



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 name 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 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

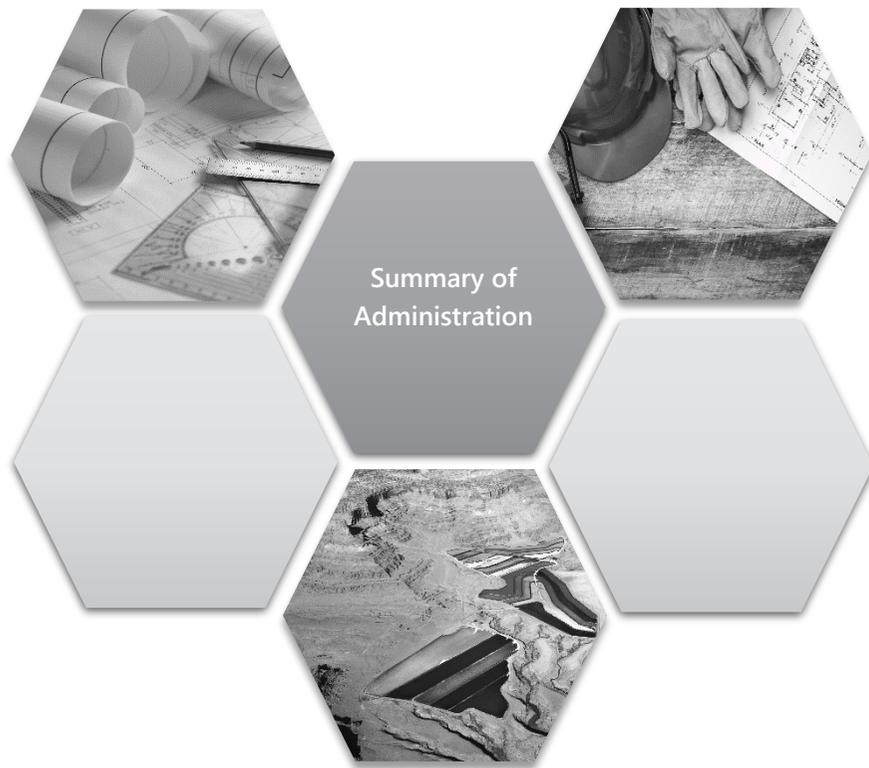
Registration Number	Registration Start Date	PMSI	Collateral Type
2012111400065173	14/11/2015 21:44:07	Yes	All present and after acquired property. No exceptions

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
(Adminsitrator Appointed) (Receivers and Managers Appointed)
ACN: 098 773 785
Report as to Affairs (RATA)

	Notes	Directors'	Receivers and Managers'		Administrator's Estimated	
		Report as to	Assessment		Realisable Value	
		Affairs	(as at 28 May 2015)		(as at 29 July 2015)	
		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					
Principal Debt owing to ILP		\$1,980,000	Withheld	Withheld	\$1,980,000	\$1,980,000
Accrued Interest on Principal Debt		\$628,312	Withheld	Withheld	\$628,312	\$628,312
Costs of Receiver and recovery costs		Nil	Withheld	Withheld	\$725,258	\$725,258
Disputed amount owing to ATO in respect of ILP Debt		\$400,000	Withheld	Withheld	\$400,000	Nil
Estimated Shortfall After Secured Creditor Claims		\$12,608,943	Withheld	Withheld	(\$3,716,115)	(\$1,316,115)
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, outgoings 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 is 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 transactions 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, and 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 ILP Funding Agreement

Having reviewed the history of the ILP funding agreement with the Company in respect of the Grimaldi Proceedings there appears to be a relationship between the termination of the ILP 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 complete 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 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 Amount (\$)	ILP DOCA Proposal Optimistic Scenario Amount (\$)	ILP DOCA Proposal Pessimistic Scenario Amount (\$)	CVL Optimistic Scenario Amount	CVL Pessimistic Scenario Amount (\$)	CVL Most Likely Scenario 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							
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*

