



KordaMentha

## Facsimile

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Date: 12 May 2008

To: **Company Announcements,  
Australian Stock Exchange** Fax number: 1300 135 638

From: Brian McMaster

No. pages to follow: 21

Subject: **Chemeq Limited ACN 009 135 264  
(Administrators Appointed) (Receivers and Managers Appointed)  
ASX Code: CMQ**

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KordaMentha

12 May 2008

The Manager  
Company Announcements  
Australian Stock Exchange Limited  
Level 10, 20 Bond Street  
SYDNEY NSW 2000

By fax: 1300 135 638

Dear Sir/Madam

**Chemeq Limited (Administrators Appointed) (Receivers and Managers Appointed)**  
**ACN 009 135 264**

**ASX Code: CMQ**

**Subject: Reconvened Second Meeting of Creditors**

I attach the following by way of announcement.

Yours faithfully

**BRIAN McMASTER**  
Administrator

*Enc.*

Corporate Advisory  
Real Estate Advisory  
[info@kordamentha.com](mailto:info@kordamentha.com)  
[www.kordamentha.com](http://www.kordamentha.com)

**Perth**  
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12 May 2008

**TO THE CREDITOR AS ADDRESSED**

Dear Sir/Madam

**Chemeq Ltd ACN 009 135 264 (Administrators Appointed) (Receivers and Managers Appointed)**  
**("the Company")**

We refer to the appointment of David Winterbottom and myself as Administrators of the Company on 30 May 2007.

A reconvened Second Meeting of Creditors will be held on Tuesday, 20 May 2008 at the office of KordaMentha, Level 11, 37 St Georges Terrace, Perth, Western Australia at 10:00am (WST).

I enclose the following for your information:

- Notice of Meeting;
- Proof of Debt Form (Form 535);
- Proxy Form (Form 532); and
- Supplementary Report by Administrators.

Please read the Supplementary Report by Administrators prior to attending the meeting.

Please complete the Proof of Debt (if required) and return this to me by 4:00pm on Monday, 19 May 2007. If you need to complete the Proxy Form, I also request this by 4:00pm on Monday, 19 May 2007.

If you have any questions please contact Umang Mittal of this office on +61 8 9221 6999.

Yours faithfully

**BRIAN McMASTER**  
 Administrator

*Enc. Notice of Meeting  
 Proof of Debt Form  
 Proxy Form  
 Report by Administrators*

Liability limited by a scheme  
 approved under Professional  
 Standards Legislation

info@kordamentha.com  
 www.kordamentha.com

**Perth**

KordaMentha Pty Ltd  
 ACN 100 169 391  
 Level 11, 37 St Georges Terrace  
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Paragraph 5.6.12(2)(a)

**Form 529  
Corporations Act 2001**

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

**CHEMEQ LIMITED  
(ADMINISTRATORS APPOINTED) (RECEIVERS AND MANAGERS APPOINTED)  
("the Company")  
ACN 009 135 264**

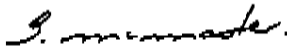
NOTICE IS HEREBY GIVEN that the reconvened second meeting of creditors of the Company will be held on 20 May 2008 at Level 11, 37 St George's Terrace, Perth. Registration for all creditors will open at 9:45am (WST) with the meeting commencing at 10:00am (WST).

**AGENDA**

1. The purpose of the meeting is:
  - (a) to review a further report of the Administrators in connection with the business, property, affairs and financial circumstances of the Company; and
  - (b) for the creditors of the Company to resolve:
    - i. that the Company execute a deed of company arrangement; or
    - ii. that the administration should end; or
    - iii. that the Company be wound up.
2. A resolution will be considered to approve the Administrators' remuneration calculated in accordance with rates charged by KordaMentha since the second meeting of creditors and if the creditors resolve that the Company execute a deed of company arrangement, a resolution will be considered to approve the Deed Administrators' remuneration.
3. Any other business properly brought before the meeting.

