquidation to the conclusion of the liquidation on an interim basis at \$65,000 plus GST to be drawn progressively as earned.

If necessary, I will seek further approval from creditors by convening a meeting of creditors or obtain Court approval to obtain approval of any additional fees.

The extent of remuneration will be limited to the funds available and may be less than the remuneration approval being sought.

Company: Kupang Resources Limited
(Administrator Appointed)(Receivers and Managers Appointed)

Type of Administration: Liquidation

Administrator: Damien M Hodgkinson of DEM Australasia Pty Limited

Period: Commencement of Liquidation to Conclusion of Liquidation

Task Area	General Description	Includes
Assets 27.1 hours \$8,456.55	Receivership	Liaise with Receivers and Managers regarding ongoing management of Company's assets and business.
	Other Assets	Conduct searches / enquiries.
Creditors 70 hours \$21,843.50	Creditor Enquiries	- Receive, address and follow up creditor enquiries. - Maintain file notes on creditor enquiries / claims. - Maintain creditor register. - Review and prepare correspondence to creditors and their representatives via facsimile, email and post.
	Secured Creditor Reporting	- Preparing reports to secured creditor. - Responding to secured creditor's queries.



Task Area	General Description	Includes
	Creditor Reports	• Prepare and send initial notification to creditors. • Prepare and send statutory reports to creditors.
	Dealing With Proofs of Debt	• Receipting and filing Proofs of Debt. • Maintain Proof of Debt register. • Correspondence with creditors RE: Proofs of Debt.
	Meeting of Creditors	• Preparation of meeting notices, proxies and advertisements. • Forward notice of meeting to all known creditors. • Preparation of meeting file, including agenda, certificate of postage, attendance register, list of creditors, reports to creditors, advertisement of meeting and draft minutes of meeting. • Conduct meeting of creditors. • Preparation and lodgement of minutes of meetings with ASIC. • Responding to stakeholder queries and questions immediately following meeting.
Investigation 70.2 hours \$21,905.91	Conducting Investigation	• Reviewing company's books and records. • Conducting and summarising statutory searches. • Review of specific transactions. • Liaising with directors regarding certain transactions. • Preparation of investigation file. • Lodgement of investigation report with the ASIC. • Preparation and lodgement of supplementary report, if required.
	Litigation / Recoveries	• Internal meetings to discuss status of litigation. • Preparing brief to solicitors. • Liaising with solicitors regarding recovery actions. • Attending to negotiations. • Attending to settlement matters.
	ASIC Reporting	• Preparing statutory investigation reports. • Preparing affidavits seeking non lodgements assistance. • Liaising with ASIC.
Administration 40.0 hours \$12,482.00	Correspondence	• General correspondence RE: appointment including shareholders.
	Insurance	• Correspondence with insurer regarding initial and ongoing insurance requirements. • Reviewing insurance policies.
	Bank Account Administration	• Correspondence closing accounts. • Process receipts and payments for appointment.



Task Area	General Description	Includes
		- Request bank statements. - Bank account reconciliations.
	ASIC Form 524 and Other Forms	Prepare and lodge ASIC forms.
	ATO and Other Statutory Reporting	- Notification of appointment. - Complete BAS.
	Finalisation	- Notify ATO of finalisation. - Cancel ABN / GST / PAYG registration. - Complete checklists. - Notify Directors / relevant parties of finalisation. - Finalise WIP.
	Planning & Reviews	- Reviews / discussions regarding status of administration. - General periodic file reviews. - Prepare & maintain file checklists. - Filing of documents.

CALCULATION OF ESTIMATED FUTURE REMUNERATION

My estimate of the upper limit (exclusive of GST) has been determined as follows:

Employee Name	Title	\$ rate per hour (excl. GST)	Total hours	Total
Damien M Hodgkinson	Appointee / Director	650	28.50	18,500
Lucy Vecchio	Director	525	40.9	21,500
Hamish Lawson	Graduate	180	138.90	25,000
Total Excluding GST				65,000
Average hourly rate			208.30	\$312.05



PART 6 STATEMENT OF REMUNERATION CLAIM

At the forthcoming meeting of creditors:

- I will table full details of the costs and work performed by my staff and myself;
- Resolution 1 - I will be seeking the following resolution from creditors for my professional fees as Administrator:

"that the remuneration of the Administrator, his partners and staff is approved from 29 July 2015 to 2 September 2015 in the sum of \$30,000 plus GST to be calculated by reference to the hourly rates applicable to the grades or classifications set out in the Remuneration Request Approval Report dated 25 August 2015, and that the Administrator be authorised to draw that amount."

- Resolution 2 - I am also seeking approval of my future professional fees as Administrator contained in the following resolution from creditors:

"that the remuneration of the Administrator, his partners and staff is approved for the period 3 September 2015 to the conclusion of the Voluntary Administration in the sum of \$5,000 plus GST calculated by reference to the hourly rates applicable to the grades or classifications set out in the Remuneration Request Approval Report dated 25 August 2015, and that the Administrator be authorised to draw that amount as and when incurred."

- Resolution 3 - I am also seeking approval of my future professional fees as Deed Administrator contained in the following resolution from creditors, in the event creditors accept a proposed Deed if any:

"that the remuneration of the Deed Administrator, his partners and staff is approved from the execution of the Deed of Company Arrangement to the conclusion of the Deed of Company Arrangement is approved in the sum of \$25,000 plus GST calculated by reference to the hourly rates applicable to the grades or classifications set out in the Remuneration Request Approval Report dated 25 August 2015, and that the Deed Administrator be authorised to draw that amount as and when incurred."

- Resolution 4 – I am also seeking approval of my future professional fees as Liquidator contained in the following resolution from creditors, in the event the company is placed into liquidation:

"that the remuneration of the Liquidator, his partners and staff from the commencement of the liquidation to the conclusion of the liquidation is set on an interim basis in the sum of \$65,000 plus GST, to be calculated by reference to the hourly rates applicable to the grades or classifications set out in the Remuneration Request Approval Report dated 25 August 2015, such remuneration to be subject to review by the Court on the application of any creditor in accordance with Section 504 of the Corporations Act 2001 and that the Liquidator be authorised to draw that amount as and when incurred."

Creditors should note that if my future remuneration is less than this amount, the lesser amount will only be claimed. At this stage, if a proposed DOCA is accepted, I expect the administration of the DOCA will run for at least twelve (12) months. If the company were to be placed in to liquidation, I expect the liquidation will run for at least twenty-four (24) months.



It will be necessary for me to convene a further meeting of creditors to obtain approval of any additional fees, or obtain Court approval or the approval of a Committee of Creditors to draw any additional fees as Voluntary Administrator, Deed Administrator or Liquidator.

PART 7 REMUNERATION RECOVERABLE FROM EXTERNAL SOURCES

Remuneration payments received in relation to the Fair Entitlements Guarantee Act 2012 ("FEG") or the preceding scheme ("GEERS") are considered a separate arrangement involving a limited or partial funding agreement. Where higher fees are incurred than the amount covered by the funding agreement there is no restriction in the administration being charged for the shortfall on the basis that all remuneration claimed is necessary and properly incurred in accordance with the ARITA Code.

While the money received under the funding arrangement is not subject to creditor approval and can be paid directly to the practitioner, any shortfall must be appropriately approved in accordance with the Corporations Act prior to drawing. In seeking creditor approval for any shortfall, the ARITA recommends that specific disclosure of the total time charged, funding receipt(s) and shortfall amount be made in the remuneration report. Particular care must be taken to ensure that the administration is not charged for amounts recovered from under the funding.

In relation to Resolution 1, work completed for the period of 29 July 2015 to 2 September 2015 in the sum of \$30,000 plus GST does not include time relating to FEG.

In relation to Resolution 4, work to be completed from the commencement of the Liquidation to the conclusion of the Liquidation in the sum of \$65,000 plus GST is likely to include time relating to FEG. At the date of this report I am unable to quantify an amount that I am likely to receive that relates to FEG.

While there is no requirement to obtain creditor approval for funding received from the Assetless Administration Fund, the ARITA recommends that specific disclosure of the amount of funding received/receivable and the basis on which the funding was/is provided is disclosed in the remuneration report.

In relation to Resolution 4, work to be completed from the commencement of the Liquidation to the conclusion of the Liquidation in the sum of \$65,000 plus GST is unlikely to include time relating to ASIC funding.

PART 8 DISBURSEMENTS

Disbursements are divided into three types:

Externally provided professional services - these are recovered at cost. An example of an externally provided professional service disbursement is legal fees.

Externally provided non-professional costs such as travel, accommodation and search fees. These are recovered at cost.

Internal disbursements such as photocopying, printing and postage. These disbursements, if charged to the Administration, would generally be charged at cost; though some expenses such as

telephone calls, photocopying and printing may be charged at a rate which recoups both variable and fixed costs. The recovery of these costs must be on a reasonable commercial basis.

DISBURSEMENTS PAID

As there have been no realisations to date, no disbursements have been paid from this administration.

FUTURE DISBURSEMENTS

Future external disbursements (both professional and non-professional) may be required and incurred in the remainder of the liquidation. I am unable to estimate the amount of future external disbursements. Any future external disbursements will be charged at cost.

The following future internal disbursements are expected to be incurred on the following basis:

Internal Disbursement	Basis (GST Excl.) (\$)
Telephone and Facsimiles	Fixed at \$25.00
Photocopying	\$0.40 per page
Postage	\$0.75 per small envelope / \$1.50 per large envelope
Stationary and Consumables	\$250.00 plus \$25.00 per additional folder
Books and Records Storage	\$9.00 per box plus \$1.75 per box per month
Books and Records Transportation	\$17.00 plus \$2.50 per box transported
Staff Vehicle Use	estimated at \$0.65 per km

Scale applicable for financial year commencing 1 July 2014.

PART 9 REPORT ON PROGRESS OF THE ADMINISTRATION

Please refer to my report for particulars regarding the status and progress of the administration.

If you have any queries or require additional information, please do not hesitate to contact Hamish Lawson (hamish.lawson@demastralasia.com) of this office on (02) 9293 2959.

PART 10 QUERIES

Creditors are welcome to contact Hamish Lawson (hamish.lawson@demastralasia.com) of this office on (02) 9293 2959 if they have any queries or require additional information.



PART 11 INFORMATION SHEETS

A copy of the Information Sheet titled Approving Fees: A Guide for Creditors is attached to this Remuneration Request Approval Report.

The insolvency partners of DEM Australasia are members of the Australian Restructuring Insolvency & Turnaround Association and follow the ARITA Code of Professional Practice ("**COPP**").

A copy of the COPP can be found at the ARITA Website (www.arita.com.au).

DATED this 25th day of August 2015.

Damien M Hodgkinson
Administrator



DEM AUSTRALASIA

KUPANG RESOURCES LIMITED

(ADMINISTRATOR APPOINTED)

(RECEIVERS AND MANAGERS APPOINTED)

ACN: 098 773 785

**REPORT TO CREDITORS PURSUANT TO S439A
OF THE CORPORATIONS ACT 2001**

25 AUGUST 2015

**ANNEXURE 4: STATEMENT OF FINANCIAL
PERFORMANCE (INCOME STATEMENT)**



Kupang Resources Limited
(Administrator Appointed)(Receivers and Managers Appointed)

ACN: 098 773 785

Statement of Financial Performance (Profit and Loss Statement)

	Financial Year Ending 30/06/2012	Financial Year Ending 30/06/2013	Financial Year Ending 30/06/2014	Half Year Ending 31/12/2014
Revenue and Other Income	\$25,291,856	\$251,204	\$1,111	\$4
Settlement Sum - ILP		(\$8,292,164)	(\$206,054)	\$0
Director and Director Consulting Fees	(\$1,864,672)	(\$256,500)	(\$256,000)	(\$133,275)
Consulting Fees	(\$197,908)	(\$245,159)	(\$213,436)	(\$95,100)
Occupancy Expenses	(\$104,572)	(\$87,993)	(\$99,896)	(\$55,004)
Impairment of Financial Asset	(\$100,530)	(\$86,980)	\$0	\$0
Impairment of Fixed Assets	(\$18,276)	\$0	\$0	\$0
Financing Expense	(\$3)	\$0	\$0	(\$5,949)
Facilitation and Success Fees - Other	(\$2,500,000)	\$0	\$0	\$0
Facilitation Fees - Interest	(\$666,420)	\$0	\$0	\$0
Litigation Expenses	(\$1,980,945)	(\$664,299)	(\$428,022)	(\$411,602)
Acquisition Costs	(\$83,790)	\$0	\$0	\$0
Other	(\$520,927)	(\$645,807)	(\$512,751)	(\$121,640)
Employee Benefits Expense	\$0	(\$122,345)	(\$14,688)	\$0
Share Based Payment Expense	(\$2,139,163)	(\$944,521)	(\$65,250)	\$0
Impairment of Exploration Assets	\$0	(\$904,587)	(\$44,242)	\$0
Impairment of Receivables	\$0	(\$618,856)	\$0	\$0
Impairment of Investment and Interco Loan with Subsidiary	\$0	(\$1,164,066)	\$986,066	\$0
Depreciation Expense	\$0	\$0	\$0	\$0
Other - ATO/ILP	\$0	\$0	(\$400,000)	(\$94,823)
Forgiveness of Interco Loan	\$0	\$0	(\$986,066)	\$0
Profit / Loss Before Tax	\$15,114,651	(\$13,782,073)	(\$2,239,229)	(\$917,388)
Income Tax Expense	\$1,834,335	(\$3,073,415)	\$0	\$0
Profit / Loss After Tax	\$13,280,316	(\$10,708,658)	(\$2,239,229)	(\$917,388)



DEM AUSTRALASIA

KUPANG RESOURCES LIMITED

(ADMINISTRATOR APPOINTED)
(RECEIVERS AND MANAGERS APPOINTED)

ACN: 098 773 785

**REPORT TO CREDITORS PURSUANT TO S439A
OF THE CORPORATIONS ACT 2001**

25 AUGUST 2015

**ANNEXURE 5: STATEMENT OF FINANCIAL POSITION
(BALANCE SHEET)**



Kupang Resources Limited
(Administrator Appointed)(Receivers and Managers Appointed)
ACN: 098 773 785
Statement of Financial Position (Balance Sheet)

	Financial Year Ending 30/06/2012	Financial Year Ending 30/06/2013	Financial Year Ending 30/06/2014	Half Year Ending 31/12/2014
CURRENT ASSETS				
Cash and cash equivalents	\$14,751,501	\$760,343	\$152,108	\$108,317
Trade and other receivables	\$846,247	\$219,166	\$165,741	\$128,249
Trade and other receivables - other deposit	\$28,142	\$28,142	\$28,142	\$28,142
Trade and other receivables - TD (guarantee)	\$560,995	-	-	-
Trade and other receivables - Security deposit	\$600,391	-	-	-
Receivables - JV	-	-	-	-
Other current assets (prepayments)	-	\$27,016	\$18,234	\$27,830
Other financial assets	\$97,340	\$10,360	\$8,035	\$7,400
Receivable - from outside JV partners	-	\$2,250,000	\$2,250,000	\$2,250,000
Current Subtotal	<u>\$16,884,618</u>	<u>\$3,295,028</u>	<u>\$2,622,260</u>	<u>\$2,549,939</u>
NON-CURRENT ASSETS				
Property, plant & equipment	-	-	-	-
Exploration assets	\$862,950	-	-	-
Investment in JV	-	-	-	-
Intercompany - JV	-	-	-	-
Funding to JV	-	-	-	-
Funding to JV (committed)	-	-	-	-
Investment in subsidiary	\$3,678,000	\$3,500,000	\$3,500,000	\$3,500,000
Intercompany	\$2,021,236	\$9,250,000	\$9,250,000	\$9,250,000
Non-Current Subtotal	<u>\$6,562,186</u>	<u>\$12,750,000</u>	<u>\$1,275,000</u>	<u>\$12,750,000</u>
TOTAL ASSETS	<u>\$23,446,804</u>	<u>\$16,045,029</u>	<u>\$15,372,260</u>	<u>\$15,299,939</u>
CURRENT LIABILITIES				
Trade and other payables	(\$424,685)	(\$232,299)	(\$85,780)	(\$836,658)
Trade and other payables - ATO (re: ILP)	-	-	(\$400,000)	(\$400,000)
Payable from NTT to JV	-	-	-	-
Provision for income tax	(\$1,834,335)	-	-	-
Provision for litigation	(\$2,500,000)	-	-	-
	(\$4,759,020)	-	-	-
Trade and other payables - ILP settlement	-	(\$3,000,000)	\$1,980,000	\$1,980,000
Trade and other payables - ILP settlement interest	-	(\$251,164)	\$457,218	\$552,041
Current Liabilities Subtotal	<u>(\$4,759,020)</u>	<u>\$3,483,463</u>	<u>(\$2,922,998)</u>	<u>\$3,768,699</u>
NON-CURRENT LIABILITIES				
Rehabilitation provision	\$0	-	-	-
TOTAL LIABILITIES	<u>(\$4,759,020)</u>	<u>\$3,483,463</u>	<u>\$2,922,998</u>	<u>(\$3,768,699)</u>
NET ASSETS	<u>\$18,687,783</u>	<u>\$12,561,566</u>	<u>\$12,449,262</u>	<u>\$11,531,240</u>
EQUITY				
Issued capital	(\$25,854,731)	\$30,618,235	Not Available	\$32,682,235
Contributed funds - NTT Manganese	-	-	-	-
FX reserve	-	-	-	-
Option reserve	(\$282,163)	(\$1,340,180)	-	\$1,405,430
Revaluation Reserve	-	-	-	\$2,960
Retained earnings	\$20,729,426	\$8,688,190	-	\$21,636,077
Current year result	(\$13,280,316)	\$10,708,658	-	\$917,388
TOTAL EQUITY	<u>(\$18,687,783)</u>	<u>(\$12,561,566)</u>	<u>-</u>	<u>\$11,531,240</u>

NOTE: Variances due to rounding errors



DEM AUSTRALASIA

KUPANG RESOURCES LIMITED

(ADMINISTRATOR APPOINTED)

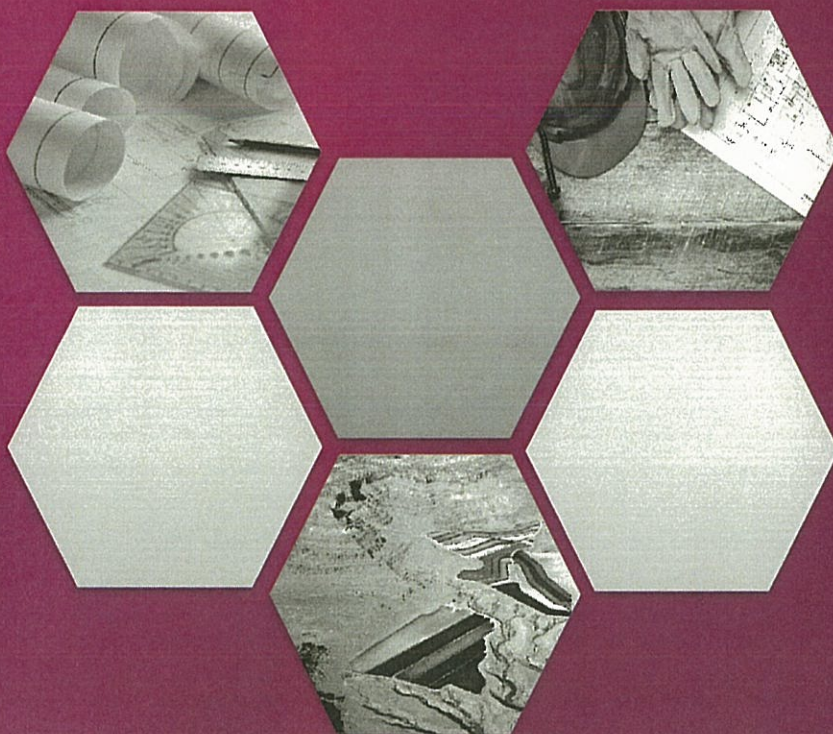
(RECEIVERS AND MANAGERS APPOINTED)

ACN: 098 773 785

REPORT TO CREDITORS PURSUANT TO S439A OF THE CORPORATIONS ACT 2001

25 AUGUST 2015

ANNEXURE 6: ARITA COMPLAINTS INVESTIGATIONS PROCEDURES



ARITA Complaints Investigation Procedures

Purpose

This document sets out ARITA's conduct and disciplinary procedures for the investigation of complaints about the professional conduct of an ARITA member in accordance with clause 8.1(b) of the ARITA Constitution. ARITA's conduct and disciplinary processes can be found in clause 8 of the ARITA Constitution and clause 5 of the ARITA Regulations.

This document should be read in conjunction with the *ARITA Complaints Investigation Process – Overview* flow diagram that generally explains how the conduct and disciplinary regime operates.

The purpose of this document is to provide further clarity in relation to the internal protocols in place.

Complaints

A complaint under the ARITA Constitution is a written complaint made to ARITA about the professional conduct of a member as a practitioner. This refers to the conduct of work of a registered trustee, registered liquidator, other insolvency practitioner, or a legal practitioner.

An ARITA member includes:

- all classes of members; and
- all members except those that have had their membership terminated in accordance with Clause 7 of the ARITA Constitution.¹

Notwithstanding the above, if a member's membership has been terminated, ARITA may still investigate a complaint against the member if the alleged conduct took place at a time when the membership was active.

Joint Appointments and Firm Procedures

The following scenarios and approaches are taken in relation to complaints received by ARITA involving joint appointments or firm procedures:

Scenario	Approach
Administrations conducted jointly by ARITA members	Where a complaint relates to matters regarding the conduct of the administration, ARITA will investigate all of the ARITA members appointed to the administration on a joint basis.
	Where a complaint relates to matters regarding the personal conduct of an ARITA member, ARITA will investigate the matter on an individual basis.

