PPB ADVISORY

Administrators' report

Section 439A of the Corporations Act 2001

13 May 2016

Administrators:
Stephen Longley, Grant Sparks and Martin Ford

Linc Energy Limited
(Administrators Appointed)
ACN 076 157 045

(the Company)

PPB Pty Limited trading as PPB Advisory ABN 67 972 164 716
Liability limited by a scheme approved under Professional Standards Legislation
PPB Pty Ltd has associated but independent entities and partnerships

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C. Declaration of Independence, Relevant Relationships and Indemnities
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Glossary

Abbreviations	Definitions
Act	Corporations Act 2001 (Cth)
Administrators	Stephen Longley, Grant Sparks and Martin Ford and of PPB Advisory in their capacity as joint and several Administrators of the Company
AEST	Australian Eastern Standard Time
APAAP	All present and after-acquired property, a term associated with security interests under the PPSA
ARITA	Australian Restructuring Insolvency and Turnaround Association. ARITA was formerly the Insolvency Practitioners Association of Australia.
ASIC	Australian Securities and Investments Commission
ASX	Australian Securities Exchange
ATO	Australian Taxation Office
BACJV	Blair Athol Coal Joint Venture
Bankwest	Bank of Western Australia Limited
COC	Committee of Creditors
Code	ARITA Code of Professional Practice
CEO	Mr Craig Ricato
CFO	Mr Chris Munday
COI	Committee of Inspection
CN	Convertible Noteholders
Company	Linc Energy Limited ACN 076 157 045 (Administrators Appointed)
COO	Mr Michael Mapp
D&O	Directors & Officers' Insurance Policy
DPP	Director of Public Prosecutions
Deed	Deed of Company Arrangement
DE	Department of Employment
DEHP	Department of Environmental and Heritage Protection
Directors	Mr Mark Leahy, Mr Craig Ricato, Mr Ken Dark, Mr Ong Tiong Soon and Mr James Yip
DIRRI	Declaration of Independence, Relevant Relationships and Indemnities, pursuant to s436DA of the Act and Code.
DNRM	Department of Natural Resources and Mines
EA	Environmental Authorities
ERV	Estimated realisable value
FEG	Fair Entitlements Guarantee, a scheme administered by the DE to provide assistance to employees owed outstanding employee entitlements following the insolvency / bankruptcy of an employer
First Meeting	First meeting of creditors held on 27 April 2016
FY	Financial Year (e.g. the financial year 1 July 2015 to 30 June 2016 would be expressed as FY16)
Group	The Company) and its wholly owned subsidiaries
GST	Goods and Services Tax

Abbreviations	Definitions
GTL	Gas to Liquids
HOA	Heads Of Agreement
HY	Half Year (e.g. the half financial year 1 July 2015 to 31 December 2015 would be expressed as HY15)
K	Thousand
LTO	Land Titles Office
LPP	Legal Professional Privilege
M	Million
NEC	New Emerald Coal Limited
MIGD	Moving Injection Gravity Drainage
PAYG	Pay As You Go
PPSR	Personal Property Securities Register
RBC	Royal Bank Canada
RATA	Directors' Report As To Affairs
SAPEX	SAPEX Limited
Second Meeting	Second meeting of creditors to be held on 23 May 2016
SGC	Superannuation Guarantee Charge
S or SGD	Singapore dollar
SGX	Singapore Stock Exchange
UCG	Underground Coal Gasification
UMG	United Mining Group
YTD	Year To Date, a period starting from 1 July 20XX to a specified date

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1. Disclaimer

In reviewing this Report, creditors should note:

This Report is based upon our preliminary investigations to date. Any additional material issues that are identified subsequent to issuing this Report may be the subject of a further written report and/or tabled at the Second Meeting.

The contents of this Report are based on information obtained from the Company's books and records, financial systems, representations from the directors, key management and our own enquiries and investigations.

The statements and opinions given in this Report are given in good faith and in the belief that such statements and opinions are not false or misleading. Except where otherwise stated, we reserve the right to alter any conclusions reached on the basis of any amended or additional information which may be provided to us between the date of this Report and the date of the Second Meeting.

In considering the options available to creditors and formulating our recommendation, the Administrators have necessarily made forecasts of asset realisations and total creditor claims. These forecasts and estimates may change as asset realisations progress and claims are received from creditors. While the forecasts and estimates are based on the Administrators' best assessment in the circumstances, creditors should note that the eventual outcome for creditors may differ from that estimated in this Report.

Neither the Administrators, PPB Advisory nor any member or employee of the firm is responsible in any way whatsoever to any person in respect of any errors in this Report arising from incorrect information provided to us.

The Administrators do not assume or accept any responsibility for any liability or loss sustained by any creditor or any other party as a result of the circulation, publication, reproduction or any use of the information presented in this Report.

This Report is not for general circulation, publication, reproduction or any use other than to assist creditors in evaluating their position as creditors of the Company and must not be disclosed without the prior approval of the Administrators.

Creditors should consider seeking their own independent legal advice as to their rights and the options available to them at the Second Meeting.

2. Executive summary

2.1 Appointment background

Stephen Longley, Grant Sparks and Martin Ford were appointed joint and several Administrators of the Company on 15 April 2016 by the directors under s436A of the Act.

2.2 Report's purpose

The purpose of this report is to table the findings of our investigations into the Company's business, property, affairs and financial circumstances, as well as provide an opinion on the three options available to creditors in deciding the future of the Company at the Second Meeting.

2.3 Administrators' recommendation

We recommend that it is in the creditors' interests that the Company be wound up (i.e. placed into Liquidation). A copy of the Statement of Administrators' Opinion is attached at **Appendix J**.

However, we consider that it may be in the creditors' interest to adjourn the Second Meeting for up to 45 business days to allow the Administrators to progress discussions with parties that have expressed an interest in the Company's assets that may include a Deed.

2.4 Second meeting of creditors

The Second Meeting will be held on:

Date:	Monday, 23 May 2016
Registration:	10.30 am
Meeting time:	11.00 am AEST
Location:	PPB Advisory Central Plaza One, Level 27 345 Queen Street Brisbane QLD 4000

To register attendance and be entitled to vote at the Second Meeting, creditors must complete and submit the following forms attached at **Appendix A**:

- Form 532 – Appointment of Proxy
- Form 535 - Proof of Debt form.

All creditors must submit Form 532- Appointment of Proxy if they wish to attend the Second Meeting, however a Form 535 – Proof of Debt form does not need to be completed if this has been previously submitted unless creditors wish to amend the value of their claim.

Forms must be submitted by no later than 4.00pm AEST on Thursday, 19 May 2016 to this office or by email to btebbutt@ppbadvisory.com.

2.5 Deed of Company Arrangement

We have not received any Deed proposals that are capable of being progressed at this time for the Company and therefore the option for creditors to vote in favour of a Deed proposal is currently unavailable.

2.6 Estimated return to creditors

We presently cannot estimate neither the return nor timing of a return to any class of creditors given the sale of the Company's assets is still underway (refer to section 5.8).

2.7 Offences and liquidation recoveries

Our preliminary view is that:

- the Company was solvent prior to the period of our appointment
- we have not identified any potential offences or liquidation recoveries.

Our investigations however remain preliminary and further investigations are required to reach a conclusive view.

2.8 Administrators' overview

2.8.1 *Conduct of administration*

Since our appointment we have:

- undertaken a sale program seeking expressions of interest for the recapitalisation or sale of the Company's business and assets
- continued a reduced level of operations to preserve the Company's assets whilst options for recapitalisation or a sale are progressed
- investigated the historical affairs of the Company
- liaised with creditors and employees
- meetings with the Queensland State Government representatives and on-site inspection at the Chinchilla UCG Facility
- prepared this report and arranged the Second Meeting of creditors.

2.8.2 *Company financial background*

- During the period FY13 to the date of our appointment the Company generated total revenue of $11m (before other income). Total losses of $518m were incurred during the same period.
- Deterioration in the Company's net asset position in the three years to FY15 has been caused by a decline in the value of the Company's investments in its US subsidiaries which reflects continued depressed oil prices

2.8.3 *Reasons for Company's difficulties*

The reasons for the Company's difficulties include but are not limited to:

- the rapid deterioration of global commodity prices and the resulting impact on the Company's financial position and in particular to its US subsidiaries
- the inability to raise further capital following the Queensland Government's decision to commence legal proceedings against the Company for alleged environmental damage
- the unwillingness of major shareholders and CN to participate in the proposed restructure and recapitalisation of the Company.

2.9 Remuneration

We are seeking approval for our remuneration at the Second Meeting as summarised below:

Period	Amount (excluding GST) ($)
Voluntary Administration	
Resolution 1: 15 April 2016 to 10 May 2016	436,287
Resolution 2: 11 May 2016 to conclusion of Administration	250,000
Liquidation	
Resolution 3: 24 May 2016 to completion	300,000

Prospective Liquidators' remuneration will not be sought if creditors elect to form a COI.

Please refer to our Remuneration Report at **Appendix B** for full details of key activities undertaken by us, our partners and staff and the remuneration approval sought.

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3. Introduction

3.1 Appointment information

Stephen Longley, Grant Sparks and Martin Ford were appointed as joint and several Administrators of the Company on 15 April 2016 by the Company under s436A of the Act.

3.2 Declaration of Independence, Relevant Relationships and Indemnities

Our DIRRI is provided at **Appendix C**. The DIRRI discloses information regarding any prior personal or professional relationships the Administrators and PPB Advisory had with the Company or related parties, our independence and any indemnities received relating to this appointment.

There have been no changes to the DIRRI since our appointment.

3.3 Report's purpose

An administrator is required to investigate a company's business, property, affairs and financial circumstances and report to creditors on:

- the administrator's opinion on the options available to creditors, being that the:
    1. Company be wound up (Liquidation)
    2. Company execute a Deed
    3. administration should end (with control of the Company reverting the Company's director(s))
- investigations conducted

3.4 Purpose of second meeting

The Second Meeting will:

- address the contents of this Report
- respond to questions from creditors
- determine the Company's future by resolving one of the three available options
- seek approval of:
    - Administrators' remuneration
    - future remuneration of the Liquidators or Deed Administrators (as applicable)
    - should creditors desire, the formation of a COI.

The current Administrators automatically become the Deed Administrators or Liquidators unless creditors resolve to replace them.

The options available to creditors and the Administrators' opinion on each option are set out in detail in Section 10.

In the absence of a Deed proposal we recommend that the **Company be wound up**.

However, we consider that it may be in the creditors' interest to adjourn the Second Meeting for up to 45 business days to allow the Administrators to progress discussions with parties that have expressed an interest in the Company's assets that may include a Deed.

3.5 Second meeting convening period

The Act stipulates the timing of the Second Meeting. Generally, the Second Meeting must be convened between 15 - 25 business days from the date the administration begins. The Court may extend the convening period if circumstances require. No application to Court has been made to extend the convening period.

3.6 Second meeting details

The Second Meeting will be held on Monday, 23 May 2016 at 11.00 am AEST. Formal notification Form 529 – Notice of Meeting of Creditors is attached at **Appendix D**.

A teleconference facility will be available for creditors who cannot attend the Second Meeting. Dial-in details are provided below:

Conference code:	8612022686

Country	Dial in numbers
Australia (toll free within Australia only)	1300 303 945
Australia	+61 7 3117 0430
Hong Kong	800967018
Singapore	8006162287
United Kingdom	080 8234 2865
United States	1-877-610-2032

3.7 Meeting registration

To register attendance and be entitled to vote at the Second Meeting, creditors must complete and submit the following forms attached at **Appendix A**:

Registration forms	Information
Form 532 – Appointment of Proxy	A new proxy form is required to be completed for each creditors' meeting (i.e. previous meeting proxy forms are not valid for the Second Meeting). If a corporate creditor wants to be represented at the Second Meeting, it must appoint an individual to act on its behalf by providing an executed proxy form. Individuals may choose to appoint a representative to vote on their behalf by executing a proxy form. If an individual is attending in person a proxy form is not required.
Form 535 – Proof of Debt or Claim Form	This form is required to be completed to entitle a creditor to vote at the Second Meeting. Documents to support the amount claimed (e.g. unpaid invoices) must also be provided. There is no requirement to resubmit a proof of debt form if previously provided unless the amount claimed has changed. Please take care when completing the form to ensure the correct party is named as the creditor. As an example, this may include XYZ Pty Ltd as trustee for the ABC Family Superannuation Fund.

Forms must be submitted by no later than 4.00pm AEST on Thursday, 19 May 2016 to this office or by email to btebbutt@ppbadvisory.com.

Only creditors of the Company are entitled to vote at the Second Meeting.

Creditors are encouraged to arrive as early as possible after the registration time to enable the orderly registration of attendees so that the meeting can commence on time.

3.8 Committee of Inspection (COI)

Creditors may wish to establish a COI at the Second Meeting, typically to assist and guide the liquidator or deed administrator (as applicable). A minimum of two members is required to form a COI.

Creditors should consider whether they are in a position to be a COI member, as membership of a COI requires attendance at meetings (telephone facilities will be made available so members do not have to attend in person). Members of the COI must have regard for the creditor group's interest, not their own interests.

Importantly, for a creditor to be eligible for appointment as a member of a COI, they must either:

- be in attendance at the Second Meeting
- appoint a general power of attorney to attend the Second Meeting on their behalf
- authorise a person in writing to be a member of the COI on their behalf.

3.9 Further information

To assist creditors, employees, and shareholders to understand the voluntary administration process, the ASIC has released a package of insolvency information sheets endorsed by ARITA.

Enclosed at **Appendix E** is ASIC's publication Insolvency information for directors, employees, creditors and shareholders, which provides an index of all the information sheets that are available. You can download these information sheets from:

www.asic.gov.au

www.arita.com.au

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4. Company background

4.1 Company overview

The Company was incorporated in Australia in 1996 and listed on the ASX in 2006. The Company subsequently listed on the SGX in December 2013 (and is no longer listed on the ASX).

It is a Queensland based business headquartered in Brisbane operating in the coal, oil and gas sectors. The Group derived its primary revenue from providing conventional production techniques and its proprietary advanced technologies to extract value from the development of these natural resources.

In addition to directly holding coal assets across Queensland, the Company was also focused on the research and development of proprietary technologies for the:

- extraction of heavy oil (MIGD)
- gasification of otherwise abandoned coal to create a synthesis gas or UCG technology.

Between 2007 and 2013 the Company operated a UCG demonstration facility in Chinchilla, Queensland. The facility has been placed into care and maintenance since late 2013. Further details regarding the Chinchilla UCG Facility are provided in Section 4.4 below.

The Company also holds, via its wholly owned subsidiaries, interests in:

- the world's only commercially operating UCG facility in Uzbekistan (following the acquisition of a controlling stake in Yerostigaz in October 2007)
- exploration shale oil and gas assets in the Arckaringa Basin, South Australia (following the takeover of SAPEX in October 2008)
- onshore oil assets in Alaska, Louisiana, Texas and Wyoming, US (acquired between 2009 and 2011).

The US oil operations are within the Company's US subsidiaries which are controlled by the Company through its shareholdings only. These subsidiaries have their own secured loan notes and trading liabilities which are not guaranteed by the Company nor its Australian subsidiaries (except for an office lease). Due to the rapid decline in oil prices and resulting impact on revenue, the US subsidiaries are currently considering restructuring options.

In August 2010 the Company sold its Carmichael coal mine located in the Galilee Basin, Queensland to the Adani Group for $500m with a $2 per tonne royalty. It subsequently agreed terms to sell the royalty to the Adani Group for a further $155m in August 2014. The Company later sold the majority of its remaining coal interests to UMG in February 2015.

Information regarding the Company's financial background is discussed in Section 6.

Further information regarding the Company is available on its website at www.lincenergy.com. We have not changed any material on the Company website that existed at the time of our appointment. Updates to the website have been limited to information about our appointment and key notices issued during the Administration.

4.2 Company structure

A diagram of the Company's group structure (otherwise known as the Group) at appointment date is provided at **Appendix G**.

4.3 Events leading to our appointment

Set out below is a summary of the events leading to our appointment:

Date	Event
Apr-2013	Company raises $US200m from CN with redemptions due in Apr-18
Oct-2013	The DEHP responding to ongoing complaints and investigations issues First Warrants
Dec-2013	Company delists from the ASX and lists on SGX
Apr-2014	Criminal charges laid against Company by the DEHP
Jun-2014	Company records a loss of $115m
Aug-2014	Terms agreed for the sale of the Carmichael Royalty to the Adani Group for $155m
Oct-2014	Company receives first $90m proceeds from the sale of the Carmichael Royalty
Nov-2014	Further criminal charges laid against the Company by the DEHP
Jan-2015	Repayment of $US50m to CN. Redemption option date is extended to Apr-16
Feb-2015	DEHP issues notice to the Company requiring $29.4m financial assurance for the Chinchilla UCG Facility (increased from $3.6m). Company subsequently seeks a stay until May-16
Apr-2015	Company receives $65m from debtor factoring facility for the balance of the Carmichael Royalty
May-2015	Company lends its subsidiary Linc USA GP $30m
Jun-2015	Company writes off $157m from its investments in its subsidiaries, primarily as a result of lower oil prices impacting the value of its US operations
Sep-2015	Auditors issue an unqualified audit report with an emphasis of matter regarding the Company's ability to continue as a going concern
Oct-2015	Interest repayment of $US6m to CN
Dec-2015	Announcement of resignation of Mr Peter Bond, Executive Chairman
Dec-2015	Company writes off a further $166m from its investments in its subsidiaries, again principally due to the impact of lower oil prices on its US operations
Jan-2016	Approval received from CN to remove the existing redemption put date of April 2016, reduce the interest coupon on the Notes to 0% and reset conversion price
Jan-2016	Private placement of share capital from existing CN raises S$2.9m
Feb-2016	Private placement of share capital from existing CN raises $US2.5m
Mar-2016	Share consolidation of every six ordinary shares to one ordinary share is completed
Mar-2016	CN elect to convert US$22.1m of debt to equity
Mar-2016	Voluntary trading halt from the SGX
Apr-2016	Voluntary suspension from the SGX
Apr-2016	Appointment of Administrators

4.4 Chinchilla UCG Facility

The Company operated a UCG demonstration facility in Chinchilla, Queensland, between 2007 and 2013. This facility is comprised of five gasifiers and was pivotal to the Company's research and development program to commercialise the UCG technology

The Company held approval to operate the Chinchilla UCG Facility pursuant to a Mineral Development Licence and associated EA issued by the State Government (and now through the DEHP).

We note that subsequent to our appointment, the Queensland State Government introduced new legislation which prohibited all future UCG operations in Queensland.

4.5 Litigation with the DEHP

4.5.1 *Warrant proceedings*

On 17 October 2013 the DEHP sought to execute warrants (**First Warrants**) at the Company's Brisbane head office and its Chinchilla UCG Facility to seize documents as part of an investigation into allegations of unlawful serious environmental harm by the Company in connection with its UCG operations. The Company sought a stay and the First Warrants were ultimately set aside by the Court on 17 October 2013.

The DEHP subsequently executed fresh warrants (**Second Warrants**) on 18 October 2013 at both the Company's Brisbane head office and the Chinchilla UCG Facility, seizing numerous electronic and hard copy records.

