Administrators' Report
Pursuant to Section 439A of the Corporations Act (2001)

GWALIA

SONS OF GWALIA LIMITED
(ADMINISTRATORS APPOINTED)
ACN 008 994 287
AND CERTAIN OF ITS SUBSIDIARIES SET OUT IN ANNEXURE 1

16 AUGUST 2005

FERRIER HODGSON

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1 Introduction and Purpose of Report

1.1 Introduction

Reference is made to our first report to Creditors dated 16 December 2004. A copy of that report is available online at www.fh.com.au or upon written request to the Administrators.

Abbreviations and certain terms used in this report are defined in the Glossary set out at the end of the report.

This report is provided in relation to the 25 Companies within the SOG Group (including Sons of Gwalia Ltd) that were placed into Voluntary Administration on 29 August 2004. A schedule of SOG's subsidiary Companies that are in Administration is set out in Annexure 1.

All of the 25 Companies are parties to the Deed of Cross Guarantee ("DXG") described further on page 40 of this report. The effect of the DXG is that in the event of liquidation of any or all of the entities who are parties to the DXG, the assets and liabilities of those entities are effectively pooled. We have therefore presented most of the information in this report on a consolidated basis, and have addressed all of the issues for all of the Companies in this manner.

The Administrators have continued to address matters relevant to the SOG Group affairs throughout the period to date and in consultation with the Committee of Creditors ("Committee") to administer the Group affairs in a way that seeks to:

- Maximise the chances of the Companies, or as much of their businesses, continuing in existence; or
- If it is not possible for the Companies or their businesses to continue in existence – results in a better return for the Companies' Creditors and members than would result from an immediate winding up of the Companies.

The Committee was appointed by the full meeting of Creditors on 3 September 2004. The continuing Committee members at the date of this report represent approximately 83% of all known Creditors claims comprising the following:

Banks and Counterparties
JP Morgan Chase
Australia and New Zealand Banking Group
Citigroup

US Noteholders and Creditors
Bingham McCutchen LLP

Employee Representative
David Bale

Trade Suppliers
Orica Australia Pty Ltd
BP Australia
Statewest Power
AG Reagents
Hampton Transport
Cockburn Cement

The number and representative value of participants on the Committee has reduced since our last report as a result of resignation of participants following debt trades to third parties.

Based upon our investigations and claims received to date the SOG Group had external third party liabilities of approximately $866.8 million (excluding shareholder claimants) as at 29 August 2004 as shown below:

Claimant	Number [(i)]	As at 29.08.04 Amount A$ Million
Banks and Counterparties	13	498.8
US Noteholders	13	284.3
Trade Creditors / Leases / Provisions	1,077	49.8
Rehabilitation Bonds/Guarantees	2	14.1
Employees	239	19.8
Sub Total	**1,344**	**866.8**
Shareholders	1,199	40.5
Related Entity Loans	17	135.9
Total	**2,551**	**$1,043.2**

(i) Number before break down of claims via debt trading activities

Since the commencement of the Administration several Creditors have sold or transferred their claims to third parties such that:

- Debt has been traded into multiple smaller parcels; and
- Legal and/or beneficial rights of the debt has been transferred.

The result of the debt trading is that the composition and jurisdiction of the ultimate Creditors of the SOG Group has changed significantly. Based upon information known to us approximately 54% of the total known debt (excluding shareholder claims) has been traded to third parties who now control the debt.

1.2 Purpose of Report

The report is prepared in accordance with section 439A of the Act and contains the following:

- Information about the business, property, affairs and financial circumstances of the Companies.
- A statement setting out the Administrators' opinion and the reasons for this opinion about each of the following:
  - Whether it would be in the Creditors' best interests for each of the Companies to execute a Deed of Company Arrangement ("DOCA").
  - Whether it would be in the Creditors' best interests for the Administration of each of the Companies to end.
  - Whether it would be in the Creditors' best interests for each of the Companies to be wound up.
- A statement setting out details of the proposed DOCAs for the Companies.

The information contained in this report has been obtained from a wide range of sources and knowledge obtained by us during the course of the Administration, including SOG Management. Given the complexity of the business and affairs, we have engaged a number of parties to provide specialist advice to us. We have been reliant on information and representations provided to us by these parties. Where information has been obtained from other sources, appropriate attribution has been made in the report.

This report does not guarantee or warrant the current or future position of the SOG Companies. A significant amount of the information provided in the report is based on assumptions that we consider to be valid at the time of writing, but which may not ultimately prove to be valid.

An audit has not been performed by us, nor, except where otherwise indicated, has any test or verification work been carried out.

This report may not be referred to, reproduced or quoted from in whole or in part or used for any other purpose whatsoever without the Administrators' express written consent.

1.3 Statement of Independence

The Administrators considered the question of their independence prior to accepting appointment as Administrators. The Administrators first met with the Company's directors/advisers on 6 August 2004. Prior to such meetings, and to the best of the Administrators' knowledge, no prior relationship existed with the Group, its directors and officers, any associated businesses or subsidiary Companies within the meaning of Corporate Groups or major Creditors.

2 Executive Summary

2.1 Introduction

Andrew Love, Garry Trevor and Darren Weaver were appointed as joint and several Administrators of Sons of Gwalia Ltd and 24 of its subsidiaries as set out in Annexure 1 on 29 August 2004.

This report made pursuant to section 439A of the Act sets out:

- Information about the business, property, affairs and financial circumstances of the Companies.
- A statement setting out the Administrators' opinion and the reasons for this opinion, about the course of action that is in the best interests of Creditors of the Companies.
- A statement setting out details of the proposed DOCAs for the Companies.

2.2 Overview of the SOG Group

Initially incorporated in August 1981 and listed on the ASX on 5 May 1983, SOG was a large Perth based publicly listed Australian mining company with 188,184,938 fully paid ordinary shares on issue at the time of our appointment as Administrators. It had a market capitalisation of approximately A$244 million on 30 August 2004 and, following our request, the ASX suspended trading of SOG shares.

SOG holds, directly or indirectly, all of the shares in the 24 other Companies which comprise the SOG Group subject to Administration. The SOG Group developed through the acquisition or development of various mining projects over many years.

The SOG Group's assets and liabilities are situated in various companies within the SOG Group. The Group's structure is complex as can be seen from the group structure diagram on page 39.

The extent of SOG's operations prior to Administration was that it:

- Was Australia's second largest gold producer, operating gold mines in three remote locations (Leonora, Southern Cross and Laverton) with production for 2003/04 of in excess of 521,000 ounces ("Gold Division");
- Had been producing gold since 1984, with total production of over 5 million ounces during that time;
- Operated two advanced minerals (tantalum) mines. One mine in the south (at Greenbushes) and one in the north (at Wodgina) of Western Australia ("Minerals Division"), through which it controls some 60% of the world market for tantalum concentrate production.
- Also produced tin and lithium minerals at its tantalum mines;

- In addition to its Gold and Minerals Divisions, the SOG Group held several 'corporate' assets represented by investments in listed entities, and other assets such as various mining tenements;

- Had a significant head office support structure; and

- Employed 500 direct employees, whilst contractors engaged a further 600 staff.

Details of the SOG Group's historical financial performance and statement of financial position are set out in section 7 of this report.

Since the date of our appointment as Administrators we have undertaken numerous tasks and, more particularly, since the date of our report to Creditors dated 16 December 2004 we have:

- Continued with control of the operations;

- Considered the recommendations from Management to maintain, preserve and/or improve operational performance and regulatory compliance;

- Reported to meetings of the Committee on a regular basis, and held numerous other discussions and meetings with Creditors and other stakeholders;

- Worked in conjunction with the appointed commercial and legal advisers, (respectively UBS and Freehills), a number of the senior Creditors and the Committee, in relation to possible restructuring proposals for SOG, and prepared proposed DOCAs in consultation with the Committee and other stakeholders;

- Actively progressed the large scale arbitration with Cabot in line with the timetable set down by the arbitrator;

- Settled the sale of the Gold Division of the SOG Group on 28 March 2005 with St Barbara Mines Limited ("SBM"), and progressed the sale of SOG Group's other non-core assets realising $19.5 million to date;

- Negotiated with financiers to obtain working capital facilities of $30 million in March 2005, and currently settling documentation for replacement facilities of $78.25 million for the DOCAs period;

- Set a short term hedging program to protect the SOG Group's exposure to USD revenue receipts over the Administration period;

- Continued investigation into the reasons behind the insolvency of the SOG Group and whether there are any claims which may be available to increase the pool of assets available to the Creditors; and

- Commenced a Shareholder Test Case through the Federal Court to obtain declarations in relation to the shareholder claims seeking to prove as unsecured Creditors.

2.3 Deeds of Company Arrangement Proposal

It is proposed that each of the Companies will enter into a holding DOCA under which the moratorium with respect to claims against the Companies, which operated during the Administration, will be maintained for a further period of 8 to 12 months:

- So that the arbitration with Cabot can be concluded; and
- To progress the Shareholder Test Case, regarding the question of whether any shareholders who allege to have been misled are Creditors, and are therefore entitled to prove with respect to the assets of the Companies.

After this time the Creditors will have a further opportunity to consider and review the options available, and then to decide as to their preferred approach to restructuring or sale.

Forms of Holding DOCA

There are three versions of the proposed DOCAs for Creditors to consider at the second meeting of Creditors of each company in the Group. Attached at Annexure 12 is the SOG DOCA. Annexure 13 summarises the changes to the SOG DOCA that are relevant for other SOG Companies, excluding Greenbushes and Gwalia Tantalum. Annexure 14 summarises the changes to the SOG DOCA that are relevant to Greenbushes and Gwalia Tantalum. There are three different versions of the DOCA because of slightly different circumstances as follows:

- The SOG DOCA, which is the DOCA under which the Consultative Creditors Committee ("CCC") is constituted;
- Other SOG Companies that do not have a CCC; and
- DOCA's for Greenbushes and Gwalia Tantalum envisage a different operation of the DOCA lien which is explained in section 4 of this report.

The attached versions of the DOCA have been considered and approved by the Committee at a meeting held on 5 August 2005. We note that:

- Andrew Love, Garry Trevor and Darren Weaver are proposed to be the Deed Administrators under the DOCAs.
- **It is proposed that the Deed Administrators will be personally liable for debts incurred by the SOG Companies during the period of the DOCAs, but only to the extent that the assets of the SOG Companies are sufficient to pay those debts.**
- This will provide ongoing trade Creditors and suppliers with direct recourse to the same underlying asset as the Administrators relied upon during the Voluntary Administration period, and the proposed limited recourse regime improves the level of priority that such DOCA Creditors and the employees receive in a subsequent winding up (if that were to occur).

- There will be a CCC of up to seven members constituted pursuant to a vote of the Creditors at the forthcoming meeting. The CCC is formed to assist the Deed Administrators and will have an oversight role and the power to disapprove certain steps proposed by the Deed Administrators.

- The proposed members of the CCC will be elected at the forthcoming meeting of Creditors and each such member of the CCC shall not have a claim of less that A$10 million.

- *"Ex officio"* members will be invited to CCC meetings as may be decided from time to time (e.g. Mr David Bale, representing the employees and Mr Evan Flaschen of Messrs Bingham McCutchen, representing certain substantial US Creditors).

Advantages of Holding DOCAs

The following advantages are seen in the holding DOCAs being proposed:

- Preserves the more flexible and value maximisation restructuring and/or sale alternatives for the SOG Group and, in particular, the Roll-Up type proposal outlined in section 5 of the report and the potential value of carried forward tax losses.

- Preserves business operating flexibility and avoids possible breaches of contracts in respect of:

  - Bank provided funding facilities; and

  - Contractor, supplier and service provider contracts.

- Provides employees with an improved priority position for entitlements outstanding.

- Assists in preserving market, customer and employee confidence in the ongoing business operations.

- Provides a further period within which certainty of the outcome of the Cabot arbitration can be obtained and therefore expected to assist in preserving value upon sale or restructuring.

- Provides a further period within which increased certainty of the outcome of the Shareholders Test Case can be obtained and therefore assessment of the size of the Creditor pool and likely returns to Creditors.

- Reduces the risk of Liquidation.

- Provides the estimated incremental dividend (ie. difference between the estimated Liquidation return and the DOCAs return to Creditors).