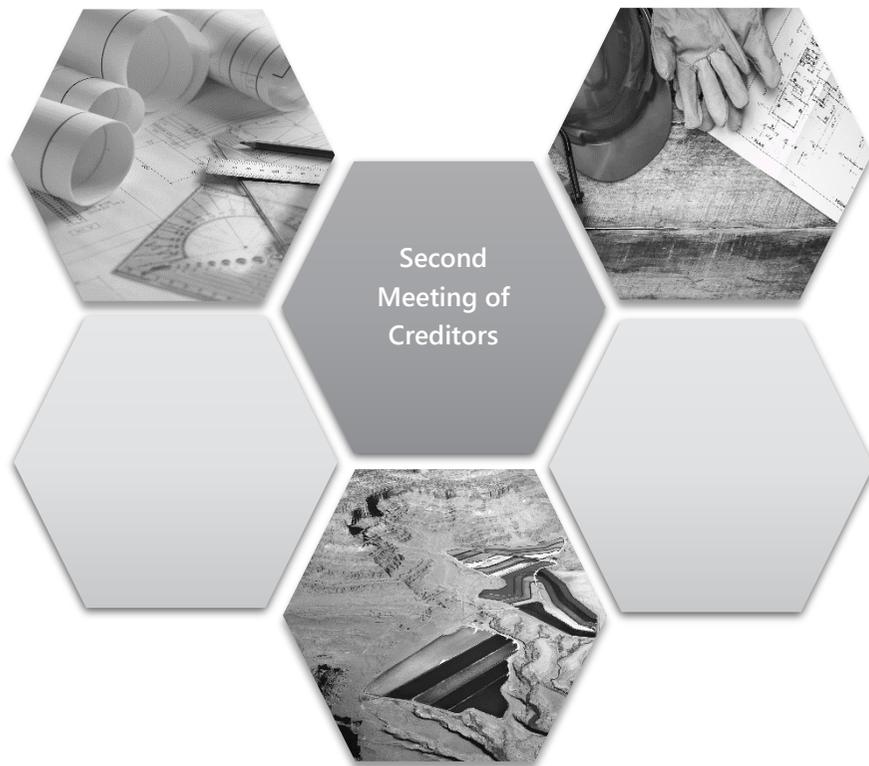
It is my opinion that it would be in the best interests of creditors for the Company to enter into a Deed of Company Arrangement.

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:

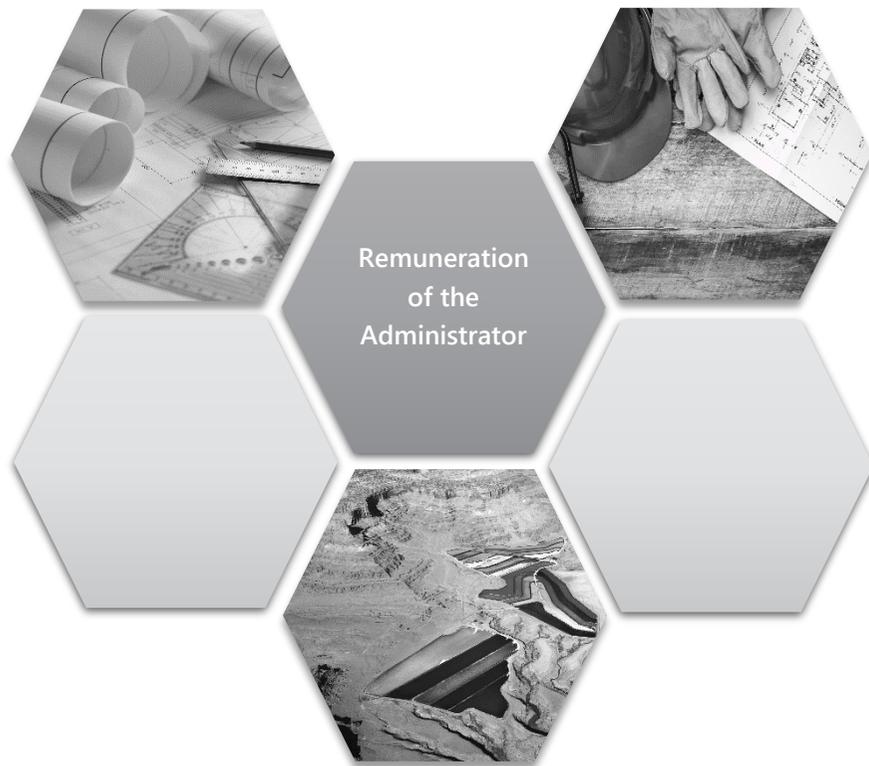
A poll could be demanded before or on the declaration of a result on the voices by:

- 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.