¹ Constitution 1.1, 6.2

Scenario	Approach
Administrations conducted jointly by ARITA members and non-members	Where a complaint relates to matters regarding the conduct of the administration, ARITA will investigate the conduct of the administration on the basis that at least one of the appointees is a member. ARITA is unable to investigate practitioners who are not members of ARITA. Where a complaint relates to matters regarding the personal conduct of an ARITA member, ARITA will investigate the matter on an individual basis. Where a complaint relates to matters regarding the personal conduct of a non-member, ARITA will be unable to investigate the matter.
Firm procedural issues involving administrations conducted by ARITA non-members	ARITA is unable to investigate complaints related to administrations that are conducted by practitioners who are not members of ARITA. Where a complaint relates to firm procedural issues of firms that have ARITA members who are registered liquidators and trustees, ARITA may commence a concern and investigate these matters further.

Making a complaint

Complaints may be made to ARITA by completing the ARITA complaint form, which can be downloaded from ARITA's website, attaching any relevant documents, and sending it to:

Email: complaints@arita.com.au	Mail: CEO ARITA GPO Box 9985 SYDNEY NSW 2001	Facsimile: +61 2 9290 2820
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The complaint form details the information that should be provided with it when it is submitted.

Acknowledgement and allocation of Technical Specialist

All complaints received by ARITA are recorded on ARITA's database and acknowledged in writing.

Complaints are allocated to one of ARITA's Technical Specialists for attention. Technical Specialists are selected to ensure that they are free from actual or perceived conflicts of interest. The following considerations are taken into account when determining a Technical Specialist's independence:

- whether the Technical Specialist has worked directly for or with the member, the complainant or a firm where the member or complainant is or was a Partner or Principal, in the preceding two years;

- whether the Technical Specialist has a relationship with the member or complainant, unless that relationship is trivial²;
- whether there is a history of animosity between the Technical Specialist and the member or complainant; and
- whether there are any other relationships between the Technical Specialist and the member or complainant.

The above independence guidelines also apply in relation to members participating in ARITA's Professional Conduct Committee ("PCC") and any meetings of the National Committee ("NC") to consider matters referred to the NC by the PCC.

Consideration of independence is an on-going process.

Investigations

Investigations are conducted in accordance with the steps detailed in ARITA's Complaints Investigation Process – Overview flow diagram. Investigations may be conducted in writing, in person and/or via the telephone.

Generally, the investigation steps followed by the relevant Technical Specialist include, but are not limited to, the following:

- confirmation of the basis of complaint and consent to contact the member sought from complainant;
- provision of details of the complaint to the member with a request made for a response to the complaint including any relevant documentation;
- a meeting with the member and/or inspection of their files and/or firm processes, where this is considered warranted.

After consideration of the information provided, the Technical Specialist in consultation with ARITA's National Secretary, will determine whether the complaint should be:

- resolved without further referral to the PCC or NC – that is, that the complaint is dismissed, or it is upheld. If it is upheld, one outcome may be remedial action by the member or the member's firm; or
- by decision of the National Secretary, referred to the PCC for ARITA disciplinary proceedings to be commenced against the member.

Consultation with others

From time to time the Technical Specialist may consult with ARITA's other Technical Specialists, the National Secretary or other subject matter experts when considering a complaints matter, subject to any issues of confidentiality or conflict of interest (point 4).

In addition, the National Secretary may consult the members of the PCC prior to determining whether it is necessary to commence ARITA disciplinary proceedings.

² Refer to Clause 6.5 of the ARITA Code of Professional Practice for guidance on trivial relationships

ARITA may from time to time provide information regarding a complaint to and consult with regulators as part of the investigation process.

Professional Conduct Committee

The PCC comprises at least three members, two of which must be members of the National Committee, subject to any limitations resulting from conflicts of interest (refer point 4)³.

Investigations by the PCC may comprise a review of the information collated by the Technical Specialist as well as any additional information (letters, emails or other documents) requested from the member.

The PCC may determine that:

- The complaint is unsubstantiated⁴;
- The complaint is substantiated but no further action is appropriate as the matter has already been addressed and/or it is not in the interests of the public, the member, ARITA or the insolvency profession that any penalty be applied⁵; or
- The complaint warrants being referred to the NC.

The member is advised of the intention to refer the matter to the NC and is given the opportunity to make a submission to the PCC as to why the matter should not be referred.

Based on further information provided by the member, the PCC may reconsider its decision to refer the matter to the NC on the basis that the matter has already been addressed and/or it is not in the interests of the public, the member, ARITA or the insolvency profession that any penalty be applied.

Where a matter is referred to the NC, the PCC must provide reasons for its determinations and provide detailed advice to the NC in relation to the matter. The PCC may also recommend to the NC that the matter be referred to a Regulator or a Foundation body or appropriate law enforcement body should there appear to be a fraud, serious misconduct or breach of the law alleged and about which the member has not given a satisfactory response to ARITA.⁶

National Committee

The NC may review the PCC's investigation and findings and determine whether:

- there has been a breach of professional conduct; and/or
- a member has brought ARITA or the insolvency profession into disrepute.

The following penalties may be applied as a result of the NC's determination:

- termination of membership, or suspension of membership for a period;
- a reprimand, which will also be recorded on the member's disciplinary record and may be taken into account in considering penalties should the member be subject to any future ARITA disciplinary proceedings;

³ ARITA Constitution clause 8.2(b)

⁴ Remedial action may be required by the member or the member's firm

⁵ Remedial action may be required by the member or the member's firm

⁶ ARITA Regulations 5.2(e) and 5.2(g)

- a direction that the member attend specific continuing professional education courses;
- requiring the member to source peer review by another member;
- seeking agreement to other limitations on the member's professional practice; and/or
- attaching one or more conditions to the member's membership.

Notwithstanding the above, the NC may, in its discretion, not impose a penalty.

Notification and Publication

The NC may also determine whether any decision in relation to disciplinary proceedings and any penalty imposed should be:

- given to a Regulator, Foundation Organisation and any other bodies; and/or
- published in the official publication of ARITA and on ARITA's website or otherwise in such a manner and form as may be authorised by the NC.

Communication

At a minimum the complainant and member will be advised of the progress of the complaint at the following stages:

Complainant	1 Initial receipt of complaint 2 Initial review by Technical Specialist 3 Final determination of complaint
Member	1 Initial review by Technical Specialist 2 Referral to PCC, if applicable 3 Intention to refer to NC, if applicable 4 Referral to NC, if applicable 5 Intention to impose penalty, if applicable 6 Final determination of complaint and intention to refer to Regulator and/or Foundation Body, if applicable 7 Referral to Regulator and/or Foundation Body, if applicable



DEM AUSTRALASIA

KUPANG RESOURCES LIMITED

(ADMINISTRATOR APPOINTED)

(RECEIVERS AND MANAGERS APPOINTED)

ACN: 098 773 785

**REPORT TO CREDITORS PURSUANT TO S439A
OF THE CORPORATIONS ACT 2001**

25 AUGUST 2015

ANNEXURE 7: SUMMARY OF PAYMENTS AND RECEIPTS



Kupang Resources Limited
(Administrator Appointed)(Receivers and Managers Appointed)
ACN: 098 773 785

Summarised Receipts and Payments
Administrator's Transactions from 29 July 2015 to 25 August 2015

Amount \$		
Brought Forward Balance	\$	-
Total Receipts (inc GST)	\$	-
Total Payments (inc GST)	\$	-
Balance on Hand	\$	-



DEM AUSTRALASIA

KUPANG RESOURCES LIMITED

(ADMINISTRATOR APPOINTED)

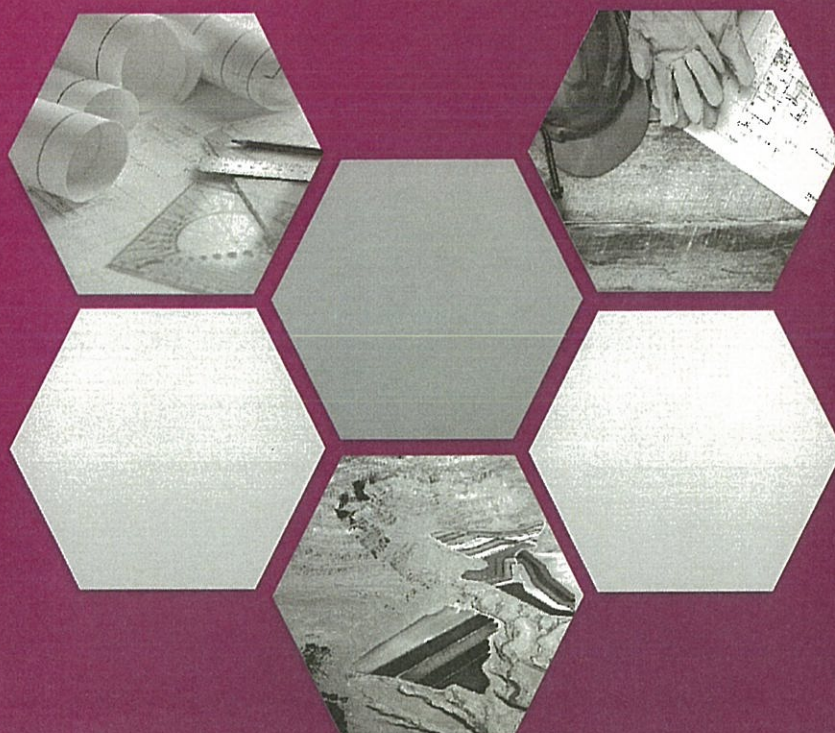
(RECEIVERS AND MANAGERS APPOINTED)

ACN: 098 773 785

**REPORT TO CREDITORS PURSUANT TO S439A
OF THE CORPORATIONS ACT 2001**

25 AUGUST 2015

**ANNEXURE 8: DEED OF COMPANY
ARRANGEMENT PROPOSAL**



**KUPANG RESOURCES LIMITED (RECEIVERS AND MANAGERS
APPOINTED) (ADMINISTRATOR APPOINTED)**

DRAFT PROPOSAL FOR DEED OF COMPANY ARRANGEMENT

PROPOSER: INTERNATIONAL LITIGATION PARTNERS PTE LTD (“ILP”)

Background to Proposal

The proposer ILP is the secured creditor of Kupang Resources Limited (**Kupang**), and is owed approximately \$3.7 million by Kupang.

ILP proposes that Kupang enter into a Deed of Company Arrangement (**DOCA**) under which:

- (a) ILP will make a cash contribution of \$45,000.00 to a Deed Fund for the benefit of creditors (**Deed Fund**).
- (b) ILP will indemnify the Deed Administrator for:
 - (i) the disbursements the Administrator and Deed Administrator incurred in the administration of Kupang and the implementation of the DOCA; and
 - (ii) the Administrator’ and Deed Administrator’ remuneration.
- (c) All of the issued share capital in Kupang will be transferred to ILP or its nominee in consideration of forgiveness of the balance of the debt owed to it above \$2 million pursuant to section 444GA of the Corporations Act.
- (d) An additional amount will be made available by Kupang and ILP for unsecured creditors (excluding creditors with claims in relation to directors’ fees and consultants’ fees charged by directors or their related entities), of 5% of net recoveries up to a capped amount of \$50,000, after the Deed Administrator’ costs and expenses and remuneration, from any litigation claim identified during the DOCA investigations.

The key terms of the proposed DOCA are as set out below.

1. Deed Administrator

It is proposed that the Administrator, Damien M Hodgkinson of DEM Australasia act as Deed Administrator.

2. Deed Administrator may investigate affairs and pursue claims

The Deed Administrator may investigate Kupang's affairs and may report the results of their investigations to ASIC. The Deed Administrator can seek examinations under the Corporations Act and pursue claims on behalf of Kupang.

3. Deed Administrator' right to the Company's' books

The Deed Administrator shall be entitled to possession of all of Kupang's books and records.

4. Property of Kupang available to pay creditors' claims

Admitted unsecured creditors' claims will be paid a distribution from the Deed Fund.

The Deed Fund shall comprise a contribution from ILP of \$45,000.00 and any recoveries made from claims identified by the Deed Administrator' investigations in accordance with item (d) above.

The Deed Fund will be held and distributed as three pools as follows:

- Pool 1: A pool of \$36,000 (**Pool 1**)
- Pool 2: A pool of \$9,000 (**Pool 2**)
- Pool 3: 5% of any recoveries from litigation arising from investigations by the Deed Administrator, capped at \$50,000 after the Deed Administrator' costs and expenses and remuneration (**Litigation Pool**)

Paragraph 12 sets out the basis on which the Deed Fund will be distributed.

5. Nature and Duration of the Moratorium

The moratorium on claims by persons bound by the DOCA other than ILP (**Deed Creditors**) will be that provided for by the Corporations Act (especially sections 444C, 444D and 444E) and will continue until the DOCA has been terminated.

ILP will still be able to enforce its security while the DOCA is operative and on effectuation of the DOCA.

6. Extent to which the Company's debts are extinguished.

The claims of all Deed Creditors against Kupang will be extinguished on satisfaction of the DOCA.

ILP's claims will not be extinguished under the DOCA (save for the partial release of its debt in consideration for the transfer of the shares as set out in 8).

7. Conditions for DOCA to come into operation and be performed

ILP is to pay its \$45,000 contribution to the Administrator before the DOCA is executed, to be held on trust pending the DOCA coming into operation then held as the Deed Fund on trust by the Deed Administrator until the conditions for a distribution to creditors have been satisfied as provided in 9 below.

Subject to section 444C the DOCA will come into effect when Kupang and the Deed Administrator have executed the DOCA.

The transfer of the shares as contemplated by clause 8 is a condition subsequent to formation of the DOCA, and the DOCA will terminate and the Deed Fund will not be distributed in the event the transfer does not occur within 9 months of the DOCA coming into effect.

8. Transfer of shares

The Deed Administrator are to transfer all the issued shares in Kupang to ILP or its nominee pursuant to s 444GA:

- (a) with the consent of all the shareholders; or
- (b) if any shareholders fail to consent, with the leave of the court.

The Deed Administrator are to seek ASIC's grant of relief from the takeover rules to allow the transfer of the shares to occur.

Upon and in consideration for the transfer of the shares, ILP will release Kupang from the balance of the debt it owes to ILP above \$2 million. The remaining \$2 million debt will be a loan from ILP to Kupang repayable on demand, which will be secured by ILP's existing security.

9. The Deed Fund

The Deed Administrator will hold the \$45,000 contributed by ILP as a Deed Fund (divided into Pool 1 and Pool 2) to be distributed in accordance with clause 12 commencing 21 business days from the completion of the transfer of shares in accordance with 8 above and subject to all creditor claims being adjudicated by the Deed Administrator.

10. Management of Kupang and Deed Administrator' Investigations

Kupang will be returned to the control of its directors once Pool 1 and Pool 2 of the Deed Fund have been fully distributed, save that the

Deed Administrator will continue to investigate and pursue potential claims on behalf of Kupang.

11. Termination of the DOCA

The DOCA will terminate on the earlier of:

- (a) the Deed Administrator lodging a notice with ASIC that the deed has been fully effectuated;
- (b) 24 months from the date the DOCA comes into effect unless the DOCA is varied with the creditors' approval; or
- (c) if the transfer of the shares pursuant to clause 8 does not occur within 9 months of the date of the DOCA.

12. Order property referred to in paragraph 2 will be distributed among creditors bound by the DOCA

12.1 The Deed Fund will be distributed, subject to clause 12.2, as follows:

- | | |
|------------------|---|
| Pool 1: | A pool of \$36,000 for Adjudicated unsecured creditors (estimated at \$938,425) excluding creditors with claims relating to directors' fees and consultants' fees charged by directors or their related entities (estimated at \$247,953) (Pool 1 Adjudicated Creditors). |
| Pool 2: | A pool of \$9,000 for Adjudicated Creditors with claims relating to unpaid directors fees and consulting fees charged by directors or their related entities (estimated in the amount of \$247,953 prior to any set off) less any setoff pursuant to either the Corporations Act or for any other claims Kupang may have against those parties (Pool 2 Adjudicated Creditors). |
| Litigation Pool: | Any recoveries net of the Administrator' and Deed Administrator' costs and remuneration incurred in connection with the administration and the DOCA to be distributed to Pool 1 Adjudicated Creditors. |

To the extent that Pool 2 is not exhausted by payments to Pool 2 Adjudicated Creditors those funds will be paid to Pool 1 for distribution to Pool 1 Adjudicated Creditors.

ILP will not prove as a creditor under the DOCA and cannot participate in the distribution of any of the pools of the Deed Fund.

12.2 Order of payment from the Deed Fund.

Payment from Pool 1 of the Deed Fund will be made in the following order of priority:

- (a) First – any Pool 1 Adjudicated Creditors who would be entitled to payment in priority to unsecured creditors in the winding up including creditors entitled to the proceeds of insurance under section 562 of the Act and employees entitled to payments under section 556 of the Act.
- (b) Second – the claims of any unsecured Pool 1 Adjudicated Creditors (whose claims are admitted by the Deed Administrator) *pari passu*.

Payment from Pool 2 of the Deed Fund will be made in the following order of priority:

- (a) First – any Pool 2 Adjudicated Creditors who would be entitled to payment in priority to unsecured creditors in the winding up including creditors entitled to the proceeds of insurance under section 562 of the Act and employee entitled to payments under section 556 of the Act, capped at \$2,000 per individual.
- (b) Second – the claims of any unsecured Pool 2 Adjudicated Creditors (whose claims are admitted by the Deed Administrator) *pari passu* (including any priority Pool 2 Adjudicated Creditors for the unpaid part of their claims).

Payment from the Litigation Pool of the Deed Fund will be made in the following order of priority:

- (a) First – the disbursements of the Administrator/Deed Administrator incurred in the administration of Kupang and the implementation of the DOCA.
- (b) Second - the remuneration and expenses incurred by the Administrator/Deed Administrator (to the extent to which these have not been paid).
- (c) Third – any indemnity due to the Administrator/Deed Administrator.

- (d) Fourth – any Pool 1 Adjudicated Creditors who would be entitled to payment in priority to unsecured creditors in the winding up including creditors entitled to the proceeds of insurance under section 562 of the Act and employee entitled to payments under section 556 of the Act.
- (e) Fifth – the claims of any unsecured Pool 1 Adjudicated Creditors (whose claims are admitted by the Deed Administrator) *pari passu*.

The Deed Administrator will not seek payment of their costs and expenses or remuneration from Pool 1 or Pool 2 of the Deed Fund.

13. Remuneration

The Deed Administrator will be remunerated for their work and reimbursed their costs and expenses.

Subject to it being fixed in accordance with the Corporations Act (section 449E), the remuneration of the Deed Administrator will be calculated at the rates normally charged by the Deed Administrator' firm and paid by ILP within 30 days of approval by all creditors of Kupang (including ILP) or by the court.

ILP will enter into a separate agreement with the Deed Administrator to indemnify them for their remuneration, costs and expenses.

14. Role and powers of the Deed Administrator

- (a) The Deed Administrator will have the powers set out in paragraph 2 of Schedule 8A of the Act.
- (b) Other than as referred to in paragraph 9(a) the prescribed provisions of Schedule 8A of the Act shall not apply.
- (c) The Deed Administrator will not be personally liable for any debt they incur and shall be entitled to an indemnity from the assets of Kupang.
- (d) Proofs of debt for the Deed Fund shall be lodged and dealt with and creditors meetings convened and conducted as provided for in the Corporations Act, as if the Company were in liquidation.
- (e) The Deed Administrator will have control of Kupang's business, assets, property and affairs and may carry on that business and manage that property and those affairs.
- (f) The Deed Administrator will act as agents of Kupang.

15. Powers of other Officers Suspended

Until the Deed Fund has been distributed, only the Deed Administrator may do anything as an officer of Kupang.

The Deed Administrator may consent in writing to the performance of other officers' actions.

Once the Deed Fund has been distributed and until the DOCA is terminated the directors will have powers of control and management of Kupang.



DEM AUSTRALASIA

KUPANG RESOURCES LIMITED

(ADMINISTRATOR APPOINTED)

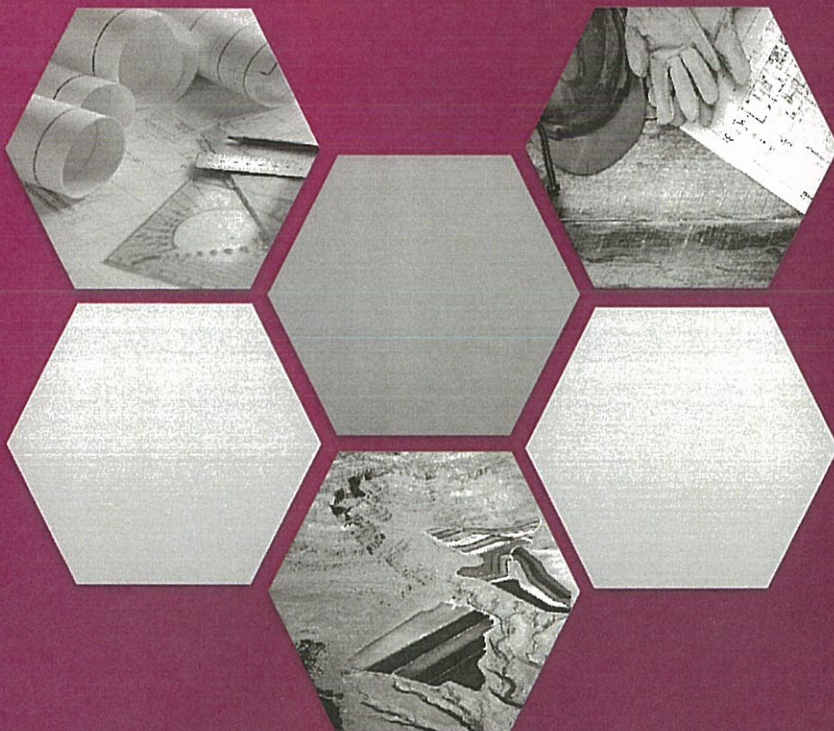
(RECEIVERS AND MANAGERS APPOINTED)

ACN: 098 773 785

**REPORT TO CREDITORS PURSUANT TO S439A
OF THE CORPORATIONS ACT 2001**

25 AUGUST 2015

ANNEXURE 9: FORM 535 (PROOF OF DEBT)



FORMAL PROOF OF DEBT OR CLAIM (GENERAL FORM)

To the Administrator of KUPANG RESOURCES LIMITED (Administrator Appointed) (Receivers and Managers Appointed)

1. This is to state that the company was at **29 July 2015** and still is justly and truly indebted to
 (1)
 of
 in the sum of dollars and cents.
 ABN of Creditor:
 Particulars of the debt are:

Date	Consideration (2)	Amount \$ ¢	Remarks (3)
------	----------------------	-------------------	----------------

2. To my knowledge or belief the creditor has not, nor has any person by the creditor's order had or received any satisfaction or security for the sum or any part of it except for the following: (4)

Date	Drawer	Acceptor	Amount \$ ¢	Due Date
------	--------	----------	-------------------	----------

- *3. I am employed by the creditor and authorised in writing by the creditor to make this statement. I know that the debt was incurred for the consideration stated and that the debt, to the best of my knowledge and belief, remains unpaid and unsatisfied.
- *3. I am the creditor's agent duly authorised in writing to make this statement in writing. I know that the debt was incurred for the consideration stated and that the debt, to the best of my knowledge and belief, remains unpaid and unsatisfied.