Risks of Holding DOCAs

The following risks follow from the proposed holding DOCAs:

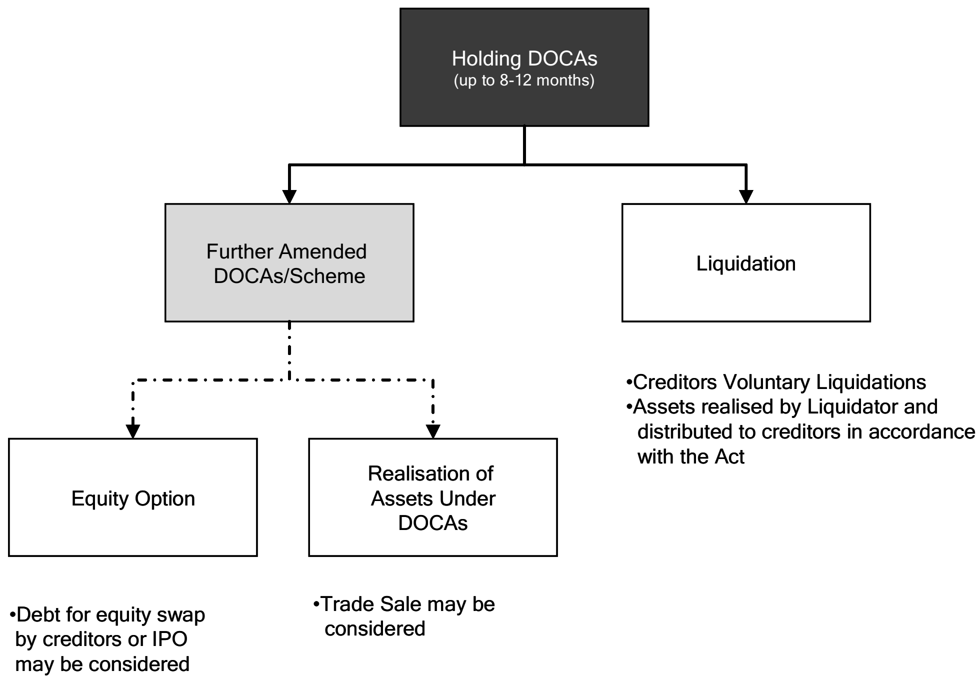
- Operational risks, including the inherent risks associated with any mining business, such as retention of employees, maintenance of production, avoidance of environmental events, financial impacts (e.g. sensitivity factors relevant to the cashflow including USD/AUD exchange rates, product sales prices, tantalum market developments and working capital movements).
- The risk of a less than favourable outcome in the Cabot arbitration, although our legal advice strongly supports a favourable outcome.
- There is no certainty that market conditions and sentiment for the Companies' assets and product will remain the same as at the date of this report. Any movement may be positive or negative.
- Ability to procure and maintain ongoing working capital facilities to support the operations and Administration.

We recommend that Creditors approve the DOCAs and our reasons for making such recommendation are set out above and at section 12 of this report.

2.4 Restructuring Alternatives

Restructuring alternatives have been considered and presented to the Committee and senior Creditors. The Administrators were advised that Creditors wished to obtain further certainty as to the outcome of the Cabot arbitration and Shareholders Test Case before proceeding with restructuring alternatives.

The holding DOCAs have been proposed to achieve that certainty of the above events and, if approved by Creditors, the options that would later be available to Creditors may include, but are not limited to, the following:



We broadly outline at section 5 of this report an example of possible future restructuring steps via any further amended DOCAs or Scheme. Those steps are not incorporated in the proposed holding DOCAs to be considered at the forthcoming meeting of Creditors.

When the objectives of the DOCAs have been met, the Deed Administrators may propose a further arrangement by which some or all of the Creditors may elect to exchange their claims for equity in SOG (whether alone, or together with one or more new equity investors) or by which there may be a disposal of the business via a trade sale, an IPO or otherwise. A further vote by the full body of Creditors will be required at the appropriate juncture to approve the future restructuring steps to be taken.

2.5 Financial Performance

Financial Performance – Administration Actual

The Group's unaudited operating results for the period 23 August 2004 to 3 July 2005 (June 05 period) are summarised below:

	Actual VA to Jun 05 $'000
EBIT	
Gold	11,125
Minerals	(7,527)
Corporate and Exploration	(18,181)
Total EBIT	**$(14,853)**
Cashflow	
Gold	20,190
Minerals	15,971
Capital	(6,521)
Mine Development	(23,252)
Corporate	(50,002)
Sub Total	(43,614)
Movement in Working Capital	32,135
Movement in Borrowings	10,740
Group Cashflow	**$(739)**

Whilst positive cashflow contributions have been made by the Gold and Minerals Divisions on an operating basis, investment in capital projects, mine development and corporate commitments have resulted in a negative contribution to cashflow over the period before working capital movements and borrowings.

Financial Performance - Forecast

Whilst facilities of $78.25 million are being secured, existing forecasts estimate that funds of between $54 million and $69 million will be required through to 30 June 2006:

	Forecast Jul 05 to Jun 06 $'m
Minerals	
Operating Cashflow	10.9
Capital Expenditure	(23.8)
Development Expenditure	(9.7)
Sub Total	**(22.6)**
Corporate	
Head Office	(7.7)
Exploration	(2.7)
Interest & Facility Fees	(6.4)
Working Capital Movement	(6.1)
Sub Total	**(22.9)**
VA Rationalisation	**(11.0)**
Total Cashflow	**(56.5)**
Opening Cash	17.7
Less Facility Already Drawn to 3 July 05	(15.0)
Forecast Closing Facility – 30 June 06	**$(53.8)**

*Flexibility for the month end cheque run of $15 million is the basis for the range up to $69 million

The achievability of the forecast is reliant upon the assumptions utilised which remain subject to movement. It is expected that the Group will be able to operate within the flexibility provided by the facility. The key sensitivity factors are outlined in the report at section 8.

2.6 Estimated Return to Creditors

For reasons of commercial sensitivity we do not provide in this report the likely dividend range that may result from the Administration of the DOCAs. Notwithstanding, we provide the estimated incremental dividend impact (i.e. difference between the estimated Liquidation return and the DOCAs return to Creditors).

It is estimated that the holding DOCAs (which preserve the opportunity of restructuring alternatives) may result in a possible incremental dividend return to Creditors of up to approximately 17 cents in the dollar. This incremental dividend estimate is preliminary and based upon the best available information at this time.

The dividend analysis has been conducted on the assumption that shareholders claims (if valid) will be subordinated and will not rank pari parsu with ordinary unsecured Creditors.

The timing of any dividend, and whether in cash or other consideration, will depend on the form of restructure that Creditors wish to accept following the achievement of the holding DOCAs objectives.

2.7 Key Administration Issues

There have been numerous matters addressed by the Administrators to date during the course of the Administration. Several key matters include:

- Sale of Gold Assets

  The completion of the sale of the Gold Division to SBM has substantially reduced the size of the Group's total mining operations and employee group, including dedicated head office resources. The consideration for the sale to SBM consisted of replacement of all existing bank EPBs associated with the Gold Division of A$30.8 million, additional EPBs proposed by the DoIR of up to A$5.7 million and cash payment to SOG of A$2.3 million.

- Sale of Non Core Assets

  Approximately $19.5 million has been realised to date by the Administrators in respect to non core asset sales. Certain further realisations are expected in respect of non core Gold Division project assets ($3 million), Mt Jackson royalty interest, and the PacMin stamp duty refund claim.

- Cabot Arbitration

  Cabot Corporation, a US listed company, is a major purchaser of tantalum concentrate produced from SOG's operations. The Greenbushes Tantalite Sales Contracts and Wodgina Tantalite Sales Contracts ("WTSC") are fixed term contracts through to 31 December 2005 and oblige SOG to sell and Cabot to purchase a certain quantity and specification of product at a fixed price per pound. The contracts contain confidentiality restrictions and commercially sensitive information. Accordingly, their details are not able to be disclosed.

  Each contract contains options of renewal. Cabot has elected not to extend the Greenbushes Contract past December 2005. In August 2003, Cabot elected to extend the WTSC for five years to 31 December 2010 ("Extended Term"). The WTSC provides that if the parties cannot agree on the prices to be charged for product during the Extended Term, then the prices will be determined by arbitration.

  The dispute between the parties largely concerns:

  - The interpretation and effect of those provisions of the WTSC which deal with the price calculation;

  - The components that are to be included in the cost and capital investment base on which the price is calculated and the quantum of these components; and

  - The relevant time frame in which these components are to be considered.

The parties have been unable to agree on prices, and the issue of price has been referred to arbitration to take place in London in September 2005. Throughout the arbitration process communications have been maintained and meetings held with Cabot to preserve the prospect of a negotiated outcome.

- Shareholders Test Case

  Shareholder claims, or notice of pending claims, have been received by the Administrators to date totalling $40.5 million and 1,199 in number. Broadly the claims allege that SOG displayed misleading and deceptive conduct thus entitling the shareholder to compensation under statute, common law or in equity.

  A preliminary question which arises in relation to all of the shareholder claims is whether (even if they are established) they are provable as ordinary unsecured debts ranking equally with the debts due to ordinary unsecured Creditors. On the current state of the law the answer to that question is unclear. It is probable that this preliminary question will be taken to the High Court of Australia by one or more of the parties involved and until the preliminary question is determined finally, there is the real potential that the claims of shareholders will significantly delay distributions to Creditors.

  On 4 July 2005 the Administrators filed proceedings in the NSW Registry of the Federal Court of Australia in respect of the Shareholders Test Case. The matter has been set down for a one day trial on 29 August 2005.

2.8 Investigations

We have conducted an investigation into the affairs of SOG and the conduct of its Directors, related parties and advisers in the period prior to our appointment. The Administrators are obliged to investigate a company's business, property, affairs and financial circumstances to:

- Assist the Administrators to form an opinion as to which of the available options is in the best interests of the Creditors; and

- Enable the Administrators to fulfil their statutory duty to report to ASIC offences, breaches of duty, breaches of trust or acts of negligence that may have been committed by past or present officers, employees, members or promoters of the company.

The key areas of our investigations that are detailed in section 10 of this report have included the following:

- The reasons for the failure of SOG including an examination of:

  - The Company's treasury activities; and

  - The Company's gold reserves and resource position.

- Consideration of insolvent trading by the Directors of SOG companies;

- Consideration of any negligence or breaches of duty by the Directors of any SOG Companies;

- A review of whether any SOG Companies have entered into any voidable transactions; and

- Consideration of any negligence or breaches of contract or duty by professional advisers of any SOG Companies.

A significant amount of work has been performed in respect of the investigations to date, including conducting private examinations in the Supreme Court of Western Australia of nineteen past officers, employees, bankers, advisers and auditors of the Companies. In summary, our preliminary findings are that:

- Causes of the Companies failure are numerous dating back to the mid 1990's and include the affect of the Company's highly leveraged hedge instruments entered into in 1997, its relatively unsuccessful exploration program, failure of the 2001 PacMin acquisition, write down of its gold reserves, the high cost short life nature of its gold projects and the cost of treasury losses and consequential losses arising from unauthorised gold and FX trading activities.

- There are instances where the Company failed to report the progressive write down of gold reserves, and as a consequence there are matters relating to the reporting in accordance with the JORC code and the listing requirements of the ASX that require further investigation.

- The books and records of the Company were deficient in respect of certain matters and in particular that:

    - There were insufficient records and controls in place to ensure that the full extent of the exposures, profits and losses of the Company's treasury trading operations were correctly recorded in the Company's records;

    - There were material cash assets maintained outside the Company's general ledger system;

    - There was inadequate disclosure of the commitment and contingent liabilities attached to the IGPO derivative product;

    - Treasury trading profits were not adequately recorded in the records nor adequately disclosed in the financial statements for the years ended 30 June 1998 and 1999; and

    - Treasury trading losses were not adequately recorded in the records nor adequately disclosed in the financial statements for the year ended 30 June 2000.

- The Companies did not trade whilst insolvent and the directors have not breached their duty under section 588G of the Act. We have sought Senior Counsel's advice in relation to this issue and the advice supports the conclusions reached.

- Certain former officers and directors of the Company may have in our opinion acted negligently and breached their duties to the SOG Companies, including Messrs Ross-Adjie, P Lalor, C Lalor and Lang, as well as SOG's auditors, Messrs Ernst & Young.

