

18 February 2014

ABN 68 816 705 921

Danny Vrkic CA, IPA
Principal

**REPORT TO CREDITORS OF
ON Q GROUP LIMITED
(ADMINISTRATOR APPOINTED)
(IN LIQUIDATION)
ACN: 009 104 330
("THE COMPANY")**

**PURSUANT TO SECTION 439A
OF
THE CORPORATIONS ACT 2001
("the Act")**

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1. EXECUTIVE SUMMARY

1.1 Appointment of Voluntary Administrator

On 23 January 2014, I was appointed Administrator of On Q Group Limited ("the Company"). The appointment was made by the Company's Liquidators Mr Paul Burness and Mr Matthew Jess of Worrells Solvency + Forensic Accountants ("Worrells") pursuant to Section 436B(1) of the Act.

1.2 First Meeting of Creditors

The first meeting of creditors of the Company was held on 5 February 2014 at the Institute of Chartered Accountants, Melbourne, Victoria.

At that meeting, creditors did not resolve to appoint a Committee of Creditors. My appointment as Administrator was confirmed.

1.3 Second Meeting of Creditors

A second meeting of the Company's creditors is to be held on 27 February 2014 and creditors should refer to section 2.1 of this report.

1.4 Administrator's Recommendation

I have received a proposal from Benelong Capital Partners Pty Ltd ("Benelong") for a Deed of Company Arrangement ("DOCA"). It is my recommendation that creditors resolve to accept the proposal for a DOCA. My reasons for this recommendation are set out in section 11 of this report.

1.5 Return to Creditors

The intention of a voluntary administration is to maximise the prospects of an insolvent Company's continuing existence, or if that is not possible, to achieve a better return to creditors than what would result from a winding up.

The preceding External Administrators have issued a number of Reports to Creditor, recovered known assets and have sought funding from creditors and litigation funders to pursue voidable transactions, which has not been forthcoming. Furthermore, ASIC has provided the Liquidators with confirmation they have concluded their inquiries under 206F of the Act and have no objection to the proposed recapitalisation of the Company. I am satisfied that should creditors resolve that the Administration end or the Company be wound up (returned to Worrells) at the forthcoming meeting, there will be no distribution to any class of creditors after taking into account the cost of the administration.

Under the proposed DOCA, priority creditors (employees) will receive a cash dividend of between **sixty (60) cents to sixty three (63) in the dollar in respect to section 556(1)(e) claims and an in specie share dividend with respect to unpaid section 556(1)(e) and 556(1)(g) claims.**

Under the proposed DOCA, ordinary unsecured creditors will not receive a cash dividend, however, the DOCA allows for a pro-rata distribution of 3,500,000 shares to admitted unsecured creditors.

1.6 Receipts and Payments

Attached as **Annexure "D"** is a summary of the receipts and payments for the period from 23 January 2014 to 18 February 2014.

2. INTRODUCTION

2.1 Purpose of Report and Forthcoming Meeting of Creditors

I am required to convene a second meeting of creditors of the Company in administration pursuant to Section 439A of the Act. The purpose of this meeting is to consider the future of the Company.

Before the second meeting of creditors, I must prepare a report on the Company's business, property, affairs and financial circumstances and provide opinion on certain matters, which is the purpose of this report. This provides creditors with sufficient information to make an informed decision, as to whether it would be in the creditors' interests for:

- i) The Company to execute a Deed of Company Arrangement; or
- ii) The Administration to end; or
- ii) The Company to be wound up.

Alternatively, creditors may resolve that the meeting be adjourned for a period of up to forty five (45) business days from the date of the second meeting (27/02/2014).

Pursuant to section 439A of the Act, the second meeting of creditors of the Company is to be held on:

Date: 27 February 2014
Venue: Institute of Chartered Accountants, Level 3, 600 Bourke Street, Melbourne VIC 3000.
Time: 10:00am

The options available to creditors and my recommendation are detailed in sections 10 and 11 of this report.

2.2 Declaration of Independence, Relevant Relationships and Other Disclosures

In accordance with Section 436DA of the Act, a Declaration of Independence, Relevant Relationships and other Disclosures was provided with the first Report to Creditors dated 24 January 2014.

At the date of this report there are no changes to the Declaration of Independence, Relevant Relationships and other Disclosures as previously disclosed to creditors.

2.3 Basis of the Report

I have undertaken the following investigations in order to prepare this report and form an opinion as to the future of the Company:

- Attended the Company's Liquidators' office;
- Held meetings and discussions with the Company's Liquidators;
- Prepared formal letters of demand for books and records to the Company's Liquidators;
- Conducted statutory searches of the Directors and related parties;
- Held discussions with creditors;
- Conducted a preliminary investigation into the affairs of the Company and reviewed Company financial information prepared by the Company's Liquidators and reviewed all Liquidators' Reports and advices issued to date; and
- Conducted statutory investigations into insolvent trading and voidable transactions.

2.4 Disclaimer

This report has been prepared based upon my investigation to date, which has relied upon available Company records, advice and information provided by the Company's liquidators and creditors. This report is not an audit and unless there has been a reason not to rely upon information provided, the information relied upon has generally been accepted without conducting an independent audit or obtaining independent verification of its accuracy.

As Administrator, I have made forecasts of estimates of the extent of creditor claims against the Company. All due care has been taken, however the final value of creditor claims made and adjudicated upon will change. The forecast and estimate of return to creditors is made based upon my investigation to date and creditors should note that the final return to creditors may differ from projections made in this report.

Should any creditor have material information in relation to the Company's affairs which they consider may impact on my investigation, report or recommendation, please forward details to me prior to the forthcoming creditors meeting.

3. ADMINISTRATION UPDATE

As creditors are aware, Mr Paul Burness and Mr Matthew Jess of Worrells Solvency + Forensic Accountants were appointed as Voluntary Administrators of the Company on 28 July 2008. At the meeting of creditors held on 23 December 2008 creditors resolved to place the company into Liquidation pursuant to section 439C(c) of the Act.

The Company was placed into Voluntary Administration by the Company's Liquidators pursuant to section 436B(1) of the Act on 23 January 2014.

As the Company had ceased to trade prior to the appointment of the preceding External Administrators, the conduct of the Administration has focused primarily on, but not limited to, the following key areas:

- Obtaining and reviewing Liquidators reports;
- Meeting with Liquidators' representative;
- Conducting statutory searches;
- Investigation into the business, property and financial affairs of the Company;
- Reviewing any outstanding legal proceedings;

- Reviewing the Directors' personal financial position; and
- Reviewing the Merits of the DOCA.

4. COMPANY DETAILS

The Report to Creditors issued by Mr Paul Burness and Mr Matthew Jess of Worrells Solvency + Forensic Accountants as Voluntary Administrators dated 15 December 2008, provided creditors with a detailed history of the Company. I do not propose to provide a detailed commentary of same, however, I provide the following brief summary of the Company's history to the date of my appointment as Voluntary Administrator on 23 January 2014;

4.1 History of Company

- The Company was a publicly listed entity on the Australian Securities Exchange (ASX) previously known as Australian Pure Fruits Limited ("APF");
- In 2001, APF acquired technological businesses that went on to become the core business of the Company and on 7 December 2005 changed its name to On Q Group Limited;
- The Company's activities were closely related to a number of associated companies and On Q Group Limited did not actively trade. All trading activities were carried out by a number of subsidiaries, all of which are now either in external administration or have been deregistered;
- The appointment of Mr Paul Burness and Mr Matthew Jess as Voluntary Administrators on 28 July 2008 was as a result of the failure of other entities within the group;
- No DOCA was proposed during the Voluntary Administration period and the Voluntary Administrators recommended the Company be wound up and creditors resolved to place the Company into Liquidation on 23 December 2008;
- During the course of the Liquidation, the Liquidators received expressions of interest from a number of parties interested in recapitalising the Company via a Deed of Company Arrangement. On 19 February 2013, the Liquidators issued an information Memorandum to interested parties to assist in evaluating the recapitalising of the Company with final offers to be submitted by 12 April 2013;
- Benelong submitted an offer to recapitalise the Company which was accepted by the Liquidators and a formal agreement was entered into providing Benelong with an exclusive mandate to go through the necessary process to recapitalise the Company; and
- I was appointment as Voluntary Administrator by the Company's Liquidators on 23 January 2014 pursuant to section 436(B)1 of the Act.

4.2 Reasons for Failure

As detailed in the Voluntary Administrators Report to Creditors dated 15 December 2008, the reasons for the failure of the Company are as follows:

- Inadequate working capital;
- No-collection of trade debtors;
- Adverse legal action;
- Downturn in industry/economy; and
- Inappropriate corporate structure impeded the Company's ability to raise capital.

Based upon the Liquidators' comments the following factors have contributed to the Company's failure:

- Inadequate financial controls;
- Cumbersome and ineffective corporate structure;
- Poor business judgement; and
- Undercapitalisation.

I have no reason to dispute the Liquidators' reasons for the failure of the Company.

4.3 Statutory Details

I have obtained an Australian Securities Investment Commission ("ASIC") Historical Company Extract. The following is a summary:

Company Name: On Q Group Limited

Former Name: Australian Pure Fruits Limited

Directors:	Name	Appointment	Resigned
	Julian Little	18/03/2001	Current
	Ian Christiansen	08/07/2003	Current
	Harold Christiansen	18/03/2001	Deceased
	Stephen Fitzgerald	30/11/2006	28/04/2008
	Peter McDougall	30/07/1999	29/11/2007
	Dugal McDougall	30/07/1999	30/11/2006
	Tristan Fischer	08/07/2003	14/10/2005
	William Anderson	16/02/2003	08/07/2003
	Siegrad Kotz	01/02/2000	09/07/2001
	Hugh Falconer	27/09/2000	09/07/2001
	Saul Spigler	06/08/1988	16/02/2000

Secretary: Harold Edward Christiansen (Deceased)

Shareholders: Publicly listed companies (73,950,146 shares on issue)
Refer "**Annexure E**" for a listing of the largest 20 shareholders

Date of Incorporation: 25 July 1984

Registered Office: 677 The Boulevard, Eaglemont VIC 3084

Principal Place of Business: 677 The Boulevard, Eaglemont VIC 3084

Registered Charges: N/A

External Administrators: Mr Paul Burness and Mr Matthew Jess
Voluntary Administrators (28 July 2008)
Liquidators (23 December 2008)

5. ASSETS AND LIABILITIES

In accordance with Section 438B(2) of the Act, the Director/Officer of a Company in administration is required to submit to the Administrator a statement about the Company's business, property, affairs and financial circumstances known as the Report as to Affairs ("RATA").