DATED this day of 2015.

Signature: Telephone No.

* Do not complete if this proof is made by the creditor personally.

- (1) Insert full name and address of the creditor and, if applicable, the creditor's partners. If prepared by an employee or agent of the creditor, also insert a description of the occupation of the creditor.
- (2) State how the debt arose, for example "goods sold to company between the dates of"
- (3) Include details of vouchers substantiating payment.
- (4) Insert particulars of all securities held. Where the securities are on the property of the company, assess the value of those securities. If any bills or other negotiable securities are held, specify them.

Office Use Only				
File No.		Accepted	\$	
Processed By:		Rejected	\$	Date Sent :
Date Processed:		Under Consideration	\$	
		Rejection Appealed	No / Yes /	N/A



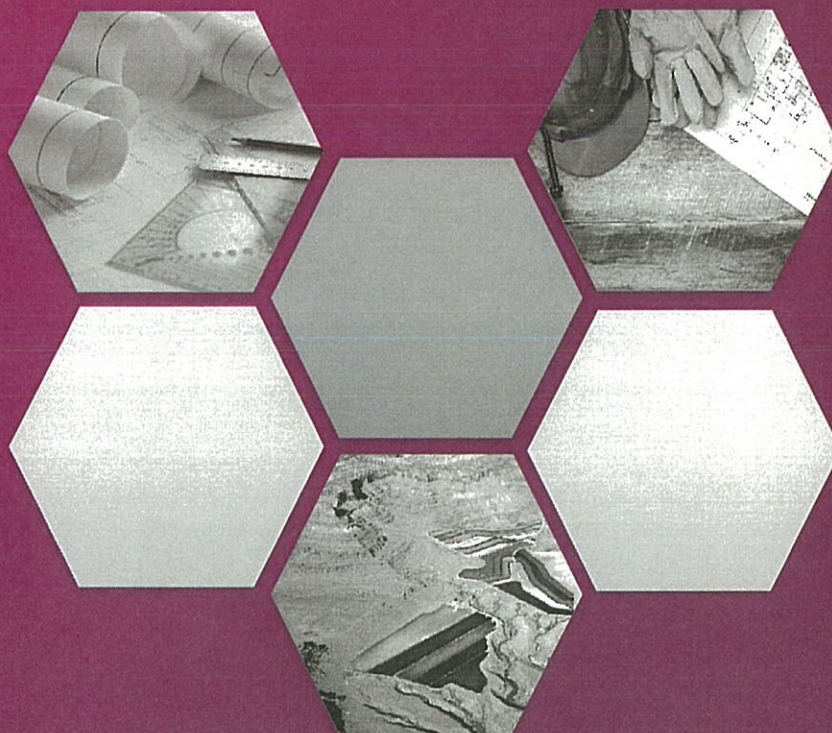
DEM AUSTRALASIA

KUPANG RESOURCES LIMITED
(ADMINISTRATOR APPOINTED)
(RECEIVERS AND MANAGERS APPOINTED)
ACN: 098 773 785

**REPORT TO CREDITORS PURSUANT TO S439A
OF THE CORPORATIONS ACT 2001**

25 AUGUST 2015

ANNEXURE 10: FORM 532 (PROXY APPOINTMENT)



Corporations Act 2001

APPOINTMENT OF PROXY

(1) *I / *We

of

a creditor of KUPANG RESOURCES LIMITED (ADMINISTRATOR APPOINTED) (RECEIVERS & MANAGERS APPOINTED)

appoint (2) ☐ or in their absence, the Chairperson of the meetingas *my / *our *general / *special proxy to vote at the meeting of creditors to be held at **DEM AUSTRALASIA, Level 4, 249 PITT STREET, Sydney NSW 2000 on Wednesday, 2 September 2015 at 2:00PM (AEST)** or at any adjournment of that meeting, and to vote: (3)

*1. generally as he / she determines on *my / *our behalf

OR

*2. generally as he / she determines on *my / *our behalf and specifically in accordance with the following special instructions: *(tick the appropriate alternative)*

With regard to the following resolutions:

	FOR	AGAINST	ABSTAIN
Accept the proposal for a Deed of Company Arrangement			
Administrator to be appointed Deed Administrator			
The liquidation of the Company			
Ending of the Administration			
The appointment of a Committee of Inspection			
Approve the early destruction of the books and records of the company pursuant to Section 542 of the Corporations Act 2001 (should the company be placed into liquidation)			
"that the remuneration of the Administrator, his partners and staff is approved from 29 July 2015 to 2 September 2015 in the sum of \$30,000 plus GST to be calculated by reference to the hourly rates applicable to the grades or classifications set out in the Remuneration Request Approval Report dated 25 August 2015, and that the Administrator be authorised to draw that amount "			
"that the remuneration of the Administrator, his partners and staff is approved for the period 3 September 2015 to the conclusion of the Voluntary Administration in the sum of \$5,000 plus GST calculated by reference to the hourly rates applicable to the grades or classifications set out in the Remuneration Request Approval Report dated 25 August 2015, and that the Administrator be authorised to draw that amount as and when incurred"			
"that the remuneration of the Deed Administrator, his partners and staff is approved from the execution of the Deed of Company Arrangement to the conclusion of the Deed of Company Arrangement is approved in the sum of \$25,000 plus GST calculated by reference to the hourly rates applicable to the grades or classifications set out in the Remuneration Request Approval Report dated 25 August 2015, and that the Deed Administrator be authorised to draw that amount as and when incurred." (should the proposal for a DOCA be accepted)			
"that the remuneration of the Liquidator, his partners and staff from the commencement of the liquidation to the conclusion of the liquidation is set on an interim basis in the sum of \$65,000 plus GST, to be calculated by reference to the hourly rates applicable to the grades or classifications set out in the Remuneration Request Approval Report dated 25 August 2015, such remuneration to be subject to review by the Court on the			

application of any creditor in accordance with Section 504 of the Corporations Act 2001 and that the Liquidator be authorised to draw that amount as when incurred." (should the company be placed into liquidation)			
--	--	--	--

DATED this day of 2015.

Signature:

* Cross out whichever does not apply.

- (1) If a firm, strike out "I" and set out the full name of the firm.
- (2) Insert the name, address and description of the person appointed.
- (3) If a special proxy add the words "to vote for" or the words "to vote against" and specify the particular resolution.

Proxy forms should be completed and returned by no later than 4:00 PM on 1 SEPTEMBER 2015 to be eligible to vote at the meeting.

Return to: DEM Australasia, Level 4, 249 PITT STREET, Sydney NSW 2000

Email: hamish.lawson@demaustralasia.com



DEM AUSTRALASIA

KUPANG RESOURCES LIMITED
(SUBJECT TO DEED OF COMPANY ARRANGEMENT) (RECEIVERS AND
MANAGERS APPOINTED)

ANNEXURE 2 – APPROVED DOCA

26 JULY 2016



9 Sept 2015

DATED  September 2015

Kupang Resources Limited (Administrator
Appointed)(Receivers and Managers Appointed)
ACN 098 773 785

Damien Mark Hodgkinson in his capacity as Administrator
and Deed Administrator

International Litigation Partners Pte Limited

DEED OF COMPANY ARRANGEMENT

Squire Patton Boggs (AU)
Level 10, 1 Macquarie Place
GPO Box 5412
Sydney NSW 2001
Australia

O +61 8 9429 7444
F +61 8 9429 7666

Reference AB []

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DETAILS

Date	September 2015
Parties	Company, Deed Administrator, Administrator and ILP
Name	Kupang Resources Limited (Administrator Appointed)(Receivers and Managers Appointed)
ACN	098 773 785
Short form name	Company
Role	Company
Notice details	c/- DEM Australasia, Level 4, 249 Pitt Street, Sydney NSW 2000
Name	Damien Mark Hodgkinson in his capacity as administrator of this deed
Short form name	Deed Administrator
Role	Deed Administrator
Notice details	c/- DEM Australasia Pty Limited, Level 4, 249 Pitt Street, Sydney NSW 2000
Name	Damien Mark Hodgkinson in his capacity as Administrator
Short form name	Administrator
Role	Administrator
Notice details	c/- DEM Australasia Pty Limited, Level 4, 249 Pitt Street, Sydney NSW 2000
Name	International Litigation Partners Pte Limited , Company Registration Number 200721799K in the Republic of Singapore
Short form name	ILP
Role	Secured Party and Deed Sponsor
Notice details	[to be completed]

Recitals

- A On 29 July 2015 ILP, in its capacity as secured creditor of the Company, appointed the Administrator as administrator of the Company pursuant to section 436C of the Corporations Act.
- B At a meeting of the Company's creditors convened under section 439A of the Corporations Act and held on 2 September 2015 the Company's creditors resolved:
- (i) pursuant to section 439C(a) of the Corporations Act, that the Company execute a deed of company arrangement (**Resolution**); and
 - (ii) that the Deed Administrator be appointed as the administrator of this deed.
- C The Deed Administrator has:
- (i) prepared this deed in accordance with section 444A(3) of the Corporations Act; and

- (ii) consented to be the administrator of this deed.

D Subject to the terms of this deed, this deed binds:

- (i) all Creditors in accordance with section 444D(1) of the Corporations Act; and
- (ii) the Company, Officers and Members, in accordance with section 444G of the Corporations Act.

AGREED TERMS

1 DEFINED TERMS AND INTERPRETATION

1.1 Defined terms

In this deed these meanings apply unless the contrary intention appears:

Administrator means Damien Mark Hodgkinson in his capacity as administrator of the Company.

Admitted Claim means a Claim of a Creditor admitted to proof under clause 9.

Admitted Creditor means a Creditor who has an Admitted Claim.

Appointment Date means 29 July 2015.

ASIC means the Australian Securities & Investments Commission.

ASIC Relief means such exemptions or modifications from Chapter 6 of the Corporations Act granted by ASIC pursuant to section 655A of the Corporations Act as are necessary to permit the transfer of Shares to ILP or its nominee in accordance with clause 5.

Business Day means a day other than a Saturday, Sunday or public holiday in Sydney, NSW.

Claim means any debt payable by, or any claim against, the Company (present or future, certain or contingent, ascertained or sounding only in damages), including a penalty or fine imposed by a court or Government Agency in respect of an offence against a law, being a debt or claim:

- (a) the circumstances giving rise to which occurred on or before the Appointment Date; and
- (b) which would be admissible to proof against the Company in accordance with Division 6 of Part 5.6 (excluding section 553B) of the Corporations Act if the Company had been wound up and the winding up is taken to have commenced on the Appointment Date.

Commencement Date means the date that this deed commences and takes effect under clause 2.1

Company means the person so described in the Details.

Company Shareholders means the holders of the Shares as at the date all Company Shareholders consent to the transfer of the Shares to ILP pursuant to clause 5 or the second Business Day after a Court making a Section 444GA Order and ASIC Relief being obtained or such other date as is agreed in writing by the Deed Administrator and ILP.

Completion Notice has the meaning given to it in clause 10.2.

Constitution means the constitution of the Company from time to time.

Corporations Act means the *Corporations Act 2001* (Cth).

Corporations Regulations means the *Corporations Regulations 2001* (Cth).

Costs includes costs, charges, expenses, duties, fees, liabilities and Taxes, including those incurred in connection with advisers.

Court has the meaning it has in the Corporations Act.

Creditor means any person who would have been entitled to prove against the Company in accordance with Division 6 of Part 5.6 of the Corporations Act if the Company had been wound up and the winding up is taken to have commenced on the Appointment Date.

Creditors Trust Direction means a written notice directing the Deed Administrator to assign the Pool 1 Admitted Creditors' right, title and interest in the Net Claim Recoveries (being the Litigation Pool) to himself as trustee for a creditor's trust to hold on trust for the Pool 1 Admitted Creditors and distribute to them in accordance with clauses 10.4 and 10.5 of this deed upon receipt.

Deed Administrator means Damien Mark Hodgkinson in his capacity as administrator of this deed and any replacement of him.

Deed Fund means the fund established under clause 4.

Details means the section of this deed headed 'Details'.

Directors means the directors of the Company from time to time.

Early Termination Event means the occurrence of any event provided for in clause 13.2.

Early Termination Notice has the meaning given in clause 13.2(d).

Encumbrances means any:

- (a) Security;
- (b) right, interest or arrangement which has the effect of giving another person a preference, priority or advantage over creditors including any right of set-off;
- (c) right that a person (other than the owner) has to remove something from land (known as a profit a prendre), easement, public right of way, restrictive or positive covenant, lease, or licence to use or occupy; or
- (d) third party right or interest or any right arising as a consequence of the enforcement of a judgment,

or any agreement to create any of them or allow them to exist.

Enforcement Process has the meaning given in the Corporations Act.

Final Dividend means the last distribution of the Deed Fund to be made by the Deed Administrator to any Creditor under this deed.

Government Agency means any governmental, semi-governmental, administrative, fiscal, judicial or quasi-judicial body, department, commission, authority, tribunal, agency or entity.

GST means the tax imposed by the *A New Tax System (Goods and Services Tax) Act 1999* (Cth) and related imposition Act.

GST Law has the meaning given in *A New Tax System (Goods and Services Tax) Act 1999* (Cth).

ILP means International Litigation Partners Pte Limited, Company Registration Number 200721799K in the Republic of Singapore.

ILP Security means the general security deed dated 2012 and granted by the Company in favour of ILP for its Claim.

Litigation Pool has the meaning given in clause 4.1(b).

Members means the members of the Company from time to time.

Net Claim Recoveries means the total recovery from any claims or other cause of action (whether contingent, liquidated or other) available to the Company at the Commencement Date less all of the Administrator's and Deed Administrator's Costs and remuneration.

Officers means the officers (as that term is defined in the Corporations Act) of the Company from time to time.

Pool 1 has the meaning given in clause 4.1(b).

Pool 2 has the meaning given in clause 4.1(b).

Pool 1 Admitted Creditors means Admitted Creditors excluding Creditors with Claims relating to directors' fees and consultants' fees charged by directors or their related entities.

Pool 2 Admitted Creditors means Admitted Creditors with Claims relating to unpaid directors' fees and consulting fees charged by directors or their related entities.

Priority Claim means an Admitted Claim which would receive priority under section 556, 560 or 561 of the Corporations Act if the Company had been wound up and the winding up is taken to have commenced on the Appointment Date.

Priority Creditor means an Admitted Creditor who has a Priority Claim.

Receivers and Managers means each of Quentin James Olde and Nathan Vance Landrey of FTI Consulting in their capacity as receivers and managers of the Company.

Resolution has the meaning given in the Recitals.

Section 444GA Application means any application commenced in Court by the Deed Administrator to seek leave of the Court pursuant to section 444GA(1)(b) of the Corporations Act for the transfer of Shares in the Company to ILP or its nominee free of any Security.

Section 444GA Order means an order of the Court granting the leave sought in a Section 444GA Application.

Secured Creditor means any Creditor who has the benefit of a Security which was valid at the Appointment Date over all or any of the Company's property or assets securing all or any part of their Claim.

Security means:

- (a) any security for the payment of money or performance of obligations, including a mortgage, charge, lien, pledge, trust, power or title retention or flawed deposit arrangement and any 'security interest' as defined in sections 12(1) or (2) of the *Personal Property Securities Act 2009* (Cth); and
- (b) any right of set-off arising otherwise than by operation of law or as a result of a banker's right to combine accounts.

Shares means all of the issued ordinary shares in the capital of the Company.

Share Register means the share register of the Company.

Share Transfer has the meaning given in clause 5.

Tax includes any withholding tax, financial institutions duty, stamp duty, GST and other government charges of any kind (including penalties).

Term means the period commencing on the Commencement Date and ending on the Termination Date.

Termination Date means the date that this deed is terminated under clause 13.

Trustee means Damien Mark Hodgkinson in his capacity as trustee of the creditors trust contemplated under clause 13.1(b)(ii) (if any) and any replacement of him.

Voluntary Administration means the administration of the Company under Part 5.3A of the Corporations Act that commenced on the Appointment Date and ended on the Commencement Date.

1.2 References to certain general terms

Unless the contrary intention appears, a reference in this deed to:

- (a) **(variations or replacement)** a document (including this deed) includes any variation or replacement of it;
- (b) **(clauses, annexures and schedules)** a clause, annexure or schedule is a reference to a clause in or annexure or schedule to this deed;
- (c) **(reference to statutes)** a statute, ordinance, code or other law includes regulations and other instruments under it and consolidations, amendments, re-enactments or replacements of any of them;
- (d) **(law)** law means common law, principles of equity, and laws made by parliament (and laws made by parliament include State, Territory and Commonwealth laws

and regulations and other instruments under them, and consolidations, amendments, re-enactments or replacements of any of them);

- (e) **(singular includes plural)** the singular includes the plural and vice versa;
- (f) **(person)** the word 'person' includes an individual, a firm, a body corporate, a partnership, a joint venture, an unincorporated body or association, or any Government Agency;
- (g) **(executors, administrator, successors)** a particular person includes a reference to the person's executors, administrator, successors, substitutes (including persons taking by novation) and assigns;
- (h) **(two or more persons)** an agreement, representation or warranty in favour of two or more persons is for the benefit of them jointly and each of them individually;
- (i) **(jointly and individually)** an agreement, representation or warranty by two or more persons binds them jointly and each of them individually;
- (j) **(reference to a group of persons)** a group of persons or things is a reference to any two or more of them jointly and to each of them individually;
- (k) **(calculation of time)** a period of time dating from a given day or the day of an act or event, is to be calculated exclusive of that day; and
- (l) **(meaning not limited)** the words 'including', 'for example' or 'such as' when introducing an example, does not limit the meaning of the words to which the example relates to that example or examples of a similar kind.

1.3 Next Business Day

If an event under this deed must occur on a stipulated day which is not a Business Day, then the stipulated day will be taken to be the next Business Day.

1.4 Headings

Headings (including those in brackets at the beginning of paragraphs) are for convenience only and do not affect the interpretation of this deed.

1.5 Inconsistency

If a provision of this deed is inconsistent with a provision of:

- (a) the Corporations Act, the provision of this deed prevails to the extent permitted by law; or
- (b) the Constitution or any other obligation binding on the Company:
 - (i) the provision of this deed prevails; and
 - (ii) all parties bound by this deed must sign all documents and do all things necessary to remove such inconsistency at the Company's cost.

1.6 Prescribed provisions excluded

The prescribed provisions set out in Schedule 8A of the Corporations Regulations are excluded from this deed and apply only to the extent that they have been incorporated into this deed by reference.

2 COMMENCEMENT OF DEED

2.1 When deed commences

- (a) Subject to clause 2.1(b), this deed shall commence and take effect when:
 - (i) the Company, the Deed Administrator and ILP have executed the deed; and
 - (ii) ILP pays a \$45,000 contribution to the Administrator to constitute Pool 1 and Pool 2 of the Deed Fund.
- (b) If as a result of clause 2.1(a), this deed has not come into full force and effect on or prior to the expiration of 15 Business Days (or such further period as the Court allows) after the Resolution is passed, then this deed will terminate automatically.

3 PURPOSE OF DEED

- (a) The Deed Administrator is to:
 - (i) administer the business, property and affairs of the Company so as to preserve the value of the Company's business pending completion of this deed;
 - (ii) seek the consent of the Company Shareholders to the transfer the Shares to ILP or its nominee and, or, alternatively, seek leave of the Court by filing a Section 444GA Application;
 - (iii) administer and distribute the Deed Fund to the Admitted Creditors in accordance with clause 10;
 - (iv) seek ASIC Relief; and
 - (v) subject to having obtained ASIC Relief and the consent of all of the Company Shareholders or a Section 444GA Order, implement the transfer of the Shares to ILP or its nominee in accordance with the terms of this deed.
- (b) ILP, in its capacity as secured creditor under the ILP Security, hereby consents to the Deed Administrator undertaking the actions provided for in this clause 3 and otherwise as provided for in this deed and undertakes to procure the Receivers and Managers promptly to provide any written consent as the Deed Administrator requires in order for the Deed Administrator to perform his duties and responsibilities under this deed.

4 ESTABLISHMENT OF THE DEED FUND

4.1 Establishment and control of Deed Fund

- (a) The Deed Administrator shall have control of a Deed Fund which is to comprise:
 - (i) a contribution from ILP of \$45,000.00 as contemplated by clause 2.1(a)(ii); and
 - (ii) the lesser of 5% of any Net Claim Recoveries and \$50,000.
- (b) The Deed Fund will be held by the Deed Administrator, to be distributed in accordance with clause 10 as three separate pools as follows:
 - (i) Pool 1:
 - (A) A pool of \$36,000 (**Pool 1**);
 - (ii) Pool 2:
 - (A) A pool of \$9,000 (**Pool 2**);
 - (iii) Pool 3:
 - (A) the lesser of 5% of any Net Claim Recoveries and \$50,000 (**Litigation Pool**).

4.2 Deed Fund to be kept in separate account

The Deed Administrator:

- (a) shall keep the Deed Fund in a separate bank account that is:
 - (i) a deposit account maintained by the Deed Administrator; and
 - (ii) called 'Kupang Resources Limited (subject to Deed of Company Arrangement)(Receivers and Managers appointed)'; and
- (b) may invest some or all of the money in that account as they think fit and keep that money separate from any other funds.