Creditors wishing to vote at the meeting, who will not be attending in person or are a company, must complete and return a Proxy Form by no later than 4.00pm on the last business day prior to the meeting, by post to KordaMentha, PO Box Y3185, Perth WA 6832 or by facsimile on (08) 9221 6977. A form of proxy is attached.

Dated this 12<sup>th</sup> day of May 2008



**BRIAN McMASTER**  
Administrator

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Form 535

Corporations Act 2001

Chemeq Ltd (Administrators Appointed)
(Receivers and Managers Appointed)
ACN 009 135 264

FORMAL PROOF OF DEBT OR CLAIM (GENERAL FORM)

To: The Administrators of Chemeq Ltd (Administrators Appointed)
(Receivers and Managers Appointed):

1. This is to state that the company was on 30 May 2007, and still is, justly and truly indebted:

TO: (name of creditor)

OF: (address of creditor)

FOR: (amount owed to creditor)

AND cents (GST inclusive) GST Amount

Particulars of the debt are:

Table with 4 columns: Date, Consideration, Amount (\$), Remarks

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:

Table with 5 columns: Date, Drawer, Acceptor, Amount (\$..c), Due Date

\*3. I am employed by the creditor and authorised in writing by the creditor to make this statement. I know that the debt was incurred for the consideration stated and that the debt, to the best of my knowledge and belief, remains unpaid and unsatisfied.

\*3. I am the creditor's agent authorised in writing to make this statement in writing. I know that the debt was incurred for the consideration stated and that the debt, to the best of my knowledge and belief, remains unpaid and unsatisfied.

Dated this day of 2008.

Signature

Name

Address

\* Delete if not applicable.

Phone

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<b>APPOINTMENT OF PROXY</b>	<b>Form 532</b>
<b>Chemeq Limited (Administrators Appointed)</b>	<b>Regulation 5.6.29</b>
<b>("the Company")</b>	<b>Corporations Act 2001</b>
<b>ACN 009 135 264</b>	

**A. Insert Full Name and Contact Details (please print)**

Given Name \_\_\_\_\_ Surname \_\_\_\_\_

Company Name \_\_\_\_\_ Telephone Number \_\_\_\_\_

Address \_\_\_\_\_

**B. Appointment of a Proxy (please complete)**

I/We, a creditor of the Company appoint: \_\_\_\_\_ of \_\_\_\_\_

as my/our proxy, or in his/her absence \_\_\_\_\_, to vote at the meeting of creditors to be held on Tuesday, 20 May 2007 at the office of KordaMentha, Level 11, 37 St Georges Terrace, Perth, Western Australia at 10:00am (WST) or at any adjournment of that meeting.

**C. Voting by Your Proxy**

Option 1: If appointed as a general proxy, as he/she determines on my/our behalf.

AND/OR

Option 2: If appointed as a special proxy for some or all resolutions, specifically in the manner set out below (please tick).

	Resolution (please specify the particular resolution)	For	Against	Abstain
1	"THAT pursuant to Section 439C of the Corporations Act 2001 the Company execute a Deed of Company Arrangement."	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2	"THAT the administration should end."	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3	"THAT pursuant to Section 439C of the Corporations Act 2001 the company be wound up and that pursuant to Section 446A(4), Brian McMaster and David Winterbottom be confirmed as Liquidators of the Company".	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4	"THAT the remuneration of the Administrators and their staff in the amount of \$41,140 for the period 8 December 2007 to 19 May 2008, calculated at the Guide to Hourly Rates 2008 issued by KordaMentha, plus GST and disbursements, be approved pursuant to Section 449E(1)(a) of the Corporations Act 2001".	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5	The remuneration of the Administrators of the Deed of Company Arrangement for the period from the date of execution of the DOCA to the date of effectuation of the DOCA be calculated, fixed and approved on the basis of time spent by the Administrators and their staff, at the Guide to Hourly Rates 2008 issued by KordaMentha and limited to \$100,000 per annum, plus GST and disbursements	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6	"THAT the remuneration of the Liquidators and their staff in the amount of \$100,000 for the period 20 May 2008 to to the finalisation of the liquidation, calculated at the Guide to Hourly Rates 2008 issued by KordaMentha, plus GST and disbursements, be approved pursuant to Section 473(3) of the Corporations Act 2001".	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