As at the date of this Report to Creditors, I have not received a Report as to Affairs ("RATA") from the Company Liquidators. However they provided the following summary of the Company's assets and liabilities as at 23 January 2014:

RATA	Liquidators ERV (\$)	Administrator ERV (\$)
ASSETS		
Other Assets	10,000	21,105
Total Assets	\$10,000	\$21,105
LIABILITIES		
Priority Creditors		
Superannuation	1,453	0
Employee Entitlements	111,371	111,371
	\$112,824	\$111,371
Unsecured Creditors		
ATO	55,000	55,000
Related Parties	27,549,483	27,549,483
Unsecured creditors Related Parties	48,556,629	48,556,629
Total Unsecured Creditors	\$76,161,112	\$76,161,112
Total Liabilities	\$76,273,936	\$76,272,483
Estimated Deficiency	\$76,263,936	\$76,251,378

Below are my comments with respect to known assets and liabilities:-

Assets

5.1 Other Assets

As detailed in the numerous Liquidators' reports, the Company formerly maintained a facility with Opes Prime Stockbroking Ltd (In Liquidation) (Scheme Administrators Appointed) ("Opes Prime"). Opes Prime was placed into external administration and a Scheme of Arrangement was subsequently proposed and approved. Under the scheme the Company qualified for a damages claim of \$1,055,251.

As at the date of this report, the Company has received the following dividends:

Date	Amount \$	Dividend Rate \$
December 2009	316,575	\$0.30
April 2010	31,658	\$0.03
July 2010	26,381	\$0.025
August 2010	15,828	\$0.015
December 2011	21,105	\$0.02
October 2012	5,276	\$0.005
July 2013	5,276	\$0.005
Total paid to date	\$422,099	\$0.40

According to the Scheme Administrators a final dividend of between Nil to \$0.02 is anticipated which will equate to a return of between Nil to \$21,105. However, as the dividend is contingent on current litigation the Scheme Administrators are unable to provide a timeframe as to when the final dividend will be paid (if any).

Under the proposed DOCA, any dividend received from Opes Prime will not form part of the Deed Fund.

Should creditors resolve to wind up the Company, any dividend received from Opes Prime will be available for the benefit of creditors, less the future Liquidators' costs.

Liabilities

5.2 Priority Employee Claims

Should creditors resolve to accept the DOCA, any employee entitlements which may exist will receive priority in repayment over other creditors including amounts due under a floating charge, pursuant to Section 556(1)(e) and 556 (1)(g) of the Act. However I do note, any entitlements of excluded employees (Directors and certain related parties) are limited under the Act with respect to outstanding wages and superannuation (\$2,000) and leave entitlements (\$1,500). Any amount above the prescribed limits is able to be claimed as an unsecured debt.

As the Company was formerly in Liquidation, employees had lodged a claim with the "General Employee Entitlement and Redundancy Scheme" ("GEERS") and an amount of \$66,825 was forwarded to eligible employees by GEERS. Creditors should note that in accordance with Section 560 of the Act, GEERS will rank as a priority creditor for the entitlements paid to the Company's former employees.

I am aware of the following priority claims, in relation to the Act:

Description	Amount (\$)
Section 556(1)(e)	
Wages	8,077
Payment in Lieu of Notice	18,846
Bonuses	25,000
Travel Allowance	7,700

Total Section 556(1)(e) priority claims	\$59,623
Section 556(1)(g)	
Annual Leave	38,721
Long Service Leave (if any)	13,027
Total Section 556(1)(g) priority claims	\$51,748
Total Priority claims	\$111,371

No claim has been received from the Australian Taxation Office in respect to any superannuation liability.

Under the proposed DOCA, priority creditors (employees) will receive a cash dividend of between **sixty (60) cents to sixty three (63) in the dollar in respect to section 556(1)(e) claims and an in specie share dividend with respect to unpaid section 556(1)(e) and 556(1)(g) claims.**

Should creditors resolve to return the Company to the Liquidators at the forthcoming meeting, there will be no distribution to any class of creditors, after taking into account the cost of the administration.

5.3 Unsecured Creditors

I am aware of 43 unsecured creditor claims totaling \$76,161,112 which are summarised as follows:

Creditor Description	Director RATA \$	Liquidator RATA \$	Known to Administrator \$
Australian Taxation Office	55,000	55,000	55,000
Related Parties	12,658,086	27,549,483	27,549,483
Unsecured creditors	7,482,082	48,556,629	48,556,629
Total	\$20,195,168	\$76,161,112	\$76,161,112

5.3.1 Related Party Claims

Known related party claims are as follows:

Related Party	Nature of Claim	Amount \$
A.C.N: 088 202 082 Pty Ltd	Insolvent trading claim	2,789,956
Bill Express Ltd (In Liquidation)	Loan / Finance	21,586,727
Oakdale Finance Pty Ltd	Loan / Finance	1,352,537
Steven Fitzgerald	Expense and Director Fees	64,882
Technology Business International Pty Ltd	Loan / Finance	1,755,381
Total		\$27,549,483

I provide the following comments in respect to related party claims:

A.C.N: 088 202 082 Pty Ltd

The Company was the holding company of A.C.N: 088 202 082 Pty Ltd (Formerly MON Beverages Pty Ltd) and the claim was lodged by the Liquidator pursuant to section 588V

of the Act, which provides that a holding company may be held liable for insolvent trading of its subsidiaries.

I advise A.C.N: 088 202 082 Pty Ltd's liquidation has now been finalised and the company was deregistered on 6 May 2012.

Bill Express Ltd

A formal proof of debt was lodged with the preceding External Administrators in the amount of \$21,586,726. I advise the Directors disclosed in their RATA the debt to Bill Express Ltd totalled \$12,658,086. The Company's major source of income was royalty payments from Bill Express Ltd. Royalty payments from Bill Express Ltd ceased (due to its insolvency) and a demand was made against the Company to repay a loan of \$21,586,726.

Oakdale Finance Pty Ltd

A formal proof of debt was lodged with the preceding external administrators in the amount of \$1,352,537, no supporting documentation was provided and the Company records do not support this claim. I refer creditors to my comments in section 6.1.2 of this report to creditors.

Technology Business International Pty Ltd ("TBI")

The preceding External Administrators estimated an amount of \$1,755,381 was outstanding to TBI in regards to inter-company loans/finance. I advise creditors TBI was placed into Liquidation, which has now been finalised and the company was deregistered on 9 December 2012.

5.3.2 Major Unsecured Creditors

I provide the following comments with respect to the major unsecured creditor claims:

Vodaphone Pty Limited ("Vodaphone") \$36,242,530

A formal proof of debt was lodged with the preceding External Administrators in the amount of \$36,242,530. Vodaphone is a creditor of Bill Express Limited (In Liquidation) and has lodged a proof of debt pursuant to a guarantee provided by the Company.

Primebroker Securities Limited (In Liquidation) ("PBS") \$4,127,766

A formal proof of debt was lodged with the preceding External Administrators in the amount of \$4,127,766 and relates to a margin loan facility.

Chimaera Capital Pty Ltd ("CC") \$4,066,296

The Directors disclosed in their RATA provided to the preceding External Administrators that CC was a creditor in the amount of \$4,066,296, however no formal proof of debt has been lodged to date.

6. INVESTIGATION

The investigation by the Voluntary Administrator is designed primarily to provide creditors with an independent assessment of the affairs of the Company.

My investigation is summarised under the following headings:

- Liquidator Reports and Investigations;
- Related Party Transactions;
- Offences; and
- Recovery of Property or Compensation for the Benefit of Creditors.

6.1 Liquidator Reports and Investigations

As creditors are aware, Mr Paul Burness and Mr Matthew Jess of Worrells Solvency + Forensic Accountants were appointed as Voluntary Administrators and Liquidators on 28 July 2008 and 23 December 2008, respectively.

The preceding External Administrators issued numerous reports and advices to creditors and I do not propose to provide a detailed analysis of same. However, I provide the following general comments.

6.1.1 Financial Information

The Company ceased to trade in July 2008 and a detailed analysis has been provided by the preceding External Administrators in their reports dated 23 December 2008 and 22 March 2010. I advise creditors, I have reviewed the contents of the preceding External Administrators' reports and I have no additional comments in regards to the financial statements and historical trading performance of the Company.

6.1.2 Asset Loan Accounts

The preceding External Administrators identified the following loan accounts as outstanding to the Company:

Name	Amount \$
On Q Technologies Pty Ltd (Deregistered)	6,692,319
Motorlink Systems Pty Ltd (Deregistered)	1,008,833
Australian Pure Fruits (SA) Pty Ltd (Deregistered)	455,233
Cash4Biz Pty Ltd (Deregistered)	13,643
Peter McDougall	2,650,000
Technology Business Systems Pty Ltd (In Liquidation)	1,570,120
ACN 088 202 082 Pty Ltd (Deregistered)	7,591,900
Oakdale Finance Pty Ltd	507,744
	\$20,489,792

I provide the following comments with respect to the above "loan" accounts:

- Of the above entities, the following were placed into External Administration, no dividend was paid and are now deregistered:
 - On Q Technologies Pty Ltd deregistered on 10 January 2013;

- Cash4Biz Pty Ltd deregistered on 10 September 2010; and
 - ACN 088 202 082 Pty Ltd deregistered on 6 May 2012.
- As creditors are aware, a formal claim was lodged in the liquidation of Motorlink Systems Pty Ltd ("Motorlink") in the amount of \$1,008,833 and the claim was admitted to rank for dividend purposes in the amount of \$575,595. The Company received the following dividends:

Date	Amount	Dividend Rate
May 2010	130,297	\$0.2264
16 June 2011	50,209	\$0.0872
15 November 2011	629	\$0.0011
Total paid to date	\$181,135	\$0.3147

I advise the Liquidation has now been finalised and Motorlink was deregistered on 1 March 2012;