5 TRANSFER OF SHARES

The Deed Administrator shall, subject to obtaining ASIC Relief:

- (a) on entry of a Section 444GA Order (and subject to consideration of any appeals of such an order being exhausted), transfer the Shares to ILP or its nominee by:
 - (i) delivering to ILP or its nominee a duly completed share transfer, executed on behalf of the Company Shareholders by the Deed Administrator, for registration (**Share Transfer**);
 - (ii) ILP or its nominee duly executing the Share Transfer, attending to the stamping of the Share Transfer (if required) and delivering it to the Deed Administrator for registration; and

- (iii) immediately following receipt of the executed Share Transfer from ILP or its nominee, entering, or procuring the entry of, the name of ILP or its nominee in the Share Register in respect of all the Shares transferred to ILP or its nominee in accordance with this deed,

subject to any inconsistent order or direction by the Court or ASIC on a Section 444GA Application or by such other means as specified in the Section 444GA Order; or

- (b) on receipt of the consent of all of the Company Shareholders, assist the Company Shareholders and ILP to transfer the Shares to ILP or its nominee.

6 EFFECT ON DIRECTORS AND OFFICERS

6.1 Deed binds Directors and Officers

This deed binds all the Directors and Officers in accordance with section 444G of the Corporations Act.

6.2 Directors and Officers to remain in office

Subject to clauses 15.1 and 15.2, the Directors and Officers will remain in office during the Term unless they are:

- (a) permitted to resign by the Deed Administrator (which permission may be withheld by the Deed Administrator in his absolute discretion); or
- (b) removed in accordance with this deed or the Corporations Act.

6.3 Directors' and Officers' obligations

During the Term, the Directors and Officers will:

- (a) co-operate with, and assist, the Deed Administrator:
 - (i) to facilitate the purposes of this deed; and
 - (ii) in the performance of the Deed Administrator's functions under this deed;
- (b) comply immediately with all reasonable requests of the Deed Administrator in relation to the Company's business, property and affairs and this deed; and
- (c) perform and exercise such functions and powers as may be delegated to them by the Deed Administrator.

7 EFFECT ON MEMBERS

7.1 Deed binds Members

This deed binds all Members in accordance with section 444G of the Corporations Act.

7.2 Transfer of Shares and exercise of Member rights

During the Term, a Member must not:

- (a) transfer any Shares, except with the Deed Administrator's prior written consent or in accordance with a Section 444GA Order; or
- (b) exercise any rights they hold as a Member in a manner that is contrary to the purpose of this deed.

8 EFFECT ON CREDITORS

8.1 Deed binds Creditors

Subject to clauses 8.3, 8.4 and 8.5, this deed binds all Creditors in accordance with section 444D(1) of the Corporations Act.

8.2 Moratorium on Creditors

Subject to clauses 8.3, 8.4 and 8.5, during the Term, a Creditor must not:

- (a) make, or proceed with, an application for an order to wind up the Company;
- (b) institute, revive or continue any action, suit, arbitration, mediation or proceeding against the Company or in relation to any of the Company's property or assets;
- (c) institute, revive or continue any Enforcement Process against any of the Company's property or assets;
- (d) take any action whatsoever to seek to recover any part of any Claim;
- (e) exercise any right of set-off, defence, cross-claim or cross-action to which the Creditor would not have been entitled had the Company been wound up on the Appointment Date;
- (f) commence or take any further step in any arbitration against the Company or to which the Company is a party in relation to any matter arising or occurring before the Appointment Date; or
- (g) otherwise enforce any right they may have or acquire.

8.3 No effect on Secured Creditors who did not vote in favour of deed

Nothing in this deed prevents a Secured Creditor who did not vote in favour of the Resolution from realising or otherwise dealing with their Security.

8.4 No effect on owners and lessors who did not vote in favour of deed

Nothing in this deed affects a right that an owner or lessor of property of the Company who did not vote in favour of the Resolution has in relation to that property.

8.5 No effect on ILP

Subject to section 444F of the Corporations Act and notwithstanding that ILP may have voted in favour of the Resolution, nothing in this deed:

- (a) affects any right that ILP has under its Security or in respect of any amount owing by the Company; or

- (b) prevents ILP from realising, enforcing or otherwise dealing with its Security (including by receiving the proceeds of any sale by the Deed Administrator of property subject to ILP's Security),

except as provided for in clause 11.

9 PROOF OF CLAIMS

9.1 Submission of proofs of debt

The Deed Administrator may call for formal proofs of debt to be submitted under this deed.

9.2 Provisions of Corporations Act to apply

Subject to the provisions of clauses 9 and 10, the proof and ranking of Claims shall be in accordance with Subdivisions A (excluding section 553B), B and C of Division 6 of Part 5.6 of the Corporations Act and regulations 5.6.39 to 5.6.57 of the Corporations Regulations, which shall apply:

- (a) as if a reference to:
 - (i) a liquidator is a reference to the Deed Administrator; and
 - (ii) the relevant date is a reference to the Appointment Date; and
- (b) with such other modifications as may be necessary.

9.3 Deed Administrator to adjudicate on proofs

The Deed Administrator may in his absolute discretion:

- (a) admit all or part of a Claim;
- (b) reject all or part of a Claim; or
- (c) pay any Admitted Claim,

in accordance with the provisions of this deed.

9.4 Set off for Pool 2 Admitted Creditors

- (a) The Deed Administrator is to distribute to the Pool 2 Admitted Creditors three months after the issuing of the Completion Notice subject to any set off permitted by this clause.
- (b) Claims by Pool 2 Admitted Creditors are subject to a set off against any amount due and payable by them to the Company (whether or not arising out of the same circumstances as their Claim).
- (c) Nothing in this clause affects any claim that the Company has against a Pool 2 Admitted Creditor (**Company Claim**), except that:
 - (i) if the distribution made to a Pool 2 Admitted Creditor is reduced under this clause by an amount;

- (ii) then, the amount that can be recovered in respect of the Company Claim is reduced by an amount equal to the amount of the reduction in the distribution to the Pool 2 Admitted Creditor.

9.5 ILP not to prove and ILP's Claim not released

ILP cannot prove as a Creditor under this deed and is not entitled to participate in the distribution of the Deed Fund and, subject to clause 11, ILP's Claim is not released or discharged by anything in this deed.

9.6 Abandonment of Claims

Subject to clause 9.5, a Creditor will have abandoned, and will be taken for all purposes to have abandoned, all Claims and all other entitlements (if any) in the Deed Fund:

- (a) which are not the subject of a proof lodged with the Deed Administrator in the form required by the Deed Administrator prior to the declaration of the Final Dividend; or
- (b) which have been rejected by the Deed Administrator and which are not the subject of any successful appeal or application to the Court.

9.7 Discharge of Claims and Recourse to the Deed Fund

- (a) Subject to clause 9.5, on the Commencement Date all persons having a Claim must accept their Admitted Claims under this deed (if any) and recourse against the Deed Fund in full satisfaction and complete discharge of all Claims which they have against the Company and will not have any other claims against the Deed Administrator.
- (b) Each of them will, if called upon to do so, execute and deliver to the Deed Administrator such forms of release of any such claim as the Deed Administrator requires.
- (c) Subject to clause 13.4, after the Commencement Date, the Deed Administrator may plead this deed in bar to any Claim of a Creditor.

9.8 Deed Fund claims extinguished

- (a) Subject to clause 9.5, on payment of the Final Dividend to the Admitted Creditors from the Deed Fund, all claims against the Deed Fund are extinguished and each Creditor will, if called upon to do so, execute and deliver to the Deed Administrator such forms of release of any claim as the Deed Administrator requires.
- (b) After distribution of the Final Dividend from the Deed Fund, the Deed Administrator may plead this deed in bar to any claim against the Deed Fund by a Creditor.

9.9 Costs of proof not admissible

Any Costs incurred by a person in proving a Claim under this deed are not admissible to proof.

10 DISTRIBUTION OF DEED FUND

10.1 Conditions for the Distribution of the Deed Fund

The distribution of the Deed Fund by the Deed Administrator to Admitted Creditors is conditional on the following:

- (a) no Early Termination Event having occurred; and
- (b) the transfer of the Shares to ILP (or its nominee) pursuant to clause 5.

10.2 Issuance of the Completion Notice

Upon the conditions in clause 10.1 being satisfied, the Deed Administrator will promptly issue a notice to the Creditors known to the Deed Administrator at that time (the **Completion Notice**).

10.3 ILP Partial Release of the ILP Security

Effective upon issuance of the Completion Notice, ILP immediately and irrevocably releases and discharges from the ILP Security Net Claim Recoveries in an amount equal to the lesser of 5% of the Net Claim Recoveries and \$50,000 for the purposes of constituting the Litigation Pool.

10.4 Order of distribution

Subject to the Deed Administrator issuing the Completion Notice and all Creditor Claims having been adjudicated by the Deed Administrator, the Deed Administrator can distribute the Deed Fund any time after 21 Business Days from the date of the Completion Notice as follows:

- (a) Pool 1 to the Pool 1 Admitted Creditors;
- (b) Pool 2 to the Pool 2 Admitted Creditors; and
- (c) Litigation Pool to the Pool 1 Admitted Creditors.

10.5 Order of payment from the Deed Fund

- (a) Payment from Pool 1 of the Deed Fund will be made in the following order of priority:
 - (i) First, *pari passu* to any Pool 1 Admitted Creditors who are Priority Creditors; and
 - (ii) second, *pari passu* to any remaining Pool 1 Admitted Creditors.
- (b) Payment from Pool 2 of the Deed Fund will be made in the following order of priority:
 - (i) First, *pari passu* up to a maximum payment of \$2,000 to each Pool 2 Admitted Creditor who is a Priority Creditor; and

- (ii) second, pari passu to any Pool 2 Admitted Creditors (including any Pool 2 Admitted Creditors who received a payment under clause 10.5(b)(i), for the unpaid part of their claims).

To the extent that Pool 2 is not exhausted by payments to Pool 2 Admitted Creditors the residual amount of Pool 2 will be included in Pool 1 for distribution to Pool 1 Admitted Creditors.

- (c) Payment from the Litigation Pool of the Deed Fund will be made in the following order of priority:
 - (i) first, pari passu to any Pool 1 Admitted Creditors who are Priority Creditors; and
 - (ii) second, pari passu to any remaining Pool 1 Admitted Creditors.

11 PARTIAL DISCHARGE OF ILP'S CLAIM

- (a) Effective upon the issuance of the Completion Notice and in consideration of the transfer of the Shares to ILP or its nominee pursuant to clause 5:
 - (i) ILP immediately and irrevocably releases and discharges the Company from so much of its Claim as exceeds \$2,000,000; and
 - (ii) ILP and the Company agree that the \$2,000,000 balance of ILP's Claim after the partial release and discharge provided for in clause 11(a)(i) above is to be re-characterised as a performing loan from ILP to the Company which is to be repayable on demand and secured by the ILP Security.
- (b) ILP shall, if called upon to do so by the Company, execute and deliver to the Company such forms of release of the part of the ILP Claim as provided for in clause 11(a)(i) above.

12 MANAGEMENT OF COMPANY AND DEED ADMINISTRATOR'S INVESTIGATIONS

12.1 Deed Administrator's investigations

- (a) At all times during the Term, the Deed Administrator may:
 - (i) investigate the Company's affairs;
 - (ii) report the results of his investigations to ASIC as appropriate; and
 - (iii) seek examinations under the Corporations Act as deemed appropriate by the Deed Administrator.
- (b) Upon the distribution of all of Pool 1 and Pool 2 of the Deed Fund pursuant to clause 10:
 - (i) subject to clause 12.1(b)(ii), control of the Company's business, property and affairs will be returned to the Directors and Officers; and

- (ii) the Deed Administrator may continue to undertake the tasks set out in clause 12.1(a), and will retain all of the powers set out in clause 15 for that purpose.

13 TERMINATION

13.1 Termination by Effectuation

- (a) Subject to the Completion Notice having been issued and Pool 1, Pool 2 and the Litigation Pool (if any) being distributed in accordance with this deed, this deed will effectuate on the earlier of:
 - (i) the date that the Deed Administrator determines in his absolute discretion, but after consultation with ILP, that the purpose of the deed has been effected;
 - (ii) the date that a resolution is passed at a meeting of the Company's creditors convened under section 445F of the Corporations Act that the deed be deemed effectuated; and
 - (iii) the date that is 15 months from the Commencement Date (or such later date as approved by creditors in accordance with clause 18.4 or the Court).
- (b) At any time following the issuing of the Completion Notice, ILP may:
 - (i) contribute \$50,000 to the Litigation Pool; or
 - (ii) issue a Creditors Trust Direction to the Deed Administrator,

in which case ILP can require in its absolute discretion that the Deed Administrator:
 - (A) cease or resist exercising any of the powers set out in clause 12.1(a); and
 - (B) proceed to take all steps necessary to effectuate this deed pursuant to clause 13.1(a).

13.2 Early Termination

This deed will automatically terminate if:

- (a) the Court makes an order terminating the deed under section 445D of the Corporations Act;
- (b) if prior to the Completion Notice having been issued, a resolution is passed at a meeting of the Company's creditors convened under section 445F of the Corporations Act terminating the deed;
- (c) this deed has not come into full force and effect on or prior to the expiration of 15 Business Days (or such further period as the Court allows) after the Resolution is passed;

- (d) ILP issues a notice to the Deed Administrator advising that it does not wish to proceed with the Share Transfer (**Early Termination Notice**); or
- (e) the transfer of the Shares to ILP (or its nominee) pursuant to clause 5 has not occurred within 9 months of the Commencement Date or such later date:
 - (i) as agreed by the Deed Administrator and ILP provided that such date is not more than 12 months after the Commencement Date;
 - (ii) as approved by creditors in accordance with clause 18.4; or
 - (iii) as approved by the Court.

13.3 Effect of Termination by Effectuation

If this deed is terminated under clause 13.1, the Deed Administrator must immediately certify in writing that the terms of this deed have been fulfilled and, as soon as practicable, must lodge with ASIC a notice substantially in the following form:

Kupang Resources Limited

I, Damien Hodgkinson of Level 4, 249 Pitt Street, Sydney NSW 2000 as administrator of the deed of company arrangement executed on [date], CERTIFY that the deed has been wholly effectuated in respect to Kupang Resources Limited

and the execution of the notice terminates, in respect to the Company, this deed and subject to clause 8.5, all Claims of Creditors of the Company will be extinguished, discharged and released if not extinguished or released earlier under the Deed.

13.4 Effect of Early Termination

If this deed is terminated under clause 13.2:

- (a) the Company is to be wound up;
- (b) regulation 5.3A.07 of the Corporations Regulations shall apply;
- (c) the Company is taken to have passed:
 - (i) a special resolution under section 491 of the Corporations Act that the Company be wound up voluntarily; and
 - (ii) a resolution that the Deed Administrator be appointed as the liquidator of the Company;
- (d) each person who had a Claim before the Commencement Date will be entitled to prove in the liquidation of the Company for that Claim, notwithstanding any other provision of this deed; and
- (e) any assets of the Company or any amounts in the Deed Fund which have not been distributed to the Admitted Creditors under this deed will cease to be part of the Deed Fund and will be available for distribution in the winding up.

13.5 Effect of Termination

In accordance with section 445H of the Corporations Act, the termination or avoidance, in whole or part, of this deed does not affect the previous operation of the deed.

14 APPOINTMENT OF DEED ADMINISTRATOR

14.1 Appointment

The Deed Administrator is appointed administrator of this deed.

14.2 Acceptance of appointment

The Deed Administrator:

- (a) accepts his appointment as the administrator of this deed; and
- (b) agrees to act as administrator of this deed until:
 - (i) the Termination Date; or
 - (ii) the earlier retirement or removal from office of the deed administrator.

14.3 Deed Administrator act as Company's agents

When performing a function or exercising a power under this deed or the Corporations Act, the Deed Administrator acts as agent for, and on behalf of, the Company.

14.4 Deed Administrator not personally liable

The Deed Administrator shall not be personally liable for any act, omission or matter relating to anything done or not done in his capacity as administrator of this deed, including:

- (a) any personal liability arising out of entering into this deed; and
- (b) any debt, liability or obligation which the Deed Administrator incurs in the performance or exercise, or purported performance or exercise, of any of his functions or powers under this deed or the Corporations Act, including but not limited to:
 - (i) services rendered or incurred;
 - (ii) goods bought;
 - (iii) property hired, leased, used or occupied by, or in the possession of, the Company;
 - (iv) the repayment of money borrowed;
 - (v) interest in respect of money borrowed; or
 - (vi) borrowing costs.

15 POWERS OF DEED ADMINISTRATOR

15.1 General powers

The Deed Administrator:

- (a) has control of the Company's business, property and affairs;
- (b) may carry on the Company's business and manage the Company's property and affairs on such terms and conditions and for such purposes and times and in such manner as the Deed Administrator thinks fit subject only to the limitations imposed by this deed;
- (c) may terminate or dispose of all or part of the Company's business and dispose of any of the Company's property;
- (d) may perform any function and exercise any power that the Company or any Officers could perform or exercise if the Company was not subject to this deed;
- (e) have, subject to clause 12.1(b) to the exclusion of the Directors and Officers, all the rights, powers, privileges, authorities and discretions which are conferred on the Directors and Officers by the Constitution or otherwise by law; and
- (f) have all such other powers that are necessary or convenient to carry out the purpose of, and comply with his obligations under this document.

The Deed Administrator shall not be responsible for any statutory obligations that may continue to be imposed on the Directors during the Term and nothing in this clause 15.1 is to be taken to impose such responsibility on the Deed Administrator.

15.2 Specific powers

Without limiting the generality of clause 15.1, the Deed Administrator has the following powers:

- (a) all the powers set out in paragraph 2 of Schedule 8A of the Corporations Regulations, save for which the prescribed provisions of Schedule 9A of the Corporations Regulations do not apply;
- (b) in relation to the Company's property, assets and rights, all the powers of a natural person who is the absolute and beneficial owner of the property, assets and rights, including the power to sell or otherwise realise the property, assets and rights pursuant to the sale process conducted by the Deed Administrator; and
- (c) the power to:
 - (i) change the Company's name;
 - (ii) alter the Constitution;
 - (iii) issue, sell or dispose of shares in the Company;
 - (iv) reduce the Company's capital;

- (v) appoint a person as a Director (whether to fill a casual vacancy or not);
- (vi) remove from office a Director;
- (vii) to enter upon or take possession of the property of the Company;
- (viii) to lease or let on hire property of the Company;
- (ix) convene meetings of Members;
- (x) convene meetings of creditors, notice of which may be given by any means likely to bring the meeting to the creditors' attention;
- (xi) to insure property of the Company;
- (xii) to insure the Deed Administrator for actions taken during the term of this deed,
- (xiii) to repair or renew property of the Company;
- (xiv) to call in, collect or convert into money the property of the Company;
- (xv) to administer the assets available for the payment of Claims in accordance with the provisions of this deed;
- (xvi) in accordance with section 444GA of the Corporations Act, to transfer shares in the Company;
- (xvii) to borrow and grant security;
- (xviii) to bring, prosecute and defend in the name and on behalf of the Company or in the name of the Deed Administrator any actions, suits or proceedings;
- (xix) to refer to arbitration any question affecting the Company;
- (xx) to resolve any dispute of any nature commercially;
- (xxi) to make payments to any secured creditor of the Company and any person who is an owner or lessor;
- (xxii) factor any of the Company's debts;
- (xxiii) to engage or discharge employees on behalf of the Company;
- (xxiv) to appoint a solicitor, accountant or other professionally qualified person to assist the Deed Administrator;
- (xxv) to permit any person authorised by the Deed Administrator to operate any account in the name of the Company;
- (xxvi) to do all acts and execute in the name and on behalf of the Company all deeds, receipts and other documents, using the Company's common or official seal when necessary;

- (xxvii) subject to the Bankruptcy Act 1966, to prove in the bankruptcy of any contributory or debtor of the Company or under any deed executed under that act;
- (xxviii) subject to the Corporations Act, to prove in the winding up of any contributory or debtor of the Company or under any scheme of arrangement entered into, or deed of company arrangement executed, under the Corporations Act;
- (xxix) to draw, accept, make or endorse any bill of exchange or promissory note in the name and on behalf of the Company;
- (xxx) investigate the Company's business, property, affairs and financial circumstances and report the results of his investigations to ASIC and the Creditors (as appropriate);
- (xxxi) conduct examinations about the examinable affairs of the Company under Part 5.9, Division 1 of the Corporations Act;
- (xxxii) seek the consent of the Company Shareholders to the transfer the Shares to ILP or its nominee;
- (xxxiii) seek ASIC Relief;
- (xxxiv) seek the leave of the Court by submitting a Section 444GA Application;
- (xxxv) comply with any conditions of ASIC Relief or a Section 444GA Order;
- (xxxvi) to do anything else that is necessary or convenient for the purpose of administering this deed or exercising a power set out in this clause 15; and
- (xxxvii) delegate any power set out in this clause 15, including by appointing and authorising an agent to act on behalf of the Deed Administrator or the Company.

15.3 Books and records

The Deed Administrator is entitled to possession of all books of the Company. A person is not entitled, as against the Deed Administrator, to:

- (a) retain possession of books of the Company; or
- (b) claim or enforce a lien on such books, but such a lien is not otherwise prejudiced.

15.4 Reporting

The Deed Administrator may, in his absolute discretion, but is not required to (except to the extent required by law), report to the Creditors at such times and on such matters as the Deed Administrator considers appropriate.

15.5 Deed Administrator's rights not to be limited

Nothing in this deed shall limit the rights of the Deed Administrator to make an application under section 444F, 447A or 447D of the Corporations Act.