- There may have been offences against the Corporations Law and the Act arising from these actions and events.

- Our investigations did not disclose any voidable transactions that would be recoverable by a Liquidator, save for certain retirement benefits paid to the Lalors in April 2004 totalling $3.98 million that may be voidable pursuant to the Unreasonable Director-related Transactions provisions per section 588FDA of the Act.

Writs have been issued against the Company's auditors, Messrs Ernst & Young, and Messrs Ross-Adjie, P Lalor, C Lalor and Lang for negligence, breach of contract and breach of duty.

The quantum of the damages is yet to be finally settled by the appropriate experts but the main legs of the claims are estimated as follows:

	A$m
(a) Trading Book Losses	190
(b) Dividends and tax paid	36
(c) Losses on failing to close out excess FX	65
(d) Losses attached to FX restructures	80
(e) Losses on failing to close out IGPOs	196
Total	**$567**

2.9 Options Available to Creditors

At the second meetings of Creditors to be held on 30 August 2005 Creditors will be asked to consider the proposal for the DOCAs as outlined in section 4 of this report, and set out in Annexures 12, 13 and 14.

Pursuant to section 439C of the Act the options available at the second meetings of Creditors are for Creditors to resolve that:

- Each or any of the Companies execute the DOCA's; or

- Each or any of the Administrations of the Companies should end; or

- Each or any of the Companies should be wound up.

Pursuant to section 439B(2) of the Act the second meeting of Creditors can be adjourned for up to 60 days.

There are several further matters that will be addressed at the second meetings of Creditors including the composition of the CCC under the DOCAs, or the appointment of a Committee of Inspection under any winding up.

2.10 Administrators' Recommendation

The Administrators are of the opinion that the execution of the proposed DOCAs by each of the Companies is in the best interests of Creditors, and we recommend that the Creditors accept the proposal for each of the Companies.

It follows that in the Administrators' opinion it is not in the best interests of Creditors for the Administration to end or for the Companies to be wound up.

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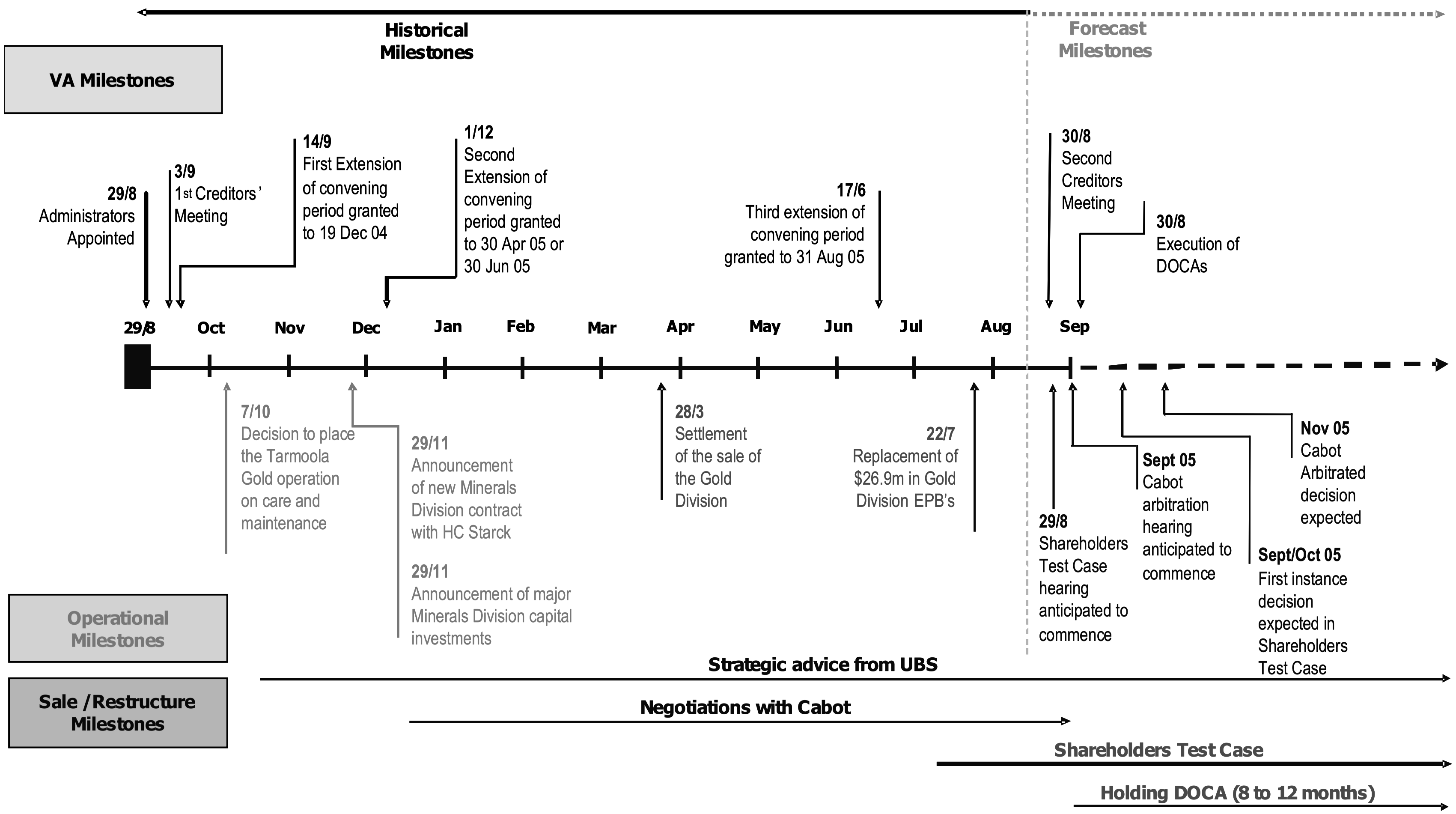
3 Administration Timeline

A high level timeline of the key issues concerning the Administration is set out below. Please note that the majority of the projected target dates are contingent upon the actions of other parties, which are not within the control of the Administrators and may change.



Since our previous report to Creditors, the Administrators have significantly progressed the following matters:

- Continued with control of the operations, including ongoing negotiations with contractors and suppliers to ensure that a 'business as usual' environment was achieved. Details of the operational and financial position of the SOG Group as a result of ongoing trading is set out later herein.

- Considered the recommendations from Management to maintain, preserve and/or improve operational performance at both the Wodgina and Greenbushes mine sites. The Administrators have also considered and approved other capital expenditures to ensure compliance with statutory, environmental and licensing requirements.

- Reports to meetings of the Committee which have continued on a regular basis. To date the Committee has been provided with a significant amount of information concerning the SOG Group and possible restructuring alternatives. Since December 2004 the Administrators have issued four detailed update reports to the Committee, in addition to other specific information or presentations circulated, and have held four Committee meetings.

- Held numerous other discussions and meetings with Creditors and other stakeholders.

- Worked in conjunction with the appointed commercial and legal advisers (respectively UBS and Freehills), a number of the senior Creditors and the Committee, in relation to possible restructuring proposals for SOG, the main purpose of which being to preserve SOG's Minerals Division intact, and to maximise the value of that asset for the benefit of all of the Creditors of SOG.

- Prepared proposed DOCAs in consultation with the Committee and other stakeholders.

- Actively progressed the large scale arbitration with Cabot in line with the timetable set down by the arbitrator. A significant amount of valued work has been undertaken by SOG's employees advisers who must all be commended for their efforts. Negotiations have also continued with Cabot in order to possibly resolve the current dispute as to the price payable for the Wodgina tantalum product from January 2006 to December 2010.

- Settled the sale of the Gold Division of the SOG Group on 28 March 2005 with SBM for consideration consisting of a cash payment of $2.3 million, the replacement of existing bank EPB's totalling $30.8 million, and the assumption of additional EPB's of up to $5.7 million. This followed significant work undertaken by the Administrators and included:

    - Engaging Macquarie Bank as adviser for the sale;

    - Preparation of the information memorandum;

    - Identifying and liaising with potential purchasers;

- Collating the necessary data; and
- Negotiating and executing the relevant transaction documents.

- Entered into a Transitional Services Agreement with SBM, requiring SOG to continue to employ the Gold Division employees to 30 June 2005 until offers of employment could be made. Payment of all entitlements of the Gold Division employees was made in full on 4 July 2005 shortly after their employment with SOG ceased.

- Progressed the sale of the SOG Group's non-core assets realising $19.5 million to date, details of which are outlined later herein.

- Dealt with the majority of the 64 retention of title claims received following our appointment.

- Negotiated with financiers to obtain a standby working capital facility of $30 million in March 2005, to support SOG's operating, capital and administration activities through to execution of a DOCA or Scheme.

- With the SOG Group's operating revenues derived from Mineral sales being highly sensitive to price and exchange rate fluctuations, arranged a short term hedging program to be implemented to protect the SOG Group's cash flows over the Administration period.

- Worked with Management in the preparation of revised forecasts to 30 June 2006, which identified a need for a working capital facility of between $54 million and $69 million. We have negotiated with financiers to obtain a standby working capital facility of $78.25 million (replacing the $30 million facility), to support operations, capital projects and administration activities through to 30 June 2006. That facility is currently being documented.

- Continued investigation into the reasons behind the insolvency of the SOG Group and whether there are any claims which may be available to increase the pool of assets available to the Creditors. As part of this process we have undertaken a wide range of tasks which have included:

  - Preparation of various reports and advices setting out the results to date of the investigations;
  - Requesting and analysing expert opinions and legal advice;
  - Liaising with Counsel; and
  - With the assistance of our legal advisers, conducted private examinations of several persons resulting in us obtaining a very substantial amount of documentation and information. Details of the potential recoveries are outlined in section 10.

- Commenced a Shareholder Test Case through the Federal Court to obtain declarations in relation to the shareholder claims seeking to prove as unsecured Creditors, as well as responding to IMF (Australia) Ltd ("IMF") attempts to use SOG's share register.

For continuing reasons of commercial sensitivity and confidentiality it remains the case that it is not prudent for the Administrators to outline in detail herein all elements of the strategy for the Administration. The strategy continues to be discussed with the Committee.

The key outstanding issues that remain ahead of the SOG Group that may delay or impede restructuring include:

- The Cabot arbitration for price determination. The ability to currently pursue any sale or restructure process whilst also maximising Creditor returns is limited due to the Cabot arbitration process. The price determination for the Cabot supply contract goes directly to determining the value of the Minerals Division as it affects the net cashflow (and thus value) of the Wodgina tantalum operations. If sale or restructure processes were to be pursued in the present position the uncertainty of the outcome with Cabot would impact on the value achieved.

- The Shareholder Test Case. The ability to define the total Creditor pool that would participate under any restructure or distribution is limited due to the uncertainty as to the treatment and validity of shareholder claims seeking to rank as ordinary unsecured Creditors in respect of alleged damages. Significant claims have been received to date, with the possibility of further claims being received.

These matters are outlined in more detail herein. The Administrators have consulted with the Committee as to desired timing of implementation of possible restructure steps and feedback has been consistent with awaiting the outcome of the above key matters over the coming months. As noted:

- The arbitration hearing is set down for September 2005 and a decision is expected to be handed down by around November 2005.

- The Shareholder Test Case hearing is set down for 29 August 2005 and a first instance decision is expected to be received by around September/October 2005.

As the Voluntary Administration period should not reasonably be extended further, in order to achieve the above milestones followed by restructuring it is proposed that the SOG Companies enter into “holding” DOCAs for a period of 8 months (and flexibility to extend to 12 months) with operations of the Companies continuing under the Deed Administrators’ control. The terms of the DOCAs are outlined in section 4 of this report.

When the two outstanding matters reach conclusion, the Administrators anticipate being in a position to pursue the sale and/or restructure options for the SOG Group without delay, whilst not compromising the return to Creditors.

The options available to Creditors at the second meeting of Creditors of the Companies are three-fold, being:

- That the Companies enter into DOCAs as proposed; or
- That the Companies be wound up; or
- That the Administrations of the Companies end.

If none of the above matters can be resolved, then the meeting can be adjourned for a period of up to 60 days.

It is envisaged that the approval and acceptance by Creditors of the proposed "holding" DOCAs will facilitate in due course the restructuring of the SOG Group and therefore:

- Enable the Companies and/or their businesses to continue in existence; and
- Maximise the return to Creditors.