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**D. Signature Section (in accordance with Sections 82A, 127 or 250D of the Corporations Act 2001)**

Signature of individual or person authorised by corporate resolution to represent corporation

Print Name:

The common seal was affixed hereto in the presence of:

Director

Director/Company Secretary

Dated this \_\_\_\_\_ day of \_\_\_\_\_ .

---

**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: \_\_\_\_\_

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# Chemeq Limited

**(Administrators Appointed)**

**(Receivers and Managers Appointed)**

**ACN 009 135 264**

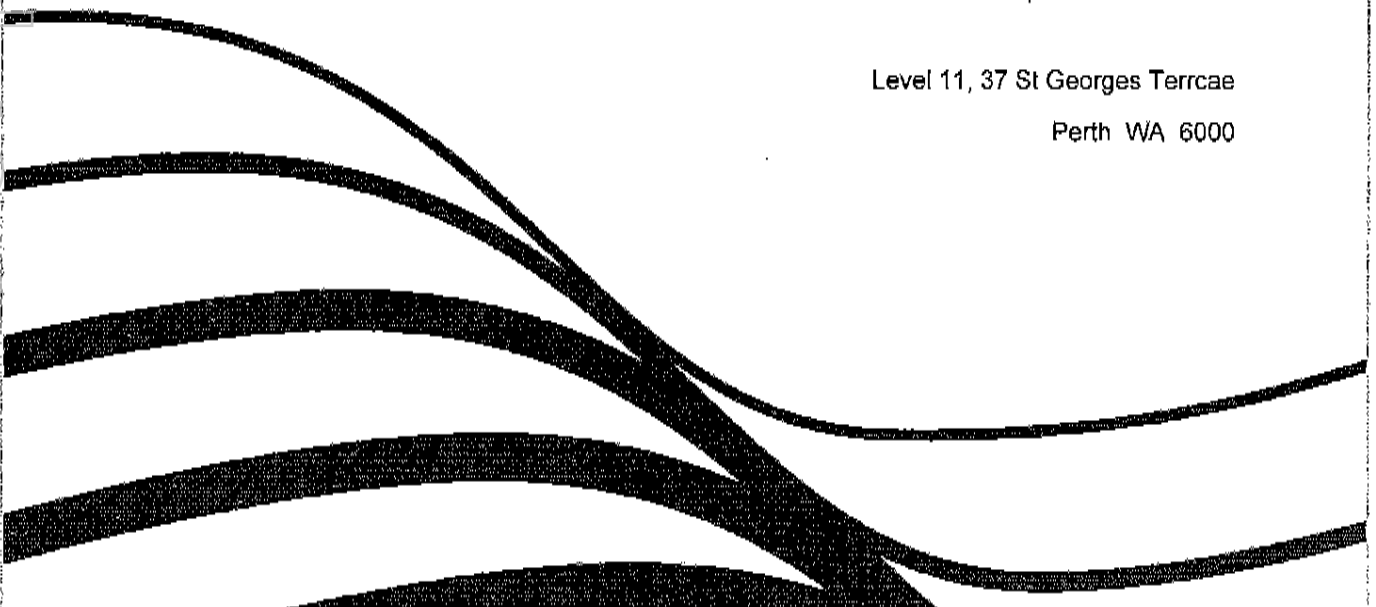
**Supplementary Report by Administrators**

**12 May 2008**

Pursuant to Section 439A  
of the Corporations Act 2001

Level 11, 37 St Georges Terrace  
Perth WA 6000

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## 1 Introduction

### 1.1 Administration

We refer to the appointment of Brian McMaster and David Winterbottom as Administrators of Chemeq Limited ("the Company") pursuant to Section 436A of the Corporations Act 2001 ("the Act") on 30 May 2007 and to our report to creditors dated 5 December 2007.