16 REMUNERATION AND INDEMNITY OF DEED ADMINISTRATOR

16.1 Remuneration

- (a) ILP shall pay the remuneration and Costs of the Administrator, the Deed Administrator and (if applicable) the Trustee, in accordance with the standard terms of DEM Australasia Pty Limited and not exceeding 14 days from date of invoice, on the basis of the time spent by him and his directors, agents and employees in the performance of services in connection with:
 - (i) the Voluntary Administration (including the remuneration approved at the meeting of creditors on 2 September 2015);
 - (ii) the administration of the Company under this deed until the date of issue of a Completion Notice (including the remuneration approved at the meeting of creditors on 2 September 2015);
 - (iii) the distribution of the Deed Fund; and
 - (iv) the creation and administration of the creditors' trust contemplated by clause 13.1(b)(ii),

at the standard rates (from time to time) of the Administrator and the Deed Administrator for services of that nature:

- (v) in relation to remuneration up to and including the Commencement Date, as provided for by resolution approving the Administrator's and Deed Administrator's remuneration at the creditors' meeting held on 2 September 2015 ;
- (vi) in relation to Costs incurred up to and including the Commencement Date, as incurred by the Administrator or Deed Administrator; and
- (vii) otherwise, as provided for in a staged budget to be approved in advance by ILP.

16.2 Indemnity

- (a) ILP hereby indemnifies the Administrator, the Deed Administrator and (if applicable) the Trustee for the remuneration and Costs referred to in clause 16.1(a):
 - (i) in relation to remuneration up to and including the Commencement Date, as provided for as provided for by resolution approving the Administrator's and Deed Administrator's remuneration at the creditors' meeting held on 2 September 2015 ;
 - (ii) in relation to Costs incurred up to and including the Commencement Date, as incurred by the Administrator or Deed Administrator; and
 - (iii) otherwise, as provided for in a staged budget to be approved in advance by ILP.
- (b) The Administrator and the Deed Administrator are entitled to be indemnified out of the Company's property and assets for:

- (i) all debts, liabilities, actions, suits, proceedings, accounts, claims, damages, awards and judgments arising out of, or in the course of, the Voluntary Administration or the administration of this deed, including any amounts payable pursuant to section 443A, section 443B or section 443BA of the Corporations Act;
 - (ii) any debts, remuneration and liabilities to which the statutory indemnity under section 443D of the Corporations Act applies;
 - (iii) the remuneration and Costs referred to in clause 16.1(a); and
 - (iv) all debts, liabilities, actions, suits, proceedings, accounts, claims, damages, awards and judgments arising out of, or in the course of the Voluntary Administration, this deed or the administration of this deed.
- (c) The Company shall pay the remuneration and Costs of the Trustee, in accordance with the standard terms of DEM Australasia Pty Limited and not exceeding 14 days from date of invoice, on the basis of the time spent by him and his directors, agents and employees in the performance of services in connection with the distribution of the Deed Fund.
- (d) In the event that this deed is terminated under clause 13.2, the Deed Administrator is not to rely on the indemnity in clause 16.2(b) until ILP has paid at least the amount of the Priority Creditor's Claims under clauses 16.1(a) and 16.2(a).

16.3 Continuing indemnity

The indemnities in clause 16.2 are continuing obligations and will continue after this deed ends and despite:

- (a) the retirement or removal from office of the Administrator, Deed Administrator or Trustee;
- (b) the appointment of a new Administrator, Deed Administrator or Trustee; or
- (c) the termination of this deed for any reason whatsoever.

16.4 Indemnity not to be affected or prejudiced

The indemnities in clause 16.2:

- (a) will not be affected, limited or prejudiced in any way by any irregularity, defect or invalidity in the appointment of the Administrator or Deed Administrator;
- (b) will extend to cover any debts, liabilities, actions, suits, proceedings, accounts, claims, damages, awards and judgments arising in any way out of any defect in the appointment of the Administrator or the Deed Administrator, any defect in the approval or execution of this deed or otherwise; and
- (c) will not affect or prejudice any right that the Administrator or Deed Administrator may have against the Company or any other person to be indemnified for any debts, liabilities, actions, suits, proceedings, accounts, claims, damages, awards, judgments and Costs incurred in the performance or exercise of any of his functions or powers under this deed or the Corporations Act.

16.5 Recourse to Deed Fund

The Deed Administrator will not seek payment of his Costs or remuneration from Pool 1 or Pool 2 of the Deed Fund.

16.6 GST

Where the remuneration or Costs referred to in clause 16.1 results in a taxable supply for the purposes of the GST Law, then the amount of any entitlements payable to the Administrator and the Deed Administrator shall be increased by an additional amount for the applicable GST on such a taxable supply.

16.7 Funding

If at any time the Deed Administrator is without funds to perform his duties under this deed, including if ILP declines to fund or indemnify or to continue to fund or indemnify the Deed Administrator in accordance with clause 16.1(a) and clause 16.2(a), then the Deed Administrator may, at his absolute discretion:

- (a) cease to undertake any further work pursuant to this deed;
- (b) convene a meeting of the Company's creditors under section 445F of the Corporations Act to consider:
 - (i) if prior to the Completion Notice having been issued, the termination of this deed;
 - (ii) if after the Completion Notice having been issued, the effectuation of this deed; or
 - (iii) any other variation to this deed proposed by the Deed Administrator.

17 NOTICES

17.1 Form and delivery

Unless expressly stated otherwise in this deed, all notices, reports, consents, approvals, waivers and other communications in connection with this deed must be in writing and will be deemed effective if:

- (a) left at the recipient's address last known to the Deed Administrator;
- (b) sent by prepaid ordinary post (airmail if appropriate) to the recipient's address last known to the Deed Administrator;
- (c) sent by email to the recipient's nominated address (if the recipient has nominated an electronic address by which they may be notified); or
- (d) given in any other way permitted by law.

17.2 When effective

Any notice by the Deed Administrator will take effect from the time they are received or taken to be received under clause 17.3 (whichever happens first) unless a later time is specified.

17.3 When taken to be received

Any notice by the Deed Administrator will be taken to be received:

- (a) if sent by post, the next Business Day after posting; or
- (b) if sent by email, at the time the email is sent (as recorded on the device from which the sender sent the email) unless the sender receives an automated message that the email has not been delivered.

17.4 Receipt outside business hours

Despite clauses 17.2 and 17.3, if a notice from the Deed Administrator is received, or taken to be received under clause 17.3, after 5.00pm in the place of receipt or on a non-Business Day, it is taken to be received at 9.00am on the next Business Day and will take effect from that time unless a later time is specified.

18 GENERAL

18.1 Further steps

The Company, Officers, Members and Creditors will promptly:

- (a) do and perform all further acts;
- (b) execute and deliver all further documents; and
- (c) provide all co-operation and assistance,

as may reasonably be required by the Deed Administrator to give full effect to this deed.

18.2 Counterparts

This deed may be executed in counterparts. All counterparts when taken together are to be taken to constitute one instrument.

18.3 Severability

If the whole or any part of a provision of this deed is void, unenforceable or illegal in a jurisdiction it is severed for that jurisdiction. The remainder of this deed has full force and effect and the validity or enforceability of that provision in any other jurisdiction is not affected. This clause 18.3 has no effect if the severance alters the basic nature of this deed or is contrary to public policy.

18.4 Variation of Deed

This agreement may be varied by a resolution passed at a meeting of the Company's creditors convened under section 445F of the Corporations Act but only if the variation is not materially different from a proposed variation set out in the notice of meeting.

18.5 Governing law

This deed is governed by the law in force in New South Wales. Each party bound by this deed submits to the non-exclusive jurisdiction of the courts of New South Wales.

EXECUTED as a deed

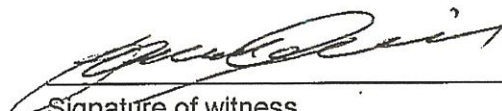
**Deed Of Company Arrangement – Kupang Resources Limited
(Administrator Appointed)(Receivers and Managers Appointed) ACN
098 773 785**

Signing Page

DATED  September 2015

Company

**EXECUTED by KUPANG RESOURCES
LIMITED (ADMINISTRATOR
APPOINTED)(RECEIVERS AND
MANAGERS APPOINTED) ACN 098
773 785** in accordance with
section 437A(1)(d) of the *Corporations
Act 2001* (Cth) by its duly appointed
administrator, **Damien Mark
Hodgkinson** in the presence of:

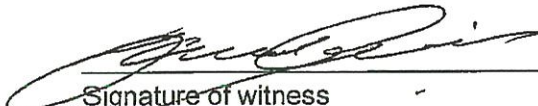

Signature of witness

JAMAL WALKER
Name of witness (block letters)


Signature of DAMIEN MARK
HODGKINSON

Deed Administrator

SIGNED SEALED AND DELIVERED by
DAMIEN MARK HODGKINSON in his
capacity as deed administrator of
KUPANG RESOURCES LIMITED
(ADMINISTRATOR
APPOINTED)(RECEIVERS AND
MANAGERS APPOINTED) ACN 098
773 785 in the presence of:

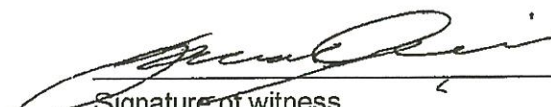

Signature of witness

JAMAL WALKER
Name of witness (block letters)


Signature of DAMIEN MARK
HODGKINSON

Administrator

SIGNED SEALED AND DELIVERED by
DAMIEN MARK HODGKINSON in his
capacity as administrator of **KUPANG**
RESOURCES LIMITED
(ADMINISTRATOR
APPOINTED)(RECEIVERS AND
MANAGERS APPOINTED) ACN 098
773 785 in the presence of:


Signature of witness

JAMAL WALKER
Name of witness (block letters)

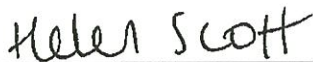

Signature of DAMIEN MARK
HODGKINSON

ILP

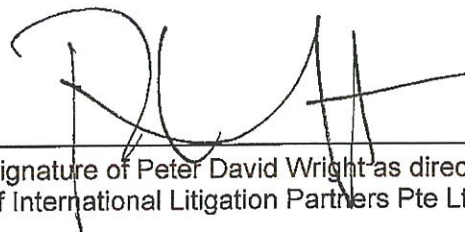
**SIGNED SEALED AND DELIVERED for
INTERNATIONAL LITIGATION
PARTNERS PTE LIMITED by:**



Signature of witness



Name of witness (block letters)



Signature of Peter David Wright as director
of International Litigation Partners Pte Ltd



DEM AUSTRALASIA

KUPANG RESOURCES LIMITED

(SUBJECT TO DEED OF COMPANY ARRANGEMENT) (RECEIVERS AND
MANAGERS APPOINTED)

ANNEXURE 3 – INFORMATION RELIED UPON

26 JULY 2016





DEM AUSTRALASIA

Annexure 3

Information Relied Upon

Proposed Recapitalisation Documents

1. Approved DOCA
2. Technical Mining Expert Report

Information from the Company

3. The Company's FY11 audited accounts
4. The Company's FY12 audited accounts
5. The Company's FY13 audited accounts
6. The Company's HY14 accounts
7. ASX Announcements
8. RATA and Directors' Questionnaire
9. Receivers and Managers' RATA
10. Corporate Structure
11. Books and records of the Company, including Board minutes and circulars, various executed documents

Administrator's/Deed Administrator's work papers and reports

12. Report to Creditors dated 25 August 2015 pursuant to Section 439A of the Act
13. Various ASX and ASIC information and correspondence
14. Independent Director and Property Searches
15. Information provided by the secured creditor in respect to the secured debt and expenses



DEM AUSTRALASIA

KUPANG RESOURCES LIMITED

**(SUBJECT TO DEED OF COMPANY ARRANGEMENT) (RECEIVERS AND
MANAGERS APPOINTED)**

ANNEXURE 4 – TECHNICAL MINING EXPERT REPORT

26 JULY 2016



SQUIRE PATTON BOGGS (AU)

VALUATION OF THE ASSETS OF PT KUPANG RESOURCES LOCATED IN THE PROVINCE OF NUSA TENGGARA TIMUR, INDONESIA

APRIL 2016

REPORT NUMBER: 1516 KRL.VAL.2016.04

Author (s): Brett Gunter (MAusIMM)

Contributor (s): Roger H. Pooley (FAusIMM)

Submitted to: Squire Patton Boggs (AU)

Date Submitted: 21st April 2016

Distribution List: Squire Patton Boggs (AU)
PT GMT Indonesia library

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Digital archive

EXECUTIVE SUMMARY

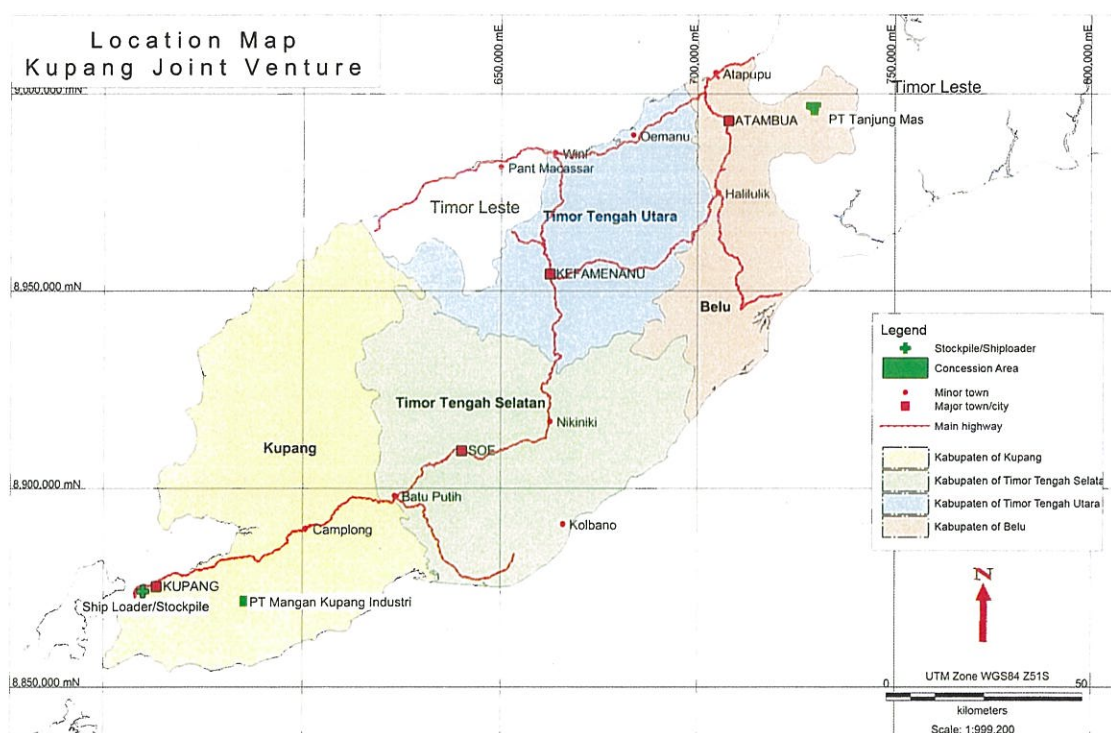
PT GMT Indonesia (GMT) was requested by Squire Patton Boggs (AU) (SPB) to complete a valuation of the assets of PT Kupang Resources (PT KR), an Indonesian legal entity, within Indonesia. This entity is partially owned by the delisted Australian company Kupang Resources Limited (KRL).

Background of Kupang Resources Limited, the Kupang Joint Venture and Kupang Resources Limited

On 16 November 2001, KRL was registered in New South Wales. At the time of its incorporation, the company was known as 'Chameleon Mining NL'. On the 25th May 2012, the company changed its name to Kupang Resources Limited (KRL). This company was delisted from the Australian Stock exchange in August 2015 and is under administration. In April 2012 KRL acquired a 55% shareholding in a Joint Venture entity known as PT KR. The total acquisition cost was AUD 10 million¹.

The scope of this report is to value the Indonesian assets belonging to PT KR, which are located on the map below. They are:

- PT Tanjung Mas mineral concession
- PT Mangan Kupang Industri mineral concession
- The Kupang Joint Venture (KJV) stockpiling area and ship loader.



Location of the assets of the KJV within the Province of Nusa Tenggara Timur, Republic of Indonesia.

¹ Chameleon Mining NL announcement dated 30th March 2012, titled "Acquisition of major stake in significant manganese project".

Valuation

GMT has valued the assets on a Market Value basis. The mineral properties are classified as Exploration Projects. For a concession area such as PT Tanjung Mas, there is demonstrated potential as outlined by personnel competent in assessing such manganese concessions. The concession of PT Kupang Mangan Industri is believed to be non-existent at this time and investigations previously by GMT ascribed no potential for the discovery of manganese deposits within the concession area.

GMT considers that the overall value, on a Fair Market Value basis, of the Timor-based assets of PT Kupang Resources (PT KR), which is equivalent to the Kupang Joint Venture (KJV) is:

Asset	Value (Australian Dollars, AUD)		
	Low	High	Preferred
PT Tanjung Mas	\$590,000	\$780,000	\$680,000
PT Mangan Kupang Industri	\$-	\$-	\$-
KJV Stockpile/Ship-loader	\$185,000	\$235,000	\$210,000
Total PT KR Fair Market Valuation	\$775,000	\$1,015,000	\$890,000

Exchange rate AUD 0.763 = USD 1.00

This valuation is date stamped the 21st April 2016.

The Fair Market Valuation considers the 95% beneficial interest in PT Tanjung Mas by PT Kupang Resources.

There is no value ascribed to the actual manganese mineral deposits within the concession areas as, until exploration expenditure is made, the presence of any economic deposits of manganese remains speculative. The valuation comprises the estimated real costs to establish an Indonesian entity suitable for foreign investment and lease acquisition costs combined with an expected expenditure for initial exploration within areas recommended to contain potential for manganese deposits.

In addition, it should be noted that the fixed asset value of the stockpile and ship-loader may be contested by a number of other parties. The lack of clear documentation, such as an asset register, makes it difficult to ascertain the true unencumbered ownership of these assets by PT KR. The legal process in Indonesia, particularly if one of the parties is a foreign entity, would be long and costly. It is not clear if the retention of the major capital assets is achievable. Therefore, we consider the Fair Market Value assigned to the PT KR assets at the stockpile and the Tenau Port (ship-loader) would carry a moderate to high risk for realisation.

There is no value ascribed to the export permit, export quota or Memorandum of Understanding between PT Kupang Resources and PT Utama Sentosa Abadi. PT Utama Sentosa Abadi has a number of similar agreements with other parties in Indonesia.

CONFIDENTIALITY AND
USE OF INTELLECTUAL PROPERTY

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This document, comprising figures, tables, appendices or any other inclusions remains the intellectual property of PT GMT Indonesia. No party or individual shall copy, modify, or publish the aforesaid material, or any part thereof, without written authorisation from PT GMT Indonesia and full and proper acknowledgement of PT GMT Indonesia's contribution.

Signed as a final report, for PT GMT Indonesia,

UNSIGNED DRAFT

Brett Gunter

B.App.Sc. (Geology) MAusIMM MSEG

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TERMINOLOGY

All units of measure used in this report are metric, including tonne (metric tonne), hectares (unit of area) and kilometres (unit of distance).

All currency values are in United States Dollars (\$US or USD) unless noted. Conversion rates between Australian Dollars (AUD) and United States Dollars are noted as applicable.

ha: Hectare

km: Kilometre

Province: equivalent to a state area, a province is the Level 1 government area below the central government; head of government is the "Governor"

Kabupaten: Level 2 government, equivalent to a shire or county, the most powerful level of government under regional autonomy, several Kabupaten are grouped under a province, head of government in a Kabupaten is the "Bupati"

Kecamatan: Level 3 government, several Kecamatans are grouped into a Kabupaten, head of government is a "Camat"

Desa: village area, Level 4 government, several Desa make up a Kecamatan, head of government is the "Kepala Desa" (village head); several individual villages may be included in a Desa

Dusun: smaller than a Desa and headed by a "Kadus" (Kepala Dusun or dusun head)

IUP: izin usaha pertambangan, licence issued by the Department of Mines for exploration and exploitation of mineral resources, must be wholly owned through 100% Indonesian national shareholding or through a PMA (foreign investment) company.

Sungai: river in Indonesian

Kampung: village in Indonesian

1 INTRODUCTION

1.1 General Introduction and Appointment

PT GMT Indonesia (GMT) was requested by Squire Patton Boggs (AU) (SPB) to complete a valuation of the assets of PT Kupang Resources (PT KR). This appointment was made by an assignment letter (Appendix 3) dated the 21st April 2016 (amended from a previous letter dated the 7th December 2015) with the instruction that a valuation report be prepared by Mr Brett Gunter on the mineral assets owned by PT Kupang Resources in the Province of Nusa Tenggara Timur, Republic of Indonesia.

SPB acts on behalf of the Deed administrator (Deed of Company Arrangement, hereafter referred to as the DOCA). I am informed by SPB that this report is intended to be used in relation to the Deed Administrator's application pursuant to Section 444GA of the Corporations Act 2001 (Cth).

1.2 Background of KRL and the KJV

On 16 November 2001, Kupang Resources Limited was registered in New South Wales. At the time of its incorporation, the company was known as 'Chameleon Mining NL'. On the 25th May 2012, the company changed its name to Kupang Resources Limited (KRL). This company was delisted from the Australian Stock exchange in August 2015 and is under administration.

In April 2012 KRL acquired (through an interposed subsidiary) a 55% shareholding in a Joint Venture entity known as PT Kupang Resources (PT KR). PT KR may also be referred to as the Kupang Joint Venture (KJV). The total acquisition cost was AUD 10 million².

The PT KR owns two tenements in Indonesian Timor. One (PT Tanjung Mas) has an "Exploitation" status, allowing it to produce and sell manganese ore. The second tenement (PT Mangan Kupang Industri, MKI) was merely an exploration tenement under application. The other principal asset of PT KR is a stockpile area near the port of Kupang, where there is a weighbridge, crusher, and ancillary facilities; and there is also a mobile ship loader at the port. These facilities could be used for shipping ore from either tenement or from third parties. PT KR claims to hold an export permit, giving formal permission to export manganese ore of over a certain minimum grade.

A full outline of the acquisition is set out in the announcement issued by Chameleon Mining NL on the 30th March 2012. The location of the three assets, and the city of Kupang, are shown in Figure 1.1.

