



23 April 2010

**GBS GOLD AUSTRALIA PTY LTD ACN 115 384 319
AND SUBSIDIARIES AS SET OUT IN THE SCHEDULE
(All In Liquidation) ("the GBS Group")**

LIQUIDATORS' ANNUAL REPORT

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HONG KONG
JAKARTA
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MUMBAI
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I refer to the appointment of Martin Jones, Darren Weaver and I as Joint and Several Administrators of the GBS Group on 15 September 2008 and to our subsequent appointment as Joint and Several Liquidators on 27 February 2009.

I advise that as the liquidation has been in progress for over a year, I am required under Section 508(1) of the Corporations Act 2001 ("the Act") to either convene a meeting of creditors or prepare a report that complies with the Act. Any meeting convened would need to be held in the Northern Territory given that the majority of the GBS Group's creditors reside in the Northern Territory. The cost to hold such a meeting of creditors would be substantial and given the current status of the liquidation I believe it is not in the best interests of the general creditor body to convene such a meeting. Accordingly, I have not convened an Annual General Meeting of creditors however have prepared a report that complies with the Act.

I hereby report on the conduct of the liquidation since my appointment under the following main headings:

- 1 WORK CONDUCTED AND CURRENT STATUS
- 2 STATEMENT OF POSITION
- 3 DIVIDEND DISTRIBUTION TO CREDITORS
- 4 INVESTIGATIONS INTO THE AFFAIRS OF THE COMPANY
- 5 RECEIPTS AND PAYMENTS
- 6 ADMINISTRATORS' / LIQUIDATORS' REMUNERATION
- 7 GENERAL MEETING OF MEMBERS & CREDITORS
- 8 OUTSTANDING MATTERS TO FINALISE THE LIQUIDATION
- 9 QUERIES

1 WORKED CONDUCTED AND CURRENT STATUS

1.1 I advise as follows:

- (i) Registration under the Asset Sale Agreement ("ASA") between Crocodile Gold Australia Pty Ltd ("Crocodile Gold") and the GBS Group occurred on 9 November 2009. Upon registration, Crocodile Gold became the legal owner and responsible for maintaining the majority of the GBS Group's assets and tenements that were acquired under the ASA;



- (ii) Under the ASA a second and final payment of \$15.0 million is due from Crocodile Gold on 20 June 2010;
- (iii) The GBS Group's Nicolson and Coolgardie assets are currently being marketed. I have received a number of expressions of interest with respect to these assets and I anticipate finalising the sale of these assets by end of June 2010;
- (iv) I prepared my report pursuant to Section 533 of the Act into the affairs of the GBS Group and conduct of its directors and officers prior to my appointment and lodged the same with ASIC. ASIC subsequently requested that I lodge a Supplementary 533 Report. I advise that I am currently finalising my Supplementary 533 Report for lodgement with ASIC. I note that both reports are confidential between the Liquidator and ASIC and I am therefore unable to disclose any information in this regard;
- (v) Following our investigations we have identified a transaction prior to our appointment which we consider is an unreasonable director-related transaction under Section 588FDA of the Act. This matter is discussed in further detail in Section 4 of this report below. At this stage, in conjunction with our legal advisors we are currently considering whether to pursue this matter through formal legal proceedings;
- (vi) I have attended to numerous enquiries made by creditors by way of written correspondence and telephone. Further, I have maintained an electronic portal to enable creditors to access information relating to the liquidation; and
- (vii) I have attended to all statutory requirements of the liquidation.

2 STATEMENT OF POSITION

2.1 Set out below is the current estimated statement of position for the GBS Group:



	Amount AUD \$	Allocation of Funds to CTCC AUD \$	Allocation of Funds to Macquarie Bank Limited AUD \$	Allocation of Funds to CTCC CAD \$
Cash at Bank at 31 March 2010	449,170			
Nicolson's and Credo Assets	Undisclosed			
Proceeds from Crocodile Gold (excluding Nicolson's Assets)	15,000,000			
Release of Bonds	100,000			
Estimated Total Funds Available	15,549,170			
Less:				
Provision for Nicolson's Assets Holding Costs to 31 May 10	(48,622)			
Liquidators' Care and Maintenance and Other Priority Expenses Outstanding	(19,640)			
Estimated Further Liquidators' Fees	(75,000)			
Estimated Further Legal Fees	(50,000)			
Provision for Other Costs	(100,000)			
Estimated Total Costs	(293,262)			
Net Funds Available to Secured Creditors	15,255,908			
Secured Debt Summary (Excluding Interest)				
Secured Debt at 15 Sep 08	61,950,531	56,097,560	5,852,971	46,000,000
Less: Realisations to Date				
Trading Surplus	(3,500,000)	(1,750,000)	(1,750,000)	(1,435,000)
Town River Tenements	(400,000)	(372,661)	(27,339)	(305,582)
Dok-ing Dozers	(291,683)	(282,085)	(9,598)	(231,309)
Distribution following release of Deposit and Closing Payment (17 Nov 09)	(7,757,314)	(7,757,314)	Nil	(6,360,997)
Distribution following release of First Deferred Payment and Return of Bonds (23 Dec 09) (Release to Macquarie Bank)	(22,332,412)	(18,266,378)	(4,066,034)	(14,978,430)
Distribution following NT Treasury Stamp Duty Refund	(1,700,000)	(1,700,000)	-	(1,394,000)
Estimated Net Amount Due Before Interest	25,969,122	25,969,122	Nil	21,294,682
Estimated Further Amount to be Paid to Secured Creditors	15,255,908	15,255,908	Nil	12,509,845
Estimated Net Surplus / (Deficiency) Before Interest (Subject to Actual Costs)	(10,713,214)	(10,713,214)	Nil	(8,784,837)
Estimated Unsecured Creditors' Claims				
Trade Creditors	24,346,199			
Renison Consolidated Mines NL	24,000,000			
Intercompany Loans	273,222,945			
Director's Non-Priority Entitlements	225,081			
Other	5,740,834			
Estimated Total Unsecured Creditors' Claims	327,535,059			
Estimated Surplus / (Deficiency) to Unsecured Creditors	(327,535,059)			
Estimated Rate of Dividend to Unsecured Creditors	Nil			