The Company appealed against the validity of the execution of the Second Warrants. A finding by the Court on 1 August 2014 declared that the seizure of certain electronic data from the Company was unlawful and that DEHP was not entitled to retain the data. This decision however was subsequently overturned on appeal on 16 October 2015.

During these proceedings the Company made a claim for LPP over certain documents seized by the DEHP pursuant to the Second Warrants. A protocol was ordered by the Court to facilitate the Company reviewing all documents prior to them being released to the DEHP in order to allow the Company to make claims for LPP.

As at the date of our appointment, the review of the seized records for LPP was still in its preliminary stages. The DEHP have requested the Administrators continue to maintain the Company's obligations pursuant to the protocol established by the Court. We are currently considering the Company's interest in these proceedings and proposed next steps with our legal advisors.

4.5.2 *Civil and criminal proceedings*

The Company was charged on 11 April 2014 with four counts of unlawfully causing serious environmental harm pursuant to section 437(1) of the *Environmental Protection Act 1994* (Qld) associated with the operation of gasifiers 2, 3 and 4 at its Chinchilla UCG Facility. The Company was charged with a further count on 10 June 2015 of unlawfully causing serious environmental harm associated with the operation of gasifier 5 at its Chinchilla UCG Facility.

On 22 October 2015 all five charges proceeded to a nine day committal hearing before the Court to determine if the Company should be committed to stand trial. On 11 March 2016 the Court agreed with the DEHP that the Company should be committed to stand trial on all five charges.

The Company has denied the allegations in all five charges and commenced preparation of its defence.

The DPP is currently considering the charges and has six months from the date of the Court's decision on 11 March 2016 to decide whether to proceed on indictment of none, some or all of the five charges.

As a consequence of the Company entering into voluntary administration all civil proceedings are automatically stayed pursuant to section 440D of the Act. This however would not prevent the DPP continuing to pursue criminal charges against the Company and its (current and former) Directors and/or officers.

4.5.3 *Financial assurance proceedings*

The DEHP currently holds $3.6m provided by the Company as financial assurance for rehabilitation of the Chinchilla UCG Facility via cash backed bank guarantee(s) held with BankWest.

Since the cessation of operations in late 2013, the Company has commenced decommissioning the Chinchilla UCG Facility, as a precursor to remediating the site and was in discussions with its

Independent Land Contamination Auditor to seek approval for and finalise its proposed rehabilitation plan.

On 4 March 2015 the DEHP issued a notice to the Company seeking to increase the amount of financial assurance held from $3.6m to $29.4m. On 1 April 2015 the Company was granted a stay by the Court on the increased financial assurance until 9 May 2016. This has since been stood over until 16 June 2016.

During this period the Company and the DEHP agreed to a joint process regarding the development of an acceptable rehabilitation plan for the Chinchilla UCG Facility. Experts were separately retained by the Company and the DEHP to properly cost their proposed rehabilitation plans.

We are currently considering the Company's interest in these proceedings and proposed next steps with our legal advisors.

4.6 Statutory information

A search of ASIC's database reveals the following details regarding the Company and its Directors, other officers and shareholders.

Item	Company details
Date of incorporation	29/10/1996
Registered office	32 Edward Street Brisbane QLD 4000
Principal place of business	32 Edward Street Brisbane QLD 4000

Directors' details	Appointment from/to
Kenneth Eidler Dark	20/10/2004 – present
Craig Steven Ricato	01/10/2010 – 22/04/2016
John Mark Leahy	03/08/2015 – present
Mun Foong Yip	03/08/2015 – present
Peter Adam Bond	20/10/2004 – 11/12/2015
Jon Russell Mathews	23/12/2009 – 31/07/2015
Ah Doo Lim	22/11/2013 – 24/06/2015
Koh Ban Heng	22/11/2013 – 22/05/2015

Secretary's details	Appointment from/to
Janelle Catherine Van De Velde	01/01/2015 – 29/04/2016

The Company has issued 176,256,000 ordinary fully paid shares (rounded to the nearest thousand, as at 6 April 2016):

No.	Holder name	Shares held	% of shares held
1.	Peter Bond	33,770,172	31.66
2.	Genting Strategic Investments (Singapore) Pte Ltd	18,284,000	17.14
3.	Credit Suisse, Investment Banking and Securities Investments	13,560,898	12.71
4.	Burlington Loan Management Ltd	7,280,633	6.83
5.	Taconic Capital Advisors L.P.	6,616,180	6.20
6.	Remaining shareholders	96,744,117	25.46
	Total	**176,256,000**	**100.00**

Source: SGX, the Company's website

4.7 Creditors' claims

At our appointment date, the claims of the Company's creditors totalled $289,379,192. The following table summarises estimated claims by each known class of creditor.

Creditor class	Number of creditors	Amount ($)
Non-circulating	1	147,847
Employee entitlements		
Priority creditors	60	1,971,319
Excluded employees	2	4,000
Unsecured creditors		
Trade/External creditors	87	178,524,622
Related parties	4	1,231,654
Convertible Noteholders	1	107,499,750
Total creditor claims	**155**	**289,379,192**

These claims may be subject to change.

These amounts have been derived from the:

- RATA provided by the Directors (section 6.3)
- Company's books and records
- formal proof of debt or claim forms submitted by creditors.

4.7.1 *Secured creditors*

A 'secured creditor' is a creditor that holds a security interest over some or all of a company's assets. To be valid, the security interest must generally be registered on the PPSR or, in the case of land and buildings, at the relevant LTO. Security interests can be over:

- circulating assets (formerly known as 'floating' assets) e.g. debtors, stock and cash
- non-circulating assets (formerly known as 'fixed' assets) e.g. property, plant and equipment, land, goodwill and rights to dividends.

The secured creditor claim above relates to a PPSR claim made by Fuji Xerox Australia Pty Ltd for leased office equipment.

4.7.2 *Employees*

Outstanding employee entitlements have a statutory priority for payment over other creditors.

The table below details all known outstanding employee entitlements based on the Company's books and records and the RATA provided by the Directors.

Entitlements	Total ($)
Wages	1,526
Superannuation	12,055
Annual leave	756,479
Sick leave	745,158
Long service leave	456,101
Total Priority Creditors excluding redundancy	**1,971,319**
Excluded employees	4,000
Total Priority Employee Entitlements excluding redundancy	**1,975,319**

Additional amounts for payment in lieu of notice and severance pay will need to be included for those employees whom are made redundant.

4.7.3 *Excluded employees*

Excluded employees are defined in the Act as directors and their spouses or relatives (s556(2)).

Outstanding priority employee entitlements for excluded employees are limited to $2,000 for wages (including superannuation) and $1,500 for unpaid annual leave and long service leave. The balance of their entitlements rank as an unsecured claim (s556(1A) and (1B)) of the Act.

Excluded employee	Relationship	Priority claim ($)
John Mark Leahy	Director	2,000
Moong Fun Yip	Director	2,000
Total		**4,000**

4.7.4 *Fair Entitlements Guarantee (FEG)*

It is too early to determine whether sufficient assets will be available to enable outstanding employee entitlements to be paid in full.

In the event that the Company is placed into Liquidation, an employee may be eligible for payment of any shortfall in their employee entitlements (excluding superannuation) under FEG which is administered by the DE.

Former employees must meet eligibility requirements outlined in the *Fair Entitlements Guarantee Act* 2012.

FEG advances are repaid to the Government if and when funds become available, in the same priority as employees' claims. Further information can be found on FEG's website at http://employment.gov.au/fair-entitlements-guarantee-feg.

4.8 Related parties

The Company's related parties and the quantum of their claims at the date of appointment are summarised below:

Related entity	Relationship	Company records or RATA amount ($)
Kenneth Eidler Dark	Director	7,017
John Mark Leahy	Director	13,003
Craig Ricato	Director	1,200,000
Moong Fun Yip	Director	8,861
Total related entity claims		**1,231,654**

Related party claims have not been verified or adjudicated upon. Based on our preliminary review of the Company's books and records, these claims appear to have arisen from outstanding director fees.

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5. Conduct of administration

5.1 First meeting of creditors

The First Meeting was held pursuant to s436E of the Act. Creditors did not resolve to appoint a COC at the meeting. A copy of the First Meeting minutes may be obtained from ASIC's website.

5.2 Impact of government legislation

Since our appointment the Queensland State Government has announced:

- on 18 April 2016 new legislation which prohibited all future UCG operations in Queensland
- on 22 April 2016 the introduction of new 'chain of responsibility' legislation which allows for liability for environmental damages to be attached to key parties involved in the supply chain of a mining based business.

We consider this, together with the existing proceedings between the Company and the DEHP, will have a detrimental impact on our ability to realise any value of the Chinchilla UCG Facility and deter interest in development of the UCG technology.

5.3 General administrative tasks and statutory obligations progressed

- Identified and taken control of the Company's assets, books and records
- Engaged with the Company's management regarding a restructuring plan for the Company's US subsidiaries
- Maintained records of all receipts and payments
- Engaged an external work, health and safety advisor to assist staff maintaining the decommissioned Chinchilla UCG Facility
- Liaised with the ATO regarding GST, PAYG and SGC matters and reporting
- Complied with ASIC statutory and SGX listing requirements, in particular continuous disclosure to the market.

5.4 Investigations into the affairs of the Company and reporting to creditors

- Reviewed the books and records of the Company
- Taken control of all offsite archived books and records
- Commenced a forensic image of the Company's server and computers
- Inspected the Company's Chinchilla UCG Facility
- Completed preliminary investigations of the affairs of the Company and its Directors
- Prepared this Report to creditors.

5.5 Stakeholder liaison undertaken

- Provided notice of the appointment to creditors and employees as well as addressing stakeholder queries
- Attending to quantification of priority claims for employee entitlements
- Commenced preparation of PAYG Summaries and Separation Certificates for staff
- Conducted the First Meeting of Company's creditors
- Held regular meetings and ongoing liaison with key stakeholders including but not limited to with employees, CN, the Queensland Government (DEHP as well as the DNRM), shareholders and other creditors.

5.6 Operations of the Company

- Implemented additional internal controls for accounting procedures
- Established new trading accounts with critical suppliers
- Rationalised operations where possible including but not limited to reduced headcount
- Preserved key staff and maintained operations whilst exploring opportunities to recapitalise and/or sell the Company's business and assets
- Undertaken a review of the Company's IT systems and identified opportunities to reduce costs
- Liaised with the Company's insurers regarding our ongoing insurance requirements
- Considered requirements regarding the Company's Brisbane head office and progressed discussions with its landlord
- Continued the operations of care and maintenance at the Chinchilla UCG Facility
- Engaged legal advisors to assist with legal matters which the Company is involved.

5.7 Management of assets

- Secured the Company's cash on hand and at bank and verification of cash-backed bank guarantees issued to external parties
- Engaged valuers to:
  - document and value the Company's plant and equipment
  - value the Company's real property assets
- Identified and managed with existing key personnel the mining tenements held by the Company, including the following tasks:
  - identification of renewal dates for each tenement
  - confirming any commitments required to be met to preserve each tenement
- Progressed investigations into funds owed by the Company's subsidiaries along with the recoverability of those funds
- Commenced recovery actions against a number of related party and third party debtors
- Engaged advisors to assist with consideration of recovery of the Company's interest in Yerositgaz
- Progressed investigations into realisation of the Company's SGX listed shell
- Dealing with legal proceedings against the Company in respect to the Chinchilla UCG Facility, which are detailed in Section 4.5 of this report
- Commenced preparing a package of information to assist our tax advisors to identify any possible recoveries available from the ATO
- Disclaimed leased property and assets that were no longer required.

5.8 Sale of business

5.8.1 *Overview of campaign*

The Administrators undertook a parallel recapitalisation and sale campaign in which we sought indicative bids by 11 May 2016. The benefits of the parallel campaign included:

- allowing interested parties the greatest flexibility to recapitalise the Company, purchase the business and/or assets, or a combination thereof
- ensuring the broadest range of potential interested parties was canvassed
- ensuring the campaign was undertaken in an efficient and timely manner.

A summary of the campaign is as follows:

- from 15 April 2016 we placed three advertisements in relevant publications and online media locally and globally, inviting expressions of interest
- at the same time, a flyer and confidentiality agreement was distributed to more than 300 parties, inviting expressions of interest
- 20 parties executed confidentiality agreements with 18 parties subsequently provided with access to an online data room containing high-level information on the Company
- interested parties were requested to submit indicative offers by 11 May 2016.

An update regarding progress of the sale campaign will be provided at the Second Meeting.

5.8.2 *Key tasks undertaken*

During April and May 2016, the following tasks were undertaken as part of the campaign:

- with assistance from the management team, we prepared various sale and marketing materials including an information flyer and populating an online data room
- asset valuation professionals were engaged to undertake valuations of the Company's property, plant and equipment
- commenced drafting sale contracts with assistance from legal advisors.

5.8.3 *Outcome of campaign*

The campaign resulted in a number of indicative offers being received to acquire:

- the Company via a Deed
- the business and assets
- various packages of assets.

Due to the commercial sensitivity regarding the sale process, we are unable to provide details of the indicative offers. The Administrators are continuing discussions with key parties, to determine the optimal sale structure.

5.9 Continued operations

Upon our appointment, we assumed full control of the Company's affairs and continued to trade and operate the Company whilst we undertook a sale of business campaign (refer section 5.8). We continue the operations of care and maintenance at the Chinchilla UCG Facility.

The Company had $1.4m amount of cash at bank upon our appointment which has been transferred to an account operated by Administrators. We refer you to **Appendix H** of our report for a summary of the receipts and payments during the Administration for the period 15 April 2016 to 10 May 2016.

6. Company financial background

The Company maintains its financial accounts through the Ellipse accounting system and prepares consolidated company financial statements monthly to assist management decisions as well as to assist meeting the Company's compliance responsibilities to ASIC and SGX.

The Company's annual and interim financial statements are audited by KPMG in accordance with the Act. The last audited financial statements are for the year ended 30 June 2015. Interim accounts for HY15 have been prepared, but require completion of the disclosure notes relating to going concern before they may be finalised.

We have completed a preliminary financial analysis on the following historical results:

- FY15 audited financial statements
- HY unaudited financial statements to 31 December 2015
- YTD unaudited management accounts to 29 February 2016

6.1 Company's financial performance

Key Comments

- The Company's activities were primarily focused on investments in:
  - Australian coal exploration assets
  - US oil and gas operating assets
  - research and development of its GTL and UCG technologies
- Given the nature of the Company's activities it was primarily loss making and therefore reliant on capital (by way of debt and equity) to continue to maintain its operations
- The realisation of the Carmichael Royalty in FY15 provided the Company with capital which it used to:
  - reduce debt (at both the Company and subsidiary level)
  - fund further capital expenditure
  - fund general working capital
- During the period FY13 to the date of our appointment the Company generated total revenue of $11m (before other income). Total losses of $518m were incurred during the same period.

The Company's financial performance for the three fiscal years ended 30 June 2015 and the 8 months to 29 February 2016 (YTD FY16) is summarised below:

Profit and loss item	Notes	FY13 Audited $'000	FY14 Audited $'000	FY15 Audited $'000	YTD FY16 Unaudited $'000
Revenue	1	3,497	3,116	2,306	2,000
Cost of goods sold		-	-	-	-
Gross profit		**3,497**	**3,116**	**2,306**	**2,000**
Other income	2	(308)	196	159,045	5,175
Administration and corporate	3	22,520	(60,056)	(45,422)	(38,144)
Site operating costs	4	(73,003)	(5,427)	(5,499)	(279)
Net foreign exchange (gains) / losses	5	-	(4,253)	8,139	3,168
Other expenses	6	(6,857)	-	(212,646)	(166,600)
Results from operating activities		**(54,151)**	**(66,424)**	**(94,077)**	**(194,680)**
Net finance costs	7	2,063	(26,347)	(59,914)	(3,207)
Profit / (loss) before financial instrument expense and income tax		**(52,088)**	**(92,771)**	**(153,991)**	**(197,887)**
Financial instruments expenses	8	958	(15,651)	(16,817)	(12,719)
Profit / (loss) before income tax		**(51,130)**	**(108,422)**	**(170,808)**	**(210,606)**
Income tax (expense) / benefit		18,627	(6,329)	2,045	(1,776)
Profit / (loss) from continuing operations		**(32,503)**	**(114,751)**	**(168,763)**	**(212,382)**
Loss / (gain) on sale of subsidiary	9	-	-	10,187	-
Profit / (loss) for the period		**(32,503)**	**(114,751)**	**(158,576)**	**(212,382)**

Source: Audited accounts for the period FY13 to FY15 and management accounts YTD FY16

Notes

1. Revenue generated by the Company is a non-cash item as its represents the amortisation of an upfront fee ($20m) received December 2013 from Exxaro to assist it with development of UCG technology based projects. This fee was amortised at $250k per month.
2. Other income reflects any gains realised on the sale of shares (on and off market) above the carrying value of the investment. The significant increase in other income in FY15 represents the sale of the Carmichael Royalty to the Adani Group for $155m.
3. Administration and corporate costs include overheads incurred by the Company as the parent of the consolidated group. The balance of administration and corporate costs for the YTD FY16 predominantly relate to:
   a. employee expenses $12.4m
   b. depreciation expense $5.1m
   c. software amortisation expense $1.0m
   d. allowance for doubtful debts $12.4m.
4. Site operating costs includes expenditure incurred for the Chinchilla UCG Facility site. These expenses have decreased significantly in FY16 as the plant was in the decommissioning phase.
5. Net foreign exchange gains/losses arise on the revaluation of foreign exchange payments, foreign currency bank accounts and intercompany loans held by the Company as parent of the consolidated group.
6. Other expenses reflect the impairment of the Company's US oil and gas investments which was heavily impacted by the continued decline in oil prices over the past 18 months. The value of the investment as at 31 December 2015 is nil.
7. Net finance costs includes interest received from term deposits and the UMG loan receivable which is offset by interest paid/accrued on CN. As at February 2016, the coupon rate on the CN has been reduced to 0% until maturity in April 2018.
8. Financial instruments expenses include exchange rate movements on the CN which are denominated in US dollars.
9. Loss / gain on sale of subsidiary represent the sale of NEC, a wholly owned subsidiary of the Company, to UMG in May 2015.

6.2 Company's financial position

Key Comments

- The Company's primary assets include its investments in:
  - Chinchilla UCG Facility and associated real property
  - Australian coal exploration assets
  - intellectual property associated with its proprietary MIGD and UCG technologies
  - Australian and UK energy based stocks
  - US subsidiaries with oil and gas operating assets
- The Company supported its domestic and foreign based subsidiaries by maintaining large intercompany receivables predominately for the purposes of capital expenditure and working capital support.
- Deterioration in the Company's net asset position in the three years to FY15 has been caused by a decline in the value of the Company's investments in its US subsidiaries which reflects continued depressed oil prices.
- Overheads have been funded by the sale of assets, including the Carmichael Royalty and share investments.