On the 30th September 2014, KRL published its annual report for the fiscal year ending 30th June 2014. The Audit Report contained in the Annual Report recorded an impairment of \$10,106,662 in respect of capitalized exploration and evaluation. This impairment was said to have been a result of Indonesian legislative changes effectively banning the export of a number of raw materials including manganese, which would effectively remove the market.

² Chameleon Mining NL announcement dated 30th March 2012, titled "Acquisition of major stake in significant manganese project".

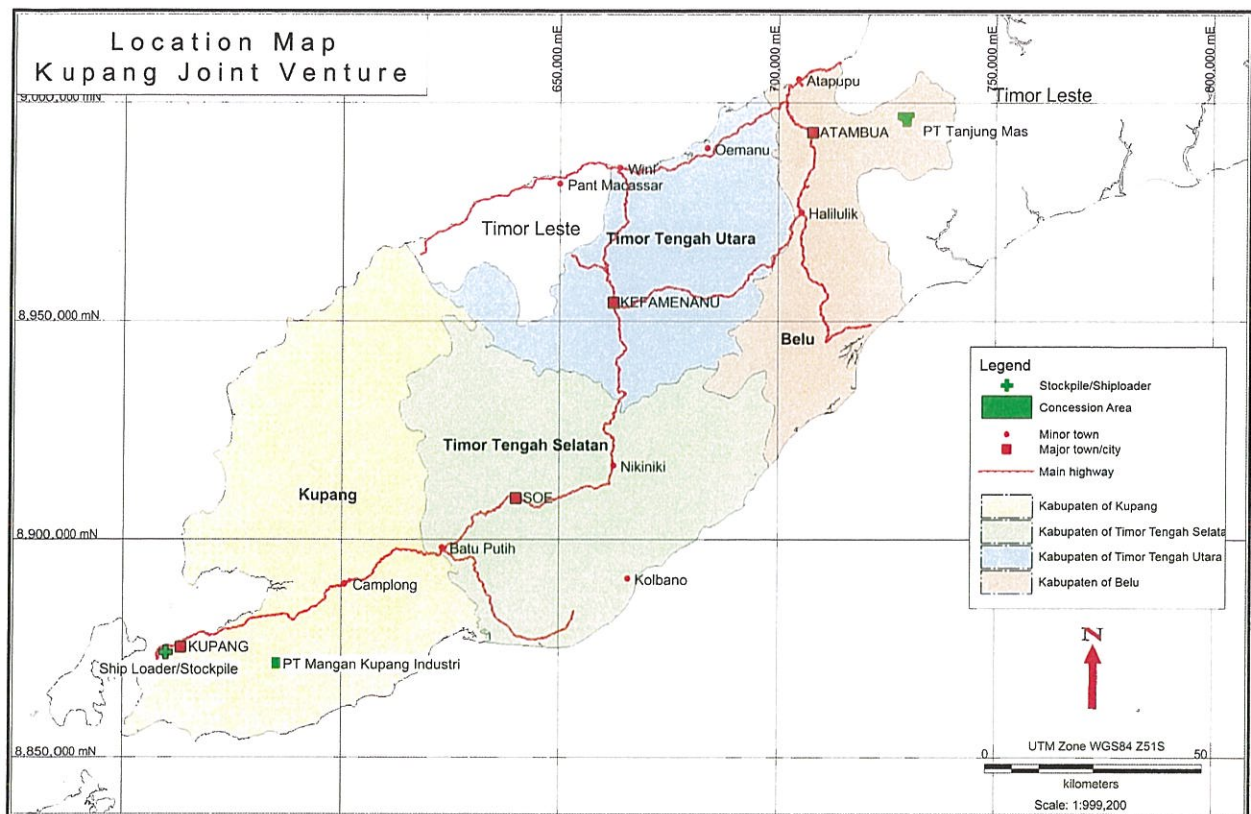


Figure 1.1 Location of the assets of KRL in Timor Island, Province of NTT, Republic of Indonesia.

1.3 GMT's Scope of Works

The scope of works is outlined as follows:

1. Prepare a valuation of the assets held by PT Kupang Resources,
2. Assess and include, if relevant, sunk costs on exploration and development of the PT KR assets,
3. Clearly outline the basis of the observations made and the supporting evidence of the observations and assumptions, and,
4. Outline the basis of the valuation and formulate the valuation in accordance with the principles of the Valmin Code (2015)³ and the JORC Code (2012)⁴.

1.4 Statement of Independence

Neither GMT nor any of the authors of this report have any material present or contingent interest in the outcome of this report, nor do they have any pecuniary or other interest that could be reasonably regarded as being capable of affecting their independence or that of GMT.

³ Australasian code for public reporting of technical assessments and valuations of mineral assets (Valmin Code, 2015 Edition)

⁴ The Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (2012 edition)

GMT has no prior association with Kupang Resources Limited or PT Kupang Resources, or its officers, in regard to the mineral assets that are the subject of this report other than acting as a geological services provider. GMT has no beneficial interest in the outcome of the technical assessment being capable of affecting its independence. GMT's fee for completing this report is based on its normal professional rates plus reimbursement of incidental expenses. The payment of that professional fee is not contingent upon the outcome of the report.

SPB has supplied GMT with a copy of the NSW Supreme Court Expert Witness Code of Conduct and the author of this report, Mr Brett Gunter, has read the Code of Conduct and agrees to be bound by it.

1.5 Statement of Competence and Independence

GMT as the issuer of this report, as duly signed by an expert in the field of manganese exploration, mineral asset appraisals and valuations, states that it has the necessary expertise to perform the appointment as requested. This report has been prepared in accordance with the guidelines of the Valmin Code (2015)⁵, which is binding upon Members of the Australasian Institute of Mining and Metallurgy ("AusIMM") and the Australian Institute of Geoscientists ("AIG"), as well as the rules and guidelines issued by the Australian Securities and Investments Commission ("ASIC") and the ASX Limited ("ASX") which pertain to Independent Expert Reports.

The principal author of the report is Mr Brett Gunter, who has more than 25 years of experience in the exploration, assessment, evaluation and mining of metallic minerals and bulk commodities. Mr Gunter has more than 20 years of experience within Indonesia and has been involved with the assessment and development of manganese mineral assets in Timor for more than 8 years. Mr Gunter is the Principal Geological Consultant for GMT. Mr Gunter has sufficient experience, which is relevant to the style of mineralisation and type of deposit under consideration and activity that he is undertaking, to qualify as a Competent Person and Specialist as defined by the Valmin Code (2015) and a Competent Person under the requirements of the JORC Code (2012)⁶.

Mr Roger Pooley (FAusIMM) made some contributions to this report. Mr Pooley has over forty years experience in the mining industry. He has worked in Australia, Ghana, UK, Iran and Indonesia. For the past twenty-four years as a consultant, he has been involved mainly in studies, valuations, reserves estimates, and appraisals on a number of projects and commodities within Indonesia and abroad. Mr Pooley also completed a peer review of this report.

GMT is an Indonesian registered consulting company and has been established since 2001. GMT has been involved in all aspects of exploration, assessment, feasibility and evaluation of Indonesian mineral deposits, including bulk commodities (coal, iron ore, bauxite and manganese), precious metals (silver and gold), other metallic deposits (copper, lead, zinc, nickel, tin and chrome) and industrial minerals.

1.6 Relevant Reports and Studies

The following reports, documents and studies were used as reference material in the preparation of this report:

- Chameleon Mining NL Announcement entitled 'Acquisition of Major Stake in Significant Manganese Project' dated 30 March 2012;

⁵ Australasian code for public reporting of technical assessments and valuations of mineral assets. (The Valmin Code, 2015 edition).

⁶ Australasian code for reporting of exploration results, mineral resources and ore reserves. (The JORC Code, 2012 edition).

- Export Permit issued by the Indonesia Ministry of Trade dated 4 July 2012;
- PT GMT Indonesia report number 1343 TM/GEOL/2012.12 entitled 'Kupang Resources Limited - Concession Review of the PT Tanjung Mas Concession Area, Kecamatan of Lasiolat, Kabupaten of Belu, Province of Nusa Tenggara Timor, Indonesia' dated December 2012;
- PT GMT Indonesia report 1255 MKI/GEOL/2012.09 entitled "Geological mapping and concession review of the PT Mangan Kupang Industri concession area, Kecamatan of Taebenu, Kabupaten of Kupang, Province of Nusa Tenggara Timor, Indonesia." dated September 2012
- Kupang Resources Ltd. Annual report for 2013 lodged 1 Oct 2013.
- Kupang Resources Annual Report for the Year Ended the 30th June 2014 (including Audit Report), dated the 30th September 2014; and
- Deed of Company Arrangement in relation to KRL dated the 9th September 2015.
- Report To Creditors Kupang Resources Limited (Administrator Appointed) (Receivers And Managers Appointed) dated the 25th August 2015;

In addition, GMT is aware of other aspects of PT KR that are not included in the documents outlined above. Such information is sourced from the GMT's observations and experience when completing assignments for other clients within the area of Timor. Such observations, whether contributing to the valuation or otherwise, are mentioned where necessary in the report.

A detailed list of documents and correspondence is provided in Appendix E.

1.7 Reliance on Other Data Sources

GMT was involved in the preparation of the technical reports in relation to the mineral assets PT Tanjung Mas and PT Mangan Kupang Industri. This work was commissioned directly by the KJV management (refer to Appendix A, Section 1.1 and Appendix B, Section 1.1). During this time, teams from GMT were mobilised from Jakarta to conduct direct mineral potential appraisals in the two concession areas and compile a report on findings and recommendations for further work. The author of this report supervised this work and the work was completed in accordance with GMT standard operating procedures by technical personnel (Qualified Geologists) with experience in assessing the potential for manganese in such areas.

For the PT Tanjung Mas concession, the Qualified Geologist in charge of the works was Mr Andreas H. Setiawan. Mr Setiawan is a Qualified Geologist and has 20 years experience in the exploration of mineral deposits within Indonesia and Australia. He has been conducting exploration and mining programs on Timor for 8 years.

The author of this report initially supervised the exploration works within the PT Kupang Mangan Industri concession before handing the work program over to Mr Aris Kuncoro, a Qualified Geologist with more than 8 years experience in mineral exploration. The author of this report then reviewed the results and conclusion of the survey works completed based on his intimate knowledge of the concession area.

These two original concession review documents are annexed to this report as Appendix A (for PT Tanjung Mas) and Appendix B (for PT Mangan Kupang Industri).

The author of this valuation has visited Timor on a number of occasions since the time of the compilation of the reports by GMT and has been informed on a number of occasions of the progress of the KJV activities, inclusive of activities completed on the mineral assets subsequent to the 2012 reports.

In February 2016, the author made further enquiries regarding the progress of the works on both concession area and passed through the original MKI concession area. No activity of any kind was noted and it is believed this concession area was never fully granted by the Indonesian authorities. It is apparent that the original conclusions made in 2012 by GMT remain valid (refer to Appendix B, Section 6.1).

Further, discussions with Mr Refafi Gah, an original member of the KJV management and shareholder within PT KR, in February 2016 revealed that no further activity had been completed in either concession area (PT Tanjung Mas or PT Mangan Kupang Industri) since the work completed by GMT in 2012. This further confirmed that the KJV activity had only focussed on the completion of their stockpile area in Bolok and the business plan of operating a stockpile, processing and shipping operation rather than a mining operation subsequent to 2012.

1.8 Site Visit

The author has visited the site of PT Mangan Kupang Industri on a number of occasions but has not visited the PT Tanjung Mas concession but has reviewed an adjacent concession. The author has visited the KJV stockpile location in Bolok on a number of occasions. Although the author has not visited specifically the PT Tanjung Mas site, he is familiar with the area and a number of surrounding concessions and has verified the field programs completed previously as being competent and complete.

The author also reviewed the conditions of the export permit provided and notes that the company to which the export permit applies, PT Utama Sentosa Abadi (PT USA), also has similar agreements and a number of Memorandum of Understanding with a number of other entities in Indonesia. Therefore, we ascribe no relevance to the existence of the export permit, the export quota attached to the export permit or the Memorandum of Understanding⁷ between PT KR and PT USA.

⁷ Memorandum of Understanding is unsigned and dated May 14th 2013.

2 PT TANJUNG MAS PROJECT DESCRIPTION

2.1 Location and Access

The concession location can be reached from Bali International Airport by commercial flight to Kupang (capital of Nusa Tenggara Timor Province) in approximately 1 hour. From Kupang the journey continues by major roads to Atambua the capital city of Belu region in approximately 7 hours. The concession area then can be reached by secondary roads in about 45 minutes to various areas reviewed, with access into some concession areas and locations comprising village tracks and unsealed roads (and Photograph 1 and 2).

The Kabupaten of Belu covers an area of approximately 2,445.57 km² and has a population of 358 thousand people.

2.2 Legality

The coordinates outlined in Table 2.1 define the concession area in accordance with the IUP documents. A copy of the IUP certificate was sighted. The concession is an IUP Operasi/Produksi (mining business licence allowing production and sale), which is important, as there can be no production and sale of manganese without this licence in place. The concession owner provided the coordinates in Table 2.1.

No	Longitude (E)				Latitude (S)			
	°	'	"	Decimal	°	'	"	Decimal
1	125	6	11.85	125.1033	9	3	38.2	-9.06061
2	125	6	11.85	125.1033	9	4	14	-9.07056
3	125	5	51.12	125.0975	9	4	14	-9.07056
4	125	5	51.12	125.0975	9	5	19	-9.08861
5	125	4	49.99	125.0806	9	5	19	-9.08861
6	125	4	49.99	125.0806	9	4	46	-9.07944
7	125	4	41.88	125.0783	9	4	46	-9.07944
8	125	4	41.88	125.0783	9	4	37	-9.07694
9	125	4	27.78	125.0744	9	4	37	-9.07694
10	125	4	27.78	125.0744	9	4	32.4	-9.07567
11	125	4	12.39	125.0701	9	4	32.4	-9.07567
12	125	4	12.39	125.0701	9	3	38.2	-9.06061

Table 2.1 Coordinates of the concession area belonging to PT Tanjung Mas.

2.3 General Project Conditions

2.3.1 *Flora and Fauna*

Species of flora that grow in the IUP area consist of plants of primary temperate forests, such as a timber tree species (eucalyptus and acacia), shrubs, weeds and grasses of tropical to temperate affinity. Tree plantations of teak can be seen in some of the more populated areas and the local people commonly cultivate corn, dry rice and beans.

The fauna that can be seen in the area is dominated by domesticated species such as cows, pigs, goats and buffalo. Wild animals are rarely seen in the area.

2.3.2 *Climate*

As in other areas of Eastern Indonesia, the investigation area has a tropical monsoonal climate with a distinct wet and dry season. In Timor, the dry season is pronounced and conditions become

very arid. Conversely, the wet season monsoons are severe, with extreme rainfall events of short duration. Generally, the annual rainfall ranges between 1,000-2,000 mm/year.

Temperature varies markedly depending on the location, the area of concession is quite elevated in parts, leading to cooler nights.



Photograph 1. Local asphalt road to the area of the concession. The roads in Timor are surprisingly good considering the province is one of the poorest in Indonesia.

Photograph 2. Local gravel road in the research area, fairly typical of unsealed and un-maintained roads in the area.



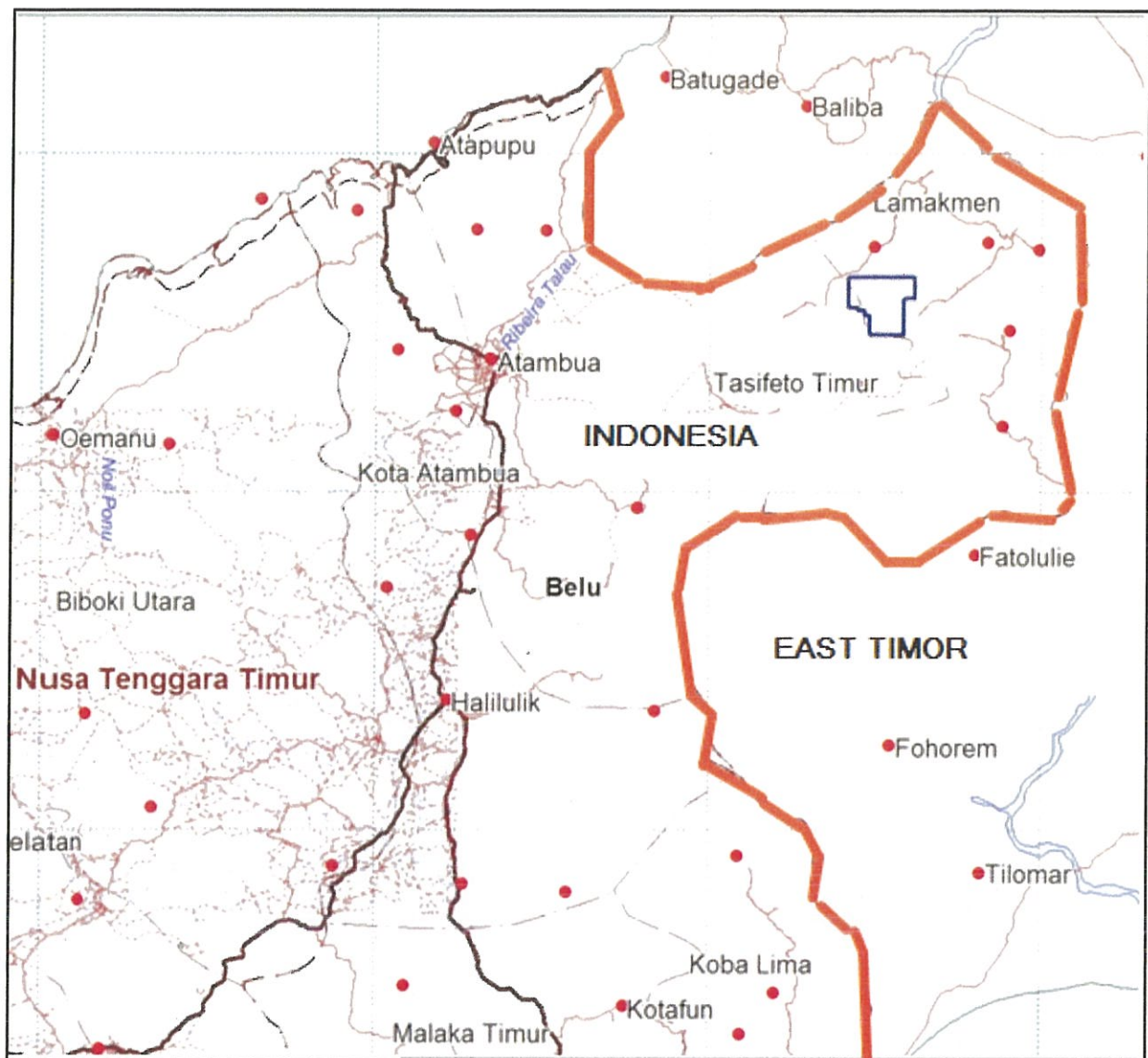


Figure 2.1 Location of the PT Tanjung Mas concession area, close to the border with Timor Leste.

2.3.3 Land Use

Land use in the concession areas is dominated by local cultivation. The marked dry season makes most of the area non-productive in this season and subsistence farming dominates in the wet season, with crops of staple foods such as rice and corn commonly grown. Herding of locally bred cows and goats is common.

In some areas of the concession, rocky ridges and thin soil profiles make cultivation difficult and landslips are common in the wet season.

2.3.4 Cultural Aspects

Residents in the area mostly use the Tettun tribal language, but also speak Indonesian. The area remains reasonably primitive, with most of the population living below the poverty line. The

education of most of the people in the area is basic, with few students graduating from high school but most receiving rudimentary primary education.

Most of the residents embrace Catholicism as their religion, with a minority of "native religions" being also practiced. A large number of cultural traditions have been preserved through the generations but there is a continual embrace of more modern and westernised lifestyles. Local arts and crafts are still common throughout the area. Local people's livelihoods, in general, are derived from small scale farming, ranching, livestock breeding and local manganese mining.

Public facilities located in this area are very limited, such as village administration offices, primary schools, and simple churches. The access throughout the area of the concession is reasonable. Health facilities are sparse in the area, with the nearest significant health care located in Kupang. Generally, power is not available in all areas, and the dry season can restrict the availability of surface water in the district. To deliver the manganese to a port, the public road network would be used.

2.3.5 Forestry

The area is free of Protected Forest restrictions and all of the concession area falls within the category of Other Land Use (APL), which does not require Department of Forestry permit for exploration or exploitation.

