



Report to Members

WPG Resources Limited

ACN 109 426 502

(Subject to Deed of Company Arrangement)

(Receivers and Managers Appointed)

("the Company")

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1. Introduction and Disclaimer

1.1 Introduction

We, Adam Nikitins, Brett Lord and Samuel Freeman, were appointed as Joint and Several Voluntary Administrators of the Company pursuant to section 436A of the Corporations Act 2001 ("the Act") on 30 July 2018.

At 10:00am on 8 August 2018, Mr Greg Dudley, Mr Richard Stone & Mr Jonathon Colbran of RSM Australia Pty Ltd were appointed as Receivers and Managers ("the Receivers") of the Company and took control of the business and assets upon their appointment.

The Voluntary Administrators were subsequently appointed as Deed Administrators on 19 July 2019 subsequent to the passing of a resolution by creditors that the Company execute a Deed of Company Arrangement at a creditors meeting held on 27 June 2019.

1.2 Reports to creditors

Members may obtain copies of the reports prepared for creditors by contacting Jared Thomas of this office on (02) 9694 5783 or via email at wpg@au.ey.com.

The previous reports we have prepared since the date of our appointment include our second report to creditors during the Voluntary Administration dated 26 April 2019 ("the Second Report") and the subsequent report detailing proposals for a Deed of Company Arrangement received and our opinion regarding same dated 20 June 2019 ("the Supplementary Report").

Members should note when reviewing the above reports that the Administrators' reports are prepared for creditors and not members.

1.3 Purpose of this Report

On 4 March 2019, the Australian Securities and Investments Commission ("ASIC") granted the Administrators relief under section 340 of the Act from the Company's financial reporting obligations to members ("the Relief"). Members can contact our office to obtain copies of this and other relief documents received from ASIC.

One of the conditions of the Relief is that the Administrators prepare a report to members for each "relevant period" (as defined in the Relief), being each six-month period starting from the date of the Relief, until the Relief ceases.

The Relief requires that each report include details of:

- (a). the actions taken by the Administrators or Deed Administrators during the period;
- (b). the actions required to complete the external administration;
- (c). the expected time to complete the external administration; and
- (d). an update of the receipts and payments in the external administration (enclosed at Annexure A).

This report is prepared for the period 4 March 2019 to 3 September 2019 and its purpose is to comply with the reporting requirements of the Relief. This report will be published to the ASX's announcements board for the Company, as well as to the Company's website.

1.4 Disclaimer

We disclaim all responsibility to any other party for any loss or liability that the other party may suffer or incur arising from or relating to or in any way connected with the contents of our report, the provision of our report to the other party or the reliance upon our report by the other party. EY is a registered trademark. Liability is limited by a scheme approved under Professional Standards Legislation.

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2. Actions Taken from 4 March 2019 to 3 September 2019

2.1 Administrators' reports to creditors

The Administrators prepared and issued the Second Report to creditors on 26 April 2019, with various information and analysis, including:

- ▶ The WPG Group's background, principal business activities and structure;
- ▶ Historical financial performance;
- ▶ Administrators and Directors' reasons for the appointment of Administrators;
- ▶ Administrators and Receivers' actions since appointment;
- ▶ Current financial position of the WPG Group;
- ▶ Administrators' investigations;
- ▶ Directors' personal financial positions;
- ▶ Options available to creditors with regard to the future of the WPG Group;
- ▶ Estimated return to creditors.

Following the issue of the Second Report, two further DOCA proposals were received by the Administrators. In order to provide creditors enough time to consider the further proposals, the Administrators adjourned the Second Meeting of the Company. The three proposals for a DOCA that had been received were detailed in the Supplementary Report dated 20 June 2019.

Our recommendation to creditors in the Supplementary Report was that creditors vote in favour of the Company executing "DOCA 2", which was the proposal put forward by Wilson International Capital Limited ("Wilson"). The terms of this proposal are detailed in section 2.3 and 2.4 below.

2.2 Second meetings of creditors

The second meetings of creditors of the Company and its subsidiaries were convened concurrently on 6 May 2019 at Stamford Plaza, 150 North Terrace, Adelaide SA. At the meeting, creditors of the Company resolved to adjourn the second meeting of creditors for up to 45 business days to allow for the two further DOCA proposals to be considered and reported to creditors. It should be noted that the remaining creditors meetings for the subsidiaries of the Company proceeded without any adjournment and that creditors of those 6 subsidiaries voted to place those companies into liquidation. We also note that those subsidiaries remain in the control of the Receivers and Managers who are dealing with the assets of those companies.

