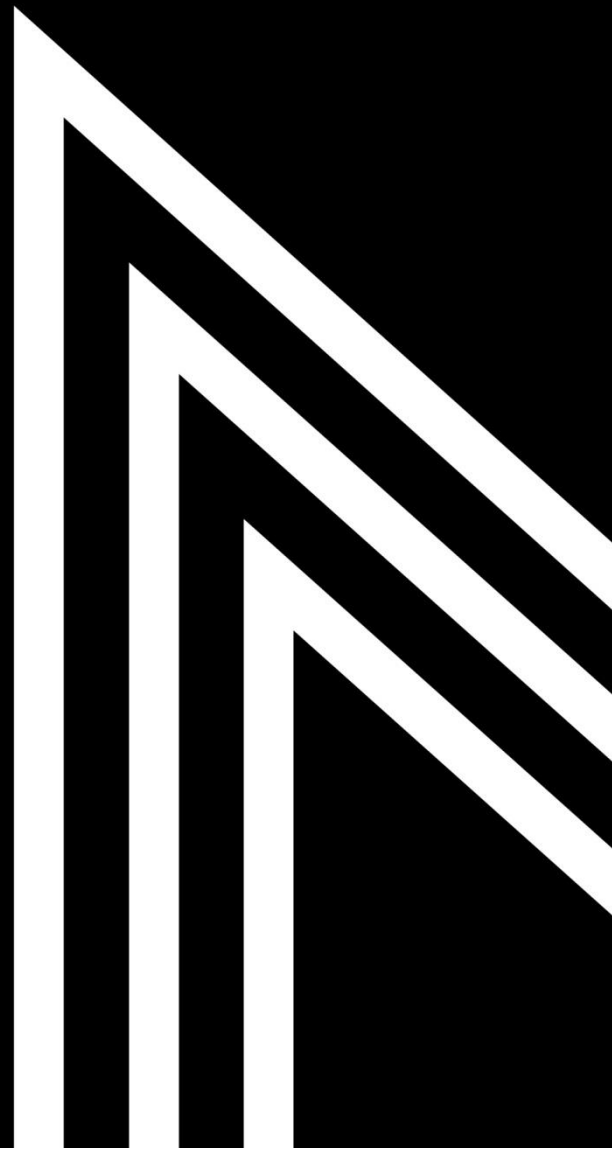

Remuneration Approval Report

Whitestone Mining Pty Ltd (In Liquidation)

29 July 2019



McGrathNicol



This remuneration approval report provides you with information to assist you to make an informed decision regarding the approval of our proposed remuneration for undertaking the Liquidation of Whitestone.

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1 Declaration

We, Rob Kirman and Rob Brauer of McGrathNicol, have undertaken a proper assessment of this remuneration claim for our appointment as Liquidators of Whitestone 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 this matter.

2 Executive Summary

To date, no remuneration or internal disbursements have been approved and paid in this administration.

This remuneration approval report details approval sought for the following remuneration.

Approvals sought	Report Reference	Amount (ex GST)
Remuneration		
Retrospective	3.1	\$47,778
Prospective*	3.2	\$75,000
Total remuneration		\$122,778
* Approval sought for future remuneration is based on an estimate of the work necessary to realise the assets of Whitestone (including plant and equipment, shares and share options and accounts and loans receivable). Should additional work be necessary beyond what is contemplated, further approval may be sought from creditors.		

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

3 Remuneration

3.1 Retrospective remuneration

We will request that the following resolution be passed to approve our retrospective remuneration. Details to support this resolution are included further below.

Retrospective remuneration resolution(s)	Appointment Type	Amount (ex GST)
Resolution : 30 April 2019 to 19 July 2019	Liquidation	\$47,778
Total retrospective remuneration resolution		\$47,778

Resolution 1: from 30 April 2019 to 19 July 2019

"That the remuneration of the Liquidators for the period 30 April 2019 to 19 July 2019, calculated at hourly rates as detailed in the Initial Remuneration Notice dated 28 May 2019, is determined in the sum of \$47,778 exclusive of GST."