The second meeting of creditors was held on Thursday, 13 December 2007. At that meeting, creditors resolved to adjourn the business of the meeting for a period of up to 60 days. At the request of the Receivers and Managers, we subsequently applied to the Supreme Court of Western Australia for an extension of the adjournment. This extension was granted on 31 January 2008, with the Court ordering that the period of adjournment of creditors' meeting be extended to 150 days.

**Accordingly, we advise that the reconvened Second Meeting of Creditors will be held at KordaMentha, Level 11, 37 St Georges Terrace, Perth WA on Tuesday 20 May 2008 at 10.00am (WST). Formal notice of the meeting accompanies this Report.**

The purpose of the meeting is to consider:

- The Administrators' Supplementary Report on the Company's business, property, affairs and financial circumstances;
- The Administrators' statement of opinion in respect of each of the following matters:
  - Whether it is in the creditors' interests for the Company to execute a Deed of Company Arrangement ("DOCA");
  - Whether it is in the creditors' interests for the Company to be wound up; and
  - Whether it is in the creditors' interests for the administration to end.

At the meeting, creditors will be required to decide (by way of resolution) whether:

- the Company should execute a DOCA;
- the administration should end; or
- the Company be wound up.

A Form 532 – Appointment of Proxy also accompanies this report. If you intend to appoint another person to act on your behalf at the meeting, or you are a corporate creditor, you are required to complete the Proxy

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Form appointing your representative. Proxy forms may be sent to KordaMentha Level 11, 37 St Georges Terrace, Perth, WA or by facsimile 08 9221 6977 no later than 4:00pm (WST), Monday 19 May 2008.

If you are representing a company, please ensure that your proxy is executed pursuant to Section 127 of the Act or your representative is appointed pursuant to Section 250A of the Act, otherwise you will not be entitled to vote at the meeting.

Creditors are required to have lodged proofs of debt no later than 4:00pm (WST) on Monday 19 May 2008, failing which they may be excluded from voting at the meeting. A Form 535, Formal Proof of Debt or Claim, accompanies this Report. Proofs of Debt may be sent to KordaMentha Level 11, 37 St Georges Terrace, Perth, WA or faxed to 08 9221 6977.

**Those creditors who have already lodged a Proof of Debt are not required to lodge a further proof (unless they wish to amend their claim).**

This report is to be read in conjunction with our report dated 5 December 2007. Since the date of our previous report, no further information has come to our attention that would lead us to alter our previous conclusions, other than the information and comments detailed in this report.

A DOCA has been proposed by the convertible note holders (being Centar Investments (Asia) Ltd, Harmony Investment Fund Ltd, Shepherd Investments International Ltd, Stark Asia Master Fund Ltd and Stark Trading) for consideration by creditors, which is discussed in section 5 of this report.

## 2 Financial Position of the Company

### 2.1 Assets

As stated in our previous report, the assets of the Company are under the control of the Receivers and Managers. Consequently, we are reliant on them to provide us with details of the realisation of the assets.

#### 2.1.1 Plant and Equipment

The Receivers and Managers have advised the following in respect to the realisation of plant and equipment:

- A majority of the generic plant and equipment at the Rockingham facility was realised at an auction held in March 2008;
- The realisation of the remaining specialised plant and equipment is dependent upon the sale of the Rockingham Facility (refer comments below); and
- Net proceeds from the sale of plant and equipment to date total \$561,984 (excl GST).

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### 2.1.2 Land and Buildings

The Company owns a purpose built manufacturing facility at Alumina Road, Rockingham. The Receivers and Managers have advised that several realisation strategies have been pursued. However, despite offers being received, a final agreement on terms acceptable to the Receivers and Managers has not been reached. The Receivers and Managers are currently assessing alternative realisation strategies.