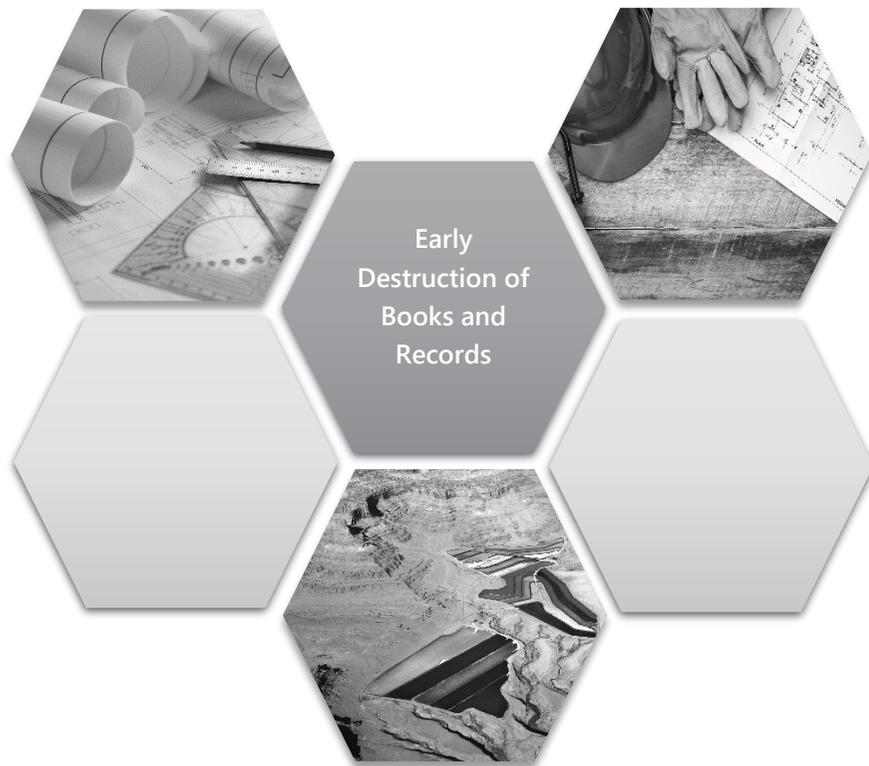
- remuneration as Voluntary Administrator from 29 July 2015 to 2 September 2015 in the amount of \$30,000 plus GST;
- remuneration as Voluntary Administrator from 2 September 2015 to the conclusion of the voluntary administration in the amount of \$5,000 plus GST;
- remuneration as Liquidator (if applicable) 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 M Hodgkinson', written in a cursive style.

