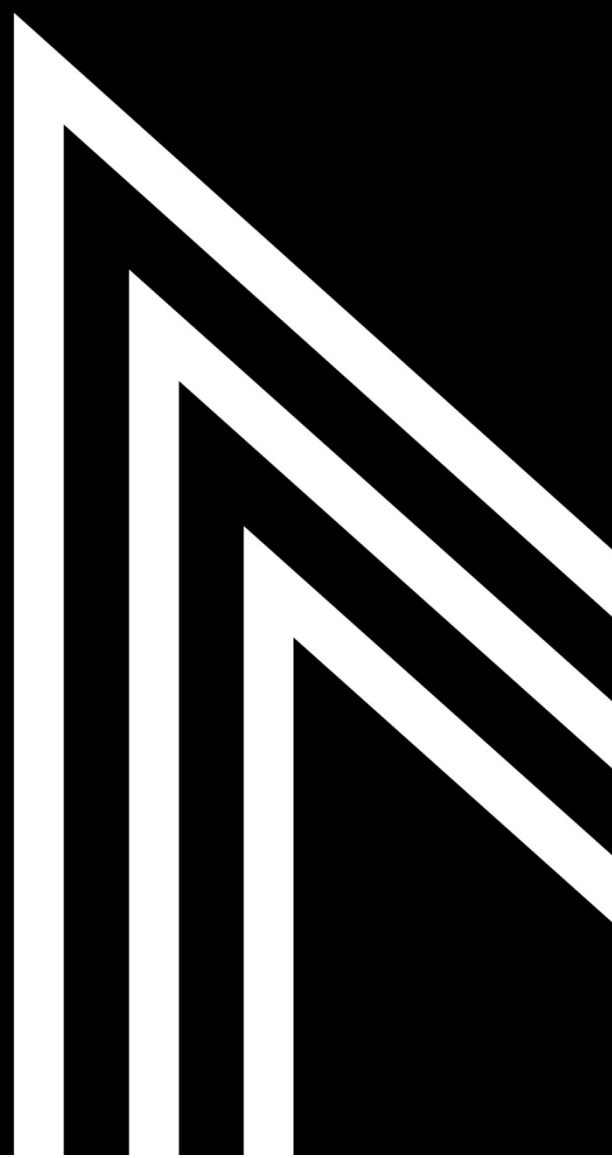

Remuneration Approval Report

Investmet Limited (In Liquidation)

18 May 2020



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 Investmet.

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1 Declaration

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

We have reviewed the work in progress report for the liquidation to ensure that remuneration is only being claimed for necessary and properly performed work.

2 Executive summary

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

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

Approvals sought	Report Reference	Amount (ex GST)
Remuneration		
Retrospective	3.1	\$186,866
Total remuneration		\$186,866

Please refer to the report section references detailed in the above table for full details of the remuneration approval 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	Appointment Type	Amount (ex GST)
Resolution 1: 19 February 2020 – 15 May 2020	Liquidation	\$186,866
Total retrospective remuneration resolution		\$186,866

Resolution 1: from 19 February 2020 to 15 May 2020

"That the remuneration of the Liquidators for the period 19 February 2020 to 15 May 2020, calculated at hourly rates as detailed in the Initial Remuneration Notice dated 11 March 2020, is determined in the sum of \$\$186,866. 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 19 February 2020 to 15 May 2020, 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 19 February 2020 to 15 May 2020

Employee	Employee A	Position	\$/hour (ex GST)	Total actual hours	Total (\$)	Task Area							
						Assets		Creditors		Investigation		Administration	
						hrs	\$	hrs	\$	hrs	\$	Hrs	\$ ex GST
Rob Brauer	Rob Brauer	Appointee	660	53.3	35,178	10.90	7,194	31.90	21,054	2.10	1,386	8.40	5,544
Rob Kirman	Rob Kirman	Appointee	660	1.1	726	0.60	396	-	-	-	-	0.50	330
David Bryant	Employee A	Director	590	126.2	74,458	13.60	8,024	73.10	43,129	31.20	18,408	8.30	4,897
Brendan Payne	Employee B	Director	550	1.5	825	-	-	-	-	1.50	825	-	-
Amber Andre	Employee C	Assistant Manager	430	106.6	45,838	22.50	9,675	36.60	15,738	37.60	16,168	9.90	4,257
Andre van der Walt	Employee D	Senior Accountant	390	4.0	1,560	-	-	-	-	4.00	1,560	-	-
Antoine Cleuet	Employee E	Accountant	305	88.0	26,840	28.40	8,662	11.00	3,355	30.70	9,364	17.90	5,460
Andrea Palmer	Employee F	Treasury staff	335	3.3	1,106	-	-	-	-	0.30	101	3.00	1,005
Swati Saini	Employee G	Treasury staff	335	0.6	201	-	-	-	-	0.50	168	0.10	34
Alvita Silva	Employee H	Treasury staff	335	0.4	134	-	-	-	-	-	-	0.40	134
Total (ex GST)	Total (ex GST)			385.0	186,866	76.00	33,951	152.60	83,276	107.90	47,979	48.50	21,660
Average hourly rate	Average hourly rate				485		447		546		445		447