### 2.1.3 Intellectual Property

The Company's intellectual property comprises patents and trademarks over a number of technologies that it developed, including CHEMEQ<sup>®</sup> polymeric antimicrobial and CHEMYDE<sup>®</sup> polymeric antimicrobial. On 19 March 2008, the Receivers and Managers advised that they had launched a licensing based strategy to realise the value of the Intellectual Property. The strategy was announced to the ASX on 19 March 2008. Since then the Receivers and Managers have been completing documentation to formalise the arrangements. The strategy that has been implemented forms the basis to the convertible note holders proposal for the Company to execute a DOCA. This is discussed further in section 5 of this report.

## 2.2 Liabilities

Details of liabilities of the Company were set out in our previous report. The position in respect to liabilities has not changed since then.

## 3 Results of Further Investigations

In our previous report, we set out in detail the results of our investigations into the property, affairs and financial circumstances of the Company. We have conducted further investigations and no further information has been ascertained that would lead us to alter our conclusions as set out in our previous report.

Based upon our investigations, we have lodged a confidential report with the Australian Securities and Investigations Commission ("ASIC") under section 438D of the Act. This report is not available to creditors or shareholders and will be used by ASIC to determine whether any future action is to be taken against the Company and/or its directors.

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## 4 Liquidation of the Company

In a liquidation scenario, any return to unsecured creditors will be from the following sources:

- Realisation of Assets; and
- Recovery actions taken by a Liquidator.

### 4.1 Realisation of Assets

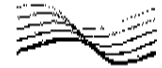
As previously advised, the assets of the Company are under the control of the Receivers and Managers who are attending to the realisation of those assets. In a liquidation scenario, the proceeds from the realisation of assets will not be sufficient to repay the debt of the convertible note holders and consequently there would be no surplus funds available for unsecured creditors.

### 4.2 Recovery actions taken by Liquidator

In a liquidation scenario, the only available sources of funds available for unsecured creditors would be from (successful) recovery actions taken by a Liquidator against the Directors in respect to insolvent trading and recovery actions in respect to unfair preferences. As detailed in our previous report, the major issue in a potential insolvent trading action will be the determination of the date of insolvency. Further detailed investigations and legal advice would be required in ascertaining the date insolvency and the merits of such action prior to institution of proceedings.

Further, in a liquidation scenario, the liquidator will be unfunded restricting the ability to obtain legal advice on the merits of a potential claim and necessitating sourcing third party litigation funding prior to commencing any legal action.

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## 5 Proposed Deed of Company Arrangement

### 5.1 Key Features of Proposed Deed of Company Arrangement

On 9 May 2008, we received a proposal from the convertible note holders for the Company to execute a DOCA. A copy of the proposal is attached as **Appendix 1**. Creditors should read the proposal carefully in order that they can make an informed decision at the forthcoming meeting.

### 5.2 Comments on the Proposed DOCA

As at the date of this report, the Receivers and Managers have been unable to realise the assets of the Company for an amount that would be sufficient to fully repay the convertible note holders. The proposed DOCA encompasses a "Commercialisation Strategy" that is aimed at realising a return over an extended period of time that would enable the amount owing to the convertible note holders (plus interest) to be repaid in full. This debt is presently \$60 million (excluding interest) with a further \$3.5 million working capital loan to be provided for the Commercialisation Strategy.

Once these amounts (that is \$63.5 million plus interest) have been repaid in full (which we are informed by the Receivers and Managers could take an indeterminate time, but is expected to be a number of years), the convertible note holders are to then receive ongoing incentive fees in consideration for their support to date and ongoing support. These incentive fees are to be 90% of what the Company receives under the proposed Commercialisation Agreement (on an after tax basis).

The balance of what the Company receives under the Commercialisation Agreement (being 10%) is to be made available to unsecured creditors, and when fully discharged, shareholders.

Accordingly, the proposal is offering creditors (and shareholders) the possibility of a return commencing in a number of years, such return to be paid from 10% of the after tax revenue to be received by the Company.

The proposal is based upon using the existing corporate structure and it is not contemplated (at this time) that there will be a recapitalisation or restructure of the Company.