We will withdraw funds from the liquidation account in respect of the Liquidators' remuneration immediately upon approval if funds are available. If funds are not available, we will withdraw funds progressively over time as funds become available.

The below table sets out the time charged to each major task area by staff members working on the Liquidation for the period 30 April 2019 to 19 July 2019, which is the basis of Resolution 1. More detailed descriptions of the tasks performed within each task area, matching the amounts below, are contained further below.

Resolution 1: from 30 April 2019 to 19 July 2019

Whitestone - 30 April 2019 to 19 July 2019

Person	Rate	Position	Total		Assets		Creditors		Employees		Investigations		Admin & Planning	
			Hrs	\$	Hrs	\$	Hrs	\$	Hrs	\$	Hrs	\$	Hrs	\$
Rob Kirman	630	Partner	6.3	3,969.0	3.7	2,331.0	0.2	126.0	-	-	1.0	630.0	1.4	882.0
Employee A	580	Director	0.2	116.0	-	-	-	-	-	-	-	-	0.2	116.0
Employee B	575	Director	36.4	20,930.0	10.2	5,865.0	11.5	6,612.5	-	-	8.2	4,715.0	6.5	3,737.5
Employee C	490	Senior Manager	3.0	1,470.0	-	-	-	-	-	-	2.5	1,225.0	0.5	245.0
Employee D	420	Assistant Manager	23.3	9,786.0	8.2	3,444.0	1.6	672.0	2.6	1,092.0	4.5	1,890.0	6.4	2,688.0
Employee E	420	Treasury Team Leader	0.2	84.0	-	-	-	-	-	-	-	-	0.2	84.0
Employee F	380	Senior Accountant	0.2	76.0	-	-	-	-	-	-	0.2	76.0	-	-
Employee G	380	Senior Analyst	1.0	380.0	-	-	-	-	-	-	1.0	380.0	-	-
Employee H	330	Treasury Administrator	1.7	561.0	-	-	-	-	-	-	-	-	1.7	561.0
Employee I	330	Treasury Coordinator	0.2	66.0	-	-	-	-	-	-	0.1	33.0	0.1	33.0
Employee J	300	Accountant	0.6	180.0	-	-	-	-	-	-	0.6	180.0	-	-
Employee N	300	Accountant	2.8	840.0	-	-	-	-	-	-	2.8	840.0	-	-
Employee K	180	Undergraduate 1	48.0	8,640.0	3.3	594.0	15.5	2,790.0	-	-	9.9	1,782.0	19.3	3,474.0
Employee L	170	Doc Management Assistant	3.0	510.0	-	-	3.0	510.0	-	-	-	-	-	-
Employee M	170	Personal Assistant	1.0	170.0	-	-	1.0	170.0	-	-	-	-	-	-
Total (excl. GST)			127.9	47,778.0	25.4	12,234.0	32.8	10,880.5	2.6	1,092.0	30.8	11,751.0	36.3	11,820.5
Average hourly rate			-	373.6	-	481.7	-	331.7	-	420.0	-	381.5	-	325.6

The below table sets out a detailed description of work undertaken on the Liquidation the period 30 April 2019 to 19 July 2019 which is the basis of Resolution 1.