Each of the available options and possible restructuring alternatives are discussed further in the following sections of this report.

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4 Deeds of Company Arrangement Proposal

4.1 Background to Holding DOCAs

It is proposed that each of the Companies will enter into a holding DOCA under which the moratorium with respect to claims against the Companies, which operated during the Administration, will be maintained for a further period of 8 to 12 months:

- So that the arbitration with Cabot can be concluded; and
- To progress the Shareholder Test Case, regarding the question of whether any shareholders who allege to have been misled are Creditors, and are therefore entitled to prove with respect to the assets of the Companies.

This period of time will also permit the Deed Administrators to further prepare for the various restructuring and sale options.

After this time the Creditors will have a further opportunity to consider and review the options available, and then to decide as to their preferred approach.

4.2 Forms of Holding DOCA

There are three versions of the proposed DOCAs for Creditors to consider at the second meeting of Creditors of each company in the Group. Attached at Annexure 12 is the SOG DOCA. Annexure 13 summarises the changes to the SOG DOCA that are relevant for other SOG Companies, excluding Greenbushes and Gwalia Tantalum. Annexure 14 sets out further changes that are relevant to DOCAs for Greenbushes and Gwalia Tantalum. There are three different versions of the DOCA because of slightly different circumstances as follows:

- The SOG DOCA, which is the DOCA under which the Consultative Creditors Committee ("CCC") is constituted;
- Other SOG Companies that do not have a CCC; and
- DOCA's for Greenbushes and Gwalia Tantalum envisage a different operation of the DOCA lien which in section 4 of this report.

The attached versions of the DOCA have been considered and approved by the Committee at a meeting held on 5 August 2005.

4.3 Statement of Proposed DOCAs

The significant terms of the proposed DOCAs can be summarised as follows:

General Provisions

- The existing Administrators, namely Andrew Love, Garry Trevor and Darren Weaver, will become the Deed Administrators under the DOCAs.

- The existing moratorium on claims will continue, such that Creditors cannot pursue proceedings against the Companies, attempt to wind up the Companies, exercise any set off rights or enforce against the Companies during the period of the DOCAs.

- It is not anticipated that there will be any distribution under the DOCAs to Creditors. However, to the extent that there is distribution, claims of Creditors will be released to the extent of the distribution. In fact, it is only expected that a distribution will occur under subsequent, varied DOCAs or pursuant to a Scheme approved by the Creditors.

- The Deed Administrators will immediately invite Creditors to lodge proofs of debt, in order to enable the size of the pool of Creditors to be better quantified.

- The assets of all of the Companies will be made available to satisfy the remuneration, costs, expenses and liabilities incurred by the Deed Administrators under the DOCAs, no matter the capacity in which the Deed Administrators incur the liability (eg. even if the liability is a liability as Deed Administrators of other SOG Companies).

- The Deed Administrators will have wide powers to enable them to undertake all of those tasks necessary to continue the operations of the Companies, investigate the various issues which have arisen and pursue the reconstruction options with a view to maximising the realisations and therefore return to Creditors.

- The Deed Administrators will be remunerated at the rates charged by Ferrier Hodgson. The rates are set out in Annexure 11 of this report. That remuneration can be approved from time to time by the CCC, pursuant to orders obtained from the Supreme Court of Western Australia on 11 August 2005.

- The Deed Administrators will be entitled to be indemnified out of the assets of the Companies for their remuneration, costs, expenses and liabilities, and will be entitled to the benefit of a lien over the assets of the Companies (except Gwalia Tantalum and Greenbushes – see below) to secure that right of indemnity.

- Due to limitations contained in the security granted by Gwalia Tantalum and Greenbushes in favour of Cabot, in the DOCAs for Gwalia Tantalum and Greenbushes, the lien in favour of the Deed Administrators over the assets of Gwalia Tantalum and Greenbushes will not extend to the property charged pursuant the Cabot charges, however, the DOCAs will authorise Gwalia Tantalum and Greenbushes to grant a lien over the "Charged Property" in favour of the Deed Administrators once the security in favour of Cabot is no longer operative.

- There will be a CCC of up to a seven members that is constituted pursuant to a vote of the Creditors at the forthcoming meeting. The CCC is formed to assist the Deed Administrators in the conduct of the DOCAs. The nature of CCC is detailed below.

- The Deed Administrators will report to Creditors on a regular basis so as to ensure that the Creditors are able to adequately monitor the steps taken and results obtained by the Deed Administrators during the period of the DOCAs.

- The DOCAs will continue for up to 8 months, or such longer total DOCA period up to 12 months as may be notified to the Creditors by the Deed Administrators. The Deed Administrators must obtain the approval of the CCC before extending the DOCAs period beyond 8 months.

- Also, the DOCAs will terminate if:

  - The court so orders; or

  - The Creditors resolve to terminate the DOCAs pursuant to a properly convened meeting of Creditors.

Order of Priority

It is not anticipated that there will be a payment of a dividend under the DOCAs. As has been noted, the primary aim of these "holding" DOCAs are to simply extend the existing moratorium for up to 8 to 12 months, to enable certain issues to be progressed. However, in the unlikely event that there is such a distribution under the DOCAs, the order of priority of the payment of Creditors is as set out as follows:

- First, with equal ranking will be the payment of:

  - Employee entitlements;

  - Realisation costs incurred in generating the Fund for distribution;

  - Fees and expenses incurred by the Administrators in the conduct of the administration of the SOG Group including, in particular, the repayment of the facility (including Swap Facilities) made available to the Administrators ("VA facility"); and

  - Repayment of the facility (including Swap Facilities) made available to the Deed Administrators ("DA facility"), to enable the SOG Companies to continue to conduct operations during the period of the DOCAs;

- Second, the Deed Administrators fees, costs and expenses incurred under the DOCAs;

- Third, to satisfy the fees, costs and disbursements incurred by the Deed Administrators in the winding up, deregistration and realisation and distribution of the assets of certain companies related to the SOG Companies (i.e. subsidiaries of SOG to which the Deed Administrators have not been appointed Administrators) (see the reasons outlined on page 41 of this report);

- Fourth, to satisfy debts and liabilities incurred by the Deed Administrators during the period of the DOCAs, largely suppliers to, and contractors of, the SOG Companies during the DOCAs ("DOCA Creditors");

- Fifth, to satisfy amounts payable pursuant to the indemnity granted in favour of the CCC; and

- Sixth, as to any balance, to be applied as if the DXG and ASIC Class Orders were operative, and in the same order as would apply if the relevant SOG Company were wound up (e.g. liabilities would be pooled).

The application of the DXG would normally only become effective when the Companies are wound up (see page 40). As the DOCAs use the same application of the DXG as in a winding up the position is comparable and consistent.

Deed Administrators Personal Liability

It is proposed that the Deed Administrators will be personally liable for debts incurred by the SOG Companies during the period of the DOCAs, but only to the extent that the assets of the SOG Companies are sufficient to pay those debts.

This will provide ongoing trade Creditors and suppliers with direct recourse to the same underlying asset as the Administrators relied upon during the Voluntary Administration period.

The proposed limited recourse regime improves the level of priority that DOCA Creditors and the employees receive in a winding up (if that were to occur) because:

- In relation to DOCA Creditors, by making the Deed Administrators personally liable (on such a limited recourse basis) in a winding up, the level of priority for DOCA Creditors, as Creditors to whom the Deed Administrators are personally liable (even on a limited recourse basis), is the highest available under section 556(1)(a) of the Act; and

- By the DOCAs a lien is granted in favour of the Deed Administrators over the assets of the SOG Companies:

    - for the benefit of the employees; and

    - which would extend to liabilities incurred by the Deed Administrators to such DOCA Creditors.

The operation of the lien will be immediately effective with respect to all of the SOG Companies except for Greenbushes and Gwalia Tantalum, and will be effective for Greenbushes and Gwalia Tantalum except to the extent of the assets charged in favour of Cabot. It is proposed that a separate lien will be granted to the Deed Administrators over the assets charged in favour of Cabot, but that lien will be held in escrow, pending the release of the Cabot security (which will occur with respect to Greenbushes from January 2006 and with respect to Gwalia Tantalum in 2010).

We note that the Cabot charges only operate for enforcement purposes where a default has occurred whereby Greenbushes and Gwalia Tantalum are more than 90 days in arrears under the agreed shipping schedule.

The financiers of the DA facility and VA facility (including Swap Facilities) will have security over the benefit of the Deed Administrators' DOCA lien and also over the assets of the SOG Companies (which security is also deferred with respect to Greenbushes and Gwalia Tantalum). The financiers' security over the SOG Companies' assets will rank in front of the lien in favour of the Deed Administrators.

Consultative Creditors Committee

The CCC will be created under the DOCA for SOG, and will be adopted and empowered under the DOCAs for the other SOG Companies. In summary:

- The role of the CCC will be to consult with, advise and assist the Deed Administrators in the conduct of the DOCAs.

- The Deed Administrators are entitled to carry on the business of the SOG Companies and manage the property and affairs of the Group. However, the CCC will have an oversight role, and except for steps undertaken by the Deed Administrators:

    - In an Emergency;

    - In relation to environmental obligations and responsibilities or Occupational Health and Safety Issues; or

    - In the ordinary course of business;

    - The CCC shall have the power to disapprove any proposed step by the Deed Administrators to:

        (i) terminate or dispose of part of the business of the SOG Companies;

        (ii) sell or dispose of shares in the SOG Companies;

        (iii) transfer assets or novate liabilities of the SOG Companies to some other entity in the SOG Companies;

        (iv) enter into contracts, incur capital expenditure, incur financial liabilities of in excess of $1 million per transaction;

        (v) amend, vary or replace the existing policy in relation to hedging arrangements for the SOG Companies;

        (vi) commence, prosecute or settle pending or threaten material legal proceedings;

        (vii) propose or pursue a process for the reconstruction of the SOG Companies; and

        (viii) extend the DOCAs arrangement period beyond the initial 8 month period.

- In the event that the CCC disapprove a step proposed by the Deed Administrators, and the Deed Administrators wish to pursue that step, then the Creditors in a general meeting have the ability to decide on whether the step should be taken.

- It is proposed that the CCC will consist of up to seven voting members.

- *"Ex officio"* members will be invited to attend meetings of the CCC from time to time. It is contemplated that Mr David Bale, representing the employees and Mr Evan Flaschen of Messrs Bingham McCutchen, representing certain substantial US Creditors will be *ex officio* members.

- The voting members of the CCC are to be appointed by the Creditors at the second meeting of Creditors. The *ex officio* members are to be appointed by the CCC, in consultation with the Deed Administrators.

- There are detailed provisions in the DOCA as to the criteria for and replacement of, members of the CCC and the holding of meetings and recording of events at CCC meetings.

- There will be strict confidentiality obligations imposed on the CCC members.

- The CCC shall be entitled to:

    - Retain professional advisers (subject to the consent of the Deed Administrators as to the terms and conditions of such retainer); and

    - The payment of the reasonable out-of-pocket expenses of the CCC and of the professional advisers who are engaged, out of the assets of the SOG Companies.

- The members of the CCC will be indemnified for their out-of-pocket costs and for any liabilities which may be incurred, out of the assets of the SOG Companies.

We recommend that Creditors approve the DOCAs as have been annexed hereto and outlined above, and our reasons for making such recommendation are set out at section 12 of this report.