- I advise Australian Pure Fruits (SA) Pty Ltd (Deregistered) was voluntarily deregistered on 1 August 2010;
- As creditors are aware, prior to the appointment of the preceding External Administrators the Company commenced legal proceedings to recover the loan to Mr Peter McDougall in the amount of \$2,650,000. Mr McDougall lodged a counter claim against the Company seeking payment of \$7,109,500 and I provide the following comments:
 - The preceding External Administrators sought funding from a number of litigation funders, however they were unsuccessful due to the uncertainty of recovery from the defendants. Furthermore, funding requests from creditors were not forthcoming;
 - The "loan" was guaranteed by Kinarra Pty Ltd and I advise the company was placed into Official Liquidation on 14 March 2013 and Mr Bruno Secatore and Mr Daniel Juratowitch of Cor Cordis Chartered Accountants were appointed Liquidators. The Liquidators have advised no dividend will be paid to unsecured creditors; and
 - Additionally the Company had three cost orders in it's favour totalling approximately \$131,000 in relation to this matter. The Company's solicitor asserted a lien over the cost orders in respect to unpaid fees which would provide them with a priority to any funds recovered. Finally, it would appear the cost to enforce the orders is likely to exceed the potential funds recovered;
- Technology Business Systems Pty Ltd (In Liquidation) was placed into liquidation on 29 August 2008 and Mr Rodger Grant and Mr Raymond Dye of Dye & Co were appointed Liquidators. I have been advised by the Liquidators no dividend will be paid to unsecured creditors;
- The Liquidators identified Oakdale Finance Pty Ltd ("Oakdale") as a debtor of the Company for an amount \$507,744. Oakdale disputed the Liquidators' claim, submitted a formal proof of debt in the amount of \$1,352,536 and advised the following;

- The payments were made on behalf of Equip Rentals Pty Ltd (Deregistered) ("Equip");
- Oakdale lent the amount of \$507,000 to Equip;
- Ian Christiansen, Hal Christiansen and Sandro Di Donato (all Directors of the Company) personally guaranteed the debt; and
- Equip defaulted on the loan and Oakdale sort to recover the debt from the guarantors and it subsequently received funds from the Company.

I advise creditors Equip was deregistered on 9 December 2007 and whilst a voidable transaction claim may exist against the guarantors, pursuant to section 588FF(3)(a) of the Act any application in respect to a voidable transaction must be made within three (3) years of the relation-back date. The relation-back date in this matter is 28 July 2008.

Finally, although a claim may exist against Oakdale, based on their advices to date and the (unverified) claim they have lodged against the Company, it is reasonable to assume they would vigorously defend any action.

6.1.3 Other Identified Assets

The Directors disclosed the Company held an interest in subsidiaries with a combined book value of \$26,018,146 and estimated the realisable value of these interests as Nil. I confirm all subsidiaries are either deregistered or under external administration and no return to shareholders is expected.

6.1.4 Potential Voidable Transactions

The preceding External Administrators identified numerous potential voidable transactions and I provide the following comments in respect to same.

Winwood Mack Productions Pty Ltd ("Winwood Mack")

Two (2) payments totalling \$330,000 were made to Winwood Mack in February 2008. The Liquidators formed the view these payments were either a loan or alternatively an uncommercial transaction, pursuant to section 588FB of the Act and subsequently issued a demand for repayment.

As creditors are aware, Winwood Mack was placed into Liquidation on 6 December 2011. No dividend was paid and Winwood Mack was deregistered on 28 May 2013.

Australian Private Networks Pty Ltd ("APN")

On 30 August 2007, a payment in the amount of \$720,000 was paid to APN. The Liquidators initially formed the view this payment was either a loan or alternatively an uncommercial transaction, pursuant to section 588FB of the Act and requested an indemnity from creditors to commence legal proceedings to pursue the claim, however, no indemnity was forthcoming.

The Liquidators continued to investigate the merits of pursuing APN, however due to the state of the Company's records and limited source documents their investigation was severely hindered.

I advise creditors pursuant to section 588FF(3)(a) of the Act any application in respect to a voidable transaction must be made within three (3) years of the relation-back date. The relation-back date in this matter is 28 July 2008.

Resolute Capital Pty Ltd ("Resolute")

In January 2005, the Company received two payments totalling \$3,499,470 and it appears the payments relate to advances made to enable the conversion of share options held by related parties.

The Liquidators requested an indemnity from creditors in order to continue their investigation to identify any parties whom had benefited from the loan and/or conversion of share options together with any potential claims for various breaches of the Corporations Act, however, no indemnity was forthcoming.

As noted above, pursuant to section 588FF(3)(a) of the Act any application in respect to a voidable transaction must be made within three (3) years of the relation-back date. The relation-back date in this matter is 28 July 2008.

Insolvent Trading

The preceding External Administrators advised the Directors' may have allowed the Company to incur additional debt after the Company became insolvent. Furthermore, the majority of the Company liabilities are related party loan accounts, liabilities under guarantees, shortfalls under finance/leasing/margin leading arrangements and other contingent claims.

Section 95A of the Act defines insolvency as:

- 1) *A person is solvent if, and only if, the person is able to pay all the person's debts, as and when they become due and payable.*
- 2) *A person who is not solvent is insolvent.*

As the majority of the Company's liabilities are to related parties and/or contingent in nature it could be argued that a significant portion of liabilities were not immediately due and payable.

Finally, my investigation into the personal financial position of the current Directors is consistent with that of the preceding External Administrators and any proceedings to recover compensation for any loss from insolvent trading must be commenced within six (6) years from the winding up pursuant to section 588M(4) of the Act.

6.1.5 Other potential legal proceedings

The preceding external administrators were uncertain whether the Company may have a claim against the former auditors for breach of auditors' duties. The Liquidators requested records and working papers from the former auditors to assist in the investigation, however they failed to provide same.

Indemnity requests for funding from creditors were not forthcoming and no further action will be undertaken without creditor funding.

6.2 Offences

I advise creditors the preceding External Administrators have supplied ASIC with investigation reports regarding the conduct of the Directors and assisted ASIC with their inquiries into the failure of the Company and conduct of the Directors. As a result of these investigations, Mr Ian Christiansen has been banned from managing corporations until 16 March 2016.

ASIC has provided the Liquidator with confirmation they have concluded their inquiries under 206F of the Act and have no objection to the proposed recapitalisation of the Company.

As Administrator I am required to complete and lodge a report pursuant to Section 438D of the Act with ASIC detailing my investigations into the failure of the Company.

This report is privileged and will be lodged with ASIC prior to the second meeting of creditors to be held on 27 February 2014.

6.3 Recovery of Property or Compensation for the Benefit of Creditors

The Act requires an Administrator to specify whether there are any transactions that appear to the Administrator to be voidable transactions in respect of which may be recoverable by a Liquidator under Part 5.7B of the Act.

The assessment of voidable transactions is relevant to creditors in choosing between the three options available at the second meeting of creditors, as they are only recoverable in a liquidation scenario.

Attached is **Annexure "F"** is the IPA Creditor Information Sheet – Offences, Recoverable Transactions and Insolvent Trading.

6.3.1 Unfair Preferences

To be recoverable, the following circumstances must have existed at the time the unfair preference transaction was entered into:

1. The Company and the Creditor are parties to the Transaction;
2. The Company is insolvent or becomes insolvent at the time of entering into the transaction;
3. The transaction was entered into in the six months prior to the appointment of the Administrator (28 July 2008) (a longer period applies for transactions with related parties);
4. The transaction results in the creditor receiving more than the creditor would receive from the Company in the winding up of the Company; and
5. A reasonable person in the creditor's position would have been reasonably aware that the Company was insolvent.

Generally, indications of a preferential payment include creditors:

- Being paid outside of their documented or agreed trading terms;
- Receiving regular part payment of invoices;
- Receiving large rounded payments upon the suspension of the supply of goods and/or services; and
- In some cases receiving post-dated cheques.

I refer creditors to my comments in section 6.1.4 of this report.

6.3.2 Unreasonable Director Related Transactions

Section 588FDA of the Act provides that unreasonable director related transactions may be classified as voidable transactions. Related parties are defined by the Act to include the director, shareholders, their relatives and spouses and companies with a common director.

Pursuant to section 588FE(4) of the Act, related party transactions are voidable if the transactions were made at a time when the Company was insolvent and during the 4 years preceding the relation back day (28 July 2008).

Pursuant to section 588FE(6A) of the Act, unreasonable director related party transactions are voidable if the transactions were entered into during the 4 years preceding the relation back day (28 July 2008).

I refer creditors to my comments in section 6.1.4 of this report.

6.3.3 Uncommercial Transactions

Pursuant to Section 588(FE)(3) of the Act, it is possible to recover property or compensation arising from a transaction entered into by the Company after a date commencing two (2) years prior to the relation-back day (or four (4) years if a related entity of the Company is a party to it).

I refer creditors to my comments in section 6.1.4 of this report.

6.3.4 Defeating Creditors

Pursuant to Section 588(FE)(5) of the Act, it is possible to recover property or compensation arising from a transaction entered into by the Company to defeat, delay or interfere with creditors' rights, at any time after a date commencing ten (10) years before the relation-back day.

My investigation to date has not revealed any transactions of this nature.

6.3.5 Unfair Loans

Pursuant to Section 588FD and Section 588FE of the Act, it is possible to recover property or compensation because a loan to the Company is judged to be unfair. There is no time limit for such recovery and my investigations to date did not reveal any such loans.

I refer creditors to my comments in section 6.1.4 of this report.

6.3.6 Indirect Benefit

Pursuant to Section 588FH of the Act, it is possible to recover property where an insolvent transaction and/or other voidable transaction has had an effect of discharging a liability of a related entity, the amount of the benefit being the "indirect benefit".

I refer creditors to my comments in section 6.1.4 of this report.

6.3.7 Insolvent Trading

The Act provides that a liquidator and under certain circumstances a creditor, may recover from the Directors of an insolvent company, damages in respect of losses suffered by creditors from transactions entered into at a time when a company is insolvent.

Section 588G of the Act establishes a director's duty to prevent insolvent trading by a company. The section applies if:

- a) A person is a director at the time when the company has incurred a debt;
- b) The company is insolvent at that time or becomes insolvent by incurring that debt; and
- c) At that time there were reasonable grounds for suspecting that the company is insolvent, or would so become insolvent, as the case may be.