The second meeting of creditors of the Company was reconvened on 27 June 2019. At this meeting, the details of each of three DOCA proposals were put forward and creditors voted in favor of executing the DOCA referred to as "DOCA 2", being the DOCA proposed by Wilson.

2.3 Preparation and execution of DOCA

Following the reconvened second meeting of creditors on 27 June 2019, the Administrators liaised with Wilson and its legal advisers to finalise a DOCA that was in accordance with the terms set out in Wilson's proposal.

The DOCA was executed on 19 July 2019. A copy of the executed DOCA can be obtained from our office and has been lodged with ASIC as required.

In summary, the terms of the DOCA are:

1. The DOCA proponent is Wilson.
2. The Administrators will be Deed Administrators of the DOCA.
3. The Deed Fund will comprise of \$850,000 cash.
4. The DOCA involves the creation of a Creditors' Trust (of which the Deed Administrators will be the Trustees) which will facilitate the payment of a dividend to unsecured creditors.
5. Final payment into the Deed Fund will not be made until the Company's members have approved the restructure of the share capital in the Company and the ASX has consented to the Company being reinstated to trade.
6. The relevant date for admissibility of claims of creditors under the DOCA will be the date of the Administrators' appointment as Administrators of the Company (being 30 July 2018).
7. Byrncut Offshore Pty Ltd ("BOPL") and the SA Government are required to discharge their securities registered over the Company. BOPL, as the first-ranking secured creditor, is to receive a cash distribution from the DOCA of approximately \$520,000.
8. All other secured creditors will release security interests over the Company's property.
9. Unsecured creditors, following the exchange of their claims against the Company for a right to the assets of the Creditors' Trust, will receive a cash distribution of approximately 19c in the dollar on their claims (dependent on unsecured claims remaining similar to those that had been received at the date of the Supplementary Report).

2.4 Impact of DOCA on Members

As per point 5 in section 2.3 above, the DOCA contemplates a restructure of the share capital of the Company and as such, requires the approval of members. So that members are aware of the impact of the proposed restructure on their shareholdings, we provide the following information from the DOCA proposal as it relates to members:

1. Step one contemplates the consolidation of the Company's existing securities such that the Company will have 12,540,000 fully paid ordinary shares. At the time of the appointment of Administrators (and currently), members held approximately 907,290,000 shares. Accordingly, following the consolidation of the Company's existing securities, members who held 100 shares will now hold approximately 1.4 shares.
2. Step two involves up to three capital raisings, as follows:
 - a. an issue of approximately 200,000,000 shares at an issue price of \$0.02 each to clients of Wilson and/or its nominees, via private placement;
 - b. an issue of approximately 40,000,000 shares at an issue price of \$0.02 each to Wilson and/or its nominees via public prospectus; and
 - c. an issue of up to 26,400,000 shares at an issue price of \$0.02 each to Wilson or its nominees as payment for corporate advisory services provided.

Based on the above, it is proposed that up to 266,400,000 shares will be issued which will raise funds for the Company totalling \$5,328,000. Following the completion of steps one and two above, existing shareholders will hold 12,540,000 of the 278,940,000 on issue - representing approximately 4.5% of the total shares on issue.

3. Actions Required to Complete the External Administration

3.1 Proponent to pay DOCA contribution

Under the executed DOCA, Wilson must pay the DOCA contribution as follows:

- ▶ \$20,000 (held by the Deed Administrators); and
- ▶ \$830,000 ("Final Payment") due within the 5 business days following the members' and ASX approval of the proposed recapitalisation and ASX re-listing.

3.2 Approval of recapitalisation by Members

Subject to Wilson complying with the requirement that it prepare (at its own cost) all documentation required to meet the conditions of the DOCA, the Company must convene a meeting of members as soon as practicable after the execution date for the purpose of considering the recapitalisation transaction and obtaining member approval of same.

The Company must, after member approval is given, carry out the recapitalisation transaction.

3.3 Establishment of Creditors' Trust

The DOCA involves the creation of a Creditors' Trust which will facilitate payment of the dividend to unsecured creditors. The Deed Administrators must, within 5 business days after the completion of the recapitalisation and the receipt of an amount equal to or greater than the Final Payment into the Deed Administration account, transfer the available property into the Creditors' Trust.

The Final Payment into the Deed Fund, as outlined in section 3.4, will not be made until the Company's members have approved the proposed recapitalisation of the Company.

3.4 Distribution of cash

The funds available for distribution from the Creditors' Trust comprise \$850,000 cash.

Unsecured creditors of the Company are expected to receive a cash distribution of approximately 19c in the dollar on their claims (subject to unsecured claims remaining similar to those that had been received at the date of the Supplementary Report). In exchange for discharging their claim against the Company, the creditors will maintain a right as a beneficiary under the Creditors' Trust Deed to a share of the available assets in the Creditors Trust.