Other Options Available

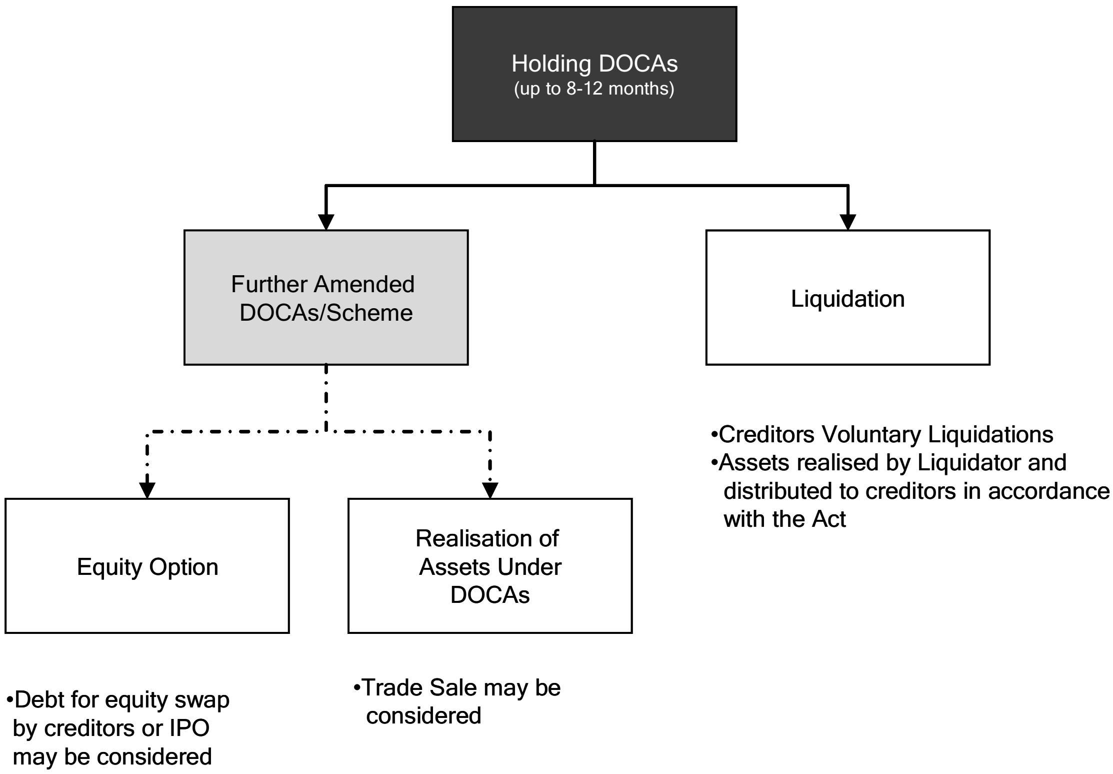
As noted, aside from the DOCAs, there are other options available to Creditors to resolve at the second meetings of Creditors. These options are also addressed at sections 11 and 12 of this report, together with our reasons for not recommending that those other options be pursued.

5 Restructuring Alternatives

As discussed in section 4, the holding DOCAs proposed are an interim measure which will provide sufficient time to allow resolution of the Cabot arbitration and Shareholder Test Case (at least at first instance). The Administrators, in consultation with their advisers and the Committee, have formulated a longer term plan to allow the business to be restructured following resolution of these two issues.

Having presented the restructuring alternatives to the Committee and senior Creditors, the feedback the Administrators received is that Creditors wished to obtain further certainty as to the outcome of the Cabot arbitration and Shareholders Test Case before proceeding with restructuring alternatives. Consequently the holding DOCAs have been proposed as the alternative to an immediate restructuring to achieve that objective.

If the holding DOCAs are approved by Creditors and implemented, the options that would later be available to Creditors may include, but are not limited to, the following:



We broadly outline below the basis of possible future restructuring steps via any further amended DOCAs or Scheme for your reference. This is an example only and is not a part of the proposed holding DOCAs to be considered at the forthcoming meeting of Creditors.

5.1 Possible Restructure Steps

The plan to allow the business to be restructured and which is referred to as the “Roll Up” proposal (or any agreed variation), aims to preserve optionality in respect of various exit opportunities for Creditors. Following implementation of a Roll-Up proposal, Creditors will subsequently determine whether they wish to embark upon a trade sale, IPO or some form of (either full or partial) recapitalisation.

The Roll Up reconstruction Scheme would broadly involve the following steps:

- Under a Creditors' Scheme under Part 5.1 of the Act, the Creditors would transfer their claims to a wholly-owned subsidiary of SOG ("Aus SPV"), by way of novation, in exchange for, amongst other things, SOG issuing new ordinary shares ("New Shares") to a foreign-controlled special purpose vehicle ("Foreign SPV").

- Upon the Scheme becoming effective, Aus SPV would be placed in liquidation. The Administrators would become Scheme Administrators and Liquidators of Aus SPV.

- The New Shares would be issued at an issue price per share calculated by dividing a notional and nominal payment to existing shareholders in consideration for the corporate shell by the number of shares on issue.

- The new shares issued to Foreign SPV would represent greater than 90% of SOG ordinary shares on issue. The recapitalisation would be completed by Foreign SPV undertaking a general compulsory acquisition of SOG shares it does not own pursuant to Part 6A.2 of the Act.

- The issue of New Shares to Foreign SPV would be undertaken on the basis that Foreign SPV covenants for the benefit of Aus SPV that it would pay the net proceeds from the sale of the New Shares (and any SOG shares acquired through completion of the step above) up to the face value of the claims of the Creditors, to Aus SPV. Any proceeds of sale of SOG shares above the face value of the claims of Creditors would be paid into a unit trust, units in which would be issued under the Scheme to the Creditors in proportion to their claims.

- Under the Scheme, a restructure of SOG would also occur, such that all of the existing subsidiaries (other than Gwalia Tantalum Pty Ltd, Gwalia Consolidated Pty Ltd, Gwalia Minerals Pty Ltd and Greenbushes Ltd) become subsidiaries of Aus SPV.

- Within a defined period of the conclusion of arbitration proceedings between SOG and Cabot in respect of the price payable under certain Tantalum Sales Contracts, and a decision in the Shareholders Test Case, the Deed Administrators may propose a further arrangement (whether implemented by Scheme, DOCA or otherwise) by which some or all of the Creditors may elect to exchange their claims for equity in SOG (whether alone, or together with one or more new equity investors) or by which there may be a disposal of the business via a trade sale, an IPO or otherwise.

- The participation of Creditors in the Scheme will be subject to the ultimate admission or rejection, in whole or in part, of their claims.

The timing for implementation of any Roll Up proposal of this nature would be approximately 3-4 months from commencement, subject to no objections or unforseen events arising during that process.

The current holding DOCAs proposed contemplate that a further vote by the full body of Creditors will be required at the appropriate juncture to approve the future restructuring steps to be taken. At such time, a more detailed information pack will be circulated to Creditors for their consideration.

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6 Statutory & Historical Background Information

6.1 History of SOG

A detailed diagram of the SOG Group is set out on page 39.

SOG was a large, Perth based, publicly listed Australian mining company with 188,184,938 fully paid ordinary shares on issue at the time of our appointment as Administrators, and had a market capitalisation of approximately A$244M.

SOG has been listed on the ASX for over 21 years. On 30 August 2004, following our request, the ASX suspended trading of SOG shares on the ASX.

SOG holds, directly or indirectly, all of the shares in the 24 other companies which comprise the SOG Group subject to Administration. The SOG Group developed through the acquisition or development of various mining projects over many years.

The Company was originally incorporated as Hawk Mining NL on 28 August 1981 and in 1982 the name was changed to Sons of Gwalia NL. The Company converted from a no-liability company to a limited liability company during 1992. The Company listed on the ASX on 5 May 1983 under the ticker symbol "SGW". Open pit gold mining began at the Sons of Gwalia operation in July 1984.

Several significant events in the history of SOG are represented by the following:

May 1993	SOG raised A$15 million through a placement of 2 million shares to fund the cut-back of the Sons of Gwalia pit and for changes to the treatment facilities at Leonora and Laverton.
January 1996	SOG took a A$14.6 million placement in Burmine Limited and proposed an arrangement whereby one SOG share would be exchanged for every two Burmine shares not already held. A concurrent, one for three scrip bid was launched for Gasgoyne Gold Mines NL.
November 1996	The Burmine venture proceeded and SOG attained 63% ownership of Gasgoyne Gold Mines NL.
December 1996	SOG secured 100% of Orion Resources NL.
May 1997	SOG agreed to sell 13.8% of Gasgoyne Gold Mines NL to Coeur d'Alene Mines Corporation for A$22.7 million, equalising the ownership of Gasgoyne Gold Mines NL and in February 2001 acquired Coeur's 50% for A$28.1 million to move to 100% ownership.
1998	SOG merged its operations with Gwalia Consolidated Ltd, which owned 18% of SOG and the industrial minerals assets. The resultant SOG Group owned the Greenbushes tantalum, tin and spodumene mine, the Wodgina tantalum mine, and 70% of the

Kemerton Silica Sand mine, and assumed A$55 million in debt.

Post merger, Cabot (SOG's largest purchaser of tantalum concentrate) injected A$30 million into the merged entity via a share placement at A$4.00 per share, equivalent to a 7.5% stake.

March 2001	SOG commissioned a small-scale mineral sands operation in the Murray Basin in Victoria via a joint venture with the RZM/Cable Sands Group (SOG 50%, RZM 50%).
October 2001	SOG acquired 100% of the issued shares of PacMin Mining Corporation Limited ("PacMin"), which owned Tarmoola and Carosue Dam mining operations.
April 2002	The Company acquired all of the issued capital of Probo Mining Limited for a consideration of $5,525,000 in cash and the issue of 500,000 shares (12 months thereafter). Probo Mining NL owned a 25% interest in the BIP Joint Venture with BeMax Resources which included the Gingko mineral sands project.
August 2002	The carrying value of assets of Tarmoola and Carosue Dam were revised downward. The original fair value allocations of PacMin were based on information provided by PacMin. The 30 June 2002 SOG's Accounts reflect that the 2001 gold reserves of PacMin were downgraded by 450,000 ounces.
August 2002	A major geotechnical fault in the pit wall of the main open cut at Tarmoola required a major reassessment of the mine plan going forward.
February 2004	The eastern wall of North Pit at Tarmoola collapsed causing the cessation of mining in the North pit.
June 2004	The draft Preliminary Final Report for the financial year ended 30 June 2004 reflected that the planned trial mining of the Red October resource in the South Laverton region was deferred and that along with the Tarmoola operations, Carosue Dam operations were to be closed.
August 2004	The Company revised its future gold production plans in light of reduced reserve and resource outlook. SOG's lenders and counterparties confirmed that the revised production plan would constitute a material adverse change in the financial position.
29 August 2004	Administrators were appointed.

The SOG Group's assets and liabilities are situated in various Companies within the SOG Group. The Group's structure is complex as can be seen from the group structure diagram, with several projects and assets owned (or previously owned) by several Companies within the SOG Group.

The extent of SOG's operations prior to administration were that it:

- Was Australia's second largest gold producer, operating gold mines in three remote locations (Leonora, Southern Cross and Laverton) with production for 2003/04 of in excess of 521,000 ounces ("Gold Division");
- Had been producing gold since 1984, with total production of over 5 million ounces during that time;
- Operated two Minerals (tantalum) mines. One mine in the south (at Greenbushes) and one is in the north (at Wodgina) of Western Australia ("Minerals Division"), through which it controls some 60% of the world market for tantalum concentrate production;
- Also produced tin and lithium minerals at its tantalum mines;
- In addition to its Gold and Minerals Divisions, the SOG Group held several 'corporate' assets represented by investments in listed entities, and other assets such as various mining tenements;
- Had a significant head office support structure; and
- Employed 500 direct employees, whilst contractors engaged a further 600 staff.

6.2 SOG Directors – Past & Present

The Board of Directors of SOG as at the date of our appointment was in the main appointed in 2004. The Directors and their respective appointment dates were as follows:

Name	Position	Date Appointed
John William Leevers	Managing Director and Chief Executive Officer	27/01/2004
Neil Douglas Hamilton	Chairman	19/01/2004
Malcolm Ross Richmond	Non Executive	10/08/2000
Mark Barnaba	Non Executive	13/05/2004
Peter Knowles	Non Executive	13/05/2004
Thomas Andrew Lang	Non Executive	06/11/1998

In addition to the change in directors in 2004, the Company had a new executive team with the newly appointed Chief Financial Officer (Ian McCubbing) and the Executive General Manager for Operations (Luke Tonkin) having been appointed in May 2004 and December 2003, respectively.

The former Directors of SOG who resigned as Directors of the Company subsequent to June 1998 are detailed below:

Name	Date Appointed	Date Ceased
Peter Kevin Lalor	15/04/1982	13/04/2004
Christopher John Lalor	15/04/1982	13/04/2004
Mark Cutifani	13/03/2000	14/02/2003
Malcolm James Hillbeck	05/04/1995	04/07/2001
Eardley Maitland Ross-Adjie	14/06/1982	01/08/2000
Sir David Hardy	10/05/1996	06/11/1998
Guido Staltari	10/05/1996	06/11/1998
Raymond John Lynch	20/10/1982	30/06/1998

The founding directors Peter Lalor (former Executive Chairman) and Chris Lalor (Executive Director) retired on 13 April 2004.