The below table sets out a detailed description of work undertaken on the liquidation for the period 19 February 2020 to 15 May 2020, which is the basis of Resolution 1.

Resolution 1: from 19 February 2020 to 15 May 2020

Task Area	General Description	Includes
Assets 76.0 hrs \$33,951	Monies	Secure bank accounts and arrange transfer of cash on hand to the liquidation bank account.
	Assets subject to specific charges and security interests	Search the PPS register. Review and consider the Delta Resource Management Pty Ltd (Delta) security interest. Liaise with CBA to have its registration on the PPS register removed.
	Debtors & loans receivable	Review and reconcile debtor and loan receivables position via MYOB and the Director's ROCAP. Review debtor and loan balances to understand each debt due, including but not limited to reviewing (i) bank statements, (ii) MYOB sales invoices, (iii) MYOB loan ledgers, (iv) physical books and records and (v) Investmet's electronic server. Collate relevant supporting documents for each amount outstanding. Liaise with the Deed Administrators of Ora Banda Mining Ltd (OBM) in relation the dividend declared to Investmet.
	Shares	Review and reconcile shareholding position via MYOB and Director's ROCAP. Request trading holds on all shareholdings. Request and follow up holding statements for all share portfolios from share registries. Reconcile holding statements received from share registries to MYOB, Directors' ROCAP and employee tracking worksheet. Conduct research into entities for which Investmet has material shareholdings to assess recoverability. Understand current market value of shares and liquidity of holdings. Reviewing historical spreadsheets prepared by employees to understand (i) purchases and acquisitions and (ii) fair value adjustments included in MYOB. Obtain sales proposals from brokers for realisation of portfolio. Review sales proposals received from brokers. Liaise with parties interested in purchasing shares.
	Other Assets	Investigate assets held on trust including corresponding with management. Enquiries with management regarding investment in offshore payment services company.
Creditors 152.60 hrs \$83,276	Creditor Enquiries, Requests & Directions	Receive and respond to creditor enquiries. Prepare initial correspondence to creditors and their representatives. Compile information requested by creditors. Investigate various creditor positions.

Task Area	General Description	Includes
	Creditor reports	Prepare Statutory Report by Liquidators and this Remuneration Report.
	Deed of Company Arrangement (DOCA) proposal	<p>Review DOCA proposal submitted by Delta and queries to seek clarification of key terms.</p> <p>Prepare multiple letters to Delta to understand and adequately review the DOCA proposal, and attend phone discussions regarding same.</p> <p>Review documents on file and provided by creditors to conduct preliminary verification of claims by key creditors.</p> <p>Review documents on file and provided by guarantee creditors to conduct preliminary verification of claims.</p> <p>Prepare for and attend meetings with key creditors to provide updates on the liquidation and anticipated DOCA proposal.</p> <p>Preparation of an estimated outcome statement (EOS) to evaluate the DOCA proposal as against liquidation, including assumptions for realising shares, receivables and liquidator recoveries.</p> <p>Draft detailed letter to key creditors to outline the DOCA proposal and the estimated return to creditors (note: DOCA proposal was withdrawn before letter was issued).</p> <p>Share above letter with Delta for comment, and attend discussions re same.</p>
	Proposals to Creditors	Prepare proposals and voting forms for creditors.
Investigations 107.90 hrs \$47,979	Review books and records	<p>Review company books and records.</p> <p>Prepare and analyse historical financial statements.</p> <p>Prepare summaries of balance sheet and profit and loss statements for various financial years.</p>