The Company's financial position for the three fiscal years ended 30 June 2015 and the eight months 29 February 2016 (YTD FY16) is summarised below:

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Balance sheet item	Notes	FY13 Audited $'000	FY14 Audited $'000	FY15 Audited $'000	YTD FY16 Unaudited $'000
Current assets					
Cash and cash equivalents	1	118,294	41,632	20,054	869
Trade and other receivables	2	1,334	2,688	2,957	2,580
Available-for-sale assets	3	-	9,258	20,964	4,830
Other financial assets		958	-	-	-
Total current assets		**120,586**	**53,578**	**43,975**	**8,279**
Non-current assets					
Trade and other receivables	4	16,498	5,396	12,495	4,273
Intangibles	5	41,137	39,428	32,112	28,177
Property, plant and equipment	6	8,949	7,909	7,336	4,328
Available-for-sale assets	7	16,220	2,058	2,156	1,834
Deferred tax assets	8	63,266	23,437	17,574	17,588
Other assets		-	-	-	28
Investment in subsidiaries	9	364,572	427,001	270,218	104,573
Receivables from subsidiaries	10	73,788	68,922	84,788	86,873
Total non-current assets		**584,429**	**574,151**	**426,679**	**247,674**
Total assets		**705,015**	**627,729**	**470,654**	**255,953**
Current liabilities					
Trade and other payables	11	18,683	7,536	6,576	1,957
Borrowings	12	1,464	197,507	174,139	-
Provisions	13	2,033	1,717	2,476	3,685
Deferred revenue	14	-	4,211	3,000	3,000
Total current liabilities		**22,180**	**210,971**	**186,191**	**8,642**
Non-current liabilities					
Borrowings		169,717	4	-	192,677
Provisions	15	3,572	5,393	7,236	7,130
Deferred revenue	16	-	13,333	12,250	10,250
Deferred tax liability		54,957	-	-	-
Total non-current liabilities		**228,246**	**18,730**	**19,486**	**210,057**
Total liabilities		**250,426**	**229,701**	**205,677**	**218,699**
Net assets		**454,589**	**398,028**	**264,977**	**37,254**
Equity		**454,589**	**398,028**	**264,977**	**37,254**

Source: Audited accounts for the period FY13 to FY15 and management accounts YTD FY16

Notes

1. Cash and cash equivalents consist of funds held on account in various currencies (mainly Australian dollar) to cover ongoing commitments of the Company and its subsidiaries. Cash balances decreased by $19.2m in the YTD FY16 due to overhead expenses.
2. Trade and other receivables consist of invoiced amounts owing from key vendors such as BAS refunds, accrued interest and insurance prepayments.
3. Available-for-sale assets represent the fair value of the Company's shareholdings which have been realised (both on and off market) during YTD FY16 to fund ongoing commitments. During YTD FY16, shares with a cost base of $8.2m were realised for $4.8m.
4. Non-current receivables include bank guarantees held with financial institutions to cover office rent and the Chinchilla UCG Facility rehabilitation liabilities.
5. Intangible asset balances relate to the cost base of capital works performed on the Company's GTL and UCG technology.
6. This refers to property, plant and equipment held at the Company's Brisbane head office and at the Chinchilla UCG Facility.
7. Non-current available for sale assets includes other listed share investments which are not readily saleable due to a lack of liquidity in the market. Investments are recorded at their fair values.

8. Other non-current assets include the accumulation of tax losses of the consolidated tax group.
9. Investment in subsidiaries relates to:
    a. the initial purchase price of SAPEX. All on-going capital development and exploration works are recorded through an intercompany loan and capitalised in the financial statements of the subsidiary. The holding value of the investment is reviewed for impairment every six months and as at 31 December 2015, management considered that there was no reason to change the carrying value of SAPEX.
    b. fair value of US subsidiaries. Due to the ongoing decline in oil prices, this investment was written down to nil as at 31 December 2015.
10. Receivables from subsidiaries include loans owed by the Company's wholly owned subsidiaries.
11. Trade and other payables include invoiced and committed amounts owing to key vendors, including BACJV and Corrs Chambers Westgarth.
12. Current Borrowings outlines the Australian dollar equivalent outstanding balance on the debt owing to CN. Balances are reported as a current liability at various times due to the redemption put option held by the CN falling within 12 months of the reporting date. This option was removed as at 26 February 2016. Balances have fluctuated during YTD FY16 due to foreign exchange rate movements as well as conversion of bonds to equity.
13. Current provisions include employee entitlements for the Company's staff, including sick leave, annual leave and long service leave.
14. Deferred revenue includes amortisation of the $20m fee received from Exxaro in December 2013.
15. Refer to Note 12 above.
16. Non-current provisions incorporate the calculated rehabilitation provisions for the Company's Chinchilla UCG Facility as well as the non-current portion of employee entitlements for staff.

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6.3 Directors' Report as to Affairs (RATA)

A company director must provide an administrator with a RATA outlining the company's business, property, affairs and financial circumstances at the appointment date (s438B). The RATA should include:

- net asset book values (based on historical financial records)
- estimated asset realisable values
- known liabilities.

The Directors have collectively provided us with a RATA in accordance with their responsibilities under the Act.

Detailed below is the information provided in the directors' RATA.

		Directors' RATA	
	Notes	Book value $'000	ERV $'000
Assets subject to specific security interests		Nil	Nil
Relevant secured creditor claims		Nil	Nil
Surplus/(Deficit) on specific security interests		**Nil**	**Nil**
Other Assets:			
Interest in land	1	3,658	2,560
Sundry debtors	2	13,179	1,532
Cash on hand	3	17	17
Cash at bank	4	1,422	1,422
Stock		Nil	Nil
Work in progress		Nil	Nil
Plant and equipment	5	636	Unknown
Other	6	224,169	5,455
Surplus on specific security interests		Nil	Nil
Sub Total		**243,081**	**10,986**
Less other creditor claims:			
Employee Entitlements	7	5,887	5,887
General security interest holders		Nil	Nil
Deficit on specific security interests		Nil	Nil
Unsecured creditors	8	145,458	145,458
Surplus / (Deficiency) to creditors		**91,736**	**(140,359)**
Plus Contingent assets	9	49,381	Unknown
Less Contingent liabilities	10	47,606	Unknown
Surplus/(Deficiency) to creditors after contingencies		**93,511**	**(140,359)**

Notes

1. The Company owns six adjoining properties located in Chinchilla, Queensland. The decommissioned UCG Facility (refer to section 4.1 above) is situated on one of the properties. We have engaged an independent valuer to value these assets.
2. The RATA lists 17 debtors totalling $13.2m with an estimated realisable value of $1.4m. We have recovered $174k of this amount to date.

   We have contacted the Company's largest debtor, UMG ($11m). They have indicated they are unable to repay the amount. The Company has recourse to coal tenements owned by UMG which it holds as security. Negotiations with UMG are ongoing.

   Our review of the balance of the debtors indicates many of them are aged (in some cases greater than 12 months) whilst others are disputed.

3. The Company held $16k in petty cash which was collected upon appointment.
4. Upon appointment, the Company had $1.4m in cash at bank across four banks in three different currencies. We arranged for these accounts to be frozen and the funds to be transferred to the Administrators.
5. The RATA values the Company's plant and equipment at $636k.We have had these assets valued on a market valuation basis. As these amounts are commercially sensitive we have withheld any disclosure on the amount.
6. The RATA details the following other assets:

Items	Note	Cost ($)	ERV ($)
Deposits	a	4,092,550	4,092,550
Intangibles	b	27,745,006	Unknown
Investments	c	107,630,912	1,362,717
Receivables	d	84,700,035	0
Total		**224,168,504**	**5,455,267**

a. This amount is comprised of the following rehabilitation and rental bonds:

Item	Cost ($)	ERV ($)
Adelaide Premises	4,838	4,838
Brisbane Premises	290,000	290,000
Kangaroo Point Premises	3,000	3,000
Queensland tenements	57,500	57,500
Chinchilla Site	3,692,164	3,692,164
Interest on term deposits	45,048	45,048
Total	**4,092,550**	**4,092,550**

Negotiations with various parties for the return of these bonds are ongoing. However, we understand in many cases, the amounts are likely to be non-recoverable.

b. This amount relates to the Company's investments in exploration tenements as well as GTL and UCG technology:

Item	Cost ($)	ERV ($)
Exploration tenements	1,943,552	Unknown
GTL	15,404,296	Unknown
UCG	10,397,158	Unknown
Total	**27,745,006**	**Unknown**

At the time of writing this Report negotiations for the sale of these assets are ongoing.

c. The Company holds equity investments in the following entities:

Item	Note	Cost ($)	ERV ($)
AFC Energy Limited	i	1,362,717	1,362,717
Firestone Energy Limited	ii	1,416,682	Unknown
Linc USA GP and Senior Notes	iii	111,407	0
Powerhouse Energy Group	iv	250,850	Unknown
Sapex Limited	v	102,150,576	Unknown
Yerostigaz	vi	2,338,681	Unknown
Total		**107,630,913**	**1,362,717**

We consider each of these investments in turn below:

i. The Company holds $1.3m of shares in AFC Energy Limited, which is a UK listed energy technology business. We are currently in the process of realising this shareholding.

ii. The Company holds $1.4m of shares in Firestone Energy Limited, which is an ASX listed energy technology business. Trading of these shares has been suspended since 18 March 2015. We are currently considering our options to realise this investment.

iii. The Company has invested $111k in both debt and equity instruments of its US subsidiaries which are in the process of considering restructuring options. We expect that any recovery from the debt and equity investment is unlikely.

iv. The Company holds $251k of shares in Powerhouse Energy Group, which is a UK listed energy technology business. There is minimal trading of these listed shares. We are currently considering our options to realise this investment.

v. SAPEX is a wholly owned subsidiary of the Company which was acquired in 2013 for approximately $105m. SAPEX owns real estate and coal exploration assets in South Australia. The sale of the Company's interest in this investment is discussed in detail above at section 5.8.

vi. The Company holds a 91.6% interest in Yerostigaz, an Uzbekistan incorporated company which operates the only functioning UCG plant in the world. We are currently considering our options to realise this investment.

d. The Company is owed $84.7m from the following subsidiaries:

Item	Cost ($)	ERV ($)
Linc Energy Heavy Oil Australia Pty Ltd	5,190	0
Linc Energy Operations (Africa) Pty Ltd	1,523,349	0
Linc Energy Operations Inc	1,816,036	0
Linc Energy Operations Ltd	10,750,792	0
Linc Energy Operations Pty Ltd	1,201	0
Linc Energy Singapore Pte Ltd	840,590	0
Linc USA GP	31,010,898	0
Sapex Limited	38,751,979	0
Total	**84,700,035**	**0**

The Company recovered the amount owing from Linc Energy Operations Pty Ltd in the sum of $1,201. We have been informed by the Company's management that none of the other subsidiaries have the capacity to repay the amounts outstanding.

We separately note that the US based subsidiaries are considering restructuring options and we do not expect to recover any value for these loans.

7. The RATA estimates priority claims from the Company's staff for outstanding employee entitlements at $5.9m.

   Our analysis estimates this figure at $1.9m (section 4.7.2) but excludes amounts owing in respect to retrenchment costs payable upon termination which is to be determined.

8. The RATA lists creditors with claims of $145.5m. The Administrators estimate creditors' claims are approximately $286m (refer to section 4.7)

9. The RATA list two contingent assets, namely royalty agreements, with a gross value of $49.4m.

   Neither of the mines associated with royalty agreements are presently operational. We are considering the value of these assets.

10. The RATA details the following contingent liabilities:

Creditor	Nature of claim	Amount ($)
Ancon Drilling	Litigation	Unknown
DEHP	Financial assurance	29,200,000
DEHP	Notice	18,406,250
Gastech Inc	Royalty interest	Unknown

We have not adjudicated on any of these claims.

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7. Investigations

Key Comments

While our investigations are ongoing, we summarise our preliminary findings into the reasons for the Company's failure:

- significant reduction in global oil prices and the associated impact on the Company's US oil and gas operations
- unwillingness of major shareholders to participate in any proposed restructure and recapitalisation of the Company
- proceedings against the Company brought by DEHP affecting its ability to raise fresh capital and there were substantial costs associated with defending those proceedings.

Our preliminary view is that the Company was solvent in the period prior to our appointment, however, the Company could have been insolvent from January 2015:

- if it had not, inter alia, successfully negotiated an extended redemption date to April 2016 with its CN
- had the DEHP been successful in seeking to increase the amount of the financial assurance held for rehabilitation of the Chinchilla UCG Facility from $3.6m to $29.4m, an amount which the Company could not meet.

Our analysis shows that:

- the Company's working capital ratio deteriorated significantly, from 5.44 in FY13 to 0.25 and 0.24 in FY14 and FY15 respectively. This was due to the reclassification of its CN from a non-current liability to a current liability given redemption dates fell within 12 months, however as mentioned above, the Company was ultimately able to negotiate an extended redemption date to April 2016
- the Company was Balance Sheet solvent during the FY13 to FY15 notwithstanding that it may have overstated its assets by not removing the balance of its intercompany receivables. The Company may have been balance sheet insolvent in February 2016.

Further investigations would be required by a liquidator (if appointed) in order to reach a conclusion on insolvent trading. Additionally, creditors should note that insolvent trading claims are difficult and costly to pursue, and even if successful, they may not generate a return to creditors.

We have conducted investigations into the reasons for the Company's failure to the extent possible in the available time. Further investigations will be conducted should creditors vote to wind up the Company at the Second Meeting. A liquidator has greater powers to undertake investigations and pursue recoveries than an administrator or deed administrator.

Our investigations to date have been limited for the following reasons:

- we have had a relatively limited timeframe in which to undertake investigations and report to creditors, given the size and complexity of the Company's operations and volume of books and records to review
- at this stage, we have not conducted formal examinations of the director(s), officers or other persons of interest pursuant to the powers available under the Act.

We have based our investigations and opinions on information obtained from:

- books and records, including management reports and board reports
- electronic accounting/financial systems and other information systems used within the business
- director(s), officers, management and key staff members (where available)

- external professional reports, including audit reports
- publicly available information e.g. ASIC, ASX, SGX.

7.1 Directors' explanation for the Company's difficulties

The Company was well progressed with the planned restructure and recapitalisation of the Company and its global structure and whilst the Directors considered the Company to be solvent on 15 April 2016, it was likely the Company would become insolvent at some point in the future. The following key matters impeded the finalisation of this strategy and the ultimate decision to appoint Administrators:

- the significant, rapid deterioration of global oil prices, particularly from May 2015 and the associated impact on the Company's US oil and gas operations (i.e. revenue and cash flow impacts)
- the difficulties arranging new capital within the existing corporate and capital structure; and the unwillingness of major shareholders to participate in the proposed restructure and recapitalisation
- the material impact on the Company's ability to raise capital (debt or equity) of the Queensland Governments decision to instigate Court proceedings against the Company (alleging serious environmental harm at the Company's former UCG demonstration facility at Chinchilla, Australia)
- the contingent liability and associated significant uncertainty associated with the Queensland Government's decision to unexpectedly increase the Company's financial assurance bonding from existing $3.6m to proposed $29m
- the significant financial cost of defending the above actions with the Queensland Government.

7.2 Administrator's opinion of the reasons for the Company's difficulties

We concur with the directors' stated reasons for the Company's current financial position.

7.3 Insolvency

Our preliminary view is that the Company was solvent prior to the period of our appointment.

The methods of testing solvency include, but are not limited to, the Cash Flow Test and the Balance Sheet Test which are examined below.

A company is insolvent if it is unable to pay its debts as and when they become due and payable. Liquidators are required to demonstrate that a company is insolvent in order to pursue certain recovery proceedings (section 8).

Creditors should note that insolvent trading claims are difficult and costly to pursue, and even if successful they may not generate an additional return for creditors.

7.3.1 *Cash Flow Test*

The Cash Flow Test is a measure of the Company's ability to pay its liabilities from available resources as and when they fall due.

Our preliminary view is that the Company's books and records available to the Administrators indicate that the Company was able to pay its liabilities from available resources as and when they fell due. Subject to the following comments, however, the Company could have been insolvent from January 2015:

- the Company raised US$200m CN in April 2013. In January 2015, the Company repaid $US50m to CN and successfully negotiated, inter alia, extended redemption dates to April 2016. Without the support of its bondholders, our view is that the Company would have been insolvent from on or around January 2015.

- as mentioned in section 4.5.3, the DEHP issued a notice to the Company in February 2015 seeking to increase the amount of the financial assurance held for rehabilitation of the Chinchilla site from $3.6m to $29.4m. Had the Company not been able to obtain a stay in the proceedings, it would have had insufficient cash to meet the increased financial assurance at that point in time and would have run the risk of trading whilst insolvent in February 2015.

Working capital and net current assets

Working capital is an indicator of liquid assets available to pay debts due within 12 months. A working capital ratio of less than one indicates that a company may not be able to pay its debts as and when they fall due.

Our preliminary analysis of the Company's records relating to working capital and net current assets disclosed some liquidity issues as outlined below. The Company's working capital ratios for the last three financial years including YTD FY16 are as follows:

	FY13 Audited $'000	FY14 Audited $'000	FY15 Audited $'000	YTD FY16 Unaudited $'000
Current Assets	120,586	53,578	43,975	8,279
Current Liabilities	22,180	210,971	186,191	8,642
Working Capital (Current Assets less Current Liabilities)	**98,406**	**(157,393)**	**(142,216)**	**(363)**
Working Capital / Liquidity Ratio (Current Assets/Current Liabilities)	**5.44**	**0.25**	**0.24**	**0.96**

The working capital or liquidity capital ratio indicates whether a company has enough short term assets to cover its short term debt. Anything below 1 indicates negative working capital and potential insolvency. We make the following comments with respect to the Company's working capital ratios over the past three financial year ends:

- the Company had a strong working capital ratio of 5.44 in FY13, with cash and cash equivalents (c. $118m) making up the majority of its current assets
- the Company's working capital ratio deteriorated significantly in FY14 due to a reduction in cash held and the recognition of CN (c. $197m) from a non-current liability to a current liability given the redemption option fell within the next 12 months
- the Company also recognised c. $174m as a currently liability in FY15 given the redemption date for the CN fell within the next 13 months and hence its working capital ratio remained the same.

7.3.2 *Balance Sheet test*

The Balance Sheet Test assesses the solvency of a company with reference to the company's net asset position (i.e. the level of total assets relative to total liabilities).

Our review of the financial records has found that the Company's reported net asset position was positive throughout the period under review.

	FY13 Audited $'000	FY14 Audited $'000	FY15 Audited $'000	YTD FY16 Unaudited $'000
Total Assets	705,015	627,729	470,654	255,953
Total Liabilities	250,426	229,701	205,677	218,699
Net Assets (Total Assets less Total Liabilities)	**454,589**	**398,028**	**264,977**	**37,254**
Less: Receivables from subsidiaries	(73,788)	(68,922)	(84,788)	(86,873)
Revised Net Assets	**380,801**	**329,106**	**180,189**	**(49,619)**

The Company may have overstated its intercompany loan receivables from its global subsidiaries. We have adjusted Net Assets for these receivables, as shown above. It appears that the Company may have been balance sheet insolvent in February 2016. We note however, that the balance sheet test alone is not a sufficient test of solvency.

7.3.3 *Other Indicators of Insolvency*

Determining whether a company is insolvent (and the date at which insolvency occurred) is difficult and is ultimately a matter for the Courts to decide. The Courts have identified fourteen general indicators of insolvency that are considered further in ASIC Regulatory Guide 217.