BOPL and the SA Government (and all secured creditors) are required to discharge their registered security interests against the Company. BOPL will receive a cash distribution of approximately \$520,000 under the DOCA.

3.5 Update Financial Reporting

The Relief defers the deadline for the Company to comply with its financial reporting obligations, but the end of the deferral period granted in the Relief is triggered by, among other things:

- ▶ the Company being reinstated to quotation by the ASX; or
- ▶ the Company ceasing to be under external administration (which would occur once a DOCA is effectuated); or
- ▶ the lodging of certain disclosure documents to ASIC for the issue or sale of securities.

As such, financial reporting for FY18, FY19 and subsequent periods will be brought up to date (by Wilson) prior to the completion of the proposed recapitalisation.

3.6 Meeting of Members

As noted above, the proposed recapitalisation needs to be approved by members before it can be completed and the Final Payment made.

Currently, ASIC has granted relief for the Company from its obligations to hold a 2018 Annual General Meeting (AGM) until two months after the end of the deferral period, as defined in the Relief. Relief has not yet been sought for the 2019 AGM. Under the DOCA, the obligation to prepare the documents and convene the AGM rests with Wilson. We are currently in discussions with Wilson in this regard and should it not be possible for the required documentation to be prepared before the date the AGM is required to be held, we will seek further relief from ASIC.

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4. Estimate of when the external administration will be completed

The Company will cease to be subject to a DOCA when one of the following occurs:

- ▶ Effectuation of the DOCA proposed by Wilson;
- ▶ Effectuation of an alternate or amended DOCA; or
- ▶ The DOCA is terminated and the company proceeds into Liquidation.

The completion, or effectuation, of the Wilson DOCA would occur on the date that the Deed Administrators transfer the available property into the Creditors' Trust. Within 28 days of which, the Deed Administrators are required to lodge with ASIC a notice of effectuation of the Deed and the Company would cease to be in external administration.

Should DOCA 2 not be entirely satisfied and an alternative or amended DOCA not executed, or should one of the following events occur, the Deed Administrators would retire and the Company would be placed into Liquidation:

- ▶ The Court makes an order terminating the DOCA;
- ▶ The Court declares the DOCA in its entirety to be void under section 445G(2) of the Act;
- ▶ The Company's creditors pass a resolution to terminate the DOCA; or
- ▶ 10 business days after the Deed Administrators notify the proponent that they have determined that it is no longer practicable or desirable to implement or carry out the DOCA.

4.1 DOCA 2 is effectuated

We anticipate that the external administration of the Company may be completed by December 2019, assuming that the conditions of DOCA 2 are met.

As detailed earlier in this report, the steps required in order for the DOCA to be effectuated are as follows:

- ▶ Meeting of members, at which the recapitalisation proposal must be approved;
- ▶ ASX consenting to the Company's re-listing;
- ▶ Update of the financial reporting for FY18 and FY19;
- ▶ Final Payment of \$830,000 by Wilson;
- ▶ Establishment of the Creditors' Trust;
- ▶ Attend to other statutory and administrative tasks as required.

4.2 An alternative or amended DOCA is executed

Should DOCA 2 not be effectuated, the Deed Administrators may seek an alternative or amended DOCA proposal for the recapitalisation of the Company.

Alternative proposals may require approval by creditors (and members) of the Company.

4.3 The Company enters Liquidation

If no DOCA is effectuated, the Company would be placed into Liquidation. In a Liquidation, there would not be a return to unsecured creditors and the Company's shares would cease to exist following the conclusion of the Liquidation.

5. General Queries

Members may contact the Deed Administrators for further information in relation to the conduct of the external administration to date and the contents of this report.

Should you require any further information, please contact Jared Thomas of this office on (02) 9694 5783 or at wpg@au.ey.com

DATED this 3rd day of October 2019



Brett Lord
Joint and Several Deed Administrator

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Annexure A Receipts and Payments

The receipts and payments for the period of 4 March 2019 to 3 September 2019 are summarised in the table below.

WPG Resources Limited (Subject to Deed of Company Agreement)
(Receivers and Managers appointed)
ACN 109 426 502
Receipts and Payments
For the period 4 March 2019 to 3 September 2019

RECEIPTS	Amount (incl. GST)
Opening balance	31,077
GST refunds received	3,253
DOCA contribution	19,993
Interest Income	1
Total Receipts	23,246
PAYMENTS	
ASIC Fees	(3,487)
Legal Costs	(28,897)
Total Payments	(32,384)
Net Receipts (Payments)	(9,138)
Closing balance	21,939

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