A company is insolvent if it is unable to pay all its debts as and when they become due and payable.

By "failing to prevent the company from incurring the debt, the director contravenes" the section if:-

- a) A director is aware at the time that there are such grounds for so suspecting; or
- b) A reasonable person in a like position, in the Company, would be so aware.

Section 588M of the Act allows for the recovery of compensation, recovery being recovery from the director, of an amount equal to the loss or damage arising out of insolvent trading.

I refer creditors to my comments in section 6.1.4 of this report.

7. PROPOSED DEED OF COMPANY ARRANGEMENT ("DOCA")

I have received from Benelong a DOCA proposal to be considered by creditors of the Company at the forthcoming meeting.

I attach as **Annexure "G"**, a copy of the DOCA proposal outlining the key terms of the proposal for creditors' consideration.

8. ESTIMATED RETURN IN A LIQUIDATION SCENARIO

The Company has been under External Administration from 28 July 2008. During this time the External Administrators have conducted an extensive investigation into the Company's affairs, realised all recoverable assets and has sought funding from creditors and litigation funders to pursue various actions which they have declined.

I am satisfied that no dividend will be paid to any class of creditor, should creditors resolve to return the Company to the Liquidators.

9. COMPARISON BETWEEN DOCA AND LIQUIDATION

I set out below my comparison of the likely return to creditors should they resolve to accept a DOCA as compared to a return of the Company to the Liquidators.

	Liquidation		DOCA	
	High \$	Low \$	High \$	Low \$
ASSETS				
DOCA - Cash Payment	0	0	85,000	85,000
DOCA - 3.5 million shares	0	0	Unknown	Unknown
Other Assets	21,105	0	0	0
SUB-TOTAL ASSETS	21,105	Nil	85,000	85,000
<i>Add</i>				
Insolvent Trading	0	0	N/A	N/A
Uncommercial Transaction	0	0	N/A	N/A
Other Voidable Insolvent Transactions	0	0	N/A	N/A
TOTAL ASSETS	\$ 21,105	Nil	\$ 85,000	\$ 85,000
<i>Less</i>				
Administrator's Fees	15,000	15,000	15,000	15,000
Liquidators Fees	Unknown	Unknown	25,000	25,000
Liquidators Expenses	Unknown	Unknown	0	0
Deed Administrator's Fees	N/A	N/A	5,000	5,000
Legal Fees	Unknown	Unknown	1,000	2,000
Out of Pocket Expenses	Unknown	Unknown	1,500	2,000
TOTAL PROFESSIONAL COSTS	Unknown	Unknown	47,500	49,000
CASH AMOUNT AVAILABLE FOR DISTRIBUTION 3.5 MILLION SHARES	Nil	Nil	37,500 Unknown	36,000 Unknown
LIABILITIES				
Employee entitlements - Section 556(1)(e)	59,623	59,623	59,623	59,623
CASH BALANCE AVAILABLE FOR CREDITORS	Nil	Nil	Nil	Nil
Employee Cash Dividend Rate (s556(1)(e))	N/A	N/A	63%	60%
Employee entitlements - section 556(1)(g)	51,748	51,748	51,748	51,748
CASH BALANCE AVAILABLE FOR CREDITORS	Nil	Nil	Nil	Nil
Employee Cash Dividend Rate (s556(1)(g))	N/A	N/A	N/A	N/A
CASH AMOUNT AVAILABLE FOR UNSECURED CREDITORS	Nil	Nil	Nil	Nil
Balance of unpaid employee claim			73,871	75,371
Unsecured creditors			76,272,483	76,272,483
TOTAL CLAIMS FOR SHARE DISTRIBUTION			76,346,354	76,347,854
Unsecured Creditor Dividend rate	Nil	Nil	Unknown	Unknown

I note payments are net of GST

1). DOCA Payment

Under the proposed DOCA, a cash payment of \$60,000 is to be made to the Deed Administrator and a further \$25,000 to the Liquidator totaling \$85,000. I have sighted and retained a document evidencing that the funds are available.

Should creditors resolve to return the Company to the Liquidators, no cash payment will be made.

2). DOCA 3.5 Million Shares

Under the proposed DOCA, there will be a 1 for 22 consolidation of existing shares and options and an issue of 3.5 Million shares (post consolidation) for pro-rata distribution to admitted unsecured creditors.

Should creditors resolve to return the Company to the Liquidators, no share issue will be made.

3). Other Assets

Under the proposed DOCA, the Company will not retain any further dividends recovered from the Opes Prime scheme arrangement.

Should creditors resolve to wind up the Company, any dividends recovered would be available for the benefit of creditors, less the future Liquidators' costs.

4). Insolvent Trading

Creditors should refer to section 6.3.7 of this report.

5). Uncommercial Transactions / Other Voidable Transactions

Creditors should refer to section 6.3 of this report.

6). Remuneration

Estimated remuneration for the Administrator and Deed Administrator will be fixed to an amount of \$15,000 (plus GST) and \$5,000 (plus GST), respectively.

The Liquidators have indicated that there is substantial remuneration outstanding as at the date of my appointment as Voluntary Administrator. I note, the Liquidators may recover an amount of between Nil to \$21,105. Additional time is to be spent in the recovery of this asset and the finalisation of the Liquidation.

7). Legal Fees

The legal fees under a DOCA relate to the administration of the DOCA.

8). Employee Entitlements

Should creditors resolve to accept the Deed, priority creditors will be as follows:-

Description	Amount (\$)
Section 556(1)(e)	
Wages	8,077
Payment in Lieu of Notice	18,846
Bonuses	25,000
Travel Allowance	7,700
Total Section 556(1)(e) priority claims	\$59,623
 Section 556(1)(g)	
Annual Leave	38,721
Long Service Leave (if any)	13,027
Total Section 556(1)(g) priority claims	\$51,748
 Total Priority claims	\$111,371

Under the proposed DOCA, priority creditors (employees) will receive a cash dividend of between sixty (60) cents to sixty three (63) in the dollar in respect to section 556(1)(e) claims and an in specie share dividend with respect to unpaid section 556(1)(e) and 556(1)(g) claims.

Should creditors resolve to end the Administration and or return the Company to the Liquidators the Company employees will receive no dividend distribution.

9). Unsecured Creditors

Creditors should refer to section 5.3 of this report.

Under the DOCA, the unpaid employee claim for their priority pursuant to section 556(1)(e) and 556(1)(g) will rank equally with that of unsecured creditor claims.

Should creditors resolve to end the Administration or return the Company to the Liquidators all employees entitlements will have priority to that of unsecured creditor claims.

Creditors should note that final creditor claims will be unknown until I declare my intention to pay a dividend to creditors.

10). Dividend to Unsecured Creditors

Under the DOCA, unsecured creditors will not receive a cash payment. The Deed Administrator will distribute an in-specie share dividend (3.5m shares) to admitted unsecured creditors.

10. CREDITORS OPTIONS

Pursuant to Section 439A of the Act, I am required to convene a meeting of creditors, at which creditors may resolve to take one of the following options:

1. That the Administration should end and the Company be returned to the control of the Liquidators; or
2. That the Company execute a DOCA; or
3. For the Company to be wound up.

Each of the options available to creditors is explained below.

10.1 The Administration should end

Should creditors resolve that the administration end, the affect would be that the control of the Company would revert to the Liquidators. The Company will be in a similar financial position to that existing prior to my appointment as Administrator.

It is the Administrator's view that it is not in the interests of the creditors of the Company for the Administration to end and control to revert to the Liquidators, as the Company is insolvent and no creditors will receive a dividend.

10.2 The Company should be wound up

At the second meeting of creditors, creditors may resolve to wind up the Company. The Company will remain in Liquidation with Worrells.

The role of the Liquidator would be to finalise recovery of Opes Prime dividend (if any) and, subject to funding being available from the realisation of assets or through the donation or advance of funds by creditors or other third parties, to dissolve the Company.

10.3 The Company execute the proposed DOCA

Benelong is proposing a DOCA in the terms set out in section 7 of this report. Should creditors resolve to accept the DOCA, Benelong will approach the Supreme Court for a termination of the Winding Up. My role will be to comply with and administer the terms and conditions of the DOCA.

11. ADMINISTRATOR'S RECOMMENDATION

Pursuant to Section 439A(4)(b) of the Act, the Administrator is required to make a statement and give reasons for his opinion in relation to the following matters:-

1. That the Administration should end and the Company be returned to the Liquidators; or
2. To wind up the Company; or
3. That the Company executes the proposed Deed of Company Arrangement.

Benelong has proposed a DOCA as detailed in this report. Accordingly and for the reasons outlined below, it is my recommendation that creditors vote in favour of the DOCA proposed by Benelong.

The reasons for my recommendations are as follows:-

a) Pursuant to section 435A of the Act, there are two objectives of voluntary administration:-

1. Result in a better return for the Company's creditors and members than would result from an immediate winding up of the Company; and
2. Maximise the chances of the Company's business continuing in existence.

For the reasons set out in this report, I believe that the second statutory objectives would be achieved through the proposed DOCA. I also believe that neither of those objectives would be realised through a winding up of the Company.

- b) Under the DOCA a first and final dividend to participating creditors will be paid within several months;
- c) The Company will exit from liquidation;
- d) Unsecured creditors are anticipated to receive a greater return under the DOCA;
- e) In a DOCA the current Directors and Company Secretories will be removed;
- f) The professional costs to administer the DOCA are less than those to liquidate the Company; and
- g) In a liquidation scenario creditor funding will be required to pursue any legal proceedings.

Therefore at this time:-

- o I do not consider it would be in the creditors' best interests for the administration to end as the Company is insolvent; and
- o I do not consider it would be in the creditors' best interest for the Company to be wound up as this option will provide no return to any class of creditor than that which would become available to creditors under the proposed DOCA.

A statement setting out the Administrator's opinion is attached as **Annexure "H"**.

12. REMUNERATION

I attach as **Annexure "I"** my Remuneration Report.

13. MEETING OF CREDITORS

A second meeting of creditors is to be held on 27 February 2014 at the Institute of Chartered Accountants, Level 3, 600 Bourke Street Melbourne VIC at 10:00am.

Please refer to the attached formal notice of meeting for full details.

Creditors may attend and vote in person or via proxy or appoint a representative by completing the attached Proxy (Form 532) and Proof of Debt forms (Form 535).