Our investigations to date have identified that five of these indicators apply, or may apply, to the Company, as summarised below:

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Indicator	Present	Comment
Continuing trading losses	Yes	The Company did not make a profit in the past four financial years. This is not uncommon due to the nature of the Company's business (being primarily exploration and research based). Furthermore, the revenue generated by the Company as depicted in section 6 is a non-cash item representing the amortisation of Exxaro IP fee (A$20m) received in December 2013.
Liquidity ratio below one	Yes	For FY14, FY15 and FY16 YTD only – refer to commentary in section 7.3.1.
Overdue Commonwealth and state taxes	Yes	The Company retains an interest in exploration coal mining tenements in Queensland. The Exploration Permit Coal rent associated with this (approximately $320k) payable to the QLD Government was outstanding as at the date of our appointment.
Poor relationship with borrower/financier including inability to borrow additional funds	No	The Company held extensive discussions with its convertible bondholders in the year prior to our appointment, in which it negotiated extended redemption dates, abolished interest rates and conversion of some of the convertible bondholders' debt to equity. Refer to section 8.2.1 for further details.
No access to alternative finance	No	Prior to the period of our appointment, the Company held extensive discussions with three parties prior to our appointment who were interested in purchasing shares in the Company and held extensive ongoing negotiations with its convertible bondholders. These are further elaborated on in section 8.2.1 together with a timeline of the discussions with the bondholders.
Inability to raise further equity	No	The Company had extensive discussions with interested parties for a potential investment opportunity in the Company. Refer to section 8.2.1 for further details.
Supplier placing debtor on COD terms, otherwise demanding special payments before resuming supply	No	None identified
Creditors outside trading terms	No	None identified
Issuing of post-dated cheques	No	None identified
Dishonoured cheques	No	None identified
Special arrangements with selected creditors	Yes	We have identified one repayment plan with BACJV. An amount of$3m was paid to the BACJV in the six months prior to our appointment. Refer to section 8.1.1 for further details.
Legal action threatened or commenced, or judgements entered against the company	Yes	The Company faced extensive litigation (as identified in section 4.6) from the DEHP in relation to the Company's environmental obligations and in relation to the Company's financial assurance provisions. Had these proceedings been successful against the Company, significant financial burden would have been placed on the Company.
Payments to creditors of rounded figures, which are irreconcilable to specific invoices	No	No, with the exception of BACJV
Inability to produce timely and accurate financial information to display the Company's trading performance and financial position, and make reliable forecasts	No	The Company produced timely and accurate information

7.3.4 *Proving Insolvency*

Further investigations into the Company's solvency will be conducted by a liquidator should the Company be wound up.

Determining when a company became insolvent can be a costly and complex exercise, involving a detailed review of the company's financial position, cash flow, and other relevant information.

7.4 Potential class action

We were notified on 5 May 2016 that Marland Law held instructions to commence a class action (with Ms Pamela Bender as the lead plaintiff) against the Company in negligence and private nuisance.

The basis for the class action is the alleged loss of value of land and other damages associated with the alleged serious environmental harm. These allegations by the DEHP and the establishment of the Excavation Caution Zone surrounding the Chinchilla UCG Facility by the Queensland State Government in February 2015 are disputed by the Company.

As a consequence of the Company entering into voluntary administration all such civil proceedings are automatically stayed pursuant to section 440D of the Act.

7.5 Outstanding or previous winding up applications

We are not aware of any outstanding or previous winding up applications against the Company.

7.6 Books and records

Our preliminary view is that the Company has maintained adequate books and records.

A company must keep written financial records that:

- correctly record and explain its transactions, financial position and performance
- would enable true and fair financial statements to be prepared and audited
- must be kept for seven years after the transactions covered by the records are completed (s286).

Directors are responsible for ensuring that adequate financial records are maintained. Directors who fail to take all reasonable steps to ensure compliance with this requirement may be subject to a civil penalty order. This includes shadow and de facto directors.

Failure to maintain books and records may give rise to a presumption of insolvency (pursuant to s588E of the Act) (discussed above at section 7.3)

A liquidator (if appointed) will continue investigations into whether any breaches of the Act have occurred in relation to the maintenance of proper books and records, including:

- failure to keep proper financial records (s286)
- failure to take all reasonable steps to comply with financial records reporting requirements (s344)
- requiring officers to exercise a reasonable degree of care and diligence in the exercise of their powers and discharge of their duties (s180).

8. Offences and liquidation recoveries

Key Comments

While our investigations are ongoing, we summarise our preliminary findings below:

- We consider the Company was solvent prior to the period prior to our appointment, however further investigation would be required by a liquidator in order to reach a conclusion on the issue.
- We have not finalised our investigations into voidable transactions as we are yet to form a conclusive view on the date of insolvency. A liquidator (if appointed) may identify voidable transactions that warrant further investigation and has the power to pursue those claims.
- We highlight that the Company provide extensive financial support to its local and foreign subsidiaries for an extended period prior to our appointment. A liquidator if appointed would examine these transactions in further detail in order to understand the respective benefits and detriment to the Company of this financial support.
- We have not conclusively identified any contraventions by the Directors or others but additional investigation would be undertaken in the event of liquidation.

A liquidator has the ability to pursue certain claims that may result in recoveries for creditors. Importantly, these claims are not available to a deed administrator should creditors vote to execute a Deed proposal. Enclosed at **Appendix F** is a *Creditor Information Sheet: Offences, Recoverable Transactions and Insolvent Trading* published by ARITA, which provides general information for creditors on the types of claims that a liquidator can pursue.

8.1 Voidable transactions

The Act requires an administrator to specify whether there are any transactions that appear to the administrator to be voidable transactions in respect of which money, property or other benefits may be recoverable by a liquidator under the Act.

We have not finalised our investigations into antecedent transactions as we are yet to form a conclusive view on the date of insolvency, if at all. We have however identified a number of potential transactions which require further investigation. Accordingly at this stage we cannot definitively estimate potential voidable transaction recoveries.

Further details of our preliminary investigations are summarised below:

8.1.1 *Unfair preferences*

Section 588FA of the Act allows for certain payments to creditors to be recoverable in a liquidation as voidable transactions if the creditor has received more than they would have otherwise received in the winding up of the Company.

A liquidator is only able to recover unfair preferences made in the six months preceding the date of the administration.

For an unfair preference to exist it must be established that:

1. the Company was insolvent at the time of the transaction or became insolvent as a result of that transaction; and
2. the creditor or a reasonable person in the creditor's position had reasonable grounds to suspect that the Company was insolvent.

We have identified an amount of $3m paid to the BACJV as a potential unfair preference. The BACJV was a joint venture project between the Company and subsidiaries of Rio Tinto for the development of coal tenements in Queensland. The Company's interest in the BACJV was sold to NEC/UMG in

March 2015 however the Company continued to guarantee its obligations under the joint venture agreement.

Our investigations reveal that these payments were made:

- during the period 1 November 2015 to 1 April 2016
- pursuant to a formal repayment plan agreed in November 2015 (amended in December 2015 and subsequently amended in February 2016)
- following a statutory demand for $3.6m being served on the Company on 3 November 2015.

Should it be determined that the Company was insolvent during this period then some of these funds may be recoverable as an unfair preference however further investigations would be required. At this stage we therefore cannot definitely estimate any potential recovery from unfair preferences.

8.1.2 *Related party transactions*

Section 588FE(4) of the Act provides that payments to related parties may be voided where it can be established that:

1. the Company was insolvent at the time of the transaction
2. the related party recipient of the payments had reasonable grounds for suspecting that the Company was insolvent or would become insolvent as a result of that payment
3. occurred within four years prior to the commencement of the administration.

We have identified that the Company was providing ongoing financial support to its wholly owned domestic and overseas subsidiaries for an extended period. The financial support was used for both capital expenditure projects and working capital purposes. As at the date of our appointment the Company's books and records revealed that the Company was owed as much as $84m from these subsidiaries (refer to details of Receivables in the Other Assets section of the Directors' RATA, section 6.3). In particular we highlight that an amount of $29m was lent to one of the Company's wholly owned subsidiaries, Linc USA GP, in March 2015 to assist it meet its interest obligations to its own secured creditors.

Should it be determined that the Company was insolvent at any point in time during the four years preceding our appointment then some of these funds may be recoverable as voidable transactions.

We further note that the Company's US subsidiaries are considering restructuring options which are independent of the administration of the Company and may mean that recoverability of any loans is unlikely. We similarly understand that the Company's other subsidiaries will be unlikely to meet any claims from the Company.

It therefore may not be commercially viable to pursue any voidable transactions claims against these entities. At this stage we therefore cannot definitely estimate any potential recovery from related parties for voidable transactions.

8.1.3 *Unreasonable director related transactions*

Section 588FDA of the Act provides for payments to be voided in circumstances where:

1. the transaction involves the Company and:
    a. a director of the Company; or
    b. a close associated of a director of the Company; or
    c. a person on behalf of, or for the benefit of, a director of the Company, or one of their close associates
2. a reasonable person in the Company's circumstances would not have entered into the transaction having regard to the:
    d. benefits to the Company of entering into the transaction; and

e. the detriment to the Company of entering into the transaction; and
f. the respective benefits to other parties to the transaction being entered into; and
g. any other relevant matter.

Section 588FDA of the Act does not require that the Company has to be insolvent at the time the unreasonable director related transaction is made, however that may be considered as a relevant matter.

As detailed above we have identified that the Company was providing ongoing financial support to its wholly owned domestic and overseas subsidiaries for an extended period. This amounted to $84m as at the date of our appointment according to the RATA submitted by the Directors. Our investigations have revealed that an amount $29m was lent to one of the Company's wholly owned subsidiaries, Linc USA GP, as recently as March 2015 to assist it meet its interest obligations to its own secured creditors.

Our preliminary investigations indicate that:

1. Mr Craig Ricato, the Company's CEO is a director of all the Company's subsidiaries
2. the Company did not guarantee the debt obligations or was otherwise legally obliged to meet the debt obligations of any of its subsidiaries (including the creditors of Linc USA GP)
3. the Company is unlikely to be repaid any of the $84m receivable which presently remains outstanding from its various subsidiaries
4. the realisable value of the Company's equity investment in its subsidiaries is expected to be nil
5. those funds extended to the Company's subsidiaries may have been available as an asset of the Company to be realised for the benefit of its creditors.

If creditors vote to place the Company into Liquidation more detailed investigations into these transactions would be conducted. At this stage we therefore cannot definitely estimate any potential recovery from any unreasonable director related transactions.

8.2 Insolvent trading

Based on our preliminary investigations as detailed in section 7.3, we have concluded that the Company does not appear to have traded whilst insolvent. A liquidator (if appointed) will conduct more thorough investigations in this regard.

Insolvent trading is when a company incurs a debt at a time when:

- the company was insolvent or became insolvent by incurring the debt
- there were reasonable grounds to suspect the Company was insolvent or would become so as a result of incurring the debt.

Company directors have a duty to prevent insolvent trading by not incurring debt when there are reasonable grounds for suspecting that the company is or will be unable to pay its debts as and when they fall due.

The objective test or standard of measure in deciding whether insolvent trading has occurred is whether a director can demonstrate that their actions are at the same degree and level that would be required of an ordinary reasonable person holding a similar position and responsibility in the same circumstances.

A director who fails to prevent a company from incurring a debt at a time when there are reasonable grounds for suspecting that the company is insolvent, or will become insolvent by incurring that debt, contravenes s588G of the Act.

Creditors should note that only a liquidator or an individual creditor with the liquidator's permission can bring an action against a director for breach of s588G. An administrator or deed administrator cannot pursue a director for recoveries from contraventions of s588G of the Act.

A liquidator may recover from a director the amount of loss or damages suffered by a creditor (s588M).

8.2.1 *Director defences*

Defences available to directors under s588H of the Act in regard to allegations of insolvent trading, inter alia, include that a director had reasonable grounds to expect, and did expect, that the company was solvent at the time and would continue to be solvent if it incurred the debt.

Our preliminary view is that we consider that the Directors:

- did have reasonable grounds to expect, and did expect, that the Company was solvent at all times up until the time of our appointment on 15 April 2016
- would be successful in relying upon their reasonable expectation as to the Company's solvency as a defence pursuant to s588H of the Act in any subsequent insolvent trading claim (should it later be determined that the Company was insolvent).

We have reached this view on the basis that the Directors:

- retained sufficient liquid assets to meet its short term trading expenses
- were actively exploring opportunities to restructure its capital base from around 2013 and engaged
    - RBC to assist restructure its capital base in April 2015
    - Barclays to assist with a recapitalisation and/or divestment of key business segments in 2013 and again in late 2015
- were actively in discussions with major shareholders and other potential funders about recapitalising the Company
- received positive and actual support from its CN to restructure the terms of their debt and participate in equity raisings by way of:
    - deferral of redemptions
    - reduction in conversion price
    - reduction of coupon interest to nil
    - conversion of debt to equity
    - in the cases of some CN participate in private placements
- achieved a stay of any requirement to meet the demands of the DEHP for further financial assurance associated with the Chinchilla UCG Facility until May 2016
- were actively rationalising its corporate overheads and realising non-core assets.

We summarise below the key discussions that the Company had with the CN:

Date	Discussions held
Jan-2015	Company repaid US$50m to CN reducing the principal outstanding from US$200m to US$150m and extension of redemption option date to Apr-16
Apr-2015	Company engaged RBC to assist with the restructure of the Company's capital structure
Aug to Sep-2015	Ongoing discussions and negotiations with Company's three largest CN. Involved discussions on how the terms of the CN may be restructured prior to the redemption date in Apr-16 Put Date. The Company simultaneously arranged for RBC to progress discussions on alternative restructuring options.
Oct-2015	The Company had further discussions with its three largest CN regarding the restructure of the CN

Nov- 2015	Proposals for various alternative structuring options were received from CN ranging from full equitisation of their debt (at c. 90% of Company equity) to a discounted cash payout. Indications from CN that they were open to a variety of restructuring options and willing to negotiate with the Company.
Dec- 2015	The Company verbally agreed the following terms with its three largest CN (representing ~75% of all CN) to amend the terms of the CN: • removal of the existing redemption put date in Apr-2016 • reduction of the interest coupon to 0% • reset the conversion price • empower CN to (at their option) direct 50% of any Company asset realisations (above A$10m) towards redemption.
Jan-2016	The Company received written approval of over 92% of CN to amend the terms of the CN as outlined above.
Jan and Feb-2016	Private placement of share capital from two existing CN of S$2.9m and $US2.5m was arranged to assist the Company with its short term working capital requirements

During the period September 2015 through to April 2016 the Company was also in constant discussions to advance the restructure of its US based subsidiaries and associated oil and gas business. Whilst these assets and the associated debts do not form a part of this administration (i.e. there is not anticipated to be any equity in the Company's shareholdings in these US entities) the proposed recapitalisation of the Group including the extensive discussions with potential new investors, were on the basis of successful global restructure.

In addition, during the period September 2015 through to February 2016 the Company was in continued discussion with a major shareholder, the Genting Group, which had indicated its willingness to support the Company through the proposed restructure and recapitalisation. Genting, who had a representative on the Company's board throughout this period, engaged in a number of detailed discussions and meetings around a material equity injection with a view to resolving the Company's financial position. Ultimately these discussions broke down in February 2016.

The Directors also entered into discussions with a number of other potential funders during the same period. In at least two cases these discussions advanced to a material point, with a draft HOA negotiated, however the Company was unable to conclude the proposed transactions. In each case the Company was advised that a principal reason for the parties' reluctance to proceed was the impact on the Company of the court actions being taken against it by the DEHP and the significant uncertainty around any associated contingent liability (refer to section 4.5).

8.3 Offences

Directors and others have duties, obligations and responsibilities in relation to common law and statute.

8.3.1 *Corporations Act 2001*

Our preliminary investigations have not identified any offences committed by the director(s) or others. If a liquidator is appointed we consider, however, that further investigations are warranted.

A liquidator can conduct more thorough investigations and identify potential offences and recoveries (if any).

If a director breaches any duties, obligations and responsibilities, they may be subject to civil and criminal penalties including:

- compensation to the Company for damages resulting from the contravention
- fines (up to $200k)
- imprisonment (up to 5 years)
- disqualification from managing corporations.

8.3.2 *Other Legislation*

The Company is subject to criminal proceedings brought by the DEHP under the *Environmental Protection Act 1994* (Qld). We understand the DEHP is considering bringing further charges against the Company's directors and officers.

Please refer to section 4.5 for further details.

8.4 Directors and officers insurance policy

At the date of our appointment, a D&O policy existed.

8.5 Public examinations

The Act provides that an 'eligible applicant', such as a liquidator, may examine officers of a company about its 'examinable affairs' and any other person who may be able to provide information relating to such affairs. 'Examinable affairs' is a comprehensive term with wide ranging application and includes:

- the promotion, formation, management, administration or winding up of the company
- other affairs of the company
- the business affairs of a connected company of the company insofar as they appear to be relevant to the company or its affairs.

If the Court is satisfied that a summons for examination should be issued, the examinee is usually required to produce at the examination any specified books that are in the person's possession and relate to the corporation.

Should creditors vote to wind up the Company, the liquidator will consider the utility of any public examinations of the Company's directors, officers and other persons of interest subject to available funds to meet the associated costs.

8.6 Reporting of offences to ASIC

Administrators are required to complete and lodge a report with ASIC pursuant to s438D of the Act where it appears that:

- a past or present officer of a company may have committed an offence
- money or property has been misapplied or retained
- a party is guilty of negligence, default, breach of duty or breach of trust in relation to a company.

A liquidator is required to lodge a report of his findings with ASIC, pursuant to s533 of the Act.

Creditors should also be aware that any report lodged pursuant to s438D (or an investigative report lodged by a liquidator pursuant to s533 of the Act) is not available to the public.

We have not identified any offences at this stage which would require us to report to ASIC.

8.7 Funding investigations and recoveries

Should creditors resolve that the Company be wound up and a liquidator appointed, it is likely the liquidator will be substantially without funds to meet the costs of any recovery actions that may be available to pursue.

In these circumstances, the liquidator may invite creditors to consider providing funding to conduct further investigations. Alternatively a liquidator may seek external funding from a litigation funder in exchange for a share of any recovered proceeds.

Should we be appointed as liquidators we would propose to write to creditors and update them on the status of our investigations and any litigation action.

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9. Estimated return to creditors

Detailed below is a comparison of the estimated returns to creditors under a 'high' and 'low' case.

Based on the assumptions detailed in the notes below, we are presently unable to provide any class of creditor an estimate as to the timing or quantum of a dividend.