2.2 The allocation of funds to the Computershare Trust Company of Canada ("CTCC") has been converted at a rate of AUD \$1.00 equals CAD \$0.82 consistent with our previous estimates and reports to creditors.

2.3 As previously advised, we have initiated a sale process with respect to the Coolgardie and Nicolson's assets. Accordingly, I have not disclosed an estimated realisable value for these assets given the commercial sensitivity of such information at this point.

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- 2.4 The proceeds from Crocodile Gold represent the second deferred amount payable under the ASA. The second deferred payment date is 20 June 2010 (twelve (12) months and one (1) day after the closing date under the ASA).

3 DIVIDEND DISTRIBUTION TO CREDITORS

- 3.1 No distributions have been made to unsecured creditors of the GBS Group at this stage of the liquidation. As you will note from our above statement of position, we do not anticipate there being a dividend payment to unsecured creditors.

4 INVESTIGATIONS INTO THE AFFAIRS OF THE COMPANY

- 4.1 Pursuant to Section 533 of the Act, a Liquidator is required to report on the affairs of the company. I advise that I have completed my investigations into the GBS Group and subsequently lodged a report pursuant to Section 533 of the Act with ASIC. ASIC subsequently requested a supplementary report. I am currently finalising this supplementary report. These reports are confidential between the Liquidator and ASIC and I am therefore unable to disclose any information in this regard.
- 4.2 Following our investigations, based upon the GBS Group's records I identified that on 12 September 2008 payments were made by the GBS Group to Mr Anthony Simpson and a company under his control totalling \$315,000 with respect to termination entitlements. Mr Simpson was a director of the GBS Group and appears to have been contractually entitled to this payment. However, the transaction would appear to fall under the provisions of an unreasonable director-related transaction under Section 588FDA of the Act and be recoverable by the liquidator given that:
- (i) The payment was made to the parties above and was approved by the Directors at a time when we are of the view that the GBS Group was insolvent; and
 - (ii) It is our view that at the time of payment, the Directors, including Mr Simpson, were or should have been aware of the financial difficulties of the GBS Group and that the GBS Group was likely insolvent. With this knowledge it is our view that the Directors entered into a transaction that gave preference to payment to Mr Simpson and a related entity ahead of other creditors of the GBS Group at a time when the GBS Group was insolvent.

On the basis of the above, we have demanded payment of \$315,000 from Mr Simpson. However, Mr Simpson maintains he accepted the payment in good faith and was not aware of the GBS Group's financial position at the time of payment. In consultation with our legal advisers we are currently considering whether to commence formal proceedings to pursue this claim.



5 RECEIPTS AND PAYMENTS

5.1 Set out below is a summary of receipts and payments since my appointment for the period 15 September 2008 to 31 March 2010:

	\$
Receipts	
Bank Interest	123,676
BAS Refunds	4,753,821
Cash at Bank at Appointment	3,458,610
Environmental Bonds (Macquarie Bank)	4,066,034
Gold Sales	19,627,746
Miscellaneous Income	132,809
Plant and Equipment Sales	995,255
Property Sales	498,470
Realisation of Securities	776,058
Refunds	838,069
Sale of Assets (Crocodile Gold)	34,800,682
Tenement Sales	484,597
Tom's Gully Stamp Duty Refund	1,690,272
Total Receipts	72,246,099
Payments	
Accommodation & Meal Expenditure	(65,343)
Administrators' / Liquidators' Disbursements	(312,722)
Administrators' / Liquidators' Fees	(2,044,161)
Advertising	(39,364)
Bank Charges	(1,718)
Brokerage Fees	(8,537)
Casual Labour	(87,404)
Commissions	(1,375,000)
Computer & Internet Services	(152,693)
Distress Payments	(269,515)
Distribution to Secured Creditors	(35,981,409)
Electricity	(2,062,077)
Employee Relocation Costs	(21,384)
Freight Inwards	(594)
Fringe Benefits Tax	(27,028)
Fuel & Oil	(334,569)
Gas	(53,373)
GST Paid	(4,855,385)
Hire of Equipment	(154,463)
Hire of Meeting Room	(2,087)
Insurance	(1,355,598)
Laboratory Costs	(294,790)
Lease Payments	(494,460)
Legal Fees	(1,005,398)
Mining Consumables	(1,410,889)
Mobile Telephone Expenses	(2,407)
Motor Vehicle Expenses	(24,625)
Other Employee Expense Re-imbursements	(4,657)
Other Government Charges	(18,841)