Damien M Hodgkinson
Administrator



DEM AUSTRALASIA

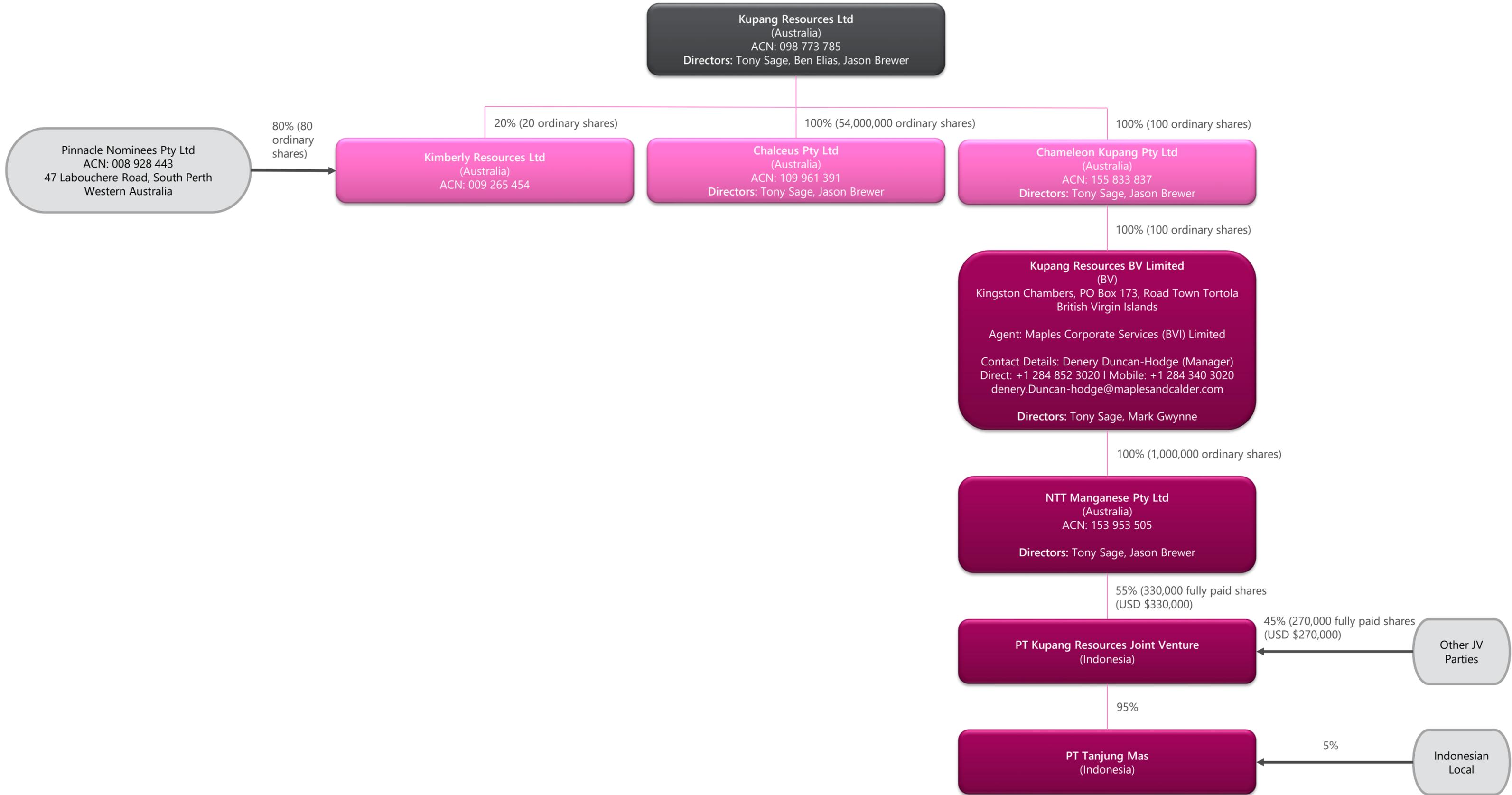
KUPANG RESOURCES LIMITED
(ADMINISTRATOR APPOINTED)
(RECEIVERS AND MANAGERS APPOINTED)
ACN: 098 773 785

**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 (<i>Actual</i>) \$1,940.00 (<i>Actual</i>)	Receivership	<ul style="list-style-type: none"> Liaise with Receivers and Managers as to status of the administration and business.
	Company Assets	<ul style="list-style-type: none"> Conduct and review results of property searches. Liaise with directors as to operations of business and JV interest.
	Other Assets	<ul style="list-style-type: none"> Conduct searches / enquiries.
Creditors 74.25 hours (<i>Actual</i>) \$23,402.50 (<i>Actual and Estimate</i>)	Creditor Enquiries	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> Receipting and filing Proofs of Debt.
	Meeting of Creditors	<ul style="list-style-type: none"> Preparation of meeting notices, proxies and advertisements. Forward notice of meeting to all known creditors. Preparation of meeting file, including agenda, certificate of postage, attendance register, list of