Following our appointment as Administrators all of the directors have resigned from their directorships with SOG.

6.3 Equity Interests in SOG

As noted, upon the appointment of the Administrators on 29 August 2004, the Company had 188,184,938 issued ordinary shares and SOG's last share trading price was A$1.30, giving a market capitalisation of approximately A$244 million.

The share price history of SOG is summarised in the following graph:

Detailed below is a schedule of SOG's 20 largest shareholders, the number of ordinary shares held and the percentage of total issued capital held by each party at the date of our appointment.

Rank	Name	Units	% of Issued Capital
1	JP Morgan Nominees Australia Ltd	30,756,174	16.34
2	National Nominees Limited	17,998,885	9.56
3	Teck Cominco Limited	17,402,346	9.25
4	Westpac Custodian Nominees Limited	12,564,421	6.68
5	MLEQ Nominees Pty Limited	11,163,732	5.93
6	Citicorp Nominees Pty Ltd	8,919,812	4.74
7	UBS Nominees Pty Limited	5,572,903	2.96
8	Queensland Investment Corporation	2,384,812	1.27
9	ANZ Nominees Limited	2,353,204	1.25
10	RBC Global Services Australia Nominees Pty Limited	1,608,575	0.85
11	Cogent Nominees Limited	1,436,152	0.76
12	Citicorp Nominees Pty Ltd	650,341	0.35
13	ANZ Nominees Limited	545,417	0.29
14	Merrill Lynch (Australia) Nominees Limited	530,294	0.28
15	Templevale Pty Limited	510,000	0.27
16	HSBC Custody Nominees (Australia) Limited	378,084	0.20
17	The University of Melbourne	330,848	0.18
18	Mr Yong Cong Robert Huang	330,000	0.18
19	ANZ Nominees Limited	315,223	0.17
20	Ace Property Holdings Pty Limited	300,000	0.16
	Total	**116,051,223**	**61.67%**

On 7 June 2005 the Administrators issued a declaration to shareholders for tax purposes stating that there were reasonable grounds to believe that there is no likelihood that shareholders in SOG will receive any distribution in respect of ordinary shares. A copy of the declaration has been lodged with the ASX and is available online from the Ferrier Hodgson website.

6.4 Corporate Structure

A detailed diagram of the Group is set out on the following page. The Administrators were appointed to SOG and 24 of its subsidiaries, as set out in Annexure 1 that held the operating assets of the Group.

As the directors of all Companies have since resigned, to protect the interests of Creditors and the 25 entities in Administration (e.g. to control inter-company loan accounts and miscellaneous assets) Andrew Love, Garry Trevor and Darren Weaver were appointed as either members voluntary or creditors voluntary liquidators of those Australian registered companies that were not in Administration. Steps are being taken to rationalise and where appropriate dissolve those companies (as well as other overseas registered entities) as part of the overall restructuring plan.

6.5 Registered Charges

The charges set out in Annexure 10 are registered against certain of the Companies.

The most significant of these charges is in favour of Cabot that holds a registered charge and mining mortgages over the Wodgina and Greenbushes assets to secure delivery of production pursuant to the off-take agreement.

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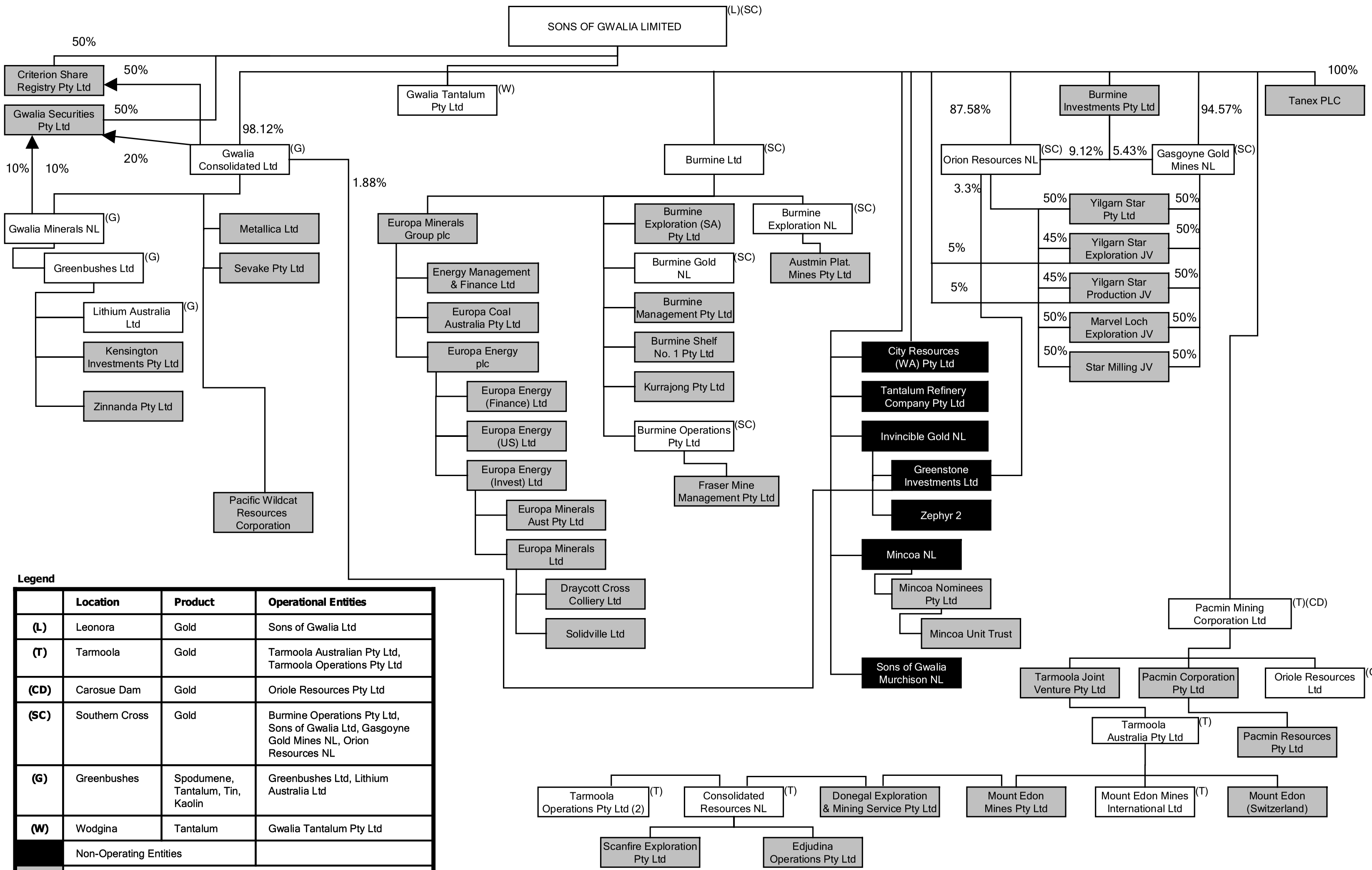

Legend

	Location	Product	Operational Entities
(L)	Leonora	Gold	Sons of Gwalia Ltd
(T)	Tarmoola	Gold	Tarmoola Australian Pty Ltd, Tarmoola Operations Pty Ltd
(CD)	Carosue Dam	Gold	Oriole Resources Pty Ltd
(SC)	Southern Cross	Gold	Burmine Operations Pty Ltd, Sons of Gwalia Ltd, Gasgoyne Gold Mines NL, Orion Resources NL
(G)	Greenbushes	Spodumene, Tantalum, Tin, Kaolin	Greenbushes Ltd, Lithium Australia Ltd
(W)	Wodgina	Tantalum	Gwalia Tantalum Pty Ltd
	Non-Operating Entities		
	Companies not subject to the class order and not under voluntary administration		

Note : All entities are wholly owned (100%) unless otherwise indicated

6.6 Subsidiaries in Administration

The SOG subsidiaries in Administration are as follows:

Subsidiary	ACN	Subsidiary	ACN
Burmine Exploration NL	006 684 297	Invincible Gold N.L.	009 066 246
Burmine Gold N.L.	009 173 255	Lithium Australia Ltd	008 899 769
Burmine Limited	008 054 546	Mincoa NL	009 098 999
Burmine Operations Pty Ltd	000 703 346	Mount Edon Mines International Ltd	054 121 498
City Resources (WA) Pty Ltd	008 622 339	Oriole Resources Ltd	000 488 200
Consolidated Resources NL	009 222 655	Orion Resources N.L.	009 182 825
Gasgoyne Gold Mines N.L.	009 212 382	PacMin Mining Corporation Ltd	001 936 901
Greenbushes Ltd	004 603 516	Sons of Gwalia (Murchison) NL	000 829 130
Greenstone Investments Pty Ltd	008 707 748	Tantalum Refinery Co. Pty Ltd	008 974 196
Gwalia Consolidated Ltd	009 131 971	Tarmoola Australia Pty Ltd	009 138 523
Gwalia Minerals N.L.	009 011 947	Tarmoola Operations Pty Ltd	009 384 909
Gwalia Tantalum Pty Ltd	008 899 750	Zephyr 2 Pty Ltd	008 737 540

The directors and secretaries of each of the above subsidiaries in Administration at the date of our appointment, and their appointment dates, are detailed in Annexure 3.

SOG and the certain subsidiaries are parties to a DXG dated 21 May 1993, registered and approved by ASIC. The effect of the DXG is that, in the event of the liquidation of any or all of the entities who are parties to the DXG, each of the parties to the DXG guarantee the payment of the debts due to the Creditors of each of the other entities who are parties to the DXG (eg. pooling of assets and liabilities). Subsequent to the DXG, four Deeds of Assumption dated 17 May 1996, 9 May 1997, 21 June 1999 and 28 March 2003, were entered into. By these Deeds various additional SOG Group companies became parties to the DXG, such that all of the Companies above became parties to the DXG.

6.7 Other Australian SOG Group Companies

The Australian subsidiaries of SOG that are not subject to the DXG, and to which we have not been appointed as Administrators ("Other Companies") but instead have entered into members voluntary ("MVL") or creditors voluntary ("CVL") liquidations are as follows:

Company	Appointed	ACN	Company	Appointed	ACN
Burmine Exploration (SA) Pty Ltd	CVL	008 273 372	Kensington Investments Pty Ltd	CVL	008 910 656
Burmine Investments Pty Ltd	CVL	006 750 205	Kurrajong Pty Ltd	CVL	009 206 571
Burmine Management Pty Ltd	CVL	058 850 025	Metallica Limited	MVL	001 937 417
Burmine Shelf No. 1 Pty Ltd	CVL	008 143 413	Mincoa Nominees Pty Ltd	MVL	009 132 021
Cavalary Nominees Pty Ltd	MVL	008 925 335	Mount Edon Mines Pty Ltd	MVL	008 758 361
Criterion Share Registry Pty Ltd	CVL	009 058 959	PacMin Corporation Pty Ltd	CVL	074 276 314
Donegal Exploration and Mining Services Pty Ltd	MVL	009 340 069	PacMin Resources Pty Ltd	CVL	079 447 439
Edjudina Operations Pty Ltd	CVL	009 221 372	Scanfire Exploration Pty Ltd	CVL	009 053 785
Europa Coal Australia Pty Ltd	MVL	003 714 547	Sevake Pty Ltd	CVL	002 772 223
Europa Minerals Australia Pty Ltd	MVL	003 828 206	Tarmoola Joint Venture Pty Ltd	CVL	076 871 657
Fraser Mine Management Pty Ltd	CVL	008 169 435	Yilgarn Star Pty Ltd	MVL	009 334 767
Gwalia Securities Pty Ltd	MVL	009 469 336	Zinnanda Pty Ltd	CVL	009 129 695

The financial position of the above Companies has been reviewed in conjunction with Management. The outcome of the review is summarised in the following points.