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

A specific proxy can be lodged showing approval or rejection of each proposal. Proxy forms must be lodged with my office prior to the commencement of the meeting.

Should you wish to discuss any aspect of the report or wish to raise any additional matters, please contact Mr Daniel O'Brien of my office on (02) 4225 2545.

Yours faithfully,
ON Q GROUP LIMITED



DANNY VRKIC
Administrator

Annexure “A”

Form 529

Corporations Act
Regulation 5.6.12

NOTICE OF SECOND MEETING OF CREDITORS

**RE: ON Q GROUP LIMITED
(ADMINISTRATOR APPOINTED) (IN LIQUIDATION)
ACN: 009 104 330 ("the Company")**

I was appointed Voluntary Administrator of the company on 23 January 2014.

Notice is hereby given that a meeting of the creditors of the company will be held at the Institute of Chartered Accountants, Level 3, 600 Bourke Street Melbourne VIC on 27 February 2014 at 10:00am

The purpose of the meeting is: -

1. To review the Administrator's report concerning the company's business, property, affairs and financial circumstances.
2. To consider the adjournment of the proposal meeting.
3. For creditors to resolve that the: -
 - (a) Company execute a Deed of Company Arrangement; or
 - (b) Administration should end; or
 - (c) Company is wound up.
4. To consider approval of the Administrator's remuneration.
5. To consider approval of the Deed Administrator's remuneration
6. To consider the approval of the Liquidator's remuneration.
7. To consider whether creditors resolve to wind up the company and to consider the appointment of a committee of inspection.
8. To consider approval pursuant to Section 477(2B) of the Corporations Act for the Liquidator or Deed Administrator to enter at into litigation funding facilities to pursue legal actions.
9. To consider approval pursuant to Section 477(2A) of the Corporations Act for the Liquidator to compromise debts in excess of \$100,000.
10. To consider approval of the destruction of the books and records of the company immediately after the dissolution/deregistration of the company.
11. Any other business.

Proxy Instructions

An individual may vote at the meeting in person, or in their absence, by proxy (Form 532). Corporations/companies may only vote by utilising a valid appointment of proxy (Form 532) or have a duly authorised company representative attend and provide evidence of their authority to vote on behalf of their corporation/company (Section 250D of the Corporations Act).

Proxies used at the first meeting of creditors will not be valid for the second meeting of creditors. For a proxy form to be valid the Administrator must receive it at least 24 hours prior to the proposal meeting (Regulation 5.6.36). Faxed proxies are acceptable providing the original is lodged within 72 hours of the Meeting.

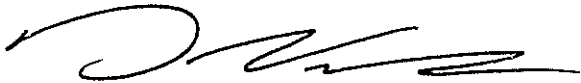
Authorised representatives will only be allowed to vote if they provide evidence of their authority to vote on behalf of their corporation/company at least 24 hours prior to the proposal meeting.

Proofs of Debt Instructions

Formal Proofs of Debt (Form 535) used at the first meeting or submitted to the Administrator prior to the meeting will be valid for the second meeting. Creditors should note that Proofs of Debt admitted at meetings of creditors are admitted only for voting purposes. Any dividend that is declared will be paid following formal adjudication of proofs of debt.

Should you require any further information, please contact Mr Daniel O'Brien on (02) 4225 2545.

Yours faithfully,
ON Q GROUP LIMITED

A handwritten signature in black ink, appearing to read 'D Vrkic', with a large, stylized initial 'D'.

DANNY VRKIC
Administrator

Annexure “B”

FORM 532
The Corporations Act - Regulation 5.6.29

**RE: ON Q GROUP LIMITED
(ADMINISTRATOR APPOINTED) (IN LIQUIDATION)
A.C.N: 009 104 330
APPOINTMENT OF PROXY**

Creditor's Name		
Creditor's Address		
Meeting Location, Date & Time	Institute of Chartered Accountants, Level 3, 600 Bourke Street Melbourne VIC on 27 February 2014 at 10:00am	
Proxy's Name & Address		
Proxy's instructions from Creditor. Generally as they determine on my behalf (please circle "generally"); OR Specifically in accordance with the following special instructions (please circle "specifically" and insert instructions below)		
(i)	(a) Company execute a Deed of Company Arrangement; or (b) Administration should end; or (c) Company is wound up	YES / NO / ABSTAIN YES / NO / ABSTAIN YES / NO / ABSTAIN
(ii)	"That the remuneration of the Administrator and his staff for the period 23 January 2014 to 27 February 2014 be approved to a maximum sum of \$15,000 plus GST, beyond which further approval must be sought, and that such remuneration be drawn at the discretion of the Administrator"	YES / NO / ABSTAIN
(iv)	"That the remuneration of the Deed Administrator and his staff for the period post execution of the Deed be approved to a maximum sum of \$5,000 plus GST, beyond which further approval must be sought, and that such remuneration be drawn at the discretion of the Liquidator"	YES / NO / ABSTAIN
(v)	To consider whether creditors resolve to appointment of a committee of inspection.	YES / NO / ABSTAIN
(vi)	To consider approval pursuant to Section 477(2A) of the Corporations Act for the Liquidator to compromise debts in excess of \$100,000.	YES / NO / ABSTAIN
(vii)	To consider approval of the destruction of the books and records of the company immediately after the dissolution / deregistration of the company.	YES / NO / ABSTAIN
(viii)	Any Other Business	
Committee of Inspection		
	(I*/We*) authorize (Insert Name) to represent (me*/us*) on the committee of inspection if elected.	
Secured Creditor		
	(I*/We*) am*/are* a secured creditor and the total amount owed to me after deducting the value of my security is \$ _____	
Date	Dated this day of 2014	
Member's*/Creditor's* Signature		

COMPLETE BELOW ONLY IF CREDITOR IS BLIND

CERTIFICATE OF WITNESS

This certificate is to be completed only where the person giving the proxy is blind or incapable of writing. The person nominated as proxy must not witness the signature of the creditor.

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: _____ Date: _____

Witness's Address: _____

Annexure “C”

FORM 535

The Corporations Act
Sub-regulation 5.6.49(2)

RE: ON Q GROUP LIMITED
(ADMINISTRATOR APPOINTED) (IN LIQUIDATION)
A.C.N: 009 104 330

FORMAL PROOF OF DEBT/CLAIM FORM AS AT 28 JULY 2008

CREDITOR'S NAME: _____
(Secured or unsecured company or individual's name)

CREDITOR'S CONTACT DETAILS: _____
(Postal Address, Phone, Fax etc)

DATE OF CLAIM	DESCRIPTION/NATURE OF CLAIM (Services, goods, loans, employee claims etc.)	NET DEBT Excl. GST (\$/c)	GST COMPONENT (\$/c)	TOTAL DEBT Incl. GST (\$/c)
	LESS: VALUE OF ASSETS SUBJECT TO SPECIFIC SECURITY			
	TOTAL AMOUNT OWED TO CREDITOR (INCLUDE CENTS)			

SUBSTANTIVE EVIDENCE ATTACHED (YES/NO): _____
(Invoices, statements, agreements etc.)

This form is to be executed (below) by the creditor or a person/representative authorised by the creditor.

Name of Authorised Person/Creditor

Occupation of Authorised Person/Creditor

Signature of Authorised Person/Creditor

DATE

Contact Details of Authorised Person/Creditor (If different from above)

Office Use Only: -

File Ref:		Accepted	\$
Processed By:		Rejected	\$
Date Processed		Under Consideration	\$

Annexure “D”

Receipts and Payments Summary By Account: ONQG.VA - On Q Group Limited (Administrator
Bank, Cash and Cash Investment Accounts: All Dates (Gross Method)

Type	Account	GST	Total
		0.00	0.00
	Net Trading Receipts and Payments	0.00	0.00
	Net Receipts (Payments)	0.00	0.00

Annexure “E”

Top 20 Shareholders of On Q Group Limited

No.	Shareholder Name	Total number of Ordinary Fully Paid Shares Held
1	Kinarra Pty Limited (held in escrow)	7,744,978
2	Ipay Express Pte Ltd	7,395,015
3	Linfox Share Investment Pty Ltd	6,724,701
4	Mr Harold Edward Christiansen	6,278,473
5	Mr Ian Douglas Christiansen	6,263,760
6	Mr Sandro Didonato	3,433,464
7	Sydney Pty Limited	3,395,355
8	Walmerst Pty Ltd	3,352,218
9	Mr Kenward Elmslie	2,604,464
10	Stephen Fitzgerald	1,898,427
11	Ngot Capital Investments Pty Ltd	1,570,281
12	Garrido Investments Pty Ltd	1,518,667
13	Winwoodmack Productions Pty Ltd (desgristered)	1,485,551
14	Ms Jean Christine Christiansen	1,429,195
15	Jindra Energy Conversions	1,214,238
16	Mr Julian Little	1,166,667
17	Mr Ian Winwood Mckenzie	1,074,449
18	Mrs Christine Christiansen	908,054
19	Data Progression	854,597
20	Walmer Holdings Pty Ltd	800,000

Annexure “F”

Creditor Information Sheet

Offences, Recoverable transactions and Insolvent Trading



Offences

A summary of offences that may be identified by the administrator:

Section	Offence
180	Failure by officer to exercise a reasonable degree of care and diligence in the exercise of his powers and the discharge of his duties.
181	Failure to act in good faith.
182	Making improper use of position as an officer or employee, to gain, directly or indirectly, an advantage.
183	Making improper use of information acquired by virtue of his position.
184	Reckless or intentional dishonesty in failing to exercise duties in good faith for proper purpose. Use of position or information dishonestly to gain advantage or cause detriment.
206A	Contravening an order against taking part in management of a corporation.
206A, B	Taking part in management of corporation while being an insolvent under an administration.
206A, B	Acting as a director or promoter or taking part in the management of a company within five years after conviction or imprisonment for various offences.
209(3)	Dishonest failure to observe requirements on making loans to directors or related companies.
254T	Paying dividends except out of profits.
286	Failure to keep proper accounting records.
312	Obstruction of auditor.
314-7	Failure to comply with requirements for financial statement preparation.
437C	Performing or exercising a function or power as officer while a company is under administration.
437D(5)	Unauthorised dealing with company's property during administration.
438B(4)	Failure by directors to assist administrator, deliver records and provide information.
438C(5)	Failure to deliver up books and records to administrator.
590	Failure to disclose property, concealed or removed property, concealed a debt due to the company, altered books of the company, fraudulently obtained credit on behalf of the company, material omission from Report as to Affairs or false representation to creditors.