Task Area	General Description of Tasks	Additional Description
		<p>creditors, reports to creditors, advertisement of meeting and draft minutes of meeting.</p> <ul style="list-style-type: none"> • Conduct meeting of creditors. • Preparation and lodgement of minutes of meetings with ASIC. • Responding to stakeholder queries and questions immediately following meeting.
<p>Investigation</p> <p>31.15 hours (Actual)</p> <p>\$9,697.50 (Actual and Estimate)</p>	Conducting Investigation	<ul style="list-style-type: none"> • 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.
<p>Administration</p> <p>21.8 hours (Actual)</p> <p>\$9,230.00 (Actual and Estimate)</p>	Correspondence	<ul style="list-style-type: none"> • General correspondence RE: appointment. • Various correspondence with director via email and telephone.
	Insurance	<ul style="list-style-type: none"> • Identification of potential issues requiring attention of insurance specialists. • Correspondence with insurer regarding initial and ongoing insurance requirements. • Reviewing insurance policies.
	Shareholders	<ul style="list-style-type: none"> • General correspondence RE: appointment and correspondence with same.
	ASX	<ul style="list-style-type: none"> • Lodgements as required.
	ASIC Form 524 and Other Forms	<ul style="list-style-type: none"> • Prepare and lodge ASIC forms.
	ATO and Other Statutory Reporting	<ul style="list-style-type: none"> • Notification of appointment. • Register for GST. • ATO FOI Request.
	Planning & Reviews	<ul style="list-style-type: none"> • Reviews / discussions regarding status of administration. • General periodic file reviews.
	Books and Records	<ul style="list-style-type: none"> • 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
<i>Number of Hours Worked (Actual)</i>				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	<ul style="list-style-type: none"> Considering potential realisation of assets.
	Receivership	<ul style="list-style-type: none"> Liaising with Receivers and Managers regarding the ongoing operations of the business.
Creditors 7.2 hours \$3,529.41	Creditor Enquiries	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> Preparing reports, investigation, meeting and general reports to creditors.
	Dealing with Proofs of Debt	<ul style="list-style-type: none"> Receipting and filing Proofs of Debt. Correspondence with creditors RE: Proofs of Debt.
	Meeting of Creditors	<ul style="list-style-type: none"> Preparation of meeting notices, proxies and advertisements. Forward notice of meeting to all known creditors. Preparation of meeting file, including agenda, certificate of postage, attendance register, list of creditors, reports to creditors, advertisement of meeting and draft minutes of meeting. Conduct meeting of creditors. Preparation and lodgement of minutes of meetings with ASIC.



Task Area	General Description	Includes
		<ul style="list-style-type: none"> Responding to stakeholder queries and questions immediately following meeting.
Administration 2 hours \$980.40	Correspondence	<ul style="list-style-type: none"> General correspondence RE: appointment with stakeholders.
	Insurance	<ul style="list-style-type: none"> Correspondence with insurer regarding initial and ongoing insurance requirements. Reviewing insurance policies.
	ATO and Other Statutory Reporting	<ul style="list-style-type: none"> Complete BAS.
	ASX	<ul style="list-style-type: none"> Announcements and necessary lodgements.
	DOCA	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> Preparing reports to secured creditor. Responding to secured creditor's queries.
	Creditor Reports	<ul style="list-style-type: none"> Prepare and send statutory reports to creditors.
	Dealing with Proofs of Debt	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> Notice to creditors advising of intention to declare dividend. Advertisement of intention to declare dividend Preparation of dividend calculation.



Task Area	General Description	Includes
		<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • General correspondence RE: appointment.
	Insurance	<ul style="list-style-type: none"> • Correspondence with insurer regarding initial and ongoing insurance requirements. • Reviewing insurance policies.
	Bank Account Administration	<ul style="list-style-type: none"> • Process receipts and payments for appointment. • Bank account reconciliations.
	ASIC Form 524 and Other Forms	<ul style="list-style-type: none"> • Prepare and lodge ASIC forms.
	ATO and Other Statutory Reporting	<ul style="list-style-type: none"> • Complete BAS.
	Finalisation	<ul style="list-style-type: none"> • Notify ATO of finalisation. • Complete checklists. • Notify directors / relevant parties of finalisation of Deed. • Finalise WIP.
	Planning & Reviews	<ul style="list-style-type: none"> • Reviews / discussions regarding status of administration. • General periodic file reviews. • Prepare & maintain file checklists. • Filing of documents.
	ASX	<ul style="list-style-type: none"> • Liaising and lodgement with ASX as required.
	Shareholders	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> Liaise with Receivers and Managers regarding ongoing management of Company's assets and business.
	Other Assets	<ul style="list-style-type: none"> Conduct searches / enquiries.
Creditors 70 hours \$21,843.50	Creditor Enquiries	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> Preparing reports to secured creditor. Responding to secured creditor's queries.



