

9 May 2011

**GBS Gold Australia Pty Ltd  
and Subsidiaries as set out in the Schedule  
(All In Liquidation) (the GBS Group)  
ACN 115 384 319****LIQUIDATORS' ANNUAL REPORT**ADELAIDE  
BRISBANE  
MELBOURNE  
SYDNEY  
JAKARTA  
KUALA LUMPUR  
SINGAPORE  
TOKYO

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 it has been one (1) year since my last report pursuant to Section 508(1) of the Corporations Act 2001 (the Act), I am required 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.

Affiliated through  
Zolfo Cooper  
United States  
United Kingdom  
Caribbean  
and  
KLC Kennic Lui & Co  
Hong Kong  
China

I hereby report on the conduct of the liquidation since my last annual report to creditors 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 and Creditors.
8. Outstanding Matters to Finalise the Liquidation.
9. Queries.

**1 Worked Conducted and Current Status**

## 1.1 I advise as follows:

- The GBS Group entered into a conditional Asset Sale Agreement (ASA) with Bulletin Resources Pty Ltd (Bulletin) on 13 July 2010 for the sale of the GBS Group's Nicolson's Gold Project (the Project) located approximately 35



kilometres from Halls Creek, Western Australia. The Project consisted of six (6) mining leases, a processing plant and a geological database. The final completion condition under the ASA occurred on 9 September 2010. The purchase consideration paid by Bulletin under the ASA was as follows:

1. \$270,000 cash upon completion of the ASA paid to the GBS Group.
2. Replacement of the Department of Mines and Petroleum bonds and sureties lodged by the GBS Group of \$135,000.

In summary, the GBS Group received \$405,000 from the sale including return of bonds from the Department of Mines and Petroleum. A subsequent distribution was made to the secured creditor following the sale given the security held over this asset.

3. \$65,000 cash and shares of Bulletin issued at a deemed issued value of \$135,000 upon completion of the ASA to acquire the Nicolson's Vendors royalty paid to the Nicolson's Vendors (Vendor Payment) (a condition of the ASA completing was that the Nicolson Vendors execute an agreement whereby in consideration of the Vendor Payment all obligations under the Nicolson's Royalty Agreement between the GBS Group and the Nicolson's Vendors be terminated).
- Further, under the ASA with Crocodile Gold Australia Pty Ltd (Crocodile Gold or CGA) a second and final payment of \$15.0 million was received from Crocodile Gold on 17 June 2010. Details of this transaction have previously been disclosed to creditors.
  - The GBS Group's Coolgardie assets not incorporated in either of the ASA's above which incorporated several Exploration and Prospecting licenses (the Licenses) were marketed for a period of six (6) months on PCF Capital's Mines Online platform. I note that limited expressions of interest for the Licenses were received. One (1) offer to purchase one (1) of the Exploration Licenses was received which I subsequently accepted. The remaining Licenses were surrendered for the following reasons:
    1. No offers to purchase the Licenses had been received.
    2. Tenement rents and rates were still being incurred on the Licenses.
    3. The expenditure incurred by the GBS Group on the Licenses did not meet the minimum expenditure commitments as set by the Department of Mines and Petroleum. Accordingly, it is our view that the Department of Mines and Petroleum may have imposed a fine and terminated the GBS Group's licenses for not meeting the expenditure commitments.
  - Prior to our appointment, the GBS Group entered into a Land and Mining Property Exchange Deed (the Deed) with Mr Mike Teelow whereby the GBS Group's Maud Creek farm is to be transferred in exchange for mining tenements which includes MLN 1059 (the Tenement). The Northern Territory Government is yet to authorise the transfer of certain mining tenements subject to the Deed as they are of the view that there is an outstanding royalty liability on the Tenement. From my review of the GBS Group's royalty returns lodged with Northern Territory Treasury (Treasury) it appeared that



the GBS Group accounted for the royalty liability on the Tenement in the GBS Group's 2006 and 2007 royalty returns. I note that following a review of the GBS Group's records and after consultation with our legal representatives we made a submission to Treasury arguing that any royalty liability on the Tenement was accounted for in the GBS Group's 2006 and 2007 royalty returns. In this regard, we received a written response from Treasury on 4 February 2011 rejecting our submission on the grounds that the GBS Group had incorrectly offset the Tenement's royalties against the GBS Group's negative net value for royalty in its 2006 and 2007 royalty returns. Treasury concluded that Mr Teelow as the registered holder of the Tenement is responsible for filing the royalty returns and paying any outstanding royalty on the Tenement. In this regard, Mr Teelow has advised me that he is currently accounting for the outstanding royalty liability on the Tenement. Following payment of the outstanding royalty liability on the Tenement an application will be made for the mining tenements to be transferred to the GBS Group from Mr Teelow under the Deed to in turn be transferred to Crocodile Gold in accordance with ASA.