Payroll Tax Expense	(440,806)
Petty Cash	(1,553)
Postage	(74)
Pre-Appointment Employee Entitlements	(719,127)
Post-Appointment Employee Entitlements	(216,703)
Printing	(7,701)
Professional Fees	(2,053,722)
Rent & Rates	(305,397)
Repairs & Maintenance	(454,692)
Retention of Title	(51,985)
Royalties	(86,245)
Stamp Duty	(2,000,530)
Stationery	(2,391)
Subcontractors	(4,423,515)
Sundry Expenses	(102,432)
Superannuation	(672,750)
Telephone & Fax	(193,229)
Tenement Fees	(650,633)
Transport / Courier / Storage	(184,387)
Travel Expenditure	(28,977)
Utilities	(1,224)
Vehicle Running Costs	(764,034)
Wages and Salaries	(5,974,331)
Total Payments	71,796,929
Cash at Bank 31 March 2010	\$ 449,170

5.2 I note that the available cash at bank is currently held in a standard business cheque account at Australia and New Zealand Bank Limited.

5.3 Creditors are advised pursuant to Section 539(5) of the Act, that the Liquidators' account of receipts and payments can be inspected, upon appointment, at the offices of Ferrier Hodgson, Level 26, BankWest Tower, 108 St George's Terrace, Perth, Western Australia.

6 ADMINISTRATORS' / LIQUIDATORS' REMUNERATION

6.1 Set out below is a summary of the Administrator's and Liquidators' remuneration (GST exclusive) for the period 15 September 2008 to 31 March 2010:

	Amount (\$)
Remuneration Incurred	1,995,641
Less: Remuneration Approved and Drawn	1,858,328
Outstanding Remuneration	\$137,313

6.2 In respect of the outstanding remuneration above, I note that the GBS Group's Committee of Inspection approved remuneration in the amount of \$69,493 (GST exclusive) for the Deed of Cross Guarantee entities of the GBS Group at a meeting held on 8 April 2010. At the time of preparing this report these approved fees were yet to be drawn.



- 6.3 Arrangements can be made to inspect the time and costs records which provide greater detail of work performed by me and my staff by contacting Geoff Webb of my office on +61 8 9214 1444.

7 GENERAL MEETING OF CREDITORS

- 7.1 As previously mentioned, I advise that I will not be convening an annual general meeting for the GBS Group pursuant to Section 508(1)(b)(ii) of the Act given the current status of the liquidation and the substantial costs that would be incurred to hold such a meeting given that the majority of the GBS Group's creditors are located in the Northern Territory. Accordingly I have prepared a report pursuant to Section 508(1)(b)(ii) of the Act.

8 OUTSTANDING MATTERS TO FINALISE THE LIQUIDATION

- 8.1 At this stage, the outstanding matters in the liquidation relate to:
- (i) The sale of the Nicolson and Coolgardie assets. I anticipate finalising the sale of these assets by end of June 2010;
 - (ii) Collection of the second deferred payment from Crocodile Gold under the ASA on 20 June 2010;
 - (iii) Resolution with respect to the potential unreasonable director-related transaction as identified earlier in my report; and
 - (iv) Receive ASIC clearance following lodgement of the Liquidators' Supplementary 533 Report.
- 8.2 Once the above matters have been finalised I will be in a position to finalise the liquidation which will involve the following tasks:
- (i) Convening of a final meeting of creditors and members; and
 - (ii) Attending to final statutory requirements of the liquidation.

9 QUERIES

- 9.1 Information pertaining to the administration and liquidation of the GBS Group will continue to be posted as necessary on the Ferrier Hodgson website at www.ferrierhodgson.com in the "Current Matters – Corporate Recovery Matters" section.
- 9.2 Should you have any further queries in relation to this report or the liquidation in general, please do not hesitate to contact Geoff Webb of this office on +61 8 9214 1444.



DATED this 23rd day of April 2010

ANDREW SAKER
Joint and Several Liquidator of
GBS Gold Australia Pty Ltd
and subsidiaries as set out in the Schedule

THE SCHEDULE

Company	ACN
GBS Gold Australia (Tom's Gully) Pty Ltd	124 581 862
Northern Gold Pty Ltd	009 620 937
Territory Goldfields Pty Ltd	066 581 075
Burnside Operations Pty Ltd	097 922 444
Buffalo Creek Mines Pty Ltd	097 907 625
GBS Gold Holdings Pty Ltd	126 471 136
Terra Gold Mining Pty Ltd	071 444 061
Terra Metals Pty Ltd	092 922 097
GBS Gold Australia (Land Holdings) Pty Ltd	119 998 793

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