Resolution 1: from 30 April 2019 to 19 July 2019

Task Area	General Description	Includes
Assets 25.4 hours \$12,234	Monies	Secure bank accounts and arrange for transfer of cash on hand to the Liquidators. Liaise with CBA in relation to the Term Deposit.
	Plant and Equipment	Review and reconcile depreciation schedule, MYOB accounts, the Directors' ROCAP and the valuers' listings. Liaise with valuers. Conduct searches to identify additional assets.
	Assets subject to specific charges and security interests	Search the PPS register. Liaise with Colby and Valentino in relation to their asserted security.
	Debtors & Loans receivable	Review and reconcile debtor and loan receivable listings via MYOB accounts and the Directors' ROCAP. Preliminary investigations into recoverability of same.
	Shares	Review and reconcile share listings via MYOB accounts and the Directors' ROCAP. Contact share registries to put on hold and obtain additional information.
	Other Assets	Preliminary investigations into funds held on trust.
Creditors 32.8 hours \$10,880.50	Creditor Enquiries, Requests & Directions	Receive and respond to creditor enquiries. Prepare initial correspondence to creditors and their representatives. Compile information requested by creditors.
	Retention of Title (ROT) Claims	Notify PMSI creditors identified from PPSR register of the appointment. Track PPSR withdrawals.
	Secured creditors	Notify PPSR registered creditors of appointment. Liaise with Colby and Valentino in relation to their asserted security.
	Creditor reports	Prepare Statutory Report by Liquidator and Remuneration Report.
	Deal with proofs of debt (POD)	Receive PODs from claimants.
	Proposals to Creditors	Prepare proposal notices and voting forms. Forward notice of proposal to all known creditors.
Employees 2.6 hours \$1,092.00	Employee queries	Receive and follow up employee enquiries. Prepare correspondence in response to employee's queries.
	Calculation of entitlements	Review employee files and company's books and records. Reconcile superannuation accounts and calculate amounts owed.

Task Area	General Description	Includes
Investigation 30.8 hours \$11,751.00	Conduct investigations	Send initial request to directors for the Report on Company Affairs and Property Meeting with Director to discuss the Company Obtain company books and records, including physical records from the premises, online records such as emails and server backups, Freedom of Information requests of the Australian Taxation Office and Office of State Revenue. Review these records and compiling registers.
Administration 36.3 hours \$11,820.50	Document maintenance/file review/checklist	Conduct first monthly file reviews. Maintain physical and electronic engagement file. Update checklists.
	Insurance	Identify potential issues requiring attention of insurance specialists. Correspond with insurer regarding initial and ongoing insurance requirements. Review insurance policies.
	Bank account administration	Prepare correspondence to open and close accounts. Request bank statements. Perform bank account reconciliations. Correspond with bank regarding specific transfers.
	ASIC forms	Prepare and lodge ASIC forms. Correspond with ASIC regarding statutory forms.
	ATO and other statutory reporting	Notify of appointment.
	Planning/Review	Discuss status of external administration. Prepare and maintain task lists. Hold internal meetings to manage tasks.
	Books and records / storage	Deal with records in storage.

3.2 Prospective remuneration

We will request that the following resolution be passed to approve our prospective remuneration. Details to support these resolution are included further below.

The Liquidators anticipate that by 31 December 2019, the Liquidators will have realised Whitestone’s assets, being plant and equipment, shares and share options and account and loan receivables, and significantly progressed their investigations. However, this is contingent upon any complexities that may arise during this process. Accordingly, the Liquidators will seek further approval after 31 December 2019, if required.

Prospective remuneration resolution(s)	Appointment Type	Amount (ex GST)
Resolution 2 : 20 July 2019 – 31 December 2019	Liquidation	\$75,000
Total Prospective remuneration resolution		\$75,000

Resolution 2: from 20 July 2019 to 31 December 2019

“That the future remuneration of the Liquidators from 20 July 2019 to 31 December 2019 is determined at a sum equal to the cost of time spent by the Liquidators and their partners and staff, calculated at the hourly rates as detailed in the Initial Remuneration Notice dated 28 May 2019, up to a capped amount of \$75,000 exclusive of GST.”

We will withdraw funds from the liquidation account in respect of the Liquidators’ remuneration progressively over time as funds become available and only once it is incurred. If actual costs incurred are below the capped amount, the Liquidators are only authorised to draw the amount incurred. If actual costs incurred exceed the amount approved, the Liquidators will seek further approval from creditors.

The below table sets out the expected costs and a detailed description of the work by task area to be undertaken on the Liquidation for the period 20 July 2019 to 31 December 2019, which is the basis of Resolution 2.