- None of the Other Companies are operating or incurring credit and none have significant external Creditors;
- Some of the Other Companies are the registered holder of tenements and, in the case of Kensington Investments Pty Ltd, the registered owner of land and buildings for the Exchange Hotel (Greenbushes) which is leased to an independent operator;
- Eight of the Other Companies noted above either have nil assets and liabilities or have assets only;
- The remaining Other Companies' balance sheets comprise:
  - assets which are either mining tenements, capitalised development expenditure, land holdings, FITB or intercompany loans; and/or
  - liabilities which comprise intercompany loans or DITL; and
- The importance of these companies to the restructure of the Group is that the existing intercompany loan accounts and shareholdings assist in ensuring there is no cash leakage from the SOG Group.

A schedule of the directors and secretaries of the other Australian SOG Group companies is set out at Annexure 5.

6.8 Overseas SOG Subsidiaries and Investments

At the date of our appointment there were 13 overseas subsidiaries. There were no significant external assets or external third party liabilities in those companies. Attached as Annexure 4 is a schedule of these companies.

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7 Business Activities and Historical Performance

SOG had two operating divisions in Gold and Minerals (Tantalum).

7.1 Gold Division

The SOG Gold Division had three gold producing operations at Southern Cross, South Laverton and Leonora. Each operation consisted of a number of open cut and/or underground mines that supplied ore to a central gold processing facility.

Set out below is the annual production of gold from each operation between 2000/01 and 2003/04.

	Actual 2000/01		Actual 2001/02		Actual 2002/03		Actual 2003/04	
Source	**Production ozs '000**	**Cash Cost A$/oz**	**Production ozs '000**	**Cash Cost A$/oz**	**Production ozs '000**	**Cash Cost A$/oz**	**Production ozs '000**	**Cash Cost A$/oz**
Southern Cross	202.2	422	194.3	438	200.8	464	182.9	452
Leonora	195.9	269	247.3	369	237.0	470	165.8	476
South Laverton	40.1	n/a	99.6	321	139.9	428	172.4	387
SOG Production	438.2	351	541.2	386	577.7	454	521.1	438

7.2 Minerals Division

The main products of the Minerals Division are tantalum and lithium minerals with tin produced as by-product. The tantalum mines are located at Greenbushes in the South West of Western Australia and at Wodgina in the North of Western Australia.

The annual production of tantalum from each operation has in recent years been greater than 1 million lbs per site, whilst lithium has been greater than 110,000 tonnes.

Tantalum production is sold into fixed off-take agreements with Cabot and HC Stark a division of the Bayer Group in Germany which are due to expire on 31 December 2005. SOG and other SOG Companies have executed an agreement with HC Stark for the renewal of the sales off-take arrangements through to December 2008. Cabot has exercised its option to renew its Wodgina contract, and the parties are addressing the price and terms issues (see section 9.3).

Cabot holds a registered charge and mining mortgages over the Wodgina and Greenbushes assets to secure delivery of production pursuant to the off-take agreement.

Greenbushes Tantalum Mine

Greenbushes is the world's largest tantalum resource, and is currently mined from both an open pit operation and underground. Greenbushes capacity is currently around 1 million lbs pa and the mine is located in the South West of Western Australia, approximately 300 km from Perth and 80km east of the Port of Bunbury.

The development of the Cornwall Underground area was previously put on care and maintenance due to the downturn in the global electronics industry, but has been recommenced since entering into Administration.

In addition to tantalum, Greenbushes contains the largest known hard rock lithium mineral resource and SOG produces lithium minerals in concentrate form which represents supply of 53% of world demand.

Wodgina Tantalum Mine

The Wodgina mine is the world's second largest tantalum resource.

Wodgina's capacity is currently 1.2 million lbs pa of concentrate. It is located approximately 100kms South of Port Hedland in the Pilbara Region of Western Australia.

7.3 Head Office

SOG's mining operations are supported by head office functions that were upon our appointment situated in West Perth, Western Australia, and was staffed by approximately 100 employees.

Following our appointment a review of the head office function was undertaken and significant rationalisation occurred upon completion of the gold sale, leading to a reduction in personnel levels. An alternate head office premise was located with an annual saving of approximately $1.4 million. The move to the new premises in central Perth was made in July 2005. Head office staff numbers have now been decreased to 25.

7.4 Historical Financial Position

The historical financial position for the Group is as follows:

	30/06/2001 ($'m)	30/06/2002 ($'m)	30/06/2003 ($'m)	30/06/2004[1] ($'m)	22/08/2004 Mgt Acs ($'m)
Current Assets	160.9	169.3	140.6	146.0	140.2
Non-Current Assets	584.3	1,089.9	1,256.1	954.6	958.5
Total Assets	**745.2**	**1,259.2**	**1,396.7**	**1,100.6**	**1,098.7**
Current Liabilities	82.4	119.3	125.8	148.5	128.8
Non-Current Liabilities	342.1	519.3	624.5	460.7	475.5
Total Liabilities	**424.5**	**638.6**	**750.3**	**609.2**	**604.3**
Net Assets/(Liabilities)	**A$320.7m**	**A$620.6m**	**A$646.4m**	**A$491.4m**	**A$494.4m**

[1] *Preliminary Final Report Financial Year ended 30 June 2004*

Attached as Annexure 6 is a detailed statement of the financial position as reflected in the Group's audited annual financial statements for the period up to 30 June 2003, the Preliminary Final Report for 30 June 2004 and the management accounts as at 22 August 2004.

The Preliminary Final Report for the period to 30 June 2004 (ASX Appendix 4E Statement) had been prepared by management in draft but had not been released to the market at the time of our appointment.

The A$300 million increase in net assets in the 2001/02 financial year includes the following items:

- Increase in exploration and evaluation expenditure (A$179.6 million), development properties (A$201.6 million) and other property, plant and equipment (A$103.1 million). A large part of this was attributable to the PacMin acquisition.
- The PacMin acquisition also resulted in an increase in liabilities of A$66.7 million in current Creditors and borrowings, A$105.4 million for non current Creditors and borrowings and A$37.5 million for provisions.
- Payables increased A$42.1 million in the period from an increase in outstanding trade Creditors of A$24.7 million and end of month accruals of A$14.7 million.
- Interest bearing liabilities increased A$105.9 million from increases in US$ senior notes (A$64 million), bank loans (A$23 million) and lease liabilities (A$19 million).
- Deferred tax assets increased A$50 million.
- The overall increase in net assets is attributed to A$125 million received from share issues in the period, an increase in net debt of A$16 million and profit for the year of A$57.1 million. Note that the purchase of PacMin included the issuing of 23.6 million shares at A$5.67. As a result the take-up of PacMin's assets and liabilities resulted in increased net assets of A$133.5 million.

The major Balance Sheet movements in the 2002/03 year of A$25.8 million include:

- A reduction in cash held of A$54.7 million due to negative cashflows, mainly attributable to investing activities (mine development).
- Increase in debtors and inventories of A$16 million.
- A$50 million increase in development properties being development properties expenditure for the period of A$117.8 million less amortisation and negative revaluations.
- Increase in deferred tax assets of A$47.7 million.
- Unrealised loss on FX hedges of A$66.1 million.

- Reductions in US$ notes of A$39.4 million partially offset by an increase in bank loans of A$13.3 million.

- Lease liability decreased A$19.5 million due to the payout and sale of the Tarmoola mine fleet.

- Other non current liabilities increased A$110.5 million due to accounting for unrealised liabilities on FX hedges (A$66.1 million) and an unrealised FX gain on senior unsecured US$ notes (A$44.5 million).

The Preliminary Final Report for the financial year ended 30 June 2004 that reflects the reduction in net assets of the group for the financial year 2003/04 is a result of the following:

2003/04 net asset movement	(A$'m)
Proceeds from Share Issue	69.7
Write down of mine carrying values	(335.3)
Legal settlement	(1.0)
Loss on sale of Murray Basin Operation	(28.2)
Net tax effect of above items	95.1
Tax effect of Tax consolidation and Tax Losses on Current Year FX restructures	23.1
Reported Operating Profit to 30/6/04 before significant items	21.5
Change in Net Assets 30/6/03 to 30/6/04	**(A$155.1m)**

Given the significant movement in the asset classes during 2003/04 we set out below a breakdown of the major asset/liability classes:

Asset/Liability Class	Carrying Value 30/6/03 (A$'m)	Carrying Value 30/6/04 (A$'m)	Variance (A$'m)
Assets			
Property Plant & Equipment	218.4	153.6	(64.8)
Deferred Tax Assets	70.5	130.1	59.6
Expenditure Carried Forward	509.8	292.5	(217.3)
Mineral Exploration Expenditure	330.7	295.2	(35.5)
Other Assets	267.3	229.2	(38.1)
Total Assets	1,396.7	1,100.6	(296.1)
Liabilities			
Current Accounts Payable	86.0	85.3	(0.7)
Total Interest bearing liabilities	299.0	248.1	(50.9)
Deferred Tax Liabilities	184.6	130.1	(54.5)
Other Liabilities	180.7	145.7	(35.0)
Total Liabilities	750.3	609.2	(141.1)
Net Assets	**A$646.4m**	**A$491.4m**	**(A$155.0m)**

A breakdown of Expenditure Carried Forward and Mineral Exploration Expenditure by operation gives the carrying value of the mines/operations between gold and tantalum assets being $460 million and $128 million, respectively.

Ratio analysis of the statements of financial position and performance indicates ratios as follows:

Ratio	30/06/2001	30/06/2002	30/06/2003	30/06/2004
Return on Shareholders funds	22.3%	12.2%	5.5%	(39.5)%
Return on total assets	9.8%	5.7%	2.6%	(18.0)%
Current Ratio	1.95	1.42	1.12	0.98
Liquidity Ratio	1.91	1.07	0.72	0.71

The first two ratios give an indication of the returns that the Group was able to achieve with reference to the level of the Group's asset and equity levels. Both indicate that returns were reducing.

The current and liquidity ratios may give an indication of the Group's ability to pay its debts as and when they become due. In general terms a current or liquidity ratio below one indicates that the Group may have difficulties in satisfying current liabilities. It should be noted that the Company had access to undrawn bank facilities from late 2001. As a result, although the current and liquidity ratios fall below one the undrawn bank facilities would likely have resulted in sufficient available cash to pay current liabilities. Should the facilities be drawn upon this would have a negative impact on the return on net assets and impacted debt covenants entered into by the Group.

7.5 Historical Financial Performance

Set out below is a summary of the Group's consolidated financial performance for the years ended 30 June 2000 to 30 June 2004.

	30/06/00 (A$000's)	30/06/01 (A$000's)	30/06/02 (A$000's)	30/06/03 (A$000's)	30/06/04[2] (A$000's)
Sales	367,779	428,939	520,035	552,999	500,111
COGS	250,800	295,549	381,991	468,199	452,910
Gross Profit	116,979	133,390	138,044	84,800	47,201
Other Income	9,871	6,477	7,216	6,882	3,576
Expenses	(55,511)	(53,288)	(57,649)	(60,539)	(24,645)
Net significant items (before tax effect)	-	-	(17,300)	(3,621)	(364,514)
Profit/Loss	71,339	86,579	70,311	27,522	(338,382)
Income Tax	(11,750)	(22,897)	(13,148)	6,992	113,596
Net Profit/(Loss)	**A$59,589**	**A$63,682**	**A$57,163**	**A$34,514**	**(A$224,786)**

A detailed summary of the Group's financial performance is contained in Annexure 7.

The gross profit margin of the Group has consistently declined in the three years leading up to Administration. The major factors in the reducing profit margin are as follows:

- Lower than anticipated ore grades across a number of gold mines. This resulted in increasing costs of gold production.

[2] Preliminary Final Report Financial Year ended 30 June 2004

- The average yearly hedge price achieved for gold has reduced from A$646 per ounce in 2001 to A$599 per ounce in 2004. In the same period the reported average cash cost per ounce increased from A$351 to A$438.

- No significant gold discoveries in the previous three years. This includes the PacMin mining asset purchased in 2001 which contained lower grade and resources than budgeted.

The reported expenses for the year to 30 June 2004 show a significant decline over previous years. This reduction (A$35.9 million) helped to offset the poorer gross profit. The expense reduction includes decreases of A$5 million in interest expenses, A$2.6 million in exploration, A$1.8 million in Administration expenses and A$3.3 million in depreciation/amortisation and provisions. The remaining difference is as a result of items being classified as significant in the years and accounted for separately.