2.4 Geology and Mineralization

This is described fully in GMT's report 1343 TM/GEOL/2012.12, which is included as Appendix A. A map of the locations checked during the 2012 work program is shown as Figure 2.2

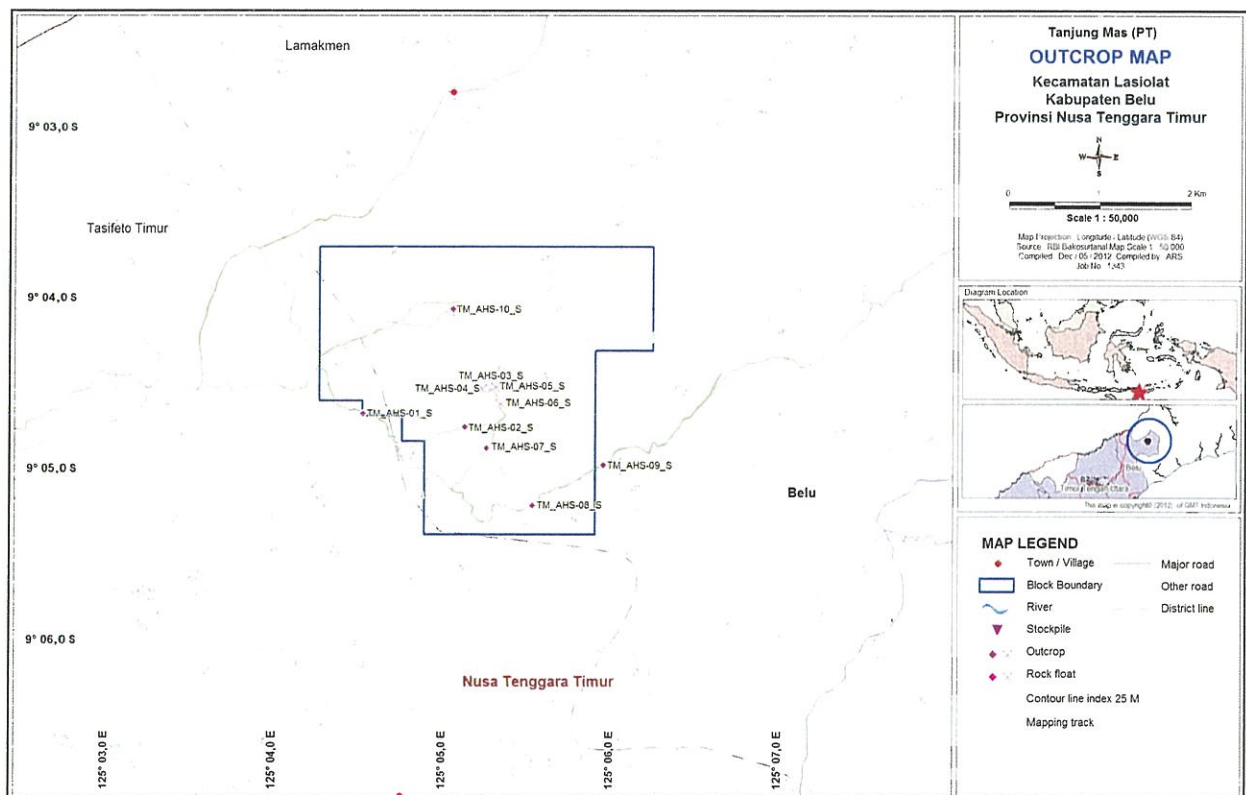


Figure 2.2 Location map of the concession area and the sites investigated in 2012 (refer to Appendix A, Section 5).

The conclusions noted in Appendix A, Section 6.1 are:

“Rock formations, from the youngest to the oldest, in the investigation area include Coralline Limestone (Qac), Bobonaro Formation rocks (Tb) and Ultra Basic Rock (Ub). The topography within the Tanjung Mas concession ranges from 700-1100 metres AMSL and the regional fabric is generally oriented northeast-southwest, possibly in response to the underlying geology. The morphology comprises undulating to hilly terrain with gentle to steep slopes.

The geology of the concession was dominated by Coralline Limestone rock and smaller indications of older Bobonaro Formation rocks in the centre of the concession, possibly controlled by a major fault in the southeast of the concession area. Based on the regional data, there is an occurrence of the ultrabasics in the southwest of the concession. However, this was not clarified during the program as the area was not known to contain manganese mineralisation and was, therefore, not targeted. The rock formations in the concession may be represented by 10 observations during the program, comprising 6 outcrops and 4 rock float observations at ex-manganese pit locations.

No in-situ manganese outcrops were found in the concession area. The only manganese samples found occurred as small (pellets) as float material in one location that indicates the presence of sedimentary manganese type. A sample was taken from a local stockpile at the village of Asumananu in the north of concession. The laboratory returned a result of 80.93% Mn_3O_4 and 58.30% Mn, which is quite high but is commonly seen from the cleaner sedimentary style manganese. Unfortunately, the true manganese potential is still not clear as no in-situ manganese outcrops were found in the concession area.

The ex-pit areas, suggested as being manganese excavations, require further detailed evaluation to determine the veracity of the local information that these were significant workings. A program of test pitting and then followed by geophysics is the normally recommended route of exploration. Due to the lack of distinct manganese outcrops, these methods will be the only available methods to use to further explore the area.”

In summary, the work program outlined in Appendix A, Section 1.3.1 and described in detail in Appendix A, Section 1.3.3 resulted in the conclusion that:

“No significant manganese occurrences were noted within the concession area but there are some areas said to be ex-mining pits. It is necessary to test the veracity of these claims by excavating some test pits in the area and defining the style and type of manganese. Follow up programs may be considered, such as geophysics, if the initial investigations proved the existence of significant manganese.” (Appendix A, Section 6.2)

As described in Section 1.7, it is readily concluded that no work subsequent to the findings of the 2012 work program has been completed and the recommendations and conclusions made at that time remain valid at the time of this report.

3 EXPLORATION RECOMMENDED FOR THE PT TANJUNG MAS TENEMENT AREA

3.1 General Exploration Process

From the results of its assessment of the tenement in 2012, GMT concluded that the concession area has sufficient merit to justify further exploration. These conclusions have been derived from the works described in Appendix A, Section 1.3.1 Scope of Works and the conclusions reached on the potential of the concession to contain deposits of manganese as described in Appendix 1, Section 6.1.

In that report, GMT recommended and outlined an initial programme of exploration for PT Tanjung Mas.

This would comprise general mapping, exploration geochemistry, geophysics and initial verification drilling. Further work would depend on the results of preceding work programs.

GMT has prepared a budget for this work, detailed in Table 3.1.

Stage	Units	Required	Cost/Unit \$US	Total \$US
General Mapping	days	21	\$1,000	\$21,000
Exploration Geochemistry				
Auger soil sampling 50m line x 25m spacing	days	70	\$750	\$52,500
Analysis (use general XRF)	samples	950	\$15	\$14,250
General expenses	units	1	\$10,000	\$10,000
Trenching	units	1	\$20,000	\$20,000
Rock chip sampling	samples	450	\$25	\$11,250
Geophysical Surveys				
Resistivity	days	20	\$2,000	\$40,000
Interpretation	units	1	\$15,000	\$15,000
Drilling (on best concessions, 1-2 only)				
Mob/demob (track mounted 150m HQ capable)	units	1	\$25,000	\$25,000
Direct drilling	metres	1000	\$125	\$125,000
Analysis	samples	250	\$25	\$6,250
Support	days	40	\$2,000	\$80,000
Administration	units	1	\$5,000	\$5,000
Data compilation and review	units	1	\$15,000	\$15,000
Resource reporting and development options	units	1	\$10,000	\$10,000
Contingency	\$	1	10%	\$45,025
Grand Total Estimate				\$US495,275

Table 3.1 Exploration budget for PT Tanjung Mas tenement

4 PT MANGAN KUPANG INDUSTRI (MKI) PROJECT AREA

4.1 Location and Access

The concession location can be reached from Bali International Airport by commercial flight to Kupang (capital of Nusa Tenggara Timor Province) in approximately 1 hour. From Kupang the journey continues by major and secondary roads, with access into some concession areas and locations comprising village tracks and unsealed roads (Figure 4.1).

The Kabupaten of Kupang covers an area of approximately 53,958 km² and has an approximate population of 373,663 people.

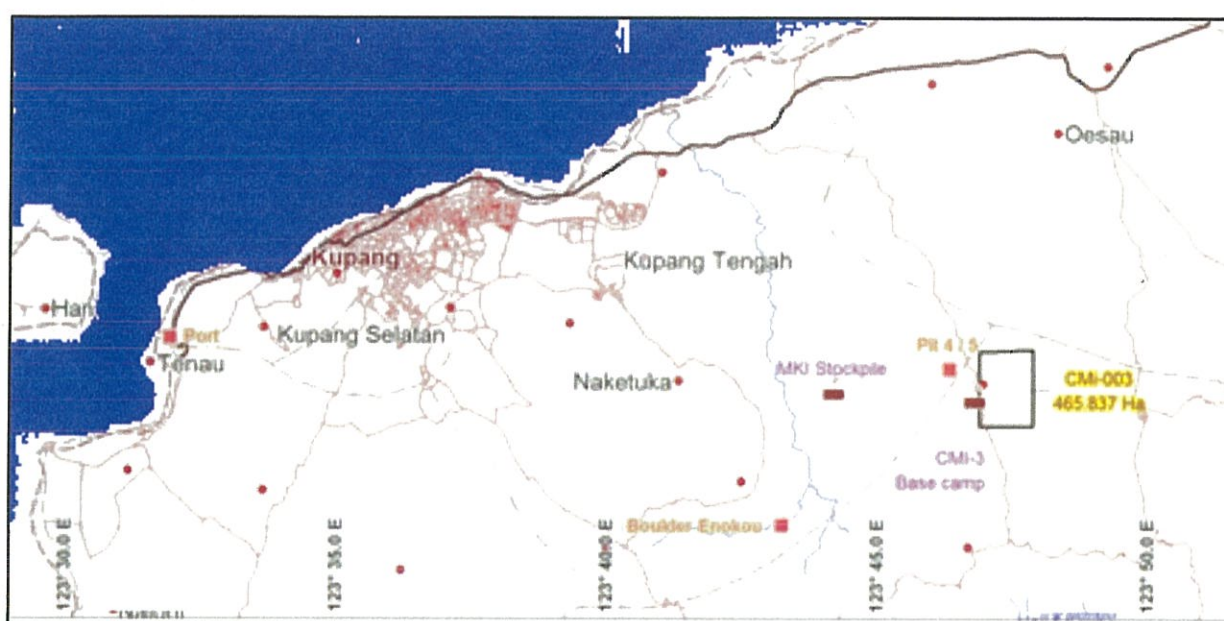


Figure 4.1 Location of the MKI concession area.

4.2 Legality

The coordinates outlined in Table 4.1 define the concession. Documents regarding the legality of the concession were not reviewed during the GMT exploration appraisal in 2011. The concession owner explained that the IUP was under application, and provided the coordinates in Table 4.1. GMT believes that the IUP was not granted and the application would have lapsed.

Point	Longitude (E)				Latitude (S)			
	°	'	"	Decimal	°	'	"	Decimal
1	123	46	33.09	123.775859	10	11	46.75	-10.196320
2	123	47	34.35	123.792875	10	11	43.88	-10.195522
3	123	47	34.46	123.792905	10	13	6.84	-10.218566
4	123	46	34.51	123.776252	10	13	7.48	-10.218744

Table 4.1 Coordinates of the concession area belonging to PT Mangan Kupang Industri.

4.3 General Project Conditions

The programme at the MKI concession area was coordinated from the main base camp located in the village of Bolong, approximately 150metres from the western boundary of the MKI concession. The western part of the concession is mostly dominated by local residences, cultivation and farms while the central part contains a number of basic public facilities. The eastern area of the tenement is dominated by natural vegetation typical of Timor, with paddy cultivation in some portions (see Photograph 3).



Photograph 3. Centre of the MKI concession area.

Geo-morphologically the MKI area is lowland in the centre and covered by moderately undulating higher land in the western and eastern areas. Altitude ranges between 150 and 360 metres AMSL. Drainage systems of this are limited in size. The drainage orientation trends southeast to northwest, the rivers or creeks in this area are mostly moderate to old and the riverbanks are up to 3 metres in height.

4.3.1 *Flora and Fauna*

Species of flora that grow in the investigation area consists of plants of primary temperate forests, such as a timber tree species (eucalyptus and acacia), shrubs, weeds and grasses of tropical to temperate affinity. The local people commonly cultivate corn, dry rice and beans.

The fauna that can be seen in the area is dominated by domesticated species such as cows, pigs, goats and buffalo. Wild animals are rarely seen.

4.3.2 *Climate*

The investigation area has a tropical monsoonal climate with distinct wet and dry seasons. The location of the island of Timor makes the wet and dry season more marked than in other areas of equatorial Indonesia, with the dry season leading to arid conditions on the island. Conversely, the wet season monsoon is severe, with extreme rainfall events of short duration. Generally, the annual rainfall ranges between 1,000-2,000 mm/year.

4.3.3 *Land Use*

The local land use in the concession areas is dominated by local cultivation. The marked dry season makes most of the area non-productive in this season. Subsistence farming dominates in the wet season, with crops of staple foods such as rice and corn commonly grown.

4.3.4 *Cultural Aspects*

Residents in the area mostly use the Tettun language, and also speak Indonesian. The education of most of the people in the area is basic, with few students graduating from high school but most receiving primary education.

Most of the residents embrace Catholicism as their religion. A large number of cultural traditions have been preserved through the generations. Local people's livelihoods, in general, are derived from small scale farming, livestock breeding.

Public facilities located in this area are limited, such as village administration offices, primary school and a simple church. Infrastructure includes the district highway, linking the Kabupaten capital with other districts in the province. Health facilities are sparse in the area, with the nearest significant health care in Kupang.

4.4 **Infrastructure**

The main port area at Kupang would be used to ship the manganese from the area of the concession. To deliver the manganese to the KJV stockpiling area, public road networks would be used. Power is not available and the dry season restricts the availability of surface water in the district.

4.5 **Forestry**

The area is free of Protected Forest restrictions and most of the concession area falls within the category of Other Land Use (APL), which does not require any form of Department of Forestry permit for exploration or exploitation. However, the entire concession is surrounded by Protected Forest (Figure 4.2). The basis of this protected forest may relate to the watershed protection of the main Kupang city water supply that lies to the north of the concession (Tilong Dam).

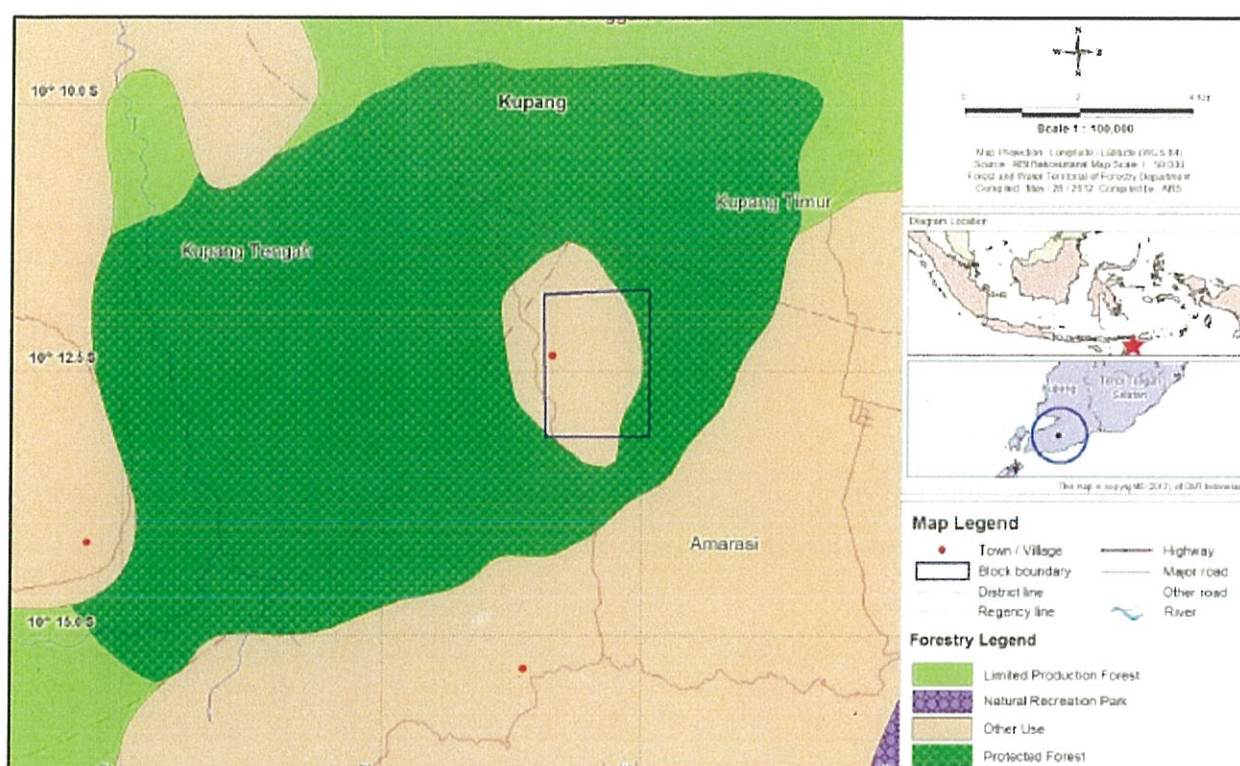


Figure 4.2 Forestry Status around MKI tenement.

4.6 Geological Exploration (refer to Appendix B, Section 5)

No in-situ manganese outcrops were found in the concession area. The only manganese samples found occurred as small (pellet) floats in one location. The manganese staining hosted in limestone is low grade and primarily sourced from the natural manganese content of the limestone itself.

Sampling was conducted on the basis of geological interest. Mineralised samples were collected from a number of different locations, displaying different intensities of mineralisation.

Samples collected were preferred from outcrop samples but, in some areas, outcrops were not common and float samples were also collected. The samples were analysed for a range of elements,

Some observations were also made in several old mine pits located to the west of the MKI area (outside of the concession boundary), in an attempt to glean further information on the mode of the manganese occurrences. Unfortunately, those locations have limited information on surface, with most pits already covered by thick soil or standing water. Drill testing was conducted in the two mine pit areas using a hand auger. This was to determine if the shallow "sedimentary" manganese could be tested by manual drilling. It was found that the drill bit could not penetrate the sedimentary formation and the maximum depth of any drill hole was less than 4 metres

4.7 Recommendation

No significant manganese occurrences were noted within the concession area and no further exploration work was recommended for the concession (refer to Appendix B, Section 6.2). These conclusions were made at the time as the rocks found within the concession area were not interpreted as being prospective for hosting significant manganese deposits.

Manganese mineralisation located within the concession area was found only in creek areas as floats (rocks that have been transported from another location).

5 KJV STOCKPILE AREA

Within the city limits of Kupang, the KJV has established a stockpile in the Bolok area. The stockpile is a fenced facility of approximately 2-3 hectares located adjacent to an asphalt road in the Kupang Industrial Zone. The stockpile area has been surfaced with concrete in most areas, using local techniques. A full crushing plant has been constructed, with a capacity of approximately 20-30 tonnes/hour, a loading ramp leads to the feed hopper of the crusher. A series of conveyors shift the material from the crusher to the crushed manganese pile.

The stockpile compound also contains a weighbridge, office buildings, and a laboratory. The original concept was that the stockpile would accept shipments from local miners on a spot trade basis. The material would be crushed and then exported. GMT believes that this business was unsuccessful in attracting sellers.

Later, the Indonesian government banned unprocessed ore exports and the KRL announced that it was investigating the viability of building an upgrading facility.

In February 2016, the author visited the stockpile location and observed that the facility was shut down and there was no activity. A local named Mr Johnny Thiodoris was paying the single security guard employed to guard the stockpile area. Mr Thiodoris was associated with the activities of the KJV during the time that GMT was making assessments of the mineral assets of the KJV in 2012. The author met Mr Thiodoris on a number of occasions during 2012-2013.

A Google Earth view of the stockpile area is shown in Figure 5.1, and the location of the stockpile and ship-loader is outlined in Figure 5.2.



Figure 5.1 Google Earth image showing the location of the KJV stockpile area.

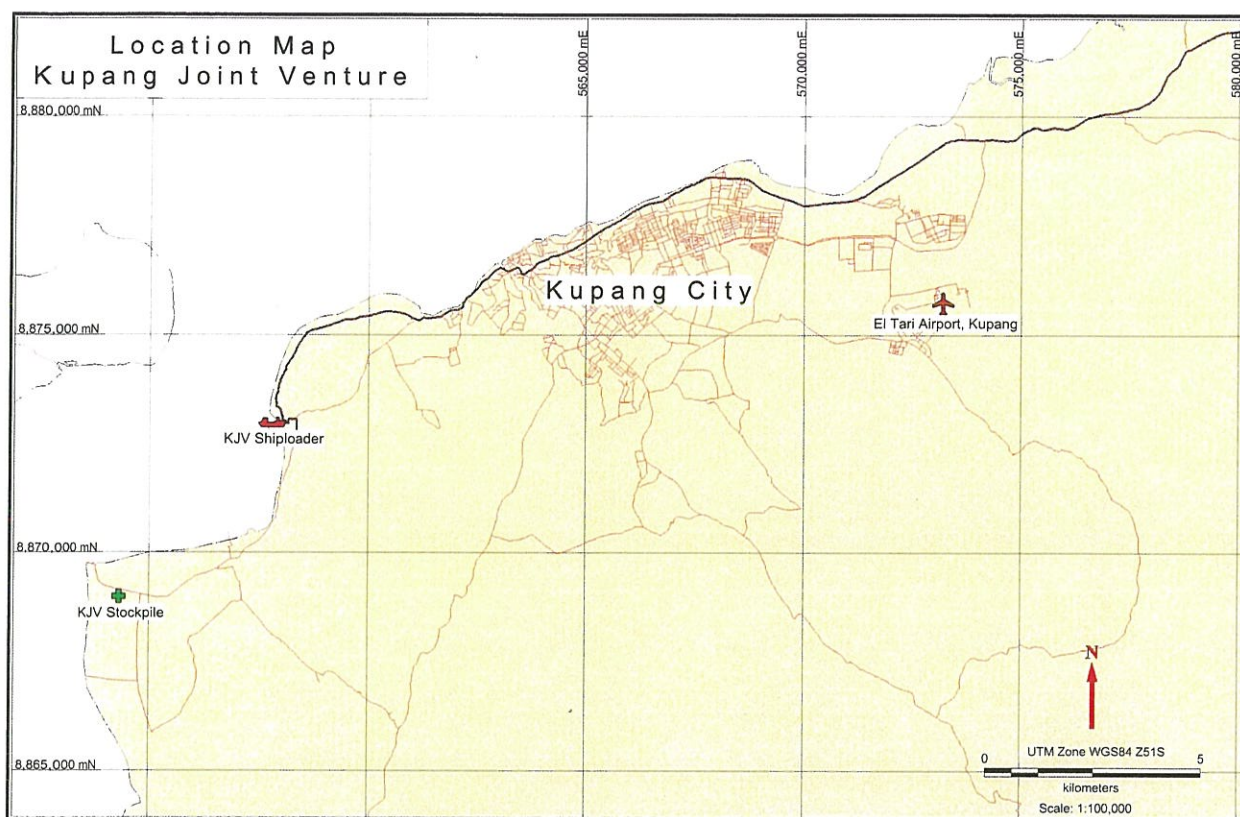


Figure 5.2 Location of the ship-loader and stockpile in relation to Kupang City.