Resolution 2: from 20 July 2019 to 31 December 2019

Task Area	General Description	Includes
Assets \$25,000	Monies	Continue to pursue receipt of term deposit funds. Reconcile monies received.
	Plant and Equipment	Liaise with valuers to review and approve offers for plant and equipment. Collect and reconcile monies received.
	Shares and share options	Liaise with broker to facilitate the sale of shares and share options. Collect and reconcile monies received.
	Debtors and Loans Receivable	Issue demand letters to debtors and parties with loans due to Whitestone. Liaise with debt collectors and lawyers in relation to same where required. Collect and reconcile monies received.
	Other assets	Continue to investigate funds on trust. Reconcile monies received.
Creditors \$2,500	Creditor Enquiries, Requests & Directions	Receive and respond to creditor enquiries. Consider reasonableness of creditor requests Obtain legal advice on requests from creditors for information, documents or a report. Compile information requested by creditors.

Task Area	General Description	Includes
	Secured creditor	Finalise claims from Colby and Valentino.
	Deal with proofs of debt (POD)	Receive PODs from claimants.
	Proposals to Creditors	Review votes and determine outcome of proposal. Prepare and lodge proposal outcome with ASIC.
Employees \$5,000	Employee queries	Receive and follow up employee enquiries. Prepare letters to employees advising of their entitlements and options available. Prepare correspondence in response to employee's queries.
	Calculation of entitlements	Reconcile superannuation accounts and calculate amounts owed. Prepare and lodge Superannuation Guarantee Statements with the ATO to register the claim for superannuation. Liaise with lawyers regarding entitlements where required.
Investigation \$32,500	Review books and records	Review company's books and records. Analyse and review historical financial information Conduct balance sheet and P&L statement review
	Conduct investigations	Review specific transactions and liaise with directors regarding certain transactions. Collect and consider distress factors impacting the date of insolvency. Determine the date of insolvency. Quantify any potential insolvent trading claim. Investigate and identify any potential preference claims, including reviewing correspondence between the parties and Whitestone. Investigate and identify any uncommercial transactions. Investigate and identify any unfair loans. Investigate and identify any unreasonable director related transactions. Consider recoverability of any claims identified. Prepare investigations file.
	ASIC reporting	Prepare report to ASIC under s533. Prepare internal file note of investigations performed. Liaise with ASIC.
Administration \$10,000	Document maintenance/file review/checklist	Conduct six monthly file reviews. Maintain physical and electronic engagement file. Update checklists.
	Insurance	Correspond with insurer regarding ongoing insurance requirements. Review insurance policies. Correspond with previous brokers.
	Bank account administration	Prepare correspondence to open and close accounts. Request bank statements. Perform bank account reconciliations. Correspond with bank regarding specific transfers.
	ASIC forms	Prepare and lodge ASIC forms. Correspond with ASIC regarding statutory forms.

Task Area	General Description	Includes
	ATO and other statutory reporting	Notify of appointment. Prepare BAS.
	Planning/Review	Discuss status of external administration. Prepare and maintain task lists. Hold internal meetings to manage tasks.
	Books and records / storage	Deal with records in storage. Send job files to storage.
Total \$75,000		

3.3 Estimated future remuneration

In preparing this report, our prospective remuneration approval is our best estimate at what we believe the Liquidation will cost up to 31 December 2019 in order to complete the tasks outlined in the summary in section 3.2 (i.e. realisation of assets and preliminary investigations). Pending completion of these tasks, the Liquidators will have a better understand of the quantum of recoveries and the likelihood of a dividend to creditors.

Future remuneration after this date may be required to completion of the Liquidation (i.e. if a dividend is required), however, it is extremely difficult to estimate this figure until assets are collected and we understand the nature of any Liquidator recovery actions. The Liquidators will report again to creditors once this work is complete so that any additional remuneration can be considered in terms of the overall outcome to creditors.