Task Area	General Description	Includes
	Creditor Reports	<ul style="list-style-type: none"> • Prepare and send initial notification to creditors. • Prepare and send statutory reports to creditors.
	Dealing With Proofs of Debt	<ul style="list-style-type: none"> • Receipting and filing Proofs of Debt. • Maintain Proof of Debt register. • Correspondence with creditors RE: Proofs of Debt.
	Meeting of Creditors	<ul style="list-style-type: none"> • Preparation of meeting notices, proxies and advertisements. • Forward notice of meeting to all known creditors. • Preparation of meeting file, including agenda, certificate of postage, attendance register, list of creditors, reports to creditors, advertisement of meeting and draft minutes of meeting. • 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	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • Internal meetings to discuss status of litigation. • Preparing brief to solicitors. • Liaising with solicitors regarding recovery actions. • Attending to negotiations. • Attending to settlement matters.
	ASIC Reporting	<ul style="list-style-type: none"> • Preparing statutory investigation reports. • Preparing affidavits seeking non lodgements assistance. • Liaising with ASIC.
Administration 40.0 hours \$12,482.00	Correspondence	<ul style="list-style-type: none"> • General correspondence RE: appointment including shareholders.
	Insurance	<ul style="list-style-type: none"> • Correspondence with insurer regarding initial and ongoing insurance requirements. • Reviewing insurance policies.
	Bank Account Administration	<ul style="list-style-type: none"> • Correspondence closing accounts. • Process receipts and payments for appointment.



Task Area	General Description	Includes
		<ul style="list-style-type: none"> Request bank statements. Bank account reconciliations.
	ASIC Form 524 and Other Forms	<ul style="list-style-type: none"> Prepare and lodge ASIC forms.
	ATO and Other Statutory Reporting	<ul style="list-style-type: none"> Notification of appointment. Complete BAS.
	Finalisation	<ul style="list-style-type: none"> Notify ATO of finalisation. Cancel ABN / GST / PAYG registration. Complete checklists. Notify Directors / relevant parties of finalisation. Finalise WIP.
	Planning & Reviews	<ul style="list-style-type: none"> 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 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 qualify 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.

A handwritten signature in black ink, appearing to read 'Damien M Hodgkinson'.

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	<u>\$15,114,651</u>	<u>(\$13,782,073)</u>	<u>(\$2,239,229)</u>	<u>(\$917,388)</u>
Income Tax Expense	<u>\$1,834,335</u>	<u>(\$3,073,415)</u>	<u>\$0</u>	<u>\$0</u>
Profit / Loss After Tax	<u><u>\$13,280,316</u></u>	<u><u>(\$10,708,658)</u></u>	<u><u>(\$2,239,229)</u></u>	<u><u>(\$917,388)</u></u>



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	<p>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.</p> <p>Where a complaint relates to matters regarding the personal conduct of an ARITA member, ARITA will investigate the matter on an individual basis.</p> <p>Where a complaint relates to matters regarding the personal conduct of a non-member, ARITA will be unable to investigate the matter.</p>
Firm procedural issues involving administrations conducted by ARITA non-members	<p>ARITA is unable to investigate complaints related to administrations that are conducted by practitioners who are not members of ARITA.</p> <p>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.</p>

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	<ol style="list-style-type: none"> 1 Initial receipt of complaint 2 Initial review by Technical Specialist 3 Final determination of complaint
Member	<ol style="list-style-type: none"> 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	\$	-



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**REPORT TO CREDITORS PURSUANT TO S439A
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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)
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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
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- *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 meeting

as *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)			
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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