In addition to the Bolok stockpile area previously described, the KJV owns a ship-loading conveyor that stands on the Tenau Port, the main port area of Kupang. The ship loader is essentially a conveyor with a feed hopper that could be used to load a bulk carrier type vessel with manganese ore.

This ship loader formed part of the business model of the KJV, with the manganese ore received at the Bolok stockpile where it would be weighed and analysed for manganese content and payments made on a cash basis to the seller of the ore. The ore would then be crushed and transported to the Tenau Port, where it would be loaded onto a bulk carrier vessel using the ship loader conveyor.

During our association with the project, it was revealed by the management of the KJV that agreements had been made in principal to use an area of the Tenau Port to stockpile processed manganese ore in preparation for ship loading. This agreement, or any indication of it, is not included within any documents sighted by us as part of this assignment.

6 VALUATION OF THE PT KR ASSETS

The principle assets owned by PT KR are the two mineral concession areas (Section 2 and 4), the stockpile location at Bolok (refer to Section 5) and the ship loader standing at the Tenau Port of Kupang.

This Valuation is date stamped 21st April 2016 and is a Market Value basis. The properties are classified as early Exploration Properties under the guidelines of the Valmin Code (2015).

6.1 PT Tanjung Mas (see Sections 2 and 3)

PT KR owns 95% of PT Tanjung Mas, the holder of a mining tenement which is described in Section 2.

GMT carried out an independent appraisal of the concession in December 2012 (REPORT NUMBER: 1343 TM/GEOL/2012.12), which is appended as Appendix A. GMT's conclusion was that the tenement was prospective for manganese and that further work was warranted.

In Table 3.1 (refer to Section 3) of this report, GMT has prepared a budget for the initial work as envisaged at the time of the works in 2012. Subsequent to the recommendations made (refer to Appendix A, Section 6.2) and in light of discussions with Mr Refafi Gah in February 2016 (refer to Section 1.7) it is apparent that no further groundwork has been completed in the PT Tanjung Mas area subsequent to the GMT work in 2012 and, therefore, the original conclusions and recommendations remain the same (refer to Appendix A, Section 6.2).

The value of the work to be carried out was \$US 495,000. This work, if successful would have led to more expenditure, and hopefully to a resource of manganese being discovered, which would currently have a much greater value. However, we are unable to ascribe a future value of greater than \$US 500,000 at present, equivalent to the planned expenditure at the time.

As the PT Tanjung Mas concession is prospective for manganese, it is also reasonable to ascribe a value to the concession itself, reflecting the costs and expenses involved in identifying the area, setting up a holding company within Indonesia that allows a foreign direct investment, applying for the tenement, and then paying the fees and registering it. From experience in Timor in the application for several other similar tenements, GMT estimates that this process would have cost of the order of \$US 600,000, as outlined in Table 6.1. This cost is still current today.

ESTIMATED SET UP COST FOR IUP IN TIMOR	\$US
Company formation PMA, USD 250,000 including capital	250,000
Associated costs for the PMA company, USD 20-25,000	25,000
Licence identification and preliminary investigation, USD 50-75,000	75,000
Transaction Fee for mineral licence USD 50,000	50,000
Clean and Clear for licence USD 25,000	25,000
Legal /Financial Due diligence, USD 75-100,000	100,000
Initial survey works, USD 50-75,000	75,000
TOTAL	600,000

Table 6.1 Current cost for IUP establishment in Timor

The total value of PT Tanjung Mas, at the time of acquisition, is therefore assessed as \$US 1.1M, made up from the \$US 500,000 for the exploration program and \$US 600,000 for the costs of setting up an Indonesian structure to hold the assets of the concession through a foreign investment structure. According to the "Report to Creditors", (p. 51), PT KR owns a 95% beneficial interest of PT Tanjung Mas concession so the attributable beneficial value to PT KR or the KJV at that time was \$US 1,045,000 (in the year of 2012).

In considering this fair market value in today's terms, a number of factors should be considered:

- The price of manganese has declined significantly since 2012, from above \$US 250/tonne to approximately \$US 150/tonne presently.
- The market for manganese property acquisition is a reflection on the prevailing commodity markets, with very little current interest in purchasing mineral assets for manganese in Timor. GMT is not aware of any transaction being made since 2014 (refer to Section 0 below).
- Indonesian mining law has prevented the export of raw ore material in January 2012. Therefore, a number of "ore materials" are subject to value adding. In the case of the Timor manganese, "value adding", as defined by the law referred to processing to a concentrate grade of above 49% manganese. Most of the Timor manganese contains higher levels of manganese naturally in the ore being mined, therefore, processing as applicable to fulfil the regulations may involve nothing more than crushing and sorting. This could achieve the required concentrate grade in accordance with the prevailing legislation⁸. In consideration of this, the net change in value of a manganese property due to the change in the prevailing Indonesian legislation is nil.

Therefore, GMT believes the current Fair Market Value is less than the estimated value of the property in 2012. To reflect this, we have discounted the 2012 total valuation by a factor of 50%. The lack of interest in manganese properties at this point in time justifies this approach and more fairly reflects the current downturn in realisable Fair Market Value for mineral properties in general.

Therefore, we ascribe a Fair Market Value to the PT Tanjung Mas property as:

The range of the valuation is from \$US 450,000 to \$US 600,000 with a preferred value of \$US 520,000.

Currently, this equates to:

The range of the valuation is from AUD 590,000 to AUD 780,000 with a preferred value of AUD 680,000.

An exchange rate of AUD 0.763 = USD 1.00 has been used in the conversion.

6.2 PT Mangan Kupang Industri (refer to Section 4)

The beneficial KRL assets include a 55% interest (as attributable to the KJV) in another mineral concession owned by PT Mangan Kupang Industri (MKI) as described in Section 4 of this report. The current status of the concession area is not clear and we believe the concession area was

⁸ Peraturan Menteri Energi dan Sumber Daya Mineral, Republic of Indonesia Nomor: 08/Tahun 2015, amended from Peraturan Menteri Energi dan Sumber Daya Mineral, Republic of Indonesia Nomor: 01/Tahun 2014, amended from Peraturan Menteri Energi dan Sumber Daya Mineral, Republic of Indonesia Nomor: 20/Tahun 2013

never fully granted or has subsequently been cancelled or relinquished back to the Indonesian government.

GMT carried out an independent appraisal of the concession in September 2012 (REPORT NUMBER: 1255 MKI/GEOL/2012.090), which is included as Appendix B. GMT's conclusion was that the tenement was NOT prospective for manganese and that NO further work was warranted (Appendix B, Section 6.1 and Section 6.2).

Through recent local enquiries made by the author regarding the progress or any activity in the concession area it is apparent that no further work of any kind has been carried out on the PT Mangan Kupang Industri concession since the time of the initial works outlined in the report made by GMT (refer to Appendix B), so GMT's conclusion is still valid that the area has no potential to contain manganese deposits, even if the concession remains valid.

Therefore GMT ascribes a beneficial value of NIL attributable to KRL

6.3 Kupang Joint Venture Non-Mineral Assets (refer to Section 5)

From observations made over a number of years, GMT is not aware of any significant site activity undertaken at the stockpile area of KJV. GMT is firmly of the belief that the business is dormant. In February 2016 a security guard was seen to be employed (with his salary paid by a local Mr Johny Thiodoris, refer to Section 5) and the assets inside the fence are still intact. It would be possible to engage a local plant and buildings valuer to make physical asset valuations on the contents of the stockpile area, provided that he could gain open access to complete the assessment.

However, the ownership of the stockpile area assets and the ship-loader is not clear to GMT at the present time, as there have been conflicting personal comments from a number of local people originally involved in the KJV. The second tranche of AUD 6.5M paid for the KJV (derived from KRL) should indeed have given PT KR title to all assets but without detail of exactly what assets were transferred it is difficult to establish valid ownership of the stockpile area by PT KR or the KJV.

GMT has not sighted any official asset list but warns that whatever is on the list may well be subject to dispute by local entities. Even if the KJV ownership of assets could be verified, GMT consider that PT KR would have very little chance of realizing their original value after paying numerous claimants. These may include Mr Refafi Gah and/or Mr Johny Thiodoris, who both claim to have interest in the fixed assets of the KJV.

GMT does not have professional legal competence in Indonesian law, so cannot definitively say that no recovery is possible, but our provisional conclusion is that the chance of recovery or liquidation of the stockpile and ship-loader assets is limited.

Even with these observations, the fixed assets of PT KR and the KJV should be considered in the valuation. The assets do have value, even though it may not be realisable from a foreign entity. The valuation of these assets are based on the following points:

- GMT has in the last 2 months commissioned a crusher on Timor, with a capacity of 40 tonne/hour, similar to the one installed in the stockpile area, the estimate of the crusher purchase and the installation cost is documented and real current prices,
- GMT has recently acquired quotations for another client for a weighbridge and supporting infrastructure of a similar size to that installed at the stockpile,

- GMT has toured the stockpile facility previously and has viewed each of the buildings within the stockpile area and has a reasonable knowledge of the construction costs for such buildings,
- GMT has no recent knowledge of building the ship-loader at Kupang but can estimate the price based on similar ship-loaders and barge loaders used on the coal mining industry, which have a similar design and size. GMT has a suitable knowledge of the costs to procure conveyor ship loaders of a similar size.

The significant assets and their estimated costs to procure and install are outlined in Table 6.2.

Location	Procurement	Installation	Comments
Stockpile Area			
Crusher	\$75,000.00	\$25,000.00	40 tonne/hour stone crusher with loading ramp
Weighbridge	\$10,000.00	\$3,000.00	Suitable for small trucks, with weighing instrumentation
Laboratory building	\$12,500.00	\$3,125.00	Standard brick-render structure
Office building	\$20,000.00	\$5,000.00	Standard brick-render structure
Toilets	\$3,000.00	\$750.00	Includes fittings
Guard post	\$2,500.00	\$625.00	Standard brick-render structure
Fittings, furnishing	\$5,000.00	\$1,250.00	Lights, furniture, water reticulation, tanks
Sub-total Stockpile	\$130,500.00	\$38,750.00	
Tenau Port			
Ship-loader	\$125,000.00	\$5,000.00	Self-contained unit, mobile
Sub-totals	\$255,500.00	\$43,750.00	
Grand Total		\$296,750.00	

Table 6.2 Estimation of the procurement and installation costs for the fixed assets within the stockpile area and the ship-loader at the Tenau Port area.

The land on which the stockpile stands, by Indonesian law, will only have a title of HGB (“hak guna bangunan” or “right to use for building”). This land title has no intrinsic value to PT KR. The current arrangement would be a leasing/rental arrangement with the landowner based on commercial leasing rates at the time the agreement was made, most likely on an annualised basis.

We have attributed no value to the land. The improvements made, such as fencing of the lot and the hard base covering the area (essentially bamboo reinforced thin concrete sheeting) will return to the landowner when the lease has expired. The fence could be sold as scrap value but this is unlikely to occur.

In considering a Fair Market Value for these fixed assets, we have reviewed the actual real value now for a facility of that type and the realisable value if the assets were sold. We consider that the business plan for the manganese stockpile was fundamentally flawed and it is unlikely that the facility would be purposed for the same use in the future. Therefore, the current value can only be returned from the major capital assets. This includes the manganese crusher, the weighbridge and the ship-loader. The assets classed as improvements to the stockpile area are deemed as having no value to PT KR but, of course, they will have a beneficial value to the stockpile landowner unless they are dismantled/destroyed by PT KR. The sale of the capital assets would also attract a discount to entice a potential purchaser. We have assigned a 25% discount to these assets for potential sale to an interested party.

Therefore, we assign a Fair Market Value to the PT KR for the major capital assets as follows:

The range of the valuation is from \$US 140,000 to \$US 180,000 with a preferred value of \$US 160,000.

Currently, this equates to:

The range of the valuation is from AUD 185,000 to AUD 235,000 with a preferred value of AUD 210,000.

An exchange rate of AUD 0.763 = USD 1.00 has been used in the conversion.

6.4 Comparable Mineral Property Transaction Test

In an effort to rationalise the valuation of the mineral property assets of PT KR through the KJV, we have attempted to estimate a valuation on the basis of a comparable transaction for manganese assets in Timor. The lack of data on public reported transactions makes this approach less ideal as many acquisitions of manganese concessions in Timor was made between private parties. However, there are some transaction values that may be used as a comparison. These are outlined in Table 6.3.

Name of Property	Acquisition Amount (\$US)	Attributable	Comment
PT Hampan Alam Nusantara (private transaction), transacted 2013	1.2M	100%	Two concession in operation, more than 20 manganese occurrences known within the concession, Indonesian private company
PT Mutiara Timor Permai (private transaction), transacted 2012	0.5M	100%	Single concession with manganese occurrences mapped, geophysical surveys and drilling completed, Indonesian private company
PT Indoco Mineral Resources, transacted 2012	0.4M	100%	Single concession with manganese occurrences, geophysical surveys, Indonesian private company

Table 6.3 List of known transactions and value for Timor manganese concessions since 2013. The data is known to the author, as being real transactions made since 2013 for a number of different concession areas.

On the basis of the data provided in Table 6.3, the value that has been ascribed to each concession on a flat average approach is \$US 525,000. This figure does not account for the prospectivity of each concession or the area that each concession covers. This is a purely flat, concession-based transaction rate for a single entity.

It should also be noted that the entities that hold these manganese tenements are Indonesian national entities, not foreign investment companies. To compare the estimated costs of converting into a foreign investment entity (through a PMA = penanaman modal asing, or foreign investment company that can be held by non-Indonesian parties), we have again drawn on the estimates

previously made in Table 6.1 but without the actual manganese concession costs. This is outlined in Table 6.4.

Foreign investment setup cost	\$US
Company formation PMA, USD 250,000 including capital	250,000
Associated costs for the PMA company, USD 20-25,000	25,000
Legal /Financial Due diligence, USD 75-100,000	100,000
Initial survey works, USD 50-75,000	75,000
TOTAL	450,000

Table 6.4 Estimated set-up costs for a foreign investment company to hold manganese assets in Timor (this is a repeat of Table 6.1 but with only the foreign investment company costs included).

As can be seen, we would expect that a total cost acquiring a manganese mineral concession in Timor, during the years 2013 to 2014, then completing the tasks required to make it available for foreign investment as being \$US 525,000 + \$US 450,000 = \$US 0.975M. This compares closely with the estimate for the single concession PT Tanjung Mas valuation (100% attributed value) of \$US 1.1M outlined previously. We consider, based on our experience, that these numbers are fair and reasonable for acquisitions during the year 2012, but much higher than present values.

The lack of data regarding other concession transactions makes this valuation method less applicable on a statistical basis due to the small sample population of data. Therefore, we consider the valuation based on the cost of setting up the JV and carrying out exploration to be more firmly based than the "comparable transaction" approach.

6.5 Summary of Preferred Valuation

There is no value ascribed to the actual manganese mineral deposits within the concession areas as, until further exploration expenditure is made, the presence of any economic deposits of manganese remains speculative but within the accepted limits of being sufficiently prospective to warrant further exploration.

The only reasonable basis for valuing the assets of PT KR or the KJV in Indonesia is on the basis of a replacement value of the cost of real acquisition and an amount of expenditure required that would need to commit to further develop the property to a point where a milestone decision is made to continue or not continue further exploration.

In using a comparable transaction method (Section 0), the lack of transaction data limits the effectiveness of this method but does corroborate the valuation derived from the preferred method of valuation. In summary, we consider the Fair Market Value of the PT KR assets as summarised in Table 6.5.

It should be noted that the fixed asset value of the stockpile and ship-loader may be contested by a number of other parties. The lack of clear documentation, such as an asset register, makes it difficult to ascertain the true unencumbered ownership of these assets by PT KR. The legal process in Indonesia, particularly if one of the parties is a foreign entity, would be long and costly. It is not clear if the retention of the major capital assets is achievable. Therefore, we consider the Fair Market Value assigned to the PT KR assets at the stockpile and the Tenau Port (ship-loader) would carry a moderate to high risk for realisation.

KJV Asset	Value (Australian Dollars, AUD)		
	Low	High	Preferred
PT Tanjung Mas	\$590,000	\$780,000	\$680,000
PT Mangan Kupang Industri	\$-	\$-	\$-
KJV Stockpile/Ship-loader	\$185,000	\$235,000	\$210,000
Total KJV attributed to KRL	\$775,000	\$1,015,000	\$890,000

Exchange rate AUD 0.763 = USD 1.00

Table 6.5 Valuation summary, 21st April 2016, of the Kupang Joint Venture assets, inclusive the consideration of the 95% holding in the PT Tanjung Mas concession area by PT KR.

7 CONCLUSIONS

PT GMT Indonesia (GMT) was requested by Squire Patton Boggs (AU) (SPB) to complete a valuation of the beneficial assets of Kupang Resources Limited (KRL) within Indonesia.

On 16 November 2001, KRL was registered in New South Wales. At the time of its incorporation, the company was known as 'Chameleon Mining NL'. On the 25th May 2012, the company changed its name to Kupang Resources Limited (KRL). This company was delisted from the Australian Stock exchange in August 2015 and is under administration.

In April 2012 KRL acquired a 55% shareholding in a Joint Venture entity known as PT Kupang Resources (KJV). The total acquisition cost was AUD 10 million⁹.

They are:

- PT Tanjung Mas mineral concession
- PT Mangan Kupang Industri mineral concession
- The Kupang joint venture (KJV) stockpile area and ship loader.

GMT considers that the overall value, on a Fair Market Value basis, of the Timor-based assets of PT Kupang Resources (PT KR), which is equivalent to the Kupang Joint Venture (KJV) is:

Asset	Value (Australian Dollars, AUD)		
	Low	High	Preferred
PT Tanjung Mas	\$590,000	\$780,000	\$680,000
PT Mangan Kupang Industri	\$-	\$-	\$-
KJV Stockpile/Ship-loader	\$185,000	\$235,000	\$210,000
Total PT KR Fair Market Valuation	\$775,000	\$1,015,000	\$890,000

Exchange rate AUD 0.763 = USD 1.00

There is no value ascribed to the actual manganese mineral deposits within the concession areas as, until exploration expenditure is made, the presence of any economic deposits of manganese remains speculative.

UNSIGNED DRAFT

Signed as Competent person Brett D. Gunter (MAusIMM, 112839)

This independent valuation report has been compiled based on information available up to and including the date of the 25th March 2016. The report has been compiled in accordance with the Valmin Code (2015 edition). Consent has been given for the distribution of this report in the form and context in which it appears. I have no reason to doubt the authenticity or substance of the information provided.

⁹ Chameleon Mining NL announcement dated 30th March 2012, titled "Acquisition of major stake in significant manganese project".

APPENDIX A. EXPLORATION REPORT ON PT TANJUNG MAS TENEMENT

APPENDIX B. EXPLORATION REPORT ON PT MANGAN KUPANG INDUSTRI TENEMENT

APPENDIX C. APPOINTMENT LETTER

APPENDIX D. RESUME OF COMPETENT PERSON

APPENDIX E. DOCUMENTS RELIED ON FOR THE COMPILATION OF THIS VALUATION REPORT

List of Documents and Correspondence Relating to this Valuation Report:**Documents Provided by SPB**

ASIC – Current and Historical Extract – NTT Manganese Pty. Ltd (CAN: 153 953 505), issued on the 22/12/2015

ASIC – Current and Historical Extract – Chameleon Kupang Pty Limited (CAN: 155 833 837), issued on the 22/12/2015

Chameleon Mining NL Announcement entitled 'Acquisition of Major Stake in Significant Manganese Project' dated 30 March 2012;

Export Permit issued by the Indonesia Ministry of Trade dated 4 July 2012 to CV Utama Sentosa Abadi, number 61/DAGLU/ET-TAMBANG/7/2912

Manganese export quota number 03.PE-05.13.0027 issued by the Ministry of Trade, Republic of Indonesia to CV Utama Sentosa Abadi on the 18th January 2013

Memorandum of Understanding between PT Kupang Resources and CV Utama Sentosa Abadi, dated the 14th May 2013 allowing PT Kupang Resources to use the CV Utama Sentosa Abadi trading and export permit to export manganese ore from Tenau or Wini port, unsigned.

Ministerial Decree from the Department of Justice and Human Rights, Republic of Indonesia, number AHU-48053.AH.01.02.Tahun 2010, dated the 12th October 2010 approving the change in shareholding of PT Tanjung Mas;

PT GMT Indonesia report number 1343 TM/GEOL/2012.12 entitled 'Kupang Resources Limited - Concession Review of the PT Tanjung Mas Concession Area, Kecamatan of Lasiolat, Kabupaten of Belu, Province of Nusa Tenggara Timor, Indonesia' dated December 2012;

Kupang Resources Ltd. Annual report for 2013 lodged 1 Oct 2013.

Kupang Resources Annual Report for the Year Ended the 30th June 2014 (including Audit Report), dated the 30th September 2014; and

Deed of Company Arrangement in relation to KRL dated the 9th September 2015.

Report To Creditors Kupang Resources Limited (Administrator Appointed) (Receivers And Managers Appointed) dated the 25th August 2015;

Schedule 7 of the Uniform Civil Procedure Rules 2005 (NSW); and,

Code for the technical assessment and valuation of mineral and petroleum assets and securities for independent expert reports, The VALMIN Code, 2005 edition.

Documents Provided by GMT

PT GMT Indonesia report 1255 MKI/GEOL/2012.09 entitled "Geological mapping and concession review of the PT Mangan Kupang Industri concession area, Kecamatan of Taebenu, Kabupaten of Kupang, Province of Nusa Tenggara Timor, Indonesia." dated September 2012.

Australasian code for public reporting of technical assessments and valuations of mineral assets. (The Valmin Code, 2015 edition).

Australasian code for reporting of exploration results, mineral resources and ore reserves. (The JORC Code, 2012 edition).

Peraturan Menteri Energi dan Sumber Daya Mineral, Republic of Indonesia Nomor: 08/Tahun 2015, regarding the requirements for value adding of minerals through processing and refining.