			Liquidation	
		Notes	Low $'000	High $'000
	Non-circulating assets			
	Properties at Chinchilla	1	Withheld	Withheld
	Investment in subsidiaries	2	Withheld	Withheld
	Plant and equipment	3	Withheld	Withheld
	Intangibles	4	Withheld	Withheld
Less	**Total non-circulating assets**		**Withheld**	**Withheld**
	Circulating assets / recoveries			
	Cash	5	1,400	1,400
	Shares	6	1,363	1,363
	Debtors	7	Withheld	Withheld
	Recoveries from voidable transactions	8	Unknown	Unknown
	Recoveries from insolvent trading	9	Unknown	Unknown
	Total other assets		**Unknown**	**Unknown**
Less	*Administration costs (other than non-circulating):*			
	Asset preservation costs	10	1,300	1,300
	Administrators' costs	11	686	686
	Liquidators' costs	12	300	300
	Legal costs	13	250	250
	Subtotal		**2,536**	**2,536**
	Net assets available to priority creditors			
Less	Priority employee claims (excludes redundancy)	14	1,960	1,960
	Return to employees from circulating assets (cents in the dollar)		**Unknown**	**Unknown**
	Surplus / (Shortfall) to unsecured creditors		Unknown	Unknown
	Unsecured creditor claims:			
	Trade/External creditors	15	178,525	178,525
	Related parties	15	1,232	1,232
	Convertible Noteholders	15	107,500	107,500
	Excluded employees	15	2	2
	Related entities	15	1,232	1,232
	Subtotal		**288,491**	**288,491**
	Return to other creditors from circulating assets (cents in the dollar)	15	**Unknown**	**Unknown**

Notes

1. We are currently undertaking a valuation of the Company's assets located at Chinchilla, the outcome of which is commercially sensitive and has been withheld.

2. The Company's investment in SAPEX is currently subject to a sale campaign being undertaken by the Administrators, the outcome of which is commercially sensitive and has been withheld. We are simultaneously considering our ability to extract value from the Company's other investments.
3. The Company owns various plant and equipment located at both the Chinchilla site and the Company's Brisbane site. The Administrators have commissioned valuations for these assets and are subject to a sale campaign, the outcome of which is commercially sensitive and has been withheld.
4. The Company's investments in exploration tenements, GTL and UCG technology are subject to a sale campaign being undertaken by the Administrators, the outcome of which is commercially sensitive and has been withheld.
5. Cash at bank held by the Company as at the date of the Administrators' appointment, which has been transferred to an account controlled by the Administrators.
6. The Company holds $1.3m of shares in AFC Energy Limited and we are currently in the process of realising its shareholding on the market.
7. The Company's debtors are subject to review and negotiations are ongoing, the outcome of which is commercially sensitive and has been withheld.
8. Refer to Section 8.1. If creditors vote to place the Company into Liquidation more detailed investigations into these transactions would be conducted.
9. Refer to section 8.2. Our preliminary view is that we have not identified any claims for insolvent trading that may be subject to recovery by a Liquidator. If creditors vote to place the Company into Liquidation more detailed investigations will be undertaken by a Liquidator.
10. Estimated asset preservation costs (does not include sale proceeds from the assets).
11. Administrators' estimate of the Administrators' remuneration for the period 15 April 2016 to the conclusion of the Administration, subject to creditors' approval at the Second Meeting.
12. Estimate of the Liquidators' remuneration for the period 23 May 2016 to completion, subject to creditors' approval at the Second Meeting.
13. Estimate of remuneration of both the Administrators' and Liquidators' legal advisors.
14. Refer to section 4.7.2, noting this excludes any redundancy which may become payable.
15. Refer to section 4.7. All amounts are subject to formal proofs of debt and adjudication (should a dividend be declared) and accordingly we are not in a position to estimate a return nor the timing of such a return to unsecured creditors at this stage.

10. Administrators' recommendation

The Administrators' opinion is that it is in creditors' best interests that the Company be wound up (i.e. placed into liquidation).

Our opinion of each option available to creditors is discussed below.

10.1 Liquidation

We are of the opinion that it is in the best interest of creditors that the Company be wound up.

However, we consider that it may be in the creditors' interest to adjourn the Second Meeting for up to 45 business days to allow the Administrators to progress discussions with parties that have expressed an interest in the Company's assets that may include a Deed.

Our preliminary view is that the Company does not appear to have traded whilst insolvent, but further investigation would be required by a liquidator in order to reach a conclusion on this issue. Creditors should note that claims for insolvent trading and other antecedent transactions are difficult and costly to pursue, and even if successful they may not generate an additional return for creditors.

A liquidator (if appointed) would be in a position to conduct detailed investigations into the circumstances leading up to the appointment of the Administrators.

A liquidator will be empowered to:

- assist employees in applying for FEG for the payment of certain employee entitlements that cannot otherwise be funded by the Company(Section 4.7.4)
- pursue various potential recoveries under the Act, such as voidable transactions (Section 8)
- distribute recoveries made in accordance with the priority provisions of the Act
- complete thorough investigations into:
- the Company's dealings and affairs
- actions of the Directors
- report findings to ASIC pursuant to the Act

At this stage we are unable to estimate if any dividend will be payable to any class of creditors.

10.2 Deed

This option is unavailable to creditors as we have not received any Deed proposals for the Company capable of being executed at this time.

As noted we are undertaking a sale process and we will table any Deed proposals received after this Report at the Second Meeting. Creditors may decide to adjourn the Second Meeting to further consider any Deed proposals received as a result of that process or otherwise. Any adjournment of the Second Meeting must reconvene within 45 business days.

10.3 Administration to end

We are of the opinion that it is not in the best interest of creditors to end the administration.

While our investigations are continuing, it is evident that the Company is currently insolvent and unable to pay its debts. Accordingly, returning control of the Company to the directors would be inappropriate in the present circumstances.

11. Enquiries

Should you have any enquiries please contact Brodie Tebbutt on +61 8116 3148 or by email btebbutt@ppbadvisory.com.

DATED this 13th day of May 2016

Stephen Longley, Grant Sparks and Martin Ford
Administrators

A. Appointment of Proxy, Proof of Debt or Claim Form

Subregulation 5.6.29

FORM 532

Corporations Act 2001

APPOINTMENT OF PROXY

Linc Energy Limited

(Administrators Appointed) (the Company)

ACN 076 157 045

A. Appointment of a proxy

I/We, ...
(If a company, strike out "I" and set out full name of the company)

of .....
(address)

a creditor of the Company appoint.....

as my/our proxy, or in his/her absence....., to vote at the meeting of creditors to be held on Monday, 23 May 2016 at PPB Advisory, Central Plaza One, 345 Queen Street, Brisbane, Queensland at 11.00 am or at any adjournment of that meeting.

B. Voting directions

Option 1: ☐ If appointed as a general proxy, as he/she determines on my/our behalf
(Please proceed to section C i.e. do not complete the table below)

and/or

Option 2: ☐ If appointed as a special proxy in the manner set out below:
(Please complete the table below before proceeding to section C)

No	Resolution	For	Against	Abstain
1	To approve the Administrators' remuneration for the period 15 April 2016 to 10 May 2016 of $436,287 plus GST	☐	☐	☐
2	To approve the Administrators' remuneration for the period 11 May 2016 to the conclusion of the Administration up to a maximum of $250,000 plus GST, as set out in the Remuneration Report dated 13 May 2016	☐	☐	☐
3	To approve the Liquidators' remuneration for the period 24 May 2016 to the conclusion of the Liquidation up to a maximum of $300,000 plus GST, as set out in the Remuneration Report dated 13 May 2016	☐	☐	☐
4	The Company be wound up	☐	☐	☐
5	The Company to execute a Deed of Company Arrangement	☐	☐	☐
6	The Administration should end (and control revert back to the Company director(s))	☐	☐	☐
7 (if applicable)	If the Company is wound up, that a Committee of Inspection be formed comprising representatives as nominated at the meeting of creditors	☐	☐	☐

C. Signature *(in accordance with Sections 127 or 250D of the Corporations Act 2001)*

If the creditor is an individual

.....

If the creditor is a Company

.....
Director/Company Secretary

.....
Print name

Dated this.....day of.....20....

CERTIFICATE OF WITNESS

Please Note: *This certificate is to be completed only where the person giving the proxy is blind or incapable of writing. The signature of the creditor is not to be attested by the person nominated as proxy.*

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

Signature of witness: _____

ACN: 076 157 045 Subregulation 5.6.49(2)

FORM 535
Corporations Act 2001

FORMAL PROOF OF DEBT OR CLAIM (GENERAL FORM)

To the Administrators of Linc Energy Limited (Administrators Appointed) (**the Company**)

1. This is to state that the Company was on 15 April 2016, and still is, justly and truly indebted

   to .....(**Creditor**)
   (name of creditor)

   of .....
   (address of creditor)

   for $.....

Particulars of the debt are:

Date *(date when the debt arose)*	**Consideration** *(state how debt arose and attach supporting documentation)*	**Amount ($)**	**Remarks** *(include details of voucher substantiating payment)*

2. To my knowledge or belief the Creditor has not, nor has any person by the Creditor's order, had or received any satisfaction or security for the sum or any part of it except for the following
   (insert particulars of all securities held. If the securities are on the property of the company, assess the value of those securities. If any bills or other negotiable securities are held, show them in a schedule in the following form).

Date	**Drawer**	**Acceptor**	**Amount ($c)**	**Due Date**

*3A. 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.

*3B. I am the Creditor's agent 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.

** Items 3A & 3B - delete both if the Creditor is a natural person and this proof is made by the Creditor personally. In other cases, if, for example, you are the director of a corporate Creditor or the solicitor or accountant of the Creditor, you sign this form as the Creditor's authorised agent (delete item 3A). If you are an authorised employee of the Creditor (credit manager etc), delete item 3B.*

Complete all sections

I have attached the following documents (tick as many as appropriate):

☐Invoices	☐Judgement from Court	☐Letters of demand	☐Orders from Company
☐Monthly statements	☐Statutory demand	☐Credit application	☐Guarantee from Company
☐Creditors authority letter	☐Other documents		

Dated ...../...../..... Name .....Signatory.....

Phone ..... Email address.....

B. Remuneration report dated 13 May 2016

PPB ADVISORY

Remuneration report

Linc Energy Limited (Administrators Appointed) (the Company) ACN 076 157 045

1. Remuneration declaration
2. Executive summary
3. Performance of work
4. Complexity
5. Strategy
6. Time costs, rates, allocations of staff and testing
7. Description of work completed / to be completed
8. Calculation of remuneration
9. Statement of remuneration claim
10. Remuneration recoverable from external sources
11. Disbursements
12. Summary of receipts and payments
13. Queries
14. Information sheets

1. Remuneration declaration

We, Stephen Longley, Grant Sparks and Martin Ford of PPB Advisory, have undertaken a proper assessment of this remuneration claim for our appointment as joint and several Administrators of Linc Energy Limited in accordance with the law and applicable professional standards. We are satisfied that the remuneration claimed is in respect of necessary work, properly performed, or to be properly performed, in the conduct of the administration.

Dated this 13th day of May 2016

Stephen Longley, Grant Sparks and Martin Ford
Administrators
Linc Energy Limited

2. Executive summary

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

Period	Report Reference	Amount (ex GST)
Current remuneration approval sought:		
Voluntary Administration		
Resolution 1: 15 April 2016 to 10 May 2016	Section 4	$436,287.00
Resolution 2: 11 May 2016 to 23 May 2016	Section 4	$250,000.00
Liquidation		
Resolution 3: 24 May 2016 to completion	Section 4	$300,000.00
* Approval for the future remuneration sought is based on an estimate of the work necessary to the completion of the administration. Should additional work be necessary beyond what is contemplated, further approval may be sought from creditors.		

Please refer to report section references detailed in the above table for full details of the calculation and composition of the remuneration approval sought.

3. Performance of work

The Administrators confirm that:

- the work undertaken was necessary and appropriate, having regard to the complexity and particular circumstances of this administration
- the number and qualification of staff allocated to various aspects of the matter has been appropriate for the nature of the work that was performed
- the allocation and seniority of staff was appropriate in relation to the tasks undertaken
- the time recording and review processes were adequate
- the charge out rates are comparable to market standards.

4. Complexity

The Company is an Australian incorporated business headquartered in Brisbane, Queensland, and is listed on the SGX. The Group corporate structure shows the Company's interest in a number of Australian and US subsidiaries. As the Company is listed, the Administrators have been required to maintain disclosure and notification obligations to the SGX and ASIC.

The nature of the Company's business and its investments created a number of complexities, including:

- identifying the ability to recover value from the Company's domestic and overseas subsidiaries
- working closely with management to consider options to restructure the Company's US based subsidiaries
- engaging external advisors to assist with realisation of the Company's Uzbekistan assets
- engaging external advisors to assist with the sale of the Company's listed shareholdings
- considering opportunities to recover value from the Company's real property assets located in Chinchilla
- maintaining and complying with environmental and work, health and safety regulations in a high risk environment
- its assets were primarily exploration or intellectual property/technology based assets which requires significant research and development.

Additional levels of complexity existed within the Company's UCG business following:

- extensive litigation with the DEHP regarding the level of financial assurance required for the Chinchilla UCG Facility
- ongoing criminal proceedings against the Company for alleged environmental damage at its Chinchilla UCG Facility
- complaints from neighbouring landowners regarding alleged ongoing environmental damages associated with the decommissioned Chinchilla UCG Facility

The Administrators were also required to deal extensively with the following key stakeholders:

- the senior management team regarding the proposed recapitalisation and/or divestment strategy
- directors of the domestic and overseas subsidiaries
- major creditors, primarily the Convertible Noteholders and its trustee, along with their respective advisors
- employees and other creditors.

5. Strategy

On appointment the Administrators assessed the viability of the Company in order to determine whether to pursue a going concern or asset sale. The Administrators determined that while the Company would operate at a loss during the administration period, continuing operations would ultimately deliver a better outcome for creditors as this would allow time to progress a recapitalisation and or sale of business program.

We considered this on the basis that this would:

- provide the best opportunity to realise the enterprise value of the Company
- enable the preservation of key staff members whom hold intellectual property regarding the Company's proprietary MIGD and UCG technologies
- provide us with access to key staff members whom were able to assist us locate key records in order to:
    - utilise in the data room for prospective purchasers conducting due diligence
    - examination of the recoverability of debtors and other assets
    - calculation and verification of employee entitlement claims
    - brief us with background information to the existing litigation.

6. Time costs, rates, allocations of staff and testing

The following sections provide a summary of the hours and value of work undertaken by task. For the purposes of this summary, the Administrators aggregate time charged by task. We note, however, that time charged on this appointment is recorded on an employee by employee basis in blocks of six minutes. Each block of time requires a supporting narrative, which details what work was performed, and by which staff member.

To ensure that all time included in this report is appropriate, a detailed review of these underlying time entries has been performed to ensure that:

- work has been completed by staff at the appropriate level
- narrative supporting the time charged complies with the ARITA Code of Professional Practice
- time charged has been properly and necessarily incurred.

We advise that we have not sought approval for any fees associated with:

- time spent travelling to and from the Company's premises from the Administrators' offices
- time charged where rework was required
- time charged which was not supported by sufficient narrative (i.e. while an employee worked the time charged, the narrative in their timesheet was not sufficiently detailed to support the time entry).

The Administrators have determined that these costs should not be paid at the expense of the creditors of the Company.

PPB Advisory supports the Code of Professional Practice for Insolvency Practitioners. In all matters undertaken by us we seek to charge an appropriate level of fees and expenses based on comparable market rates. They should be appropriate for us having regard to the complexity and demands of each assignment, and appropriate for our clients having regard to their objectives in seeking our assistance. Senior management allocate staff to the most appropriate work streams based on their level of experience and the tasks to be completed.

7. Description of work completed / to be completed

Resolution 1

Summary of work undertaken by Stephen Longley, Grant Sparks and Martin Ford, Administrators of the Company and their staff for the period 15 April 2016 to 10 May 2016

Task Area	General Description	Includes
Assets **$126,278.00** **261.20 hours**	Sale of Business as a Going Concern	Regular meetings and responses to due diligence queries from the interested parties Review and supervision of preparation of marketing materials, data room and other vendor due diligence Review and execute confidentiality agreements with various interested parties Liaison with various interested parties regarding the recapitalisation / sale process of the Company Meetings with key stakeholders and various interested parties regarding the sale process and proposed restructure Liaison with legal advisors on matters relating to the sale and proposed restructure the Company and its assets Liaison with management regarding the sale process Liaision with purchasers Internal meetings to discuss/review offers received
	Plant and Equipment	Liaising with valuers, auctioneers and interested parties Reviewing asset listings
	Sale of Real Property	Liaising with valuers and selling agents Engaging with legal advisors to consider environmental obligations with the Chinchilla property Attend a site visit of the Chinchilla property
	Debtors	Correspondence with debtors Reviewing and assessing collectability of debtors ledger Liaising solicitors
	Intercompany loans	Reviewing documentation relating to the intercompany loans Reconciling related party positions Assessing recoverability of related party debtors
	Other Assets	Assessing recoverability of investments in domestic and overseas subsidiaries Assessing recoverability of shareholdings in listed entities Meetings with Directors of subsidiaries Identify and preserve intellectual property
	Leasing	Emails, letters and telephone correspondence with PPSR registration holders and rental property landlords Investigate PPSR registrations and liaise with interest holders regarding ongoing use of assets by the administration Liaison with PPSR interest holders regarding discharge

Task Area	General Description	Includes
		of interests for equipment no longer required or held. Liaison with property landlords regarding disclaiming specific rental agreements
Creditors **$87,660.50** **192.20 hours**	Creditor Enquiries	Deal with creditor enquiries via telephone Preparing an FAQ for creditors regarding the Administration Maintaining creditor enquiry files Review and prepare correspondence to creditors and their representatives via facsimile, email and post Correspondence with Convertible Noteholders and their respective solicitors
	Retention of Title Claims	Search the PPSA register Notify PMSI creditors identified from PPSA register Receive initial notification of creditors' intention to claim Provision of retention of title claim form to creditors Receive completed retention of title claim forms Maintain retention of title file Meeting claimants on site to identify goods Adjudicate retention of title claims Forward correspondence to claimants notifying outcome of adjudication Preparation of payment vouchers to satisfy valid claims Preparation of correspondence to claimants to accompany payment of claims (if valid)
	Secured creditor reporting	Notifying PPSA registered creditors of appointment
	Creditor reports	Preparing section 439A report, investigation, meeting and general reports to creditors
	Dealing with proofs of debt	Receipting and filing POD when not related to a dividend Corresponding with OSR and ATO regarding POD when not related to a dividend
	Meeting of Creditors	Preparation of meeting notices, proxies and advertisements Forward notice of meeting to all known creditors Preparation of meeting file, including agenda, certificate of postage, attendance register, list of creditors, reports to creditors, advertisement of meeting and draft minutes of meeting Conducting first meeting of creditors Preparation and lodgement of minutes of meetings with ASIC Responding to stakeholder queries and questions immediately following meeting
	Shareholder enquiries	Notification to SGX Maintain SGX disclosure obligations Preparing an FAQ for shareholders regarding the Administration Responding to any shareholder queries
	Employees enquiries	Receive and follow up employee enquiries via telephone