## 6 Alternatives Available to Creditors

At the upcoming meeting, creditors will be required to vote on the future of the Company. The following are the options available to creditors:



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- To resolve that the Company execute a DOCA;
- To end the administration; or
- To liquidate the Company.

It is our obligation to make a recommendation to creditors on which alternative is in the best interests of creditors with regard to repaying their existing debts. We make the following general comments in respect to each alternative.

### **6.1 Deed of Company Arrangement**

The proposed DOCA provides for a return to creditors and shareholders in the event that the Commercialisation Strategy is successful. However, based on the current forecasts, such return (if any) will not be for a number of years. Accordingly, any return to creditors (and shareholders) is wholly dependent on the success of the Commercialisation Strategy. We are unable to comment on the merits or otherwise of the Commercialisation Strategy.

### **6.2 Bringing the Administration to an End**

It is possible that creditors may consider ending the Administration and returning control of the Company to the existing Directors. This is not a commercial proposition at this stage given the financial position of the Company and all directors of the Company have resigned. This will not prevent creditors from initiating (or recommencing) legal proceedings for the recovery of their debts or petitioning the Court to have the Company wound up.

### **6.3 Winding up the Company**

Creditors may resolve that the Company be wound up. Should they do so, the Company will be placed into liquidation and the Company is taken to have nominated us to be the Liquidators. The Liquidators are required to realise and distribute the assets in accordance with the Act and will also be required to complete a thorough investigation into the Company's past dealings and affairs, and the past actions of the Directors.

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The effects of the liquidation of the Company include:

- (a) the moratorium available under the Voluntary Administration process will cease;
- (b) the Liquidators will be empowered to recover potential voidable transactions, as outlined in Section 8 of our previous report; and
- (c) the Liquidators will be required to conduct an investigation into the affairs of the Company pursuant to Section 533 of the Act and lodge a report with the ASIC.

Based upon information provided by the Receivers and Managers and our investigations, we do not consider that there will be any return to creditors (and shareholders) in a liquidation scenario.

## 7 Statement of Opinion

**It is our recommendation that it would be in creditors' interests for the Company to execute a DOCA as proposed by the convertible note holders.**

The reasons for our recommendation are as follows:

- We do not consider that there will be any return to creditors in a liquidation scenario; and
- The DOCA proposal provides a possibility of a return to creditors (and shareholders).

## 8 Remuneration of Administrators

In this Administration we are seeking approval of our remuneration on a time basis in accordance with the KordaMentha schedule of hourly rates. KordaMentha calculates remuneration on the basis of an hourly rate charged for each person who carried out the work multiplied by the number of hours spent by each person on each of the tasks performed. A copy of KordaMentha schedule of hourly rates was supplied with the Notice of the First Meeting of Creditors and will be available at the forthcoming meeting. The hourly rates charged encompass the total cost of providing professional services and should not be compared to an hourly wage.

At the forthcoming meeting we will be seeking approval of our remuneration based on these rates, for the period 8 December 2007 to 19 May 2008. Remuneration totalling \$34,140 (exclusive of GST) has been incurred to 9 May 2008. A summary of the tasks completed by person in this Administration is attached at **Appendix 2**, with greater detail to be available on request. Due to the amount of information, it has not been included with this report and sufficient notice is required to attend to any requests.

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We estimate remuneration totalling \$7,000 (exclusive of GST) will be incurred between the date of this report and the forthcoming meeting. Details of actual fees incurred will be provided at the meeting. We will also be seeking approval of our future remuneration as Deed Administrators for the term of the DOCA to a maximum amount of \$100,000 per annum (exclusive of GST).

Details of time spent from the date of this report will be available at the meeting.

## 9 Further Information

Creditors requiring further information regarding the administration can contact Hayden White on 08 9221 6999.