- The GBS Group is the registered holder of various Exploration License and Mineral Lease Number Applications (the Applications). The Applications were incorporated in the ASA and were acquired by Crocodile Gold, however, the Applications must be granted before being transferred to Crocodile Gold. Under the ASA, the GBS Group is required to take all reasonable steps to assist Crocodile Gold with respect to the granting of the Applications. In this regard, I note that I have been liaising with Crocodile Gold and Crocodile Gold's tenement consultants in an effort to have the Applications granted as soon as possible.
- As requested by ASIC, I prepared a supplementary report pursuant to Section 533(2) of the Act and lodged the same with ASIC. ASIC has reviewed my report and advised that it will not be pursuing any of the matters raised in my report. I note that the supplementary report and correspondence between ASIC and myself is confidential and I am therefore unable to disclose any information in this regard other than the above.
- In conjunction with our legal advisors I formed a view that it was not commercial to pursue a legal action against Mr Anthony Simpson and related entities for payments made by the GBS Group prior to my appointment which may have contravened the unreasonable director-related transaction provisions under Section 588FDA of the Act. This matter is discussed in more detail in Section 4 of my report.
- 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.
- 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 2011	222,296			
<b>Estimated Total Funds Available</b>	<b>222,296</b>			
<b>Less:</b>				
Outstanding Liquidators' Fees	(36,340)			
MLN 1059 Royalty Payable Provision (possible additional surplus funds)	(65,000)			
Estimated Further Liquidators' Fees (Non DXG entities)	(30,000)			
Estimated Further Liquidators' Fees (DXG entities)	(30,000)			
Estimated Further Legal Fees	(20,000)			
Provision for Other Costs (possible additional surplus funds)	(40,956)			
<b>Estimated Total Costs</b>	<b>(222,296)</b>			
<b>Net Funds Available to Secured Creditors</b>	<b>Nil</b>			
<b>Secured Debt Summary (Excluding Interest)</b>				
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)	Nil	*(1,394,000)
Distribution following release of Second Deferred Payment	(15,000,000)	(15,000,000)	Nil	*(12,300,000)
Distribution following Settlement of Sale of Nicolson's Project and Receipt of Nicolson's Projects Environmental Bonds	(200,000)	(200,000)	Nil	*(164,000)
<b>Estimated Net Amount Due Before Interest</b>	<b>10,769,122</b>	<b>10,769,122</b>	<b>Nil</b>	<b>*8,830,682</b>
Estimated Further Amount to be Paid to Secured Creditors	Nil	Nil	Nil	Nil
<b>Estimated Net Surplus / (Deficiency) Before Interest (Subject to Actual Costs)</b>	<b>(10,769,122)</b>	<b>(10,769,122)</b>	<b>Nil</b>	<b>(*8,830,682)</b>
<b>Estimated Unsecured Creditors' Claims</b>				
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			
<b>Estimated Total Unsecured Creditors' Claims</b>	<b>327,535,059</b>			
<b>Estimated Surplus / (Deficiency) to Unsecured Creditors</b>	<b>(327,535,059)</b>			
<b>Estimated Rate of Dividend to Unsecured Creditors</b>	<b>Nil</b>			

\* This has been converted at a rate of AUD \$1.00 equals CAD \$0.82 consistent with our previous estimates and reports.

### 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 the above statement of position, I 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. As noted earlier, ASIC subsequently requested a supplementary report pursuant to Section 533(2) of the Act which was lodged on 25 October 2010. ASIC has reviewed my report and indicated that it will not be pursuing any of the matters raised in my report and that I may proceed to finalise the Liquidation of the GBS Group in due course.
- 4.2 It was noted in my Liquidators' Annual Report dated 23 April 2010 that I was currently considering whether to commence formal proceedings against Mr Simpson and related entities for payments made to Mr Simpson and related entities prior to our appointment which appeared to breach the unreasonable director-related transaction provisions under Section 588FDA of the Act. In consultation with our legal advisors we formed the view that it would not be commercial to engage in any further legal action against Mr Simpson and related entities for the following reasons:
- The legal costs to pursue any claim against Mr Simpson may exceed the funds (if any) recovered from pursuing any such claim.
  - The strength of the possible defences available to Mr Simpson.
  - Engaging in prolonged legal action against Mr Simpson may unduly delay the winding up of the GBS Group.