Task Area	General Description	Includes
	Conduct investigations	<p>Send initial letter to Directors to request Report on Company Affairs and Property.</p> <p>Attend premises and collect and register physical books.</p> <p>Obtain online records such as server backups and MYOB data.</p> <p>Correspond with the Directors to obtain copies of Investmet emails.</p> <p>Correspond with banks to identify accounts. Conduct balance sheet and P&L statement review.</p> <p>Analyse ageing of debtors and creditors.</p> <p>Review company fair value adjustments.</p> <p>Investigate bad debt adjustments.</p> <p>Adjust MYOB accounts for FY19 and FY20 fair value adjustments.</p> <p>Investigate date of insolvency and insolvent trading claim.</p> <p>Collect and consider distress factors impacting the date of insolvency.</p> <p>Consider the impact of guarantees signed on insolvent trading claim.</p> <p>Conduct preliminary investigations into related party transactions.</p> <p>Conduct preliminary investigations into potential preference claims.</p>
Statutory & Administration 48.5 hrs \$21,660	Document maintenance/file review/checklist	<p>Conduct first month file review.</p> <p>Maintain physical and electronic engagement file.</p> <p>Update checklists.</p>
	Insurance	Correspond with insurer regarding requirements.
	ATO and other statutory reporting	<p>Notify of appointment.</p> <p>Prepare BAS.</p> <p>Freedom of Information request.</p> <p>Advertise appointment in Newspaper.</p>
	ASIC forms	Prepare and lodge ASIC forms.
	Planning/Review	<p>Attend site and meet with employees to discuss appointment.</p> <p>Hold internal meetings to discuss progression of the external administration.</p> <p>Discuss status of liquidation.</p> <p>Prepare and maintain task lists.</p>
	Books and records / storage	Maintain storage of books and records.

3.2 Prospective remuneration

As outlined in the attached Report to Creditors, the Liquidators continue to liaise with Delta Resource Management Pty Ltd (**Delta**) regarding a potential Deed of Company Arrangement (**DOCA**) proposal. It is currently unclear whether:

- a DOCA proposal will proceed and a voluntary administrator will be appointed, so that creditors may consider and vote on any DOCA proposal, at which point the role of the Liquidators will largely cease; or
- a DOCA proposal will not proceed, in which case the liquidation will proceed in the normal course which will involve realisation of all assets, completion of liquidator investigations, prosecuting liquidator recovery actions and distributing net proceeds to creditors, as applicable.

Given this uncertainty, the Liquidators are not seeking approval of prospective (future) remuneration at this time. We will seek approval of this remuneration at a future date, once the next steps become clear.

3.3 Total remuneration reconciliation

For the reason set out at section 3.2, we are unable to estimate the total remuneration for the liquidation at this time, but note that it totals \$186,866 to 15 May 2020 (per Resolution 1).

Total remuneration for the liquidation is uncertain due to the following variables being uncertain, (which may have a significant impact on the work required):

- Whether a DOCA proposal progresses and, if so, at what stage and the extent of work required by the Liquidators to assess whether the proposal is in the best interest of creditors;
- Protracted and complex recovery of assets, particularly unlisted shares and loan accounts which may require legal action (where relevant);
- Protracted and complex investigations and recovery actions in relation to liquidator recoveries (where relevant); and
- The requirement to declare and pay a dividend to unsecured creditors (where relevant).

Remuneration type	Amount (ex GST)	Amount (ex GST)
Current remuneration approval being sought:		
Retrospective remuneration approval (refer to section 3.1)	\$186,866	
Estimated future remuneration (refer to section 3.2)		\$Unknown
Estimated total remuneration		\$Unknown

Our current remuneration is in line with the estimate provided in our Initial Remuneration Notice dated 11 March 2020, which estimated remuneration of \$175,000 to \$250,000 (excluding GST).

Total remuneration for the liquidation may ultimately exceed the estimate in the future due to:

- The initial estimate assumed a straight forward liquidation;
- The time required to correspond with Delta, both in their capacity as a secured creditor and in assessing the DOCA proposal received, has been greater than anticipated; and
- The identification of potentially material liquidator recovery actions, some of which require the understanding of complex transactions.

3.4 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 19 February 2020 to 12 May 2020	Amount (\$) (GST exclusive)
Mail redirection	\$581.82
Advertising	\$195.45
Taxi charge	\$36.32
Share-holding statement searches	\$400.00
Searches	\$151.08
Total	\$1,364.67

5 Summary of receipts and payments

A summary of the receipts and payments for the liquidation for the period 19 February 2020 to 8 May 2020 is set out below.

Receipts & payments summary as at 8 May 2020

	\$
Receipts	
Cash at bank	30,323
Total receipts	30,323
Payments	
Bank charges	(161)
Total payments	(161)
Cash at bank	30,161

6 Queries

If you have any queries regarding the information in this report, please contact Antoine Cleuet on 08 6363 7635.

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").

Supporting documentation for our remuneration claim may be viewed if requested, provided sufficient notice is given.

Dated: 18 May 2020



Rob Brauer
Liquidator