Voidable Transactions

Preferences

A preference is a transaction such as a payment between the company and one or more of its creditors, in which the creditor receiving the payment is preferred over the general body of creditors. The relevant time period is six months before the commencement of the liquidation. The company must have been insolvent at the time of the transaction, or become insolvent as a result of the transaction.

Where a creditor receives a preferred payment, the payment is voidable as against a liquidator and is liable to be paid back to the liquidator subject to the creditor being able to successfully maintain any of the defences available to the creditor under either the Corporations Act.

Uncommercial Transaction

An uncommercial transaction is one that it may be expected that a reasonable person in the company's circumstances would not have entered into having regard to:

- the benefit or detriment to the company;
- the respective benefits to other parties; and
- any other relevant matter.

To be voidable, an uncommercial transaction must have occurred during the two years before the liquidation.

However, if a related entity is a party to the transaction, the time period is four years and if the intention of the transaction is to defeat creditors, the time period is ten years.

The company must have been insolvent at the time of the transaction, or become insolvent as a result of the transaction.

Unfair Loan

A loan is unfair if and only if the interest was extortionate when the loan was made or has since become extortionate. There is no time limit on unfair loans – they only have to have been entered into any time on or before the day when the winding up began.

Arrangements to avoid employee entitlements

If an employee suffers loss because a person (including a director) enters into an arrangement or transaction to avoid the payment of employee entitlements, the liquidator or the employee may seek to recover compensation from that person. It will only be necessary to satisfy the court that there was a breach on the balance of probabilities. There is no time limit on when the transaction occurred.

Unreasonable payments to directors

Liquidators have the power to reclaim "unreasonable payments" made to directors by companies prior to liquidation. The provision relates to transactions made to, on behalf of, or for the benefit of, a director or close associate of a director. To fall within the scope of the section, the transaction must have been unreasonable, and have been entered into during the 4 years leading up to a company's liquidation, regardless of its solvency at the time the transaction occurred.

Voidable charges

Certain charges are voidable by a liquidator:

- Circulating security interest created with six months of the liquidation unless it secures a subsequent advance;
- Unregistered charges; and
- Charges in favour of related parties who attempt to enforce the charge within 6 months of its creation.

Insolvent Trading

In the following circumstances, directors may be personally liable for insolvent trading by the company:

- a person is a director at the time a company incurs a debt;
- the company is insolvent at the time of incurring the debt or becomes insolvent because of incurring the debt;
- at the time the debt was incurred, there were reasonable grounds to suspect that the company was insolvent;
- the director was aware such grounds for suspicion existed; and
- a reasonable person in a like position would have been so aware.

The law provides that the liquidator, and in certain circumstances the creditor who suffered the loss, may recover from the director, an amount equal to the loss or damage suffered. Similar provisions exist to pursue holding companies for debts incurred by their subsidiaries.

A defence is available under the law where the director can establish:

- there were reasonable grounds to expect that the company was solvent and they actually did so expect;
- they did not take part in management for illness or some other good reason; or,
- they took all reasonable steps to prevent the company incurring the debt.

The proceeds of any recovery for insolvent trading by a liquidator are available for distribution to the unsecured creditors before the secured creditors.

Important note: This information sheet contains a summary of basic information on the topic. It is not a substitute for legal advice. Some provisions of the law referred to may have important exceptions or qualifications. This document may not contain all of the information about the law or the exceptions and qualifications that are relevant to your circumstances.

Annexure “G”

STATEMENT OF ADMINISTRATOR'S OPINION

RE: ON Q GROUP LIMITED (ADMINISTRATOR APPOINTED) (IN LIQUIDATION) ACN: 009 104 330 ("the Company")

Pursuant to Section 439(A) of the Corporations Act ("the Act"), I am required to make a statement and give reasons for my opinions in relation to the following matter: -

- A. Whether it would be in the creditors' interests for the company to execute a DOCA.
- B. Whether it would be in the creditors' interest for the administration to end.
- C. Whether it would be in the creditors' interests for the company to be wound up.

A. DEED OF COMPANY ARRANGEMENT ("DOCA")

Benelong has proposed a DOCA as detailed in the report. Accordingly and for the reason outlined below, it is my recommendation that creditors vote in favour of the DOCA proposed by Benelong as:-

The reasons for my recommendations are as follows:-

- a) Pursuant to section 435A of the Act, there are two objectives of voluntary administration:-
 - 1. Result in a better return for the Company's creditors and members than would result from an immediate winding up of the Company; and
 - 2. Maximise the chances of the Company's business continuing in existence.

For the reasons set out in this report, I believe that the second statutory objectives would be achieved through the proposed DOCA. I also believe that neither of those objectives would be realised through a winding up of the Company.

- b) Under the DOCA a first and final dividend to participating creditors will be paid within several months;
- c) The Company will exit from Liquidation;
- d) Unsecured creditors are anticipated to receive a greater return under the DOCA;
- e) In a DOCA the current Directors and Company Secretaries will be removed;

- f) The professional costs to administer the DOCA are less than those to liquidate the Company; and
- g) In a liquidation scenario creditor funding will be required to pursue any legal proceedings.

Therefore at this time:-

- o I do not consider it would be in the creditors' best interests for the administration to end as the Company is insolvent; and
- o I do not consider it would be in the creditors' best interest for the Company to be wound up as this option will provide no return to any class of creditor than that which would become available to creditors under the proposed DOCA.

B. ADMINISTRATION TO END

It is the Administrators view that it is not in the interests of the creditors of the Company for the Administration to end and control to revert to the Liquidators, as the Company is insolvent and no creditors will receive a dividend

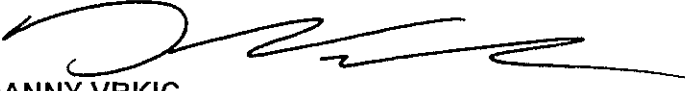
C. COMPANY TO BE WOUND UP

As a DOCA has been proposed which should provide a greater return to creditors than an immediate winding up of the company, I am of the opinion that it is not in the creditor's interest that the company be wound up and returned to Worrells.

VOIDABLE TRANSACTIONS

Pursuant to Corporations Regulation 5.3A.02, I must specify whether there are any transactions that appear to be voidable transactions that may be recoverable by a Liquidator under Part 5.7B of the Act. In this respect, I refer you to my report to creditors.

Dated: 18 February 2014


DANNY VRKIC
Administrator

Annexure “H”

This DEED OF COMPANY ARRANGEMENT is made on 2014.

BETWEEN:

- On Q Group Limited (**IN LIQUIDATION**) (**VOLUNTARY ADMINISTRATOR APPOINTED**) ACN 009 104 330 c/- DV Recovery Management Level 1, 76 Market Street, Wollongong NSW 2520 ("OnQ")
- and
- **Danny Vrkic** of DV Recovery Management Level 1, 76 Market Street, Wollongong NSW 2520 in his capacity as administrator of this Deed including any successor or permitted assign ("Deed Administrator")
- and
- Benelong Capital Partners Pty Ltd ACN 145 496 233 of Level 2 350 Kent Street SYDNEY NSW 2000 AUSTRALIA in the State of New South Wales ("Promoter")

RECITALS:

- A. On 28 July 2008, Matthew Jess and Paul Burness were appointed voluntary administrators of OnQ.
- B. On 23 December 2008, OnQ the creditors resolved that OnQ be wound up Matthew Jess and Paul Burness became its liquidators ("the Liquidators").
- C. The Liquidators have realised and disbursed all of the assets of OnQ. OnQ is without any assets.
- D. On 23 January 2014, the Liquidators appointed the Deed Administrator as voluntary administrator of OnQ.
- E. On 18 February 2014, the Promoter put a proposal to the Deed Administrator to enter into a Deed of Company Arrangement ("the DOCA Proposal").
- F. At a meeting of creditors of OnQ held on 2014, the creditors of OnQ resolved that it enter into a deed of company arrangement with its creditors in accordance with the DOCA Proposal.
- G. On the date of this Deed, the Deed Administrator, OnQ and the Promoter executed this Deed to give effect to the DOCA Proposal.

OPERATIVE PROVISIONS:

1. Interpretation

1.1 In this Deed, unless the contrary intention appears:

- (a) a reference to a clause or schedule or annexure is a reference to a clause of or schedule or annexure to this Deed;

- (b) a word, defined word, or defined phrase or term:
 - (i) importing the singular includes the plural and vice-versa; and
 - (ii) importing a gender includes each other gender;
- (c) a reference to a person:
 - (i) includes an individual, firm, body corporate, association (whether incorporated or not), government, governmental, semi-governmental or local authority or agency; and
 - (ii) includes the person's executors, administrators, successors, substitutes (including persons taking by novation), transferees and assigns;
- (d) an agreement on the part of or in favour of two or more persons binds or is for the benefit of them jointly and severally;
- (e) a reference to "\$" and "dollars" is to the lawful currency of Australia;
- (f) headings do not affect the interpretation of this Deed;
- (g) in the event of any inconsistency between Schedule 8A and the other provisions of this Deed, the other provisions of this Deed will prevail to the extent of the inconsistency;
- (h) a reference to "creditor" in this Deed includes ordinary, priority, secured and deferred creditors except in paragraphs 5, 6 and 7 of Schedule 8A where a reference to "creditor" is a reference to ordinary creditors and priority creditors only; and
- (i) a reference to a statute, act of a parliament, or regulation includes any amendment to the statute, act of a parliament, or regulation or any statute, act of a parliament, or regulation repealing and replacing the statute, act of a parliament, or regulation.