#### 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 2011:

	Amount (\$)
<b>Receipts</b>	
Bank Interest	134,017.34
BAS Refunds	4,753,821.00
Cash at Bank at Appointment	3,473,097.20
Environmental Bonds (Macquarie/Westpac Bank)	4,312,246.09
Gold Sales	19,627,746.00
Miscellaneous Income	146,017.45
Plant and Equipment Sales	995,255.00
Property Sales	498,470.00
Realisation of Securities	782,058.00
Refunds	848,429.52
Sale of Assets (Bulletin Resources)	279,819.56
Sale of Assets (Crocodile Gold)	34,800,682.00
Tenement Sales	484,597.00
Tom's Gully Stamp Duty Refund	1,690,272.00
<b>Total Receipts</b>	<b>72,826,528.16</b>
<b>Payments</b>	
Accommodation & Meal Expenditure	(72,738.75)



	Amount (\$)
Administrators' / Liquidators' Disbursements	(290,648.23)
Administrators' / Liquidators' Fees	(2,344,500.48)
Advertising	(39,364.00)
ASIC Charges	(1,696.00)
Bank Charges	(2,075.30)
Brokerage Fees	(8,537.00)
Casual Labour	(87,404.00)
Commissions	(1,375,000.00)
Computer & Internet Services	(152,693.00)
Distress Payments	(269,515.00)
Distribution to Secured Creditors	(36,181,409.00)
Electricity	(2,081,504.96)
Employee Relocation Costs	(21,384.00)
Freight Inwards	(594.00)
Fringe Benefits Tax	(27,028.00)
Fuel & Oil	(356,187.21)
Gas	(53,373.00)
GST Paid	(4,880,781.70)
Hire of Equipment	(154,463.00)
Hire of Meeting Room	(2,087.00)
Insurance	(1,384,405.69)
Laboratory Costs	(294,790.00)
Lease Payments	(494,460.00)
Legal Fees	(1,108,266.15)
Mining Consumables	(1,410,889.00)
Mobile Telephone Expenses	(2,407.00)
Motor Vehicle Expenses	(24,641.50)
Other Employee Expense Re-imbursments	(4,927.00)
Other Government Charges	(19,113.60)
Payroll Tax Expense	(440,806.00)
Petty Cash	(1,553.00)
Postage	(74.00)
Pre-Appointment Employee Entitlements	(719,127.00)
Post-Appointment Employee Entitlements	(233,719.20)
Printing	(7,701.00)
Professional Fees	(2,059,761.00)
Rent & Rates	(310,172.11)
Repairs & Maintenance	(455,953.25)
Retention of Title	(51,985.00)
Royalties	(86,245.00)
Stamp Duty	(2,000,530.00)
Stationery	(2,391.00)
Subcontractors	(4,423,515.00)
Sundry Expenses	(108,690.10)
Superannuation	(683,333.70)
Telephone & Fax	(194,379.44)
Tenement Fees	(664,523.80)



	Amount (\$)
Transport / Courier / Storage	(184,387.00)
Travel Expenditure	(28,977.00)
Utilities	(1,224.00)
Vehicle Running Costs	(771,837.63)
Wages and Salaries	(6,026,463.36)
<b>Total Payments</b>	<b>(72,604,232.16)</b>
<b>Cash at Bank 31 March 2011</b>	<b>222,296.00</b>

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 2011:

	Amount (\$)
Remuneration Incurred	2,180,197.76
Less: Remuneration Approved and Drawn	(2,131,364.07)
<b>Outstanding Remuneration</b>	<b>48,833.69</b>

6.2 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 Members and 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

At this stage, I advise that the outstanding tasks to finalise the liquidation of the GBS Group and estimated completion dates are as follows:

Outstanding Task	Estimated Completion Date
Maud Creek Farm / Tenement Swap Settlement and Transfer to CGA	31 July 2011
Granting and Transfer of Exploration License Applications to CGA	31 July 2011
Convene and Hold Final Creditors' Meeting	by 31 August 2011
Finalisation Tasks	by 31 August 2011
De-registration of the GBS Group	30 November 2011

## 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](http://www.ferrierhodgson.com) in the "Current Matters – Corporate Recovery Matters" section.
- 9.1 Should you have any further queries in relation to this report or the liquidation in general, please do not hesitate to contact Mr Webb of this office.

DATED this 9th day of May 2011

**GBS Gold Australia Pty Ltd  
and subsidiaries as set out in the Schedule**

**Andrew Saker**  
Joint and Several Liquidator



### The Schedule

<b>Company</b>	<b>ACN</b>
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