3.4 Total remuneration reconciliation

At this point in time we estimate that the total remuneration for the Liquidation may exceed \$122,000 (GST exclusive) as shown in the table below. This is subject to the following variables, which may have a significant effect on this estimate and that we are unable to determine as yet:

- protracted and complex recovery of assets, and particularly account and loan receivables and the requirement to commence any legal action;
- protracted and complex investigations in relation to Liquidator recoveries; and
- whether a dividend is payable to unsecured creditors.

Remuneration type	Amount (ex GST)	Amount (ex GST)
Current remuneration approval being sought:		
Retrospective remuneration approval (refer to section 3.1)	\$47,778	
Prospective remuneration approval (refer to section 3.2)	\$75,000	\$122,778
Estimated future remuneration (refer to section 3.3)		Unknown
Estimated total remuneration		Unknown

This differs to the estimate provided in our Initial Remuneration Notice dated 28 May 2019, which estimated remuneration of \$75,000 - \$100,000 (excluding GST), due to obtaining a better understanding of Whitestone and the volume and diversity of its assets which need to be investigated and realised.

We have provided an explanation of the tasks that remain to be completed, including our estimated costs to complete those tasks, to support our current remuneration approval request, at section 3.2 of this report.

3.5 Likely impact on dividends

It is both reasonable and appropriate for a professional service provider to be remunerated for their services. An external administrator is entitled to be remunerated for necessary work that is properly performed. That work generates the funds that may be recovered for the benefit of creditors and other stakeholders.

The impact of the approval of the external administrator's remuneration is that the remuneration will then be paid provided sufficient funds are generated to enable it to be paid. The remuneration will be paid from those funds that are generated prior to the payment of most creditors in the external administration.

It is noted that funds would only be available to any stakeholder as a consequence of the work necessarily undertaken by the external administrator.

If a dividend or distribution is to be paid to stakeholders, there is also necessary work that must be undertaken by the external administrator to properly adjudicate on claims and distribute any available funds.

4 Disbursements

Disbursements are paid for by McGrathNicol and are recovered from the Liquidation bank account.

Disbursements are divided into two types:

- External disbursements- these are recovered at cost. Examples are travel, accommodation, postage, advertising, couriers and search fees.
- Internal disbursements – these disbursements are charged at a rate which recoups both fixed and variable costs and may include an element of profit or advantage to the External Administrator or a related party of the External Administrator. Examples are printing and data storage. The recovery of these costs must be on a reasonable commercial basis. Details of the basis of recovery of each of these costs is discussed below.

We have undertaken a proper assessment of disbursements claimed for the Liquidation, in accordance with the law and applicable professional standards. We are satisfied that the disbursements claimed are necessary and proper.

4.1 External disbursements

External disbursements are recovered at cost. Creditors are not required to approve these types of disbursements, but details are provided to account to creditors, including the basis of charging for these types of disbursements. Creditors are entitled to question the incurring of the disbursements and can challenge the disbursements in Court.

The following external disbursements have been paid by McGrathNicol and relate to the Liquidation. These amounts will be reimbursed to McGrathNicol at cost from the Liquidation bank account:

External disbursements at cost for the period 30 April 2019 to 19 June 2019	Amount (\$) (GST exclusive)
Searches	\$102.52
Staff vehicle use (\$0.68 per km)**	\$28.15
Total	\$130.67

** These rates are deemed reasonable by the Australian Taxation Office.

5 Summary of receipts and payments

A summary of the receipts and payments for the Liquidation for the period 30 April 2019 to 26 July 2019 is set out below:

Receipts & Payments as at 26 July 2019	
\$	
Receipts	
Cash at bank (Nab)	195.15
Cash at bank (CBA)	225.37
Total receipts	420.52
Payments	
Search fee	(30.00)
Total payments	(30.00)
Closing cash at bank as at 26 July 2019	390.52

6 Queries

If you have any queries regarding the information in this report, please contact Amber Andre on (08) 6363 7665

You can also access information that may assist you on the following websites:

- ARITA at www.arita.com.au/creditors
- ASIC at www.asic.gov.au (search for "fees of insolvency practitioner").

Dated: 29 July 2019



Rob Kirman
Liquidator