2. Definitions

2.1 In this Deed the words and phrases below will have the meanings given to them:

"Act"	means the <i>Corporations Act 2001</i> ;
"Administration"	means the arrangement of the Deed Company's affairs controlled by the Deed Administrator during the Administration Period;
"Administration Period"	means the period commencing on the Appointment Date and ending on the Termination Date;
"Appointment Date"	means 28 July 2008;
ASIC	means the Australian Securities and Investment Commission;
"Claim"	means any debt payable by the Deed Company whether present or future, certain or contingent, liquidated or sounding only in damages and being a debt the circumstances giving rise to which occurred

on or before the Fixed Date;

<i>"Commencement Date"</i>	means the date of the execution of this Deed by the Deed Administrator;
<i>"Creditors"</i>	means the creditors of the Deed Company;
<i>"Deed"</i>	means this deed of company arrangement;
<i>"Deed Administrator"</i>	means Danny Vrkic (who is more particularly identified under the heading ' <i>Parties</i> ');
<i>"Deed Administrator's Costs"</i>	means all costs and disbursements approved by resolution of creditors at the Meetings, and all reasonable costs incurred by the Deed Administrator and/or his partners and/or staff in connection with the establishment and conduct of the Administration and/or Voluntary Administrator of the Deed Company and acting as the Administrator of this Deed, and includes all reasonable disbursements and unfunded trading expenses incurred by the Deed Administrator (Voluntary Administrator or as the Administrator of this Deed) or on his behalf;
<i>"Deed Company"</i>	means On Q Group Limited ACN 009 104 330 (<i>in liquidation (administrator appointed)</i>);
<i>"Deed Fund"</i>	means the fund established pursuant to the provisions of this Deed;
<i>"Deed Period"</i>	means the period commencing on the Commencement Date and ending on the Termination Date;
<i>"Employee"</i>	means any person who was an employee of the Deed Company;
<i>"Fixed Date"</i>	means 28 July 2008;
<i>"Ordinary Creditors"</i>	means all persons with Claims against the Deed Company other than Priority Creditors. For the avoidance of doubt, Ordinary Creditors include Employees to the extent of any Claims that are not a Priority Claims;
<i>"Participating Creditors"</i>	means all creditors of the Deed Company and includes, for the avoidance of doubt, Ordinary Creditors and Priority Creditors but does not include the Promoter;
<i>"Priority Claim"</i>	means any Claim (including for the avoidance of doubt, a Claim by an Employee) entitled to priority pursuant section 556(1)(e) of the Act;
<i>"Priority Creditors"</i>	means all persons with (and to the extent of) Priority Claims against the Deed Company;

"Promoter"	means Benelong Capital Partners Pty Ltd ACN 145 496 233;
"Schedule 8A"	means Schedule 8A of the <i>Corporations Regulations 2001</i> ;
"Share Trust"	means the share trust created in accordance with Clause 10;
"Termination Date"	means the date on which this Deed is terminated; and
"Unsecured Creditors"	means all Ordinary Creditors and Priority Creditors.

3. Commencement of the Deed

This Deed will take effect on the Commencement Date.

4. Objects of the Deed

The object of this Deed is to provide to ordinary creditors a substantially better return than would have resulted from an immediate winding up of the Deed Company.

5. Application of the prescribed provisions of the Act

Certain prescribed provisions excluded

5.1 The provisions of Schedule 8A of the *Corporations Regulations*, a copy of which has been reproduced and annexed to this Deed as Schedule 8A, will apply to this Deed except to the extent of any inconsistency and as provided below:

- (a) the provisions of paragraph 4 of Schedule 8A (titled Priority) will not apply to this Deed;
- (b) the provisions of paragraph 5 of Schedule 8A (titled Discharge of Debts) will not apply;
- (c) the provisions of paragraph 6 of Schedule 8A (titled Claims Extinguished) will not apply;
- (d) the provisions of paragraph 11 of Schedule 8A (titled Committee of Inspection) will not apply. The Deed Administrator will not be required to establish a committee of inspection unless they so decide or the Creditors so resolve; and
- (e) the provisions of paragraph 12 of Schedule 8A (titled Termination of deed where arrangement achieves purpose) will not apply.

Required information under the Act

5.2 To the extent that matters in Schedule 1 are not otherwise provided for in this Deed, this Deed shall be construed in accordance with the information provided in Schedule 1 of this Deed.

5.3 To the extent that the matters are otherwise provided for in this Deed, Schedule 1 shall operate as a summary of the matters specified in *Section 444A(4)*.

Inconsistency

- 5.4 If there is any inconsistency between Schedule 8A and the information provided in Schedule 1, on the one hand, and the remaining provisions of this Deed on the other hand, the remaining provisions of this Deed will prevail to the exclusion of the particular provision in either schedule.

6. Deed Administrator

Appointment

- 6.1 The Deed Administrator is appointed the administrator of this Deed and with effect from the Commencement Date accepts the appointment and will act as the administrator in accordance with the provisions of this Deed.

Powers

- 6.2 The Deed Administrator has all the powers contained in this Deed including those powers set out in the schedules to this Deed subject to clause 5 of this Deed.
- 6.3 The Deed Company hereby appoints the Deed Administrator its attorney for the purpose of sale of the assets of the Deed Company.

Remuneration

- 6.4 The Deed Administrator is entitled to be remunerated for his necessary and reasonable services from the Appointment Date to the Termination Date by payment of the Deed Administrator's Costs in accordance the resolutions of creditors at the Meetings, and otherwise at the hourly rate specified by the scale of fees set by Deed Administrator.

Indemnity and Release in favour of Administrator

- 6.5 The Deed Administrator is and will be indemnified out of the Deed Fund for the Deed Administrator's Costs.

7. Conditions Precedent

- 7.1 Other than for the payments referred to in clause 9.1, unless waived by the Promoter, the following conditions precedent must occur for this Deed to be operative:

- (a) The shareholders of the Deed Company resolve at a duly convened meeting of members approve resolutions to the effect that:
 - (i) there be a 1 for 22 consolidation of existing shares and options;
 - (ii) the Deed Company be authorised to issue 3.5 million (post consolidation) shares to the Deed Administrator to held in trust for the Unsecured Creditors;
 - (iii) the Deed Company be authorised to issue 150 million (post consolidation) shares to the Promoter or nominees for a purchase price \$405,000;
 - (iv) new directors and a new company secretary be appointed, and the existing director and company secretary will be removed; and
 - (v) the Deed Company be authorised to issue 150 million performance options to the promoter or nominees.

- (b) if required, the Court giving approval under for Section 444DA(5) of the Corporations Act, for this Deed not to include a provision required by Section 444DA(1); and
- (c) the Court staying the winding up of the Deed Company.

8. Deed Fund

Establishment

- 8.1 The Deed Administrator will establish the Deed Fund which will comprise the monies paid to the Deed Administrator pursuant to clause 9.1.

Exclusive control

- 8.2 The Deed Fund will be under the exclusive control of the Deed Administrator who will deal with it in accordance with the provisions of this Deed.

9. Payments by the Promoter

- 9.1 On execution of this Deed, the Promoter on behalf of the Deed Company shall pay to the Liquidators the amount of \$25,000 in payment of their costs.
- 9.2 On completion of conditions precedent, the promoter shall pay to the Deed Administrator the amount of \$60,000 for payment into the Deed Fund.

10. Creation of the Share Trust

- 10.1 Upon each of the Conditions Precedent referred in clause 7 being complied with the Deed Company shall:

- (a) carry out a 1 for 22 consolidation of the existing shares and options; and
- (b) issue 3.5 million shares to the Deed Administrator in trust for the Unsecured Creditors.

11. Payment from the Deed Fund

- 11.1 The Deed Fund shall be used to pay:

- (a) firstly, the Administrator's Costs; then,
- (b) secondly, an amount sufficient to satisfy the Priority Claims; and
- (c) thirdly, the Claims of:
 - (i) Employees that are not Priority Claims; and
 - (ii) other Ordinary Creditors,pari passu.

12. Distribution of the Share Trust

The Share Distribution

- 12.1 Subject to clause 13 below, the Deed Administrator shall transfer shares held in the Share Trust in specie to the Creditors referred to in 11.1(c) above pro-rata their admitted claims.

13. Creditors' Claims

Admitting Participating Creditors' Claims

- 13.1 The Deed Administrator will admit all Claims by Participating Creditors against the Deed Company in accordance with Division 6 of Part 5.6 of the Act.

Formal proofs of debt required

- 13.2 Subject to any other provision of the Act, any Participating Creditor who fails to establish a Claim under clause 13.1 will be deemed to have abandoned that Claim and after that time will be barred from maintaining an entitlement to claim in the administration or the Deed Fund.

14. Release of Debts

- 14.1 On and from the execution of the Deed by the Deed Administrator, Participating Creditors are barred from making any Claim against the Deed Company and can only make a Claim in accordance with the Deed.

- 14.2 The Claims of all Participating Creditors against the Deed Company will be discharged and released, on the later of:

- (a) the payment of the amount in clause 9.2; and
- (b) the issue of the shares to the Deed Administrator in accordance with clause 10.1(b).

15. Control returned to Directors

- 15.1 Upon the Court making an order terminating the winding up of the Company, the Deed Administrator will cease to be involved in the carrying on of the business of the Deed Company and will return the assets, undertaking and management of the Deed Company to the directors of the Deed Company.

- 15.2 To the extent that the Deed Administrator has removed or caused to be removed any books or records from the Deed Company's premises ("the Removed Books"), the Deed Administrator will make the Removed Books available for collection by the Deed Company or its duly authorised nominee.

16. Other documents

The parties covenant that they will execute whatever other documentation may be required in order to give effect to this Deed.

17. Termination

Where arrangement fails

- 17.1 The parties acknowledge that:

- (a) this Deed may terminate in the circumstances provided for in Sections 445C, 445D and 445F of the Act; and
- (b) if the Deed Company is in breach, and continues to be in breach of its obligations under clause 9 by more than 14 days, the Deed Administrator may refer that default to a meeting of Creditors under Section 445F of the Act.

17.2 At the meeting of Creditors convened pursuant to clause 17.1, the Creditors may resolve to:

- (a) vary this Deed;
- (b) terminate this Deed and consequently liquidate the Deed Company;
- (c) enforce the terms of this Deed; or
- (d) accept any other proposal permitted under the Act.

17.3 If this Deed is terminated, the Deed Company will be wound up pursuant to Regulation 5.3A.07 of the Corporations Regulations and the Liquidator will remain its appointed liquidator.

Where arrangement succeeds

17.4 This Deed will terminate upon the Deed Administrator transferring the shares in the Share Trust to the Unsecured Creditors.

Executed as a Deed.