Dated: this 12th day of May 2008

BRIAN McMASTER  
Administrator

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## Appendix 1 DOCA Proposal

**CHEMEQ LTD**  
**(RECEIVERS & MANAGERS APPOINTED) (ADMINISTRATORS APPOINTED)**  
**ABN 77 009 135 264**

### Proposed Deed of Company Arrangement

The key terms of the Deed of Company Arrangement (DOCA) proposed by Centar Investments (Asia) Ltd, Harmony Investment Fund Ltd, Shepherd Investments International Ltd, Stark Asia Master Fund Ltd and Stark Trading (collectively, the Bondholders) are as follows:

1. The Administrators of Chemeq will be the Administrators of the Deed.
2. The Deed Administrators will continue to maintain control of Chemeq and its property (subject to the rights and interests of the Receivers & Managers and Bondholders) until such time as the DOCA has been fully effectuated.
3. The Deed Administrators will have all the powers and control detailed in Schedule 8A of the *Corporations Regulations*.
4. It will be a condition precedent of the DOCA that:
  - (a) the creditors approve the Deed Administrators executing the Financial Incentives Deed for and on behalf of Chemeq; and
  - (b) the Deed Administrators proceeding to execute the Financial Incentives Deed (FID) for and on behalf of Chemeq
5. The proposed terms of the FID are that:
  - (a) In consideration of, amongst other things, the Bondholders supporting and facilitating the arrangements put in place to facilitate the commercialisation of Chemeq's assets and the orderly retirement of Chemeq's debts to the Bondholders (the **Commercialisation Strategy**), Chemeq will pay the Bondholders incentive fees for their continued support of the Commercialisation Strategy.
  - (b) The incentive fees will not be payable unless and until:
    - (i) Chemeq's debt to the Bondholders of \$60 million plus interest is discharged in full; and
    - (ii) Chemeq's working capital loan to Chemeq Technologies Pty Ltd of up to \$3.5 million plus interest has been repaid in full.
  - (c) The amount of the incentive fees equates to 90% of what Chemeq receives under the Commercialisation Agreement (on an after tax basis), or 90% of any other consideration

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- received by Chemeq as a result of the commercialisation or realisation of its assets (on an after tax basis).
- (d) The balance of what Chemeq receives under the Commercialisation Agreement (on an after tax basis) (the **Chemeq Fees**) will be available for distribution to unsecured creditors and, when fully discharged, for the benefit of members.
  - (e) The incentive fees are payable, in effect, for the life of the assets or for such time as Chemeq continues to receive consideration as a result of the commercialisation or realisation of the assets.
6. The Deed Administrators will create a fund (**Fund**) and pay all Chemeq Fees into the Fund.
  7. At the appropriate time, the Deed Administrators will call for and consider the claims of creditors which arose on or before the "Relevant Date" (as defined in the *Corporations Act*).
  8. Creditors' claims will be dealt with in accordance with the provisions of Division 6 Part 5.6 of the *Corporations Act*, as if a reference to a Liquidator were a reference to a Deed Administrator. Any Dividend paid by the Deed Administrators from the Fund will be paid to creditors whose claims have been admitted by the Deed Administrators.
  9. Payments from the Fund will be made in the following order:
    - (a) First, in payment of the remuneration and expenses (including any rights of indemnity) of the Administrators and the Deed Administrators (as the case may be), including creditors of the Administrators and Deed Administrators.
    - (b) Second, in payment of the admitted claims of Priority Creditors.
    - (c) Third, in payment of the admitted claims of creditors (100 cents in the dollar).
  10. For the purposes of any distribution to Priority Creditors, any reference to a Liquidator or liquidation under Section 52 of the Superannuation Guarantee (Administration) Act 1992, shall be taken as a reference to Deed Administrator or Deed Administration respectively.
  11. Each creditor accepts the creditor's entitlement under the DOCA in full and final settlement of the creditor's claim against Chemeq.
  12. There will be a moratorium such that creditors will not be permitted to take recovery action against Chemeq for pre-administration debts during the administration of the DOCA or until such time as the DOCA terminates.
  13. At any time during the administration of the DOCA, the Deed Administrators may call a meeting of creditors to consider varying the terms of the DOCA or terminate the DOCA.
  14. Upon the DOCA being fully effectuated, the creditors will absolutely release Chemeq from all claims and Chemeq may plead the DOCA in bar to any action, proceedings or suit brought by a creditor in respect of that creditor's claim.
  15. The DOCA will continue to operate until such time as the Deed Administrators terminate the DOCA or issue a notice that the DOCA has been fully effectuated.
  16. The DOCA will also terminate in the event that the Deed Administrators form the opinion that the terms of the DOCA cannot be fulfilled in which case Chemeq may proceed into liquidation.