Task Area	General Description	Includes
Employees **$26,544.50** **66.10 hours**		Maintain employee enquiry files Review and prepare correspondence to employees and their representatives via facsimile, email and post Receive and prepare correspondence in response to employees objections to leave entitlements
	Calculation of entitlements	Address employee enquiries via telephone, email and in person regarding the administration, entitlements and ongoing engagements
	Workers compensation claims	Review insurance policies Correspondence with insurer regarding initial and ongoing workers compensation insurance requirements Correspondence with previous brokers
	Other employee issues	Correspondence with Child Support Correspondence with Centrelink
Trade On **$79,431.50** **179.70 hours**	Trade On Management	Liaising with suppliers Liaising with management and staff Attendance on site Authorising purchase orders Maintaining purchase order registry Monitoring trading performance Reviewing weekly performance reports Preparing and authorising receipt vouchers Preparing and authorising payment vouchers Liaising with superannuation funds regarding contributions, termination of employees employment Liaising with OSR regarding payroll tax issues
	Processing receipts and payments	Entering receipts and payments into accounting system
	Employees	Liaison with Company management regarding payroll information and processing Review and processing of payroll Review and processing of payroll tax liability for the administration Liaise with employees updating on the status of the administration
	Budgeting and financial reporting	Reviewing company's budgets and financial statements Preparing budgets Preparing weekly financial reports Finalising trading profit or loss Meetings with management and staff to discuss trading position
Investigation **$32,110.00** **57.00 hours**	Conducting investigation	Collection of company books and records Reviewing company's books and records Review and preparation of company nature and history Conducting and summarising statutory searches Preparation of comparative financial statements Preparation of deficiency statement

Task Area	General Description	Includes
		Review of specific transactions and liaising with directors regarding certain transactions Liaising with directors regarding certain transactions Investigations to identify indicators of insolvency and possible claims for insolvent trading Preparation of investigation file
	Litigation / Recoveries	Liaison with legal advisors regarding recapitalisation / sale process of the Company Review of existing litigation and impact upon the Company Seeking advice on legal matter
Dividend **$156.00** **0.30 hours**	Processing proofs of debt	Preparation of correspondence to potential creditors inviting lodgement of POD Receipt of POD Maintain POD register
Administration **$84,106.50** **187.00 hours**	Document maintenance/file review/checklist	Filing of documents File reviews Updating checklists
	Insurance	Review and confirmation of adequacy of cover Identification of potential issues requiring attention of insurance specialists Correspondence with insurer regarding initial and ongoing insurance requirements Reviewing insurance policies Correspondence with previous brokers
	Bank account administration	Preparing correspondence opening and closing accounts Requesting bank statements Bank account reconciliations Correspondence with bank regarding specific transfers
	ASIC Form 524 and other forms	Preparing and lodging ASIC forms including 505, 524, 911 etc Correspondence with ASIC regarding statutory forms
	ATO and other statutory reporting	Liaison with Company management regarding preparation of Report as to Affairs and approval of extension of time to complete Liaison with the ATO regarding GST, PAYG and SGC matters and reporting Investigations into payroll tax requirements for the administration
	Planning / Review	Discussions regarding status of administration

Resolution 2

Summary of work to be undertaken by Stephen Longley, Grant Sparks and Martin Ford, Administrators of the Company and their staff for the period 11 May 2016 to 23 May 2016

Task Area	General Description	Includes
Assets **$80,395.00** **175.00 hours**	Sale of Business as a Going Concern	Liaison with interested parties and their legal advisors regarding due diligence and sale proposal Liaisons with legal advisors on matters relating to the proposed sale of the Company and its assets Liaisons with management regarding the sale process Negotiation and settlement of sale contracts
	Plant and Equipment	Liaising with valuers, auctioneers and interested parties Reviewing asset listings
	Sale of Real Property	Liaising with valuers, and agents Ongoing consideration of environmental obligations relating to the Chinchilla property Review and approval of marketing material
	Debtors	Ongoing correspondence with debtors Reviewing and assessing collectability of debtors ledger Liaising with debt collectors and solicitors
	Intercompany loans	Ongoing correspondence with related party debtors
	Other Assets	Ongoing investigations regarding realisation of investments in subsidiaries and shareholdings Ongoing investigations regarding realisation of intellectual property rights
	Leasing	Reviewing leasing documents Liaising with owners/lessors Tasks associated with disclaiming leases
Creditors **$58,960.00** **134.00 hours**	Creditor Enquiries	Deal with creditor enquiries via telephone Maintaining creditor enquiry files Review and prepare correspondence to creditors and their representatives via facsimile, email and post Correspondence with committee of creditors members
	Dealing with proofs of debt	Receipting and filing POD when not related to a dividend
	Meeting of Creditors	Preparation of meeting notices, proxies and advertisements Forward notice of meeting to all known creditors Preparation of meeting file, including agenda, certificate of postage, attendance register, list of creditors, reports to creditors, advertisement of meeting and draft minutes of meeting Conducting first meeting of creditors Preparation and lodgement of minutes of meetings with ASIC Responding to stakeholder queries and questions immediately following meeting
	Shareholder enquiries	Maintaining SGX disclosure obligations Responding to shareholder queries

Task Area	General Description	Includes
Employees **$17,735.00** **38.00 hours**	Employees enquiries	Receive and follow up employee enquiries via telephone Maintain employee enquiry files Review and prepare correspondence to employees and their representatives via facsimile, email and post Preparation of letters to employees advising of their entitlements Receive and prepare correspondence in response to employees objections to leave entitlements
	Calculation of entitlements	Calculating employee entitlements Reviewing employee files and company's books and records Reconciling superannuation accounts Reviewing awards, contracts, company policies and the National Employment Standards and other relevant legislation Liaising with solicitors regarding entitlements
	Other employee issues	Correspondence with Child Support Correspondence with Centrelink
Trade On **$47,505.00** **103.00 hours**	Trade On Management	Liaising with suppliers Liaising with management and staff Attendance on site Authorising purchase orders Maintaining purchase order registry Monitoring trading performance Reviewing daily/weekly performance reports Preparing and authorising receipt vouchers Preparing and authorising payment vouchers Liaising with superannuation funds regarding contributions, termination of employees employment Liaising with OSR regarding payroll tax issues
	Processing receipts and payments	Entering receipts and payments into accounting system
Investigation **$15,230.00** **33.00 hours**	Budgeting and financial reporting	Reviewing company's budgets and financial statements Preparing budgets Preparing weekly financial reports Finalising trading profit or loss Meetings with management and staff to discuss trading position
	Litigation / Recoveries	Liaison with legal advisors regarding recapitalisation / sale process of the Company Ongoing liaison with legal advisors regarding existing litigation Review of other legal matters
	Document maintenance/file review/checklist	First month, then six monthly administration review Filing of documents File reviews Updating checklists

Task Area	General Description	Includes
Administration **$30,175.00** **100.00 hours**	Insurance	Maintenance of insurance coverage Identification of potential issues requiring attention of insurance specialists Correspondence with insurer regarding ongoing insurance requirements Reviewing insurance policies Correspondence with previous brokers
	Bank account administration	Requesting bank statements Bank account reconciliations Correspondence with bank regarding specific transfers
	ASIC Form 524 and other forms	Preparing and lodging ASIC forms including 505, 524, 911 etc Correspondence with ASIC regarding statutory forms
	ATO and other statutory reporting	Preparing BAS Completing group certificates
	Planning / Review	Discussions regarding status of administration

Resolution 3

Summary of work to be undertaken by Stephen Longley, Grant Sparks and Martin Ford, Liquidators of the Company and their staff for the period 24 May 2016 to completion of the Liquidation

Task Area	General Description	Includes
Assets **$71,520.00** **150.00 hours**	Sale of Business as a Going Concern	Finalising the sale of business process including liaison with interested parties and their legal advisors Liaison with legal advisors regarding completion of sale of business Review and execution of sale agreements
	Plant and Equipment	Managing asset sale/auction process Liaising with valuers, auctioneers and interested parties Reviewing asset listings
	Sale of Real Property	Liaising with valuers and agents Review and approval of marketing material Negotiate and settle sale contracts Attendance at auction attendance to settlement
	Debtors	Correspondence with debtors Reviewing and assessing collectability of debtors ledger Liaising with debt collectors and solicitors
	Intercompany loans	Ongoing correspondence with related party debtors
	Other Assets	Develop and execution of realisation strategies for investments in subsidiaries and shareholdings Develop and execution of realisation strategies for intellectual property rights
	Leasing	Liaising with owners/lessors Tasks associated with disclaiming leases
Creditors **$51,775.00** **112.00 hours**	Creditor Enquiries	Deal with creditor enquiries via telephone Maintaining creditor enquiry files Review and prepare correspondence to creditors and their representatives via facsimile, email and post Correspondence with committee of creditors members
	Creditor reports	Preparing general reports to creditors
	Dealing with proofs of debt	Receipting and filing POD when not related to a dividend Corresponding with OSR and ATO regarding POD when not related to a dividend
	Meeting of Creditors	Preparation of meeting notices, proxies and advertisements Forward notice of meeting to all known creditors Preparation of meeting file, including agenda, certificate of postage, attendance register, list of creditors, reports to creditors, advertisement of meeting and draft minutes of meeting Conducting annual and final meetings of creditors Preparation and lodgement of minutes of meetings with ASIC

Task Area	General Description	Includes
		Responding to stakeholder queries and questions immediately following meeting
Employees **$39,275.00** **85.00 hours**	Employees enquiries	Receive and follow up employee enquiries via telephone Maintain employee enquiry files Review and prepare correspondence to employees and their representatives via facsimile, email and post Preparation of letters to employees advising of their entitlements Receive and prepare correspondence in response to employees objections to leave entitlements
	FEG	Correspondence with FEG Preparing notification spreadsheet Preparing FEG quotations Preparing FEG distributions
	Calculation of entitlements	Calculating employee entitlements Reviewing employee files and company's books and records Reconciling superannuation accounts Reviewing awards Liaising with solicitors regarding entitlements
	Employee dividend	Correspondence with employees regarding dividend Correspondence with ATO regarding SGC proof of debt Calculating dividend rate Preparing dividend file Advertising dividend notice Preparing distribution Receipting POD Adjudicating POD Ensuring PAYG is remitted to ATO
	Other employee issues	Correspondence with Child Support Correspondence with Centrelink
Trade On **$24,955.00** **55.00 hours**	Trade On Management	Liaising with suppliers Liaising with management and staff Attendance on site Authorising purchase orders Maintaining purchase order registry Monitoring trading performance Reviewing daily/weekly performance reports Preparing and authorising receipt vouchers Preparing and authorising payment vouchers Liaising with superannuation funds regarding contributions, termination of employees employment Liaising with OSR regarding payroll tax issues
	Processing receipts and payments	Entering receipts and payments into accounting system

Task Area	General Description	Includes
	Budgeting and financial reporting	Reviewing company's budgets and financial statements Preparing budgets Preparing weekly financial reports Finalising trading profit or loss Meetings with management and staff to discuss trading position
Investigation **$69,690.00** **149.00 hours**	Conducting investigation	Collection of company books and records Correspondence with ASIC to receive assistance in obtaining reconstruction of financial statements, company's books and records and Report as to Affairs Reviewing company's books and records Review and preparation of company nature and history Conducting and summarising statutory searches Preparation of comparative financial statements Preparation of deficiency statement Review of specific transactions and liaising with directors regarding certain transactions Liaising with directors regarding certain transactions Investigations to identify indicators of insolvency and possible claims for insolvent trading Preparation of investigation file Preparation and lodgement of supplementary report if required
	Examinations	Preparing brief to solicitor Liaising with solicitor(s) regarding examinations Attendance at examination Reviewing examination transcripts Liaising with solicitor(s) regarding outcome of examinations and further actions available
	Litigation / Recoveries	Preparing brief to solicitors Liaising with solicitors regarding recovery actions Attending to negotiations Attending to settlement matters
	ASIC reporting	Preparing statutory investigation reports Preparing affidavits seeking non lodgements assistance Liaising with ASIC
Dividend **$9,240.00** **20.00 hours**	Processing proofs of debt	Preparation of correspondence to potential creditors inviting lodgement of POD Receipt of POD Maintain POD register Adjudicating POD Request further information from claimants regarding POD Preparation of correspondence to claimant advising outcome of adjudication
	Dividend procedures	Preparation of correspondence to creditors advising of intention to declare dividend Advertisement of intention to declare dividend

Task Area	General Description	Includes
		Obtain clearance from ATO to allow distribution of company's assets Preparation of dividend calculation Preparation of correspondence to creditors announcing declaration of dividend Advertise announcement of dividend Preparation of distribution Preparation of dividend file Preparation of payment vouchers to pay dividend Preparation of correspondence to creditors enclosing payment of dividend
Administration **$33,545.00** **110.00 hours**	Document maintenance/file review/checklist	First month, then six monthly administration review Filing of documents File reviews Updating checklists
	Insurance	Maintenance of insurance coverage Identification of potential issues requiring attention of insurance specialists Correspondence with insurer regarding ongoing insurance requirements Reviewing insurance policies Correspondence with previous brokers Consider ability to submit any claims against insurance policies
	Bank account administration	Preparing correspondence opening and closing accounts Requesting bank statements Bank account reconciliations Correspondence with bank regarding specific transfers
	ASIC Form 524 and other forms	Preparing and lodging ASIC forms including 505, 524, 911 etc Correspondence with ASIC regarding statutory forms
	ATO and other statutory reporting	Notification of appointment Preparing BAS Completing group certificates
	Finalisation	Notifying ATO of finalisation Cancelling ABN / GST / PAYG registration Completing checklists Finalising WIP
	Planning / Review	Discussions regarding status of administration
	Books and records / storage	Dealing with records in storage Sending job files to storage

8. Calculation of remuneration

Linc Energy Limited
ACN 076 157 045
Resolution 1

Professional fees for work undertaken by the Administrators and their staff for the period 15 April 2016 to 10 May 2016

Employee	Position	$/hours	Total Actual	Total	Assets		Creditors		Employees		Trade-on		Investigation		Dividend		Administration	
		(Ex GST)	Hrs	$	$	Hrs	$	Hrs	$	Hrs	$	Hrs	$	Hrs	$	Hrs	$	Hrs
Stephen Longley	Partner	675.00	43.10	29,092.50	5,467.50	8.10	12,690.00	18.80	1,012.50	1.50	6,210.00	9.20	945.00	1.40	0.00	0.00	2,767.50	4.10
Grant Sparks	Partner	675.00	52.70	35,572.50	3,172.50	4.70	4,387.50	6.50	1,147.50	1.70	3,375.00	5.00	9,382.50	13.90	0.00	0.00	14,107.50	20.90
Martin Ford	Partner	675.00	6.30	4,252.50	202.50	0.30	135.00	0.20	472.50	0.70	135.00	0.20	0.00	0.00	0.00	0.00	3,307.50	4.90
Campbell Jaski	Partner	675.00	5.80	3,915.00	3,915.00	5.80	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Stephen Edds	Director	585.00	128.70	75,289.50	29,484.00	50.40	8,424.00	14.40	3,685.50	6.30	6,844.50	11.70	8,424.00	14.40	0.00	0.00	18,427.50	31.50
Ben Campbell	Director	585.00	37.10	21,703.50	3,802.50	6.50	5,265.00	9.00	292.50	0.50	8,775.00	15.00	0.00	0.00	0.00	0.00	3,568.50	6.10
Allan Titterton	Director	585.00	0.80	468.00	468.00	0.80	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Amanda Beattie	Director	585.00	3.80	2,223.00	0.00	0.00	2,223.00	3.80	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
James Alexio	Senior Manager	520.00	166.60	86,632.00	18,980.00	36.50	15,236.00	29.30	7,384.00	14.20	19,448.00	37.40	7,436.00	14.30	156.00	0.30	17,992.00	34.60
Elizabeth Walsh	Senior Manager	520.00	2.80	1,456.00	1,456.00	2.80	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Matthew Plohl	Senior Manager	520.00	25.70	13,364.00	0.00	0.00	13,364.00	25.70	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Yian Sun	Senior Manager	520.00	1.50	780.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	780.00	1.50	0.00	0.00	0.00	0.00
Ben Mason	Senior Manager	520.00	0.90	468.00	468.00	0.90	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Andre Boustani	Manager	475.00	57.80	27,455.00	2,327.50	4.90	2,232.50	4.70	95.00	0.20	12,160.00	25.60	3,800.00	8.00	0.00	0.00	6,840.00	14.40
Mark Monzon	Manager	475.00	1.50	712.50	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	712.50	1.50	0.00	0.00	0.00	0.00
Jack Pell	Assistant Manager	455.00	108.40	49,322.00	48,594.00	106.80	728.00	1.60	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Peter Tylor	Senior Analyst 1	400.00	24.50	9,800.00	0.00	0.00	0.00	0.00	0.00	0.00	9,800.00	24.50	0.00	0.00	0.00	0.00	0.00	0.00
Brodie Tebbutt	Analyst 1	315.00	75.50	23,782.50	1,512.00	4.80	13,860.00	44.00	189.00	0.60	0.00	0.00	0.00	0.00	0.00	0.00	8,221.50	26.10
Erin Lord	Analyst 1	315.00	43.90	13,828.50	315.00	1.00	3,402.00	10.80	2,866.50	9.10	5,229.00	16.60	630.00	2.00	0.00	0.00	1,386.00	4.40

Employee	Position	$/hours	Total Actual	Total	Assets		Creditors		Employees		Trade-on		Investigation		Dividend		Administration	
		(Ex GST)	Hrs	$	$	Hrs	$	Hrs	$	Hrs	$	Hrs	$	Hrs	$	Hrs	$	Hrs
James Moulton	Analyst 1	315.00	3.30	1,039.50	1,039.50	3.30	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Anne Kolwey-Timm	Analyst 1	315.00	11.30	3,559.50	0.00	0.00	2,583.00	8.20	0.00	0.00	756.00	2.40	0.00	0.00	0.00	0.00	220.50	0.70
Tammy Wat	Analyst 1	315.00	26.70	8,410.50	0.00	0.00	0.00	0.00	8,410.50	26.70	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Owen Myatt	Graduate	215.00	86.20	18,533.00	5,074.00	23.60	2,494.00	11.60	387.00	1.80	6,321.00	29.40	0.00	0.00	0.00	0.00	4,257.00	19.80
Olivia Houston	Graduate	215.00	3.00	645.00	0.00	0.00	0.00	0.00	602.00	2.80	0.00	0.00	0.00	0.00	0.00	0.00	43.00	0.20
Michelle Budiarso	Graduate	215.00	1.10	236.50	0.00	0.00	236.50	1.10	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Senior Bookkeeper	140.00	4.10	574.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	574.00	4.10
	Bookkeeper	140.00	4.60	644.00	0.00	0.00	0.00	0.00	0.00	0.00	378.00	2.70	0.00	0.00	0.00	0.00	266.00	1.90
	Executive Assistant	160.00	15.80	2,528.00	0.00	0.00	400.00	2.50	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	2,128.00	13.30
Total			943.50	436,287.00	126,278.00	261.20	87,660.50	192.20	26,544.50	66.10	79,431.50	179.70	32,110.00	57.00	156.00	0.30	84,106.50	187.00
GST				43,628.70														
Total (Including GST)				479,915.70														
Average rate (excluding GST)				462.41	483.45		456.09		401.58		442.02		563.33		520.00		449.77	

Average Rate (excl GST) reflects the average charge rate during the period of the remuneration calculation.
A *Creditor Information Sheet* containing general information about the remuneration of Insolvency Practitioners is available at:
http://www.lpaa.com.au/user/docs/Creditor_Information_Sheet.pdf

Linc Energy Limited
ACN 076 157 045
Resolution 2

Estimated professional fees for work to be undertaken by the Administrators and their staff for the period 11 May 2016 to 23 May 2016