**On Q Group Limited (IN LIQUIDATION)
(VOLUNTARY ADMINISTRATOR APPOINTED)**

ACN 009 104 330 (Subject to Deed of Company Arrangement)
in accordance with s127 of the Act:

Deed Administrator

Name (please print)

Executed as a deed by
Danny Vrkic in the presence of:

Signature of witness

Signature of **Danny Vrkic**

Executed by Benelong Capital Partners Pty Ltd

ACN 145 496 233

in accordance with s127 of the Act:

Secretary/Director

Director

Name (please print)

Name (please print)

DRAFT

SCHEDULE 1

In accordance with the provisions of Section 444A(4) of the *Corporations Act, 2001* the following information is specified:

Number	Matter to be Specified	Information Provided
A	Administrator of the Deed	Danny Vrkic
B	Property of the Deed Company (whether or not already owned by the Deed Company when it executed the Deed) that is to be available to pay Creditors' claims	See clauses 8, and 9
C	The nature and duration of any moratorium period for which the Deed provides	The moratorium period is specified in Paragraph 7 of Schedule 8A.
D	To what extent the Deed Company is to be released from its debts	See Clause 14.
E	The conditions (if any) for the Deed to come into operation	See Clause 7
F	The conditions (if any) for the Deed to continue in operation	The Deed not being terminated as provided for in paragraph G of this Schedule.
G	The circumstances under which the Deed terminates	<ul style="list-style-type: none"> (i) the Court may terminate the Deed pursuant to Sections 445C and 445D of the Corporations Act; (ii) a meeting of creditors may resolve to terminate the Deed under Section 445F of the Corporations Act; and (iii) the Deed may be terminated in accordance with clause 17 of this Deed.
H	The order in which proceeds are realised in the property referred to in paragraph B are to be distributed amongst creditors bound by the Deed	The order is specified in clauses 11 of the Deed.
I	The date on or before which claims must have arisen if they are to be admissible under the Deed	28 July 2008.

Annexure “I”

**REMUNERATION REPORT
VOLUNTARY ADMINISTRATION**

**APPROVAL OF RETROSPECTIVE AND PROSPECTIVE
REMUNERATION**

**RE: ON Q GROUP LIMITED
(ADMINISTRATOR APPOINTED)
ACN: 009 104 330 ("the Company")**

APPOINTMENT PARTICULARS

I was appointed as Voluntary Administrator of the company on 23 January 2014.

REMUNERATION REPORT – INITIAL ADVICE

This Remuneration Report should be read in conjunction with my **Remuneration Report – Initial Advice** dated 24 January 2014 (posted to all known creditors as part of my first notice and report to creditors). If any creditor of the company has not received my **Remuneration Report – Initial Advice** please contact my office.

STRUCTURE OF REPORT

This Remuneration Report is prepared under the following headings: -

1. Declaration;
2. Calculation of Voluntary Administrator's Remuneration;
3. Calculation of Voluntary Administrator's Future Remuneration;
4. Deed Administrator's Prospective Remuneration;
5. Statement of Remuneration Claim;
6. Report on Progress of the Administration;
7. General Supporting Information;

		creditors, reports to creditors, advertisement of meeting and draft minutes of meeting. Preparation and lodgement of minutes of meetings with ASIC Responding to stakeholder queries and questions immediately following meeting
Investigation 25hrs 00mins \$7,544.00	Conducting investigation	Reviewing Liquidators reports to creditors. Attending Liquidators office Liaising with liquidators office regarding reports Review and preparation of company nature and history Conducting and summarising statutory searches Reviewing Liquidators comments on comparative financial statements and deficiency statement Review of specific transactions and liaising with Liquidators regarding certain transactions Liaising with directors regarding certain transactions Reviewing Corporations Act with reference to voidable transactions and time frame to commence proceedings Contact various external administrators regarding Liquidation of related parties and potential return to Creditors / shareholders Review outstanding voidable transaction and legal actions as detailed in Liquidators' reports Preparation of investigation file
	ASIC reporting	Liaising with Liquidator regarding previous investigation reports lodged with ASIC Preparing statutory investigation reports
Administration 1hrs 42mins \$502.00	Correspondence	
	Document maintenance/file review/checklist	First month administration review Filing of documents File reviews Updating checklists
	Bank account administration	Preparing correspondence opening Requesting bank statements
	ASIC Form 524 and other forms	Preparing and lodging ASIC forms
	ATO and other statutory reporting	Notification of appointment
	Planning / Review	Discussions regarding status of administration

3. CALCULATION OF VOLUNTARY ADMINISTRATOR'S FUTURE REMUNERATION;

I set out below the estimated future remuneration for the Voluntary Administration period from 18 February 2014 to the completion of the Voluntary Administration.

Task Area	General Description	Includes
Creditors \$2,500.00	Creditor Enquiries	Receive and follow up creditor enquiries via telephone Review and prepare correspondence to creditors and their representatives via facsimile, email and post
	Creditor reports	Preparing section 439A report, investigation, meeting and general reports to creditors
	Dealing with proofs of debt	Receipting and filing POD's when not related to a

Task Area	General Description	Includes
Administration \$500.00	Meeting of Creditors	dividend Forward notice of meeting to all known creditors Preparation of meeting file, including agenda, certificate of postage, attendance register, list of creditors, reports to creditors, advertisement of meeting and draft minutes of meeting. Preparation and lodgement of minutes of meetings with ASIC
	Bank account administration	Bank account reconciliations Correspondence with bank regarding specific transfers
	Planning / Review	Discussions regarding status of administration
	Books and records / storage	Dealing with records in storage Sending job files to storage

I advise creditors the remuneration for the conduct of the Voluntary Administrator and his staff will be capped to an upper limited of \$15,000 (plus GST).

4. PROSPECTIVE REMUNERATION

Deed of Company Arrangement ("DOCA")

Should I be appointed as Deed Administrator of the Company, I estimate that my remuneration for acting as Deed Administrator of the Company will be in the vicinity of \$15,000 plus GST.

My estimate is based on the remuneration incurred to date as Voluntary Administrator and further work required to effect the terms of the agreed Deed of Company Arrangement. The major tasks that need to be attended to during the Deed administration period include but are not limited to the following: -

Company	ON Q GROUP LIMITED	Period From	Date of Execution	To	Completion
Practitioner	DANNY VRKIC	Firm	DV RECOVERY MANAGEMENT		
Administration Type	DEED OF COMPANY ARRANGEMENT				
Task Area	General Description	Includes			
Assets 1hrs 00mins \$500	Deed Payment	Liaise with Benelong regarding cash payment			
Creditors 5hrs 00mins \$1,500	Creditor Enquiries	Receive and follow up creditor enquiries via telephone Maintaining creditor enquiry register Review and prepare correspondence to creditors and their representatives via facsimile, email and post			
	Creditor reports	Preparing supplementary reports to creditors if required			
	Meeting of Creditors (if required)	Preparation of meeting notices, proxies and advertisements Forward notice of meeting to all known creditors Preparation of meeting file, including agenda, certificate of postage, attendance register, list of			

		creditors, reports to creditors, advertisement of meeting and draft minutes of meeting. Preparation and lodgement of minutes of meetings with ASIC Responding to stakeholder queries and questions immediately following meeting
Dividend 15hrs 00mins \$12,000	Processing proofs of debt	Preparation of correspondence to potential creditors inviting lodgement of POD Receipt of PODs Maintain POD register Adjudicating PODs Request further information from claimants regarding POD Preparation of correspondence to claimant advising outcome of adjudication
	Dividend procedures	Preparation of correspondence to creditors advising of intention to declare dividend Advertisement of intention to declare dividend Preparation of dividend calculation Preparation of correspondence to creditors announcing declaration of dividend Advertise announcement of dividend Preparation of distribution Preparation of dividend file Preparation of payment vouchers to pay dividend Preparation of correspondence to creditors enclosing payment of dividend
Administration 4hrs 00mins \$1,000	Correspondence	
	Document maintenance/file review/checklist	First month, then six monthly administration review Filing of documents File reviews Updating checklists
	Bank account administration	Preparing correspondence closing accounts Requesting bank statements Bank account reconciliations Correspondence with bank regarding specific transfers
	ASIC Form 524 and other forms	Preparing and lodging ASIC forms including 505, 524, 911 etc Correspondence with ASIC regarding statutory forms
	ATO and other statutory reporting	Notification of appointment Preparing BAS' Completing group certificates
	Finalisation	Notifying ATO of finalisation Cancelling ABN / GST / PAYG registration Completing checklists Finalising WIP
	Planning / Review	Discussions regarding status of administration
	Books and records / storage	Dealing with records in storage Sending job files to storage

I advise creditors the remuneration for the conduct of the Deed Administrator and his staff will be capped to an upper limited of \$5,000 (plus GST).

5. STATEMENT OF REMUNERATION CLAIM

At the meeting of creditors to be held on 27 February 2014 I will be seeking approval of the following resolutions:-

5.1 Administrator's Resolution

"That the remuneration of the Administrator and his staff for the period 23 January 2014 to completion of the Voluntary Administration be approved to a maximum sum of \$15,000 plus GST, beyond which further approval must be sought, and that such remuneration be drawn at the discretion of the Administrator"

5.2 Deed Administrators Prospective Remuneration

"That the remuneration of the Deed Administrator and his staff for the period post execution of the Deed be approved to a maximum sum of \$5,000 plus GST, beyond which further approval must be sought, and that such remuneration be drawn at the discretion of the Liquidator".

6. REPORT ON PROGRESS OF THE ADMINISTRATION

My report on the progress of the administration is attached.

7. GENERAL SUPPORTING INFORMATION

Summary of Receipts and Payments

My summary of receipts and payments is attached.

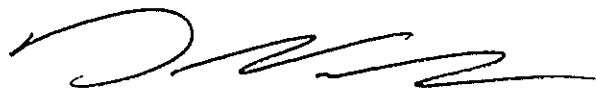
Information Sheet

Included in my **Remuneration Report – Initial Advice** was an information sheet produced by the Australian Securities & Investment Commission ("ASIC") titled *Approving Fees – A Guide for Creditors*. A copy of this information sheet is available to creditors upon written request or by visiting www.ipaa.com.au or www.asic.gov.au.

Queries

Should creditors have any further enquiries, please contact Mr Daniel O'Brien of my office.

Dated 17 February 2014



DANNY VRKIC
Administrator