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17. The Administrators and Deed Administrators are entitled to be indemnified out of, and have a lien over, Chemeq's assets (subject to the rights and interests of the Receivers & Managers and the Bondholders) for their remuneration, costs, fees and expenses for work done in relation to the preparation of the DOCA and the performance of their duties pursuant to the administration of the DOCA.
18. Such further or other provisions as determined necessary by the Deed Administrators or their legal advisers as agreed with the Bondholders and their legal advisers.

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## Appendix 2 Summary of Work Completed

Detailed below is a summary of work completed by task area for the period from 8 December 2007 to 9 May 2008.

Task Area	General Description	Details of Tasks
<b>Creditors</b> <b>55.70 hours</b> <b>\$17,742.50</b>	Creditor Enquiries	Receive and follow up creditor enquiries via telephone Correspondence to creditors via mail, email and facsimile
	Shareholder Enquiries	Receive and follow up shareholder enquiries via telephone Correspondence to shareholders via mail, email and facsimile Announcements to ASX
	Reports to creditors	Preparation of supplementary s439A report, meeting notices, proxies and advertisements Correspondence to creditors, including mail distribution
	Proofs of debt	Receipt of proofs of debt Correspondence with ATO re proofs of debt Adjudication of proofs of debt
<b>Statutory Compliance</b> <b>25.30 hours</b> <b>\$9,127.00</b>	ASIC	Notifications to ASIC Correspondence with ASIC
	Directors	Correspondence with directors
	Second Meeting of Creditors	Preparation of meeting documents, including agenda, attendance register, list of creditors etc
	Deed of Company Arrangement	Correspondence with Receivers and Managers in respect of proposed DOCA
	Investigations	Review of books and records Review and preparation of company nature and history Conduct and summarise statutory searches Review of specific transactions and liaising with directors re transactions Preparation of statutory investigation report and lodgement with ASIC
<b>Administration &amp; Risk Mitigation</b> <b>19.50 hours</b> <b>\$7,270.50</b>	Litigation/Recoveries	Discussions and instructions to solicitor regarding extension of the convening period Review of potential recoveries
	Correspondence	General correspondence
	Planning/Review	Engagement planning Discussions re status of administration, strategy and outstanding issues
	Document maintenance, file review, checklist	Review of administration – during first month, then 6 monthly Filing of documents



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Task Area	General Description	Details of Tasks
		Update of work programs File review
Insurance		Identification of potential issues requiring attention of insurance specialists Correspondence with insurance brokers re initial and ongoing insurance requirements
Bank account administration		Opening accounts Preparation of transactions Bank account reconciliations Correspondence with bank re specific transactions Banking of deposits
Process of receipts and payments		Process of receipts, payments and journal entries into accounting system
ASIC Reporting		Preparation and lodgement of ASIC forms, including 6 monthly accounts Correspondence with ASIC regarding statutory forms
ATO & other statutory reporting		Preparation of BAS
General administration		Risk assessment Processing in relation to client accounting Word processing
Remuneration		Recording of time, including details Preparation of remuneration schedules Invoice preparation
Receivers and Managers		Correspondence to and from Receivers and Managers Meetings with Receivers and Managers
Legal Matters		Instructing Corrs Chambers Westgarth in respect of application to Court for extension of period of adjournment Review draft affidavit and instructing Corrs Chambers Westgarth

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