Position	$/hours	Total Actual	Total	Assets		Creditors		Employees		Trade-on		Investigation		Administration	
	(Ex GST)	Hrs	$	$	Hrs	$	Hrs	$	Hrs	$	Hrs	$	Hrs	$	Hrs
Appointee	675.00	59.00	39,825.00	13,500.00	20.00	7,425.00	11.00	3,375.00	5.00	10,125.00	15.00	675.00	1.00	4,725.00	7.00
Director	585.00	71.00	41,535.00	8,775.00	15.00	14,040.00	24.00	3,510.00	6.00	8,190.00	14.00	1,755.00	3.00	5,265.00	9.00
Senior Manager	520.00	104.00	54,080.00	18,200.00	35.00	15,600.00	30.00	4,680.00	9.00	8,320.00	16.00	4,680.00	9.00	2,600.00	5.00
Manager	475.00	71.00	33,725.00	7,600.00	16.00	4,750.00	10.00	2,375.00	5.00	11,875.00	25.00	4,750.00	10.00	2,375.00	5.00
Assistant Manager	455.00	61.00	27,755.00	20,020.00	44.00	1,820.00	4.00	-	-	2,275.00	5.00	1,365.00	3.00	2,275.00	5.00
Analyst	315.00	102.00	32,130.00	9,450.00	30.00	11,025.00	35.00	3,150.00	10.00	2,205.00	7.00	1,575.00	5.00	4,725.00	15.00
Graduate	215.00	70.00	15,050.00	2,150.00	10.00	4,300.00	20.00	645.00	3.00	4,515.00	21.00	430.00	2.00	3,010.00	14.00
Bookkeeper	140.00	25.00	3,500.00	700.00	5.00	-	-	-	-	-	-	-	-	2,800.00	20.00
Administration	120.00	20.00	2,400.00	-	-	-	-	-	-	-	-	-	-	2,400.00	20.00
Total		583.00	250,000.00	80,395.00	175.00	58,960.00	134.00	17,735.00	38.00	47,505.00	103.00	15,230.00	33.00	30,175.00	100.00
GST			25,000.00												
Total (Including GST)			275,000.00												
Average rate			428.82												

Linc Energy Limited
ACN 076 157 045
Resolution 3

Estimated professional fees for work to be undertaken by the Liquidators and their staff for the period 24 May 2016 to the completion of the Liquidation

Position	$/hours	Total Actual	Total	Assets		Creditors		Employees		Trade-on		Investigation		Dividend		Administration	
	(Ex GST)	Hrs	$	$	Hrs	$	Hrs	$	Hrs	$	Hrs	$	Hrs			$	Hrs
Appointee	675.00	76.00	51,300.00	17,550.00	26.00	7,425.00	11.00	7,425.00	11.00	4,050.00	6.00	9,450.00	14.00	2,025.00	3.00	3,375.00	5.00
Director	585.00	93.00	54,405.00	14,040.00	24.00	14,625.00	25.00	5,850.00	10.00	3,510.00	6.00	11,700.00	20.00	1,755.00	3.00	2,925.00	5.00
Senior Manager	520.00	123.00	63,960.00	11,440.00	22.00	13,000.00	25.00	10,400.00	20.00	5,200.00	10.00	18,200.00	35.00	3,120.00	6.00	2,600.00	5.00
Manager	475.00	88.00	41,800.00	10,925.00	23.00	2,375.00	5.00	6,650.00	14.00	6,650.00	14.00	9,500.00	20.00	950.00	2.00	4,750.00	10.00
Assistant Manager	455.00	51.00	23,205.00	7,280.00	16.00	1,820.00	4.00	-	-	1,820.00	4.00	9,555.00	21.00	-	-	2,730.00	6.00
Analyst	315.00	139.00	43,785.00	5,985.00	19.00	11,025.00	35.00	7,875.00	25.00	1,575.00	5.00	9,135.00	29.00	315.00	1.00	7,875.00	25.00
Graduate	215.00	83.00	17,845.00	4,300.00	20.00	1,505.00	7.00	1,075.00	5.00	2,150.00	10.00	2,150.00	10.00	1,075.00	5.00	5,590.00	26.00
Bookkeeper	140.00	17.00	2,380.00	-	-	-	-	-	-	-	-	-	-	-	-	2,380.00	17.00
Administration	120.00	11.00	1,320.00	-	-	-	-	-	-	-	-	-	-	-	-	1,320.00	11.00
Total		681.00	300,000.00	71,520.00	150.00	51,775.00	112.00	39,275.00	85.00	24,955.00	55.00	69,690.00	149.00	9,240.00	20.00	33,545.00	110.00
GST			30,000.00														
Total (Including GST)			330,000.00														
Average rate			440.53														

9. Statement of remuneration claim

At the second meeting of creditors to be held on Monday, 23 May 2016 at 11.00 am (AEST), creditors will be asked to consider the following resolutions:

Resolution 1
"To approve the Administrators' remuneration for the period 15 April 2016 to 10 May 2016 in the amount of $436,287.00 plus GST."

Resolution 2
"To approve the Administrators' remuneration for the period 11 May 2016 to the conclusion of the Administration up to a maximum of $250,000.00 plus GST, as set out in the Remuneration Report dated 13 May 2016."

Resolution 3
"To approve the Liquidators' remuneration for the period 24 May 2016 to the conclusion of the Liquidation up to a maximum of $300,000.00 plus GST, as set out in the Remuneration Report dated 13 May 2016."

Future remuneration is approved subject to a maximum or cap. Sometimes the actual cost of the administration will exceed the maximum which has been approved, in which case, we may seek another resolution for additional remuneration. We will not pay any amount exceeding the maximum without this approval.

Where funds are available, we will usually pay approved remuneration at intervals not less than one month. Where funds are not available, remuneration will not be paid.

10. Remuneration recoverable from external sources

The Administrators have not received any funding from external sources for the Administrators' remuneration.

11. 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.

We are not required to seek creditor approval for disbursements, but must account to creditors.

We have undertaken a proper assessment of disbursements claimed for the Company in accordance with the law and applicable professional standards. We are satisfied that the disbursements claimed are necessary and proper. Disbursements have not been paid by the Administration to our firm to date.

Future disbursements incurred by our firm will be charged to the administration on the following basis:

Internal Disbursements		Rate (Excl GST)
Advertising		At cost
Courier		At cost
Printing	Black and white	$0.10 per page
	Colour	$0.47 per page
	A3 – Black and white	$0.20 per page
	A3 – Colour	$0.60 per page
Photocopying	Black and white	$0.10 per page
	Colour	$0.29 per page
Postage		At cost
Scans		$0.05 per page
Staff vehicle use		At prescribed ATO rates

Rates applicable as at 1 January 2015

12. Summary of receipts and payments

The summary of receipts and payments for the period from 15 April 2016 to 10 May 2016 is shown at **Appendix H**.

13. Queries

Please contact Brodie Tebbutt on +61 2 8116 3148 or by email on btebbutt@ppbadvisory.com should you have any queries or require any further information.

14. Information sheets

Enclosed for your attention is the ASIC publication 'Insolvency Information for directors, employees, creditors and shareholders', which provides an index of all the information sheets that are available including information on 'Approving fees' is attached at **Appendix E**. You can download these forms from www.arita.com.au/insolvency-you/insolvency-explained/insolvency-fact-sheets.

C. Declaration of Independence, Relevant Relationships and Indemnities

Declaration of Independence, Relevant Relationships and Indemnities

Linc Energy Limited
(Administrators Appointed) (the Company)
ACN 076 157 045

A Practitioner appointed to an insolvent entity is required to make declarations as to:

A. their independence generally

B. relevant relationships, including:
   i. the circumstances of the appointment
   ii. any relationships with the Company and others within the previous 24 months
   iii. any prior professional services for the Company within the previous 24 months
   iv. any that there are no other relationships to declare and

C. any indemnities given, or up-front payments made, to the Practitioner.

This declaration is made in respect of us, our partners, PPB Advisory and the related entities of PPB Advisory.

A. Independence

We, Stephen Longley, Grant Sparks and Martin Ford of PPB Advisory, Central Plaza One, Level 27, 345 Queen Street, Brisbane QLD 4000, have undertaken a proper assessment of the risks to our independence prior to accepting the appointment as joint and several Administrators of the Company in accordance with the law and applicable professional standards

This assessment identified no real or potential risks to our independence. We are not aware of any reasons that would prevent us from accepting this appointment.

B. Declaration of Relationships

i. Circumstances of appointment

As outlined below, we have had various dealings with relevant parties to discuss the Company's affairs prior to our appointment as Administrators:

Date	Description
22 May 2015 28 May 2015	Initial contact and meetings were held with Craig Ricato of the Company and Grant Sparks of PPB Advisory
16 June 2015	Grant Sparks met with Craig Ricato of the company and Stephen Longley joined the meeting by teleconference to consider the scope of the work proposed

1 July – 17 August 2015	PPB Advisory were requested to review the Company's financial and liquidity position, forecast cash flows and restructuring plan in order to prepare a presentation to the Board regarding: • Advice of a general nature about the obligations, risks and potential liabilities for directors of insolvent companies • A checklist of the key timetable, key milestones, success measures and risks in delivering the proposed restructure • Consequences for the Group of insolvency (i.e. in the event the proposed restructure plan is not achieved) • Alternative courses of action available to the Group in the case of insolvency (including potential contingency planning). On 17 August 2015, Grant Sparks and Ben Campbell of PPB Advisory met with Craig Ricato (CEO and Director), Chris Munday (CFO) and Janelle van de Velde (Company Secretary) of the Company to discuss PPB Advisory's presentation to the Board as outlined above. Stephen Longley joined the meeting by teleconference
5 August 2015	Grant Sparks had an initial meeting with Chris Munday who had recently been appointed CFO
21 and 28 March 2016	On 21 March, Chris Munday met with Grant Sparks and the Company subsequently requested that PPB Advisory conduct a high level assessment of: • Current financial position • Liquidity position and cash flow needs • Solvency position • Issues associated with its going concern audit opinion • Risks associated with the current position and strategies being adopted. On 28 March 2016, Grant Sparks and Ben Campbell of PPB Advisory met with Chris Munday and Janelle van de Velde to discuss PPB Advisory's presentation to the Board as outlined above
1 to 13 April 2016	We were provided email updates and held limited discussions with Chris Munday on the status of the Company's restructuring plan in the week of 4 April 2016 and then again on 12 April 2016. A further update was provided by the Company on 13 April in a conference call held between Stephen Longley and Ben Campbell of PPB Advisory and Mark Leahy (Chairman of the Board), Craig Ricato, and Chris Munday of the Company
14 April 2016	Stephen Longley and Ben Campbell of PPB Advisory met with the Company's Board, Chris Munday and Janelle van de Velde, and David Proudman and Nick Edwards (the Company's lawyers from Johnson Winter Slattery) to provide an overview of the voluntary administration process and planning considerations

In our opinion, these meetings and discussions do not affect our independence, as the advice was given to the Company and not to the Directors personally. Further, the advice was restricted to the limitations imposed by Principle 2 of the Code of Professional Practice in relation to pre-appointment advice.

Further, the advice provided is not likely to be subject to review during the Administration and would not impact on compliance with our statutory and fiduciary duties. It is for these reasons that the advice does not, in our opinion, give rise to a conflict of interest or duty.

We received the following remuneration for pre-appoint advice:

1. Initial engagement (July 2015) – $33,000 (including GST)
2. Subsequent engagement (March 2016) – $22,000 (including GST).

We have not provided other information or advice to the Company, its directors or its advisors prior to our appointment, beyond that outlined in this Declaration of Independence, Relevant Relationships and Indemnities (**DIRRI**).

ii. Relevant relationships (excluding professional services to the insolvent)

We, or a member of our firm, have, or have had within the preceding 24 months, a relationship with:

The Security Holders:

- Fuji Xerox Finance Limited and Fuji Xerox Australia Pty Ltd
- BMW Australia Finance Limited
- Coates Hire Operations Pty Ltd
- Macquarie Leasing Pty Ltd
- D.T.H Products Pty Ltd
- BOC Limited
- Coregas Pty Ltd
- Elgas Limited

Nature of relationship	Reasons why no conflict of interest or duty
The Security Holders hold security interests over the Company's property. We have professional relationships with the major lenders in Australia and with a number of staff within the Security Holders' organisations, particularly in the credit and workout areas. We have previously undertaken formal and informal assignments involving or on behalf of some of the Security Holders for a number of years.	We believe that these relationships do not result in a conflict of interest or duty because our previous relationships with the Security Holders were not in relation to the Company's and/or the directors' affairs, or related parties of the Company and/or the directors.

Statutory Creditors:

- Australian Taxation Office
- Work Cover

Nature of relationship	Reasons why no conflict of interest or duty
Various Practitioners within PPB Advisory are members of panels for appointments as liquidators and bankruptcy trustees	We believe that these relationships do not result in a conflict of interest or duty. Our previous relationship with unsecured creditors has not been and is not in relation to the Company's affairs and/or the Company's directors or related parties of the Company

iii. Prior professional services to the insolvent

We, or a member of our firm, have provided the following professional services to the Company in the 24 months prior to the acceptance of this appointment:

Nature of professional service	Reasons why not an impediment or conflict
On 1 July 2015, we were engaged by the Company to undertake a high level assessment of current financial position, liquidity position and cash flow needs and solvency position of the Company. This engagement included a presentation to the Board regarding: • Advice of a general nature about the obligations, risks and potential liabilities for directors of insolvent companies • A checklist of the key timetable, key milestones, success measures and risks in delivering the proposed restructure • Consequences for the Group (and individual legal entities) of insolvency (i.e. in the event the proposed restructure plan is not achieved) • Alternative courses of action available to the Group in the case of insolvency (including potential contingency planning). The engagement occurred over a period of less than two months in July and August 2015 and we were paid a fee of $33,000 (including GST) for the services provided.	We believe that this relationship does not result in a conflict of interest or duty because: • Much of the work done during the engagement is work that would have been done by us in order to be able to report to creditors under section 439A of the Corporations Act. • The nature of the report provided to the Company is such that it would not be subject to review and challenge during the course of the administration • The engagement will not influence our ability to be able to fully comply with the statutory and fiduciary obligations associated with the administration of the Company in an objective and impartial manner.
On 21 March 2016, we were engaged by the Company to undertake a high level assessment of the Company's most recent management accounts and forecasts to provide an assessment of: • Current financial position • Liquidity position and cash flow needs • Solvency position • Issues associated with its going concern audit opinion • Risks associated with the current position and strategies being adopted. We were paid a fee of $22,000 (including GST) for the services provided.	We believe that this relationship does not result in a conflict of interest or duty because: • Much of the work done during the engagement is work that would have been done by us in order to be able to report to creditors under section 439A of the Corporations Act. • The nature of the report provided to the Company is such that it would not be subject to review and challenge during the course of the administration • The engagement will not influence our ability to be able to fully comply with the statutory and fiduciary obligations associated with the administration of the Company in an objective and impartial manner.

iv. No other relevant relationships to disclose

There are no other known relevant relationships, including personal, business and professional relationships, from the previous 24 months with the Company, an associate of the Company, a former insolvency practitioner appointed to the Company or any person or entity that has security over the whole or substantially the whole of the Company's property that should be disclosed.

C. Indemnities and up-front payments

We have not been indemnified in relation to this administration, other than any indemnities that we may be entitled to under statute. We have not received any upfront payments in respect of our remuneration or disbursements.

This does not include statutory indemnities. We have not received any other indemnities or upfront payments that should be disclosed.

Dated this 18 day of April 2016

Grant Sparks
Administrator

Stephen Longley
Administrator

Martin Ford
Administrator

Note:

If circumstances change, or new information is identified, we are required under the Corporations Act 2001 and the Australian Restructuring Insolvency & Turnaround Association (ARITA) Code of Professional Practice to update this Declaration and provide a copy to creditors with our next communication as well as table a copy of any replacement declaration at the next meeting of the insolvent's creditors.

Any relationships, indemnities or up-front payments disclosed in the DIRRI must not be such that the Practitioner is no longer independent. The purpose of components B and C of the DIRRI is to disclose relationships that, while they do not result in the Practitioner having a conflict of interest or duty, ensure that creditors are aware of those relationships and understand why the Practitioner nevertheless remains independent.

D. Notice of meeting of creditors

FORM 529

Paragraph 439A(3)(b)
Regulation 5.3.A.03AB

Corporations Act 2001

NOTICE OF MEETING OF CREDITORS

Linc Energy Limited
(Administrators Appointed) (the Company)
ACN 076 157 045

Notice is given that a meeting of the creditors of the Company will be held at PPB Advisory, Central Plaza One, 345 Queen Street, Brisbane, Queensland, on Monday, 23 May 2016, at 11:00 AM.

Agenda

1. To receive the report by the joint and several Administrators concerning the Company's business, property, affairs and financial circumstances pursuant to Section 439A of the Corporations Act 2001.
2. For creditors to consider the options available and to resolve that:
   (a) the Company execute a Deed of Company Arrangement, or
   (b) the administration should end, or
   (c) the Company be wound up.
3. To approve:
   (a) the Administrators' remuneration
   (b) the Deed Administrators' remuneration, if one is appointed or
   (c) the Liquidators' remuneration, if one is appointed.
4. If the Company is wound up, to consider the appointment of a Committee of Inspection and, if so, who are to be the committee members.
5. Any other business.

Creditors wishing to attend are advised that proof of debts and proxies must be submitted to the Administrators' by 4:00 pm Thursday, 19 May 2016.

There will be access to telephone conference facilities for creditors who cannot attend the meeting. Please refer to the bottom of this notice for conference details.

Dated this 13th day of May 2016

Stephen Longley, Grant Sparks and Martin Ford
Administrators

* Telephone conference facility details are as follows:

Telephone number:	1300 303 945
Conference code:	8612022686

International dial-in details:

Australia	+61 7 3117 0430
Hong Kong	800967018
Singapore	8006162287
United Kingdom	080 8234 2865
United States	1-877-610-2032

- A person, or the proxy or attorney of a person, who wishes to participate in the meeting by telephone must give to me by 8.00 am Friday, 20 May 2016, a written statement (email to btebbutt@ppbadvisory.com will be accepted) setting out:
  i. the name of the person and of the proxy or attorney (if any); and
  ii. an address to which notices to the person, proxy or attorney may be sent; and
  iii. a telephone number at which the person, proxy or attorney may be contacted; and
  iv. any facsimile transmission number to which notices to the person, proxy or attorney may be sent.
- 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.

E. ASIC Publication: Insolvency information for directors, employees, creditors and shareholders

ASIC
Australian Securities & Investments Commission

Insolvency information for directors, employees, creditors and shareholders

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

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

The Insolvency Practitioners Association (IPA), the leading professional organisation in Australia for insolvency practitioners, endorses these publications and encourages its members to make their availability known to affected people.

List of information sheets

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

Getting copies of the information sheets

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

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

© Australian Securities & Investments Commission, December 2008

F. **ARITA Publication: Creditor information sheet: Offences, recoverable transactions and insolvent trading**

Creditor Information Sheet

Offences, Recoverable transactions and Insolvent Trading

Offences

A summary of offences that may be identified by the administrator:

Section	Offence
180	Failure by officer to exercise a reasonable degree of care and diligence in the exercise of his powers and the discharge of his duties.
181	Failure to act in good faith.
182	Making improper use of position as an officer or employee, to gain, directly or indirectly, an advantage.
183	Making improper use of information acquired by virtue of his position.
184	Reckless or intentional dishonesty in failing to exercise duties in good faith for proper purpose. Use of position or information dishonestly to gain advantage or cause detriment.
206A	Contravening an order against taking part in management of a corporation.
206A, B	Taking part in management of corporation while being an insolvent under an administration.
206A, B	Acting as a director or promoter or taking part in the management of a company within five years after conviction or imprisonment for various offences.
209(3)	Dishonest failure to observe requirements on making loans to directors or related companies.
254T	Paying dividends except out of profits.
286	Failure to keep proper accounting records.
312	Obstruction of auditor.
314-7	Failure to comply with requirements for financial statement preparation.
437C	Performing or exercising a function or power as officer while a company is under administration.
437D(5)	Unauthorised dealing with company's property during administration.
438B(4)	Failure by directors to assist administrator, deliver records and provide information.
438C(5)	Failure to deliver up books and records to administrator.
590	Failure to disclose property, concealed or removed property, concealed a debt due to the company, altered books of the company, fraudulently obtained credit on behalf of the company, material omission from Report as to Affairs or false representation to creditors.

Voidable Transactions

Preferences

A preference is a transaction such as a payment between the company and one or more of its creditors, in which the creditor receiving the payment is preferred over the general body of creditors. The relevant time period is six months before the commencement of the liquidation. The company must have been insolvent at the time of the transaction, or become insolvent as a result of the transaction.

Where a creditor receives a preferred payment, the payment is voidable as against a liquidator and is liable to be paid back to the liquidator subject to the creditor being able to successfully maintain any of the defences available to the creditor under either the Corporations Act.

Uncommercial Transaction

An uncommercial transaction is one that it may be expected that a reasonable person in the company's circumstances would not have entered into having regard to:

- the benefit or detriment to the company;
- the respective benefits to other parties; and
- any other relevant matter.

To be voidable, an uncommercial transaction must have occurred during the two years before the liquidation.

However, if a related entity is a party to the transaction, the time period is four years and if the intention of the transaction is to defeat creditors, the time period is ten years.

The company must have been insolvent at the time of the transaction, or become insolvent as a result of the transaction.

Unfair Loan

A loan is unfair if and only if the interest was extortionate when the loan was made or has since become extortionate. There is no time limit on unfair loans – they only have to have been entered into any time on or before the day when the winding up began.

Arrangements to avoid employee entitlements

If an employee suffers loss because a person (including a director) enters into an arrangement or transaction to avoid the payment of employee entitlements, the liquidator or the employee may seek to recover compensation from that person. It will only be necessary to satisfy the court that there was a breach on the balance of probabilities. There is no time limit on when the transaction occurred.

Unreasonable payments to directors

Liquidators have the power to reclaim "unreasonable payments" made to directors by companies prior to liquidation. The provision relates to transactions made to, on behalf of, or for the benefit of, a director or close associate of a director. To fall within the scope of the section, the transaction must have been unreasonable, and have been entered into during the 4 years leading up to a company's liquidation, regardless of its solvency at the time the transaction occurred.

Voidable charges

Certain charges are voidable by a liquidator:

- Circulating security interest created with six months of the liquidation unless it secures a subsequent advance;
- Unregistered charges; and
- Charges in favour of related parties who attempt to enforce the charge within 6 months of its creation.

Insolvent Trading

In the following circumstances, directors may be personally liable for insolvent trading by the company:

- a person is a director at the time a company incurs a debt;
- the company is insolvent at the time of incurring the debt or becomes insolvent because of incurring the debt;
- at the time the debt was incurred, there were reasonable grounds to suspect that the company was insolvent;
- the director was aware such grounds for suspicion existed; and
- a reasonable person in a like position would have been so aware.

The law provides that the liquidator, and in certain circumstances the creditor who suffered the loss, may recover from the director, an amount equal to the loss or damage suffered. Similar provisions exist to pursue holding companies for debts incurred by their subsidiaries.

A defence is available under the law where the director can establish:

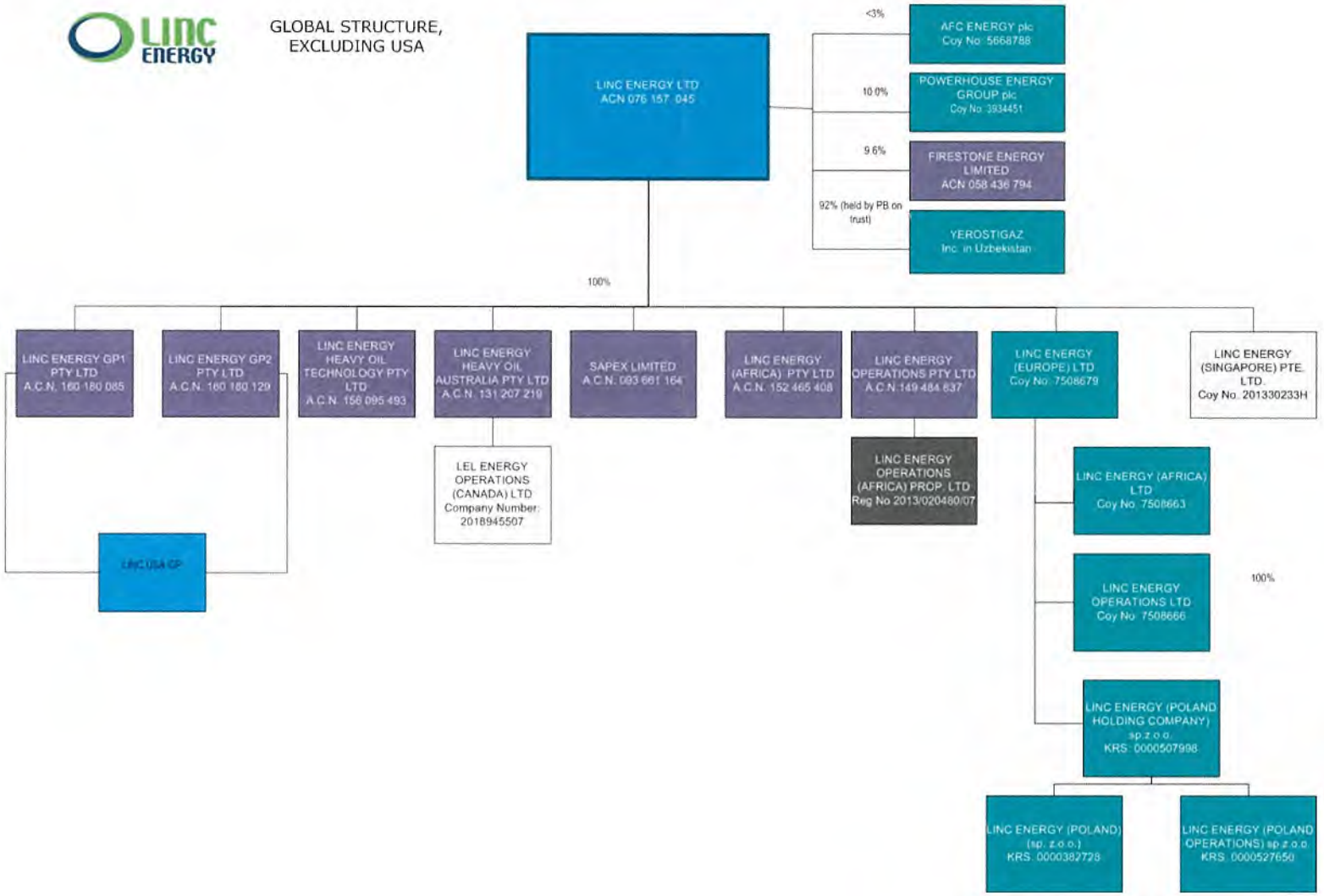
- there were reasonable grounds to expect that the company was solvent and they actually did so expect;
- they did not take part in management for illness or some other good reason; or,
- they took all reasonable steps to prevent the company incurring the debt.

The proceeds of any recovery for insolvent trading by a liquidator are available for distribution to the unsecured creditors before the secured creditors.

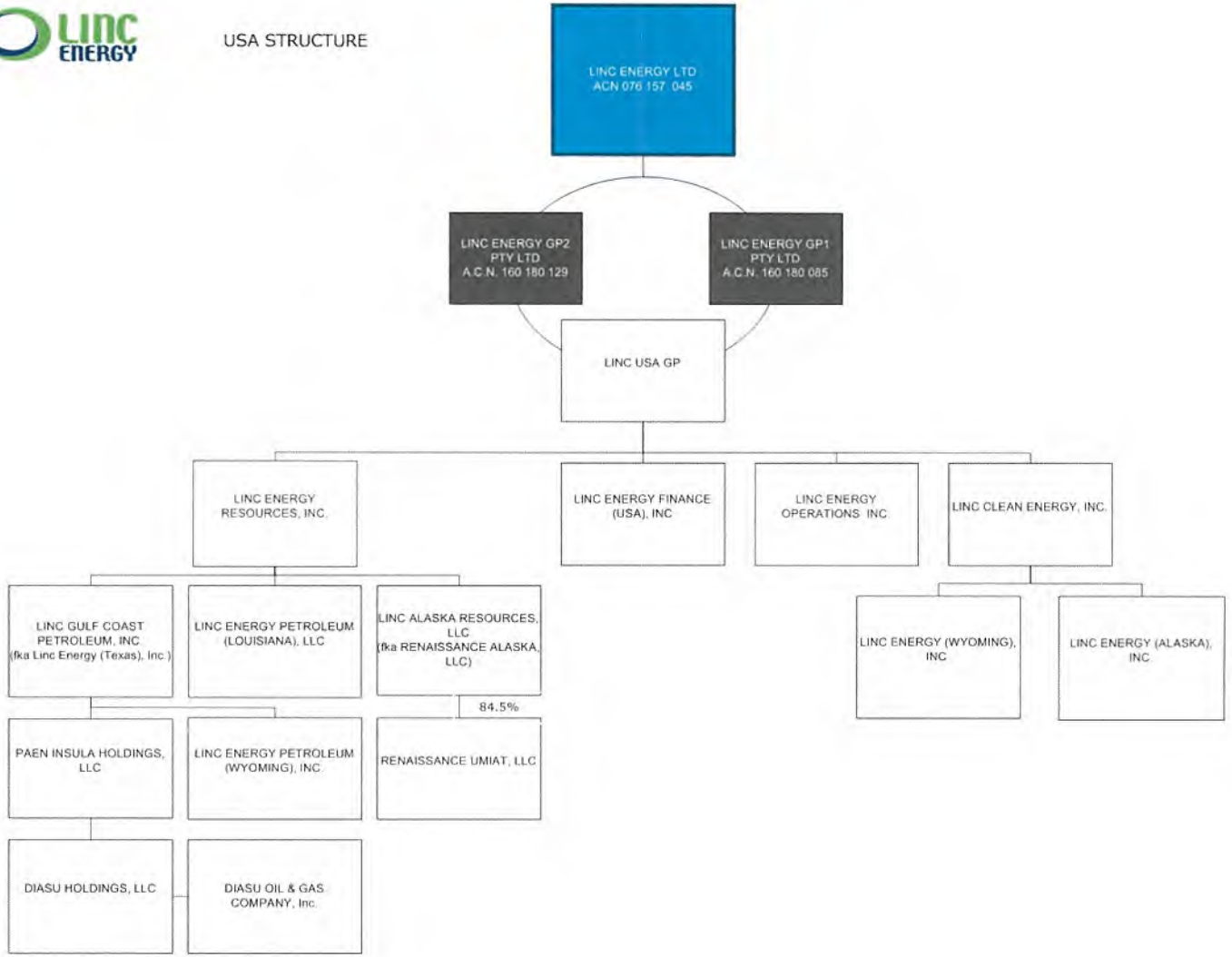
Important note: This information sheet contains a summary of basic information on the topic. It is not a substitute for legal advice. Some provisions of the law referred to may have important exceptions or qualifications. This document may not contain all of the information about the law or the exceptions and qualifications that are relevant to your circumstances.

G. Group structure diagram

GLOBAL STRUCTURE,
EXCLUDING USA



USA STRUCTURE



H. Summary receipts and payments

Linc Energy Limited
(Administrators Appointed)
ACN 076 157 045

Summary of Receipts and Payments
for the period 15 April 2016 to 10 May 2016

Item	Amount $
Receipts	
Accounts Receivable (Pre-appointment)	1,201.16
Interest Income	2,681.86
Cash at bank (AUD)	1,375,383.33
Cash at bank (SGD)	81,246.68
Cash at bank (USD)	45,662.69
Foreign exchange gain	2,017.89
Pre-appointment refunds	2,393.30
Prepayments and deposits	2,803.04
Reimbursement of employee deductions	6,259.19
Reimbursed US wages	10,838.31
Sale of shares	552,865.95
Total Receipts*	**2,083,353.40**
Payments	
Bank Charges	686.36
Brokerage fees	1,949.29
CEO fees	96,360.00
Consumables	64.17
IT consumables and services	8,351.92
Printing and stationery	316.80
Professional fees	8,659.75
Travel expenses	8,740.53
Wages and salaries	120,471.39
Wages and salaries reimbursements	6,347.87
Total Payments*	**251,948.08**
Cash at bank as at 10 May 2016	**1,831,405.32**

* Receipts and Payments are inclusive of GST
* Wages and salaries is net of PAYG withheld

I. Consolidated financial statements

Consolidated profit and loss

Profit and loss items	FY13 Audited $'000	FY14 Audited $'000	FY15 Audited $'000	YTD FY16 Unaudited $'000
Revenue	124,370	148,390	87,786	43,100
Cost of sales	(59,381)	(112,379)	(125,149)	(105,014)
Gross profit	**64,989**	**36,011**	**(37,363)**	**(61,914)**
Sale of royalty	-	-	148,611	-
Gain on sale of available-for-sale assets	-	-	433	4,462
Gain on purchase of oil and gas assets	628	-	-	-
Other income	143	439	422	665
Administration and corporate	(73,383)	(74,480)	(60,268)	(45,545)
Site operating costs	(9,075)	(6,875)	(5,215)	(1,251)
Exploration and evaluation	(3,245)	(2,135)	(1,283)	(2)
Technology development	(11,139)	(10,030)	(9,224)	(6,069)
Other expenses	(33,322)	(39,859)	(183,837)	(29,519)
Net foreign exchange gains / (losses)	8,973	(3,356)	8,715	2,960
Discount on sale of receivable	-	(13,982)	75	-
Results from operating activities	**(55,431)**	**(118,267)**	**(138,934)**	**(136,213)**
Net finance costs	(46,903)	(68,083)	(88,215)	(58,715)
Profit / (loss) before other financial instruments expenses and income tax	**(85,986)**	**(186,350)**	**(227,149)**	**(194,928)**
Other financial instruments expenses	-	(30,471)	(24,159)	(7,840)
Profit / (loss) before income tax	**(85,986)**	**(216,821)**	**(251,308)**	**(202,768)**
Income tax benefit / (expense)	22,161	(6,889)	2,297	(1,694)
Profit / (loss) for the year from continuing operations	**(63,825)**	**(223,710)**	**(249,011)**	**(204,462)**
Profit / (loss) from discontinued operations, net of tax	-	(5,768)	(43,882)	-
Profit / (loss) for the period	**(63,825)**	**(229,478)**	**(292,893)**	**(204,462)**
Net change in the fair value of available-for-sale financial assets, net of transaction costs, impairment and tax	6,596	(3,432)	13,303	(12,367)
Foreign currency translation differences for foreign operations	31,620	(6,372)	18,226	(4,275)
Other comprehensive income	**38,216**	**(9,804)**	**31,529**	**(16,642)**
Total comprehensive income	**(25,609)**	**(239,282)**	**(261,364)**	**(221,104)**

Consolidated balance sheet

Balance sheet items	FY13 Audited $'000	FY14 Audited $'000	FY15 Audited $'000	YTD FY16 Unaudited $'000
Current assets				
Cash and cash equivalents	124,007	48,716	23,210	3,749
Trade and other receivables	50,526	20,721	14,186	6,530
Available-for-sale assets	-	9,258	20,964	4,830
Inventories	2,935	2,857	3,585	4,182
Other financial assets	958	-	7,990	-
Total current assets	**178,426**	**81,552**	**69,935**	**19,291**
Non-current assets				
Trade and other receivables	28,100	13,847	25,545	21,129
Intangibles	271,294	268,677	254,191	254,987
Property, plant and equipment	17,806	15,728	14,219	10,630
Oil and gas assets	555,538	561,109	442,164	378,265
Available-for-sale assets	16,220	2,058	2,156	1,834
Deferred tax assets	1,077	-	-	-
Other financial assets	30	-	3,099	28
Total non-current assets	**890,065**	**861,419**	**741,374**	**666,873**
Total assets	**1,068,491**	**942,971**	**811,309**	**686,164**
Current liabilities				
Trade and other payables	94,097	62,131	39,400	46,001
Borrowings	1,632	197,695	174,400	67
Provisions	8,574	8,193	9,088	11,007
Other financial liabilities	2,691	5,766	-	-
Deferred revenue	-	4,211	3,000	3,000
Total current liabilities	**106,994**	**277,996**	**225,888**	**60,075**
Non-current liabilities				
Trade and other payables	1,281	1,124	1,241	1,331
Borrowings	477,423	337,026	483,542	744,734
Deferred tax liabilities	894	-	-	-
Provisions	37,052	43,518	57,734	63,197
Other financial liabilities	-	2,785	-	-
Deferred revenue	-	13,333	12,250	10,250
Total non-current liabilities	**516,650**	**397,786**	**554,767**	**819,512**
Total liabilities	**623,644**	**675,782**	**780,655**	**879,587**
Net assets	**444,847**	**267,189**	**30,654**	**(193,423)**
Equity	**444,847**	**267,189**	**30,654**	**(193,423)**

J. Statement of Administrators' Opinion

Statement of Administrators' Opinion

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

Linc Energy Limited
(Administrators Appointed) (the Company)
ACN 076 157 045

This statement sets out our opinions in relation to the alternatives which the creditors of the Company will consider at the Second Meeting of Creditors to be held on 23 May 2016 at 11.00 am at the office of:

PPB Advisory
Central One Plaza
345 Queen Street
Brisbane Queensland

The following options are available to creditors to decide at the Second Meeting pursuant to s439C of the Act, being that:

a) the Company be wound up (i.e. placed into liquidation)
b) the Company should execute a Deed of Company Arrangement (**DOCA**); or
c) the Administration of the Company should end (i.e. handed back to its directors).

The Act requires the Administrators to express an opinion on each option and make a recommendation. Our opinion on each option and the reasons for our opinion are set out below:

a) The Company should be wound up

In our opinion this option is presently the only option available to creditors and therefore the Administrators' recommend the Company be wound up (i.e. placed into liquidation).

b) The Company execute a DOCA

At the date of this Report, no DOCA proposal had been submitted to the Administrators of the Company. Therefore this option is NOT available to the creditors' of the Company.

c) The Administration should end

In our opinion this option is NOT in the creditors' interests as the Company is insolvent and there is no likelihood of it returning to solvency in the current circumstances.

DATED: 13th May 2016

Grant Sparks, Stephen Longley and Martin Ford
Joint and Several Administrators