The net write-down in significant items in 2004 is the outcome of a strategic review of the Groups' operations including, inter alia, the Groups' reserves and resources and gold production plans. The significant loss items as sourced from the Group draft preliminary 4E report to the ASX, with significant items for previous years for completeness, are as follows:

	Significant Items Profit/(Loss) before tax (A$'m)		
	30/06/2002 (A$'m)	30/06/2003 (A$'m)	30/06/2004 (A$'m)
Asset Carrying value write downs	(25.0)	-	(320.4)
Provision for Tarmoola/Carosue mine closures	-	-	(11.4)
US$ hedging gain on bonds	-	-	76.2
Gold Hedging losses	-	-	(79.6)
Legal Settlement	-	-	(1.0)
Sale of Murray Basin Operation	-	-	(28.1)
Tantalum business restructure	-	(8.1)	-
Gold division and head office restructure	-	(3.0)	-
Sale of Probo Mining Ltd and PacMin Mining NL	-	4.7	-
Deferred settlement on sale of mining properties	-	8.2	-
Write down of accumulated deferred waste	-	(5.4)	-
Sale of Kemerton Silica Sand Pty Ltd	7.7	-	-
Total before taxation effects	(A$17.3m)	(A$3.6m)	(A$364.3m)

Management Accounts Financial Performance

The Group's trading history as detailed in the Group's published annual reports differ to the year end management accounts in terms of format and, in certain cases, allocation of costs and revenues between accounts. This is particularly true in relation to 30 June 2004, where the management accounts that have been provided to the Administrators are prior to the majority of write-downs detailed in the above section.

The Group's trading performance before final adjustments and yearly audit is sourced from the management accounts as follows:

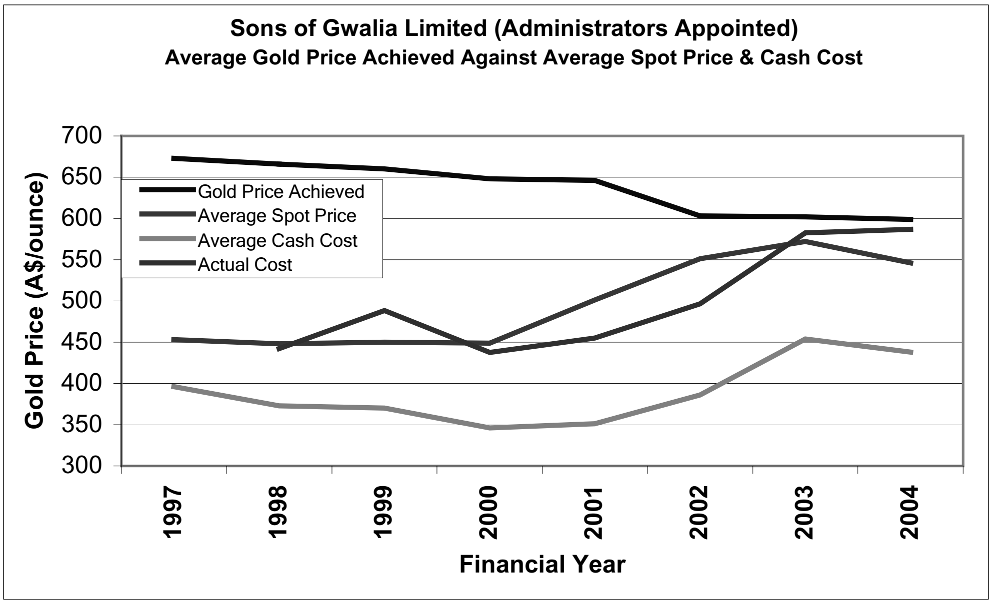
	30/06/00 ($000's)	30/06/01 ($000's)	30/06/02 ($000's)	30/06/03 ($000's)	30/06/04 ($000's)	22/08/04 ($000's)
Gold EBIT	84,033	77,059	51,282	18,200	22,785	(1,632)
Minerals EBIT	33,177	61,240	76,773	65,800	47,514	6,732
Perth Office	(16,461)	(20,047)	(2,766)	(19,700)	(15,470)	(6,809)
Exploration	(9,415)	(10,000)	(8,000)	(8,000)	(5,000)	(667)
EBIT	91,334	108,252	117,289	56,300	49,829	(2,376)
Interest	(10,562)	(15,700)	(21,964)	(25,200)	(19,330)	(2,765)
Operating Profit before Tax	80,772	92,552	95,325	31,100	30,499	(5,141)
Tax Expense	(26,649)	(25,026)	(18,301)	(5,800)	(7,045)	-
Operating Profit after tax (before significant items)	54,123	67,526	77,024	25,300	23,454	(5,141)
Significant items (after tax)	890	N/A	N/A	11,600	(246,300)	8,130
Net Profit/(Loss)	55,013	67,526	77,024	36,900	(222,846)	2,989
Variance to Annual Report	4,576	(3,844)	(19,861)	(2,386)	(1,939)	n/a
Net Profit/(Loss)	$59,589	$63,682	$57,163	$34,514	$(224,785)	n/a

It is noted that the management accounts are prepared prior to year end adjustments. We have not sought to identify each adjustment. The variance of the Group's annual accounts to the management accounts relate primarily to significant items and asset write-downs.

The management accounts format allows a review of the performance of the business divisions of the Group.

Gold Division Performance

The Gold Division has also reported its results on a per ounce basis. The following graph illustrates the decline in the Gold margin on a per ounce basis for the period 1997 to 2004:



Sons of Gwalia Limited (Administrators Appointed)
Average Gold Price Achieved Against Average Spot Price & Cash Cost

What becomes apparent from an analysis of these figures is that the Gold Division has been in decline since 2001. This may be caused by many factors, which would include the acquisition of PacMin and the difficulties with the hedge book. It can be observed from the above graph and the preceding paragraphs that:

- The gold price achieved by the Company over the period 1997 to 2004 was above the average spot price, with a significant margin in 1997 of A$220 per ounce. Since 1997 the margin has been decreasing with a significant reduction in the period 2000 to 2004. The margin in 2004 was A$53.
- What can also be observed is that the cash cost per ounce and the actual cost per ounce (cost inclusive of non cash items) have increased from 2001 onwards.

The actual profit margin of the Gold Division was around A$210 per ounce in 2000. In the years 2003 and 2004 the margins had reduced to A$20 and A$12 per ounce respectively. The actual cost of production for the 2003 and 2004 period was in the range of A$582 to A$587 per ounce at a time where the gold price achieved was slightly higher in a range of $A602 - A$599 per ounce.

7.6 Historical Cashflows

On the following page is a summary of the cashflows of the Group's operations as reflected in the Company's annual financial statements:

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Sons of Gwalia Group (Administrators Appointed) Summary of Comparative Statement of Cashflows - Consolidated Group					
	30/06/2000	30/06/2001	30/06/2002	30/06/2003	30/06/2004
Cash flows related to operating activities	$A'000	$A'000	$A'000	$A'000	$A'000
Receipts from customers	366,749	422,953	525,004	560,505	492,508
Payments to suppliers and employees	(245,945)	(283,713)	(424,723)	(490,466)	(408,261)
Sub Total	120,804	139,240	100,281	70,039	84,247
Interest and other items of similar nature received	2,016	2,596	2,562	817	360
Interest and other costs of finance paid	(6,353)	(17,568)	(21,260)	(27,073)	(19,339)
expenditure on exploration interests	(12,632)	(18,635)	(12,547)	(11,857)	(15,785)
royalties paid	(5,822)	(11,004)	(14,222)	(15,397)	(14,437)
Other	3,138	1,888	2,765	9,206	(4,427)
Net operating cash flows	**101,151**	**96,517**	**57,579**	**25,735**	**30,619**
Cash flows related to investing activities					
Payment for purchases of property, plant and equipment	(18,391)	(40,557)	(90,823)	(17,606)	(13,009)
Proceeds from sale of property, plant and equipment	829	650	149	24,034	1,317
Payment for purchases of equity investments	-	(6,307)	(5,698)	-	(507)
Acquisition of controlled entities and joint venture	(6,000)	(28,517)	(42,869)	-	-
Expenditure on project and mine development	(56,820)	(35,915)	(40,386)	(75,498)	(51,822)
Other	(13,170)	696	20,561	10,249	6,256
Net investing cash flows	**(93,552)**	**(109,950)**	**(159,066)**	**(58,821)**	**(57,765)**
Cash flows related to financing activities					
Proceeds from issues of securities (shares, options, etc.)	-	22,129	125,756	-	69,743
Payment for shares bought back	(3,364)	(659)	(2,482)	-	
Proceeds from borrowings	29,000	-	95,000	118,362	107,000
Loan Establishment fees	-	(5,407)	-	-	-
Proceeds from the issue of bonds	-	220,525	107,182	-	-
Repayment of borrowings	(10,000)	(150,911)	(186,393)	(102,000)	(142,800)
Dividends paid	(14,145)	(14,787)	(29,133)	(9,673)	-
lease principal repayments	(2,026)	(2,601)	(5,929)	(28,382)	(1,502)
premium paid for hedge book and FX restructure	-	(5,723)	(8,018)	-	-
Net financing cash flows	**(535)**	**62,566**	**95,983**	**(21,693)**	**32,441**
Net increase (decrease) in cash held	**7,064**	**49,133**	**(5,504)**	**(54,779)**	**5,295**
Cash at beginning of period	19,548	26,613	75,745	70,241	15,462
Cash at end of period	**26,612**	**75,746**	**70,241**	**15,462**	**20,757**

Source - Sons of Gwalia Limited annual reports - 1999 to 2003. 30 June 2004 Preliminary 4E final report to Australian Stock Exchange

Items of note in the cashflows are:

- The decrease in operating cashflows by A$66 million (68%) from 2001 to 2004 (A$96.5 million to A$30.6 million) is principally a result of the reduced margin of customer receipts to supplier/employee payments along with the increased interest payments and royalties from the increase in sales.

- The net cash from customer receipts and supplier/employee payments was in decline in the period from 2001 to 2003. Funds received from this core area of the Group's operations halved from A$139 million in 2001 to A$70 million in 2003 (A$69 million reduction). In 2004 this margin increased to A$84 million.

- In the period 2001 to 2003 gold production increased some 139,536 ounces to 577,702 ounces and Tantalum production increased 594,000lbs to 2.19k lbs.

- However, the average yearly hedge price received for gold reduced A$44 per ounce to A$602 ounce and gold costs increased A$127 per ounce to A$582 per ounce. In 2004 production was 521,081 per ounce for gold and 2.29k lbs for tantalum, respectively. The 2004 average price received for gold was A$599 per ounce where cost was A$587 per ounce.

- Over the period, interest payments increased from A$6 million in 2000 to a high of A$27 million in 2003. Borrowings were being continually repaid over the period however, new borrowings and the issue of bonds in this period resulted in increasing net debt and interest. The decrease in interest payments to A$19 million in 2004 appears to be as a consequence of the reduction in debt by the application of the proceeds from the October 2003 private share placement.

- Property, plant and equipment purchased by the Company reduced over the period from a high of A$90.8 million in 2002. The PacMin acquisition is not included in this figure, but detailed separately at purchase of controlled entities (A$42.9 million).

- The continuing and significant project and mine development expenditure signifies the resources that were allocated to locating and testing ore deposits at the mine regions and costs associated with reconfiguring different mines.

- The Group raised around A$69 million from a private share placement from share placements and borrowings in the year up to June 2004.

8 Financial Position, Performance & Return to Creditors

8.1 Directors' Report as to Affairs

Details of the directors' Report as to Affairs ("RATA") were provided in the first report to Creditors dated 16 December 2004 and an extract from that report is attached in Annexure 2.

The directors prepared and submitted a consolidated RATA as at 22 August 2004, being the last accounting period prior to the Administrators appointment. This position is detailed on a book value basis below.

8.2 Financial Position

An analysis of SOG's financial position as at 3 July 2005, and a forecast position to 30 June 2006 is provided below.

	(a) Management Accounts (unaudited) Book Value 3 July 05 $'000	Notes	(b) Forecast Book Value 30 June 06 $'000
Assets			
Cash Assets / Funding Facility	17,654		(54,242)
Gold in Metal Account	-		-
Trade Debtors	31,496	(i)	35,806
Other Debtors	15,030	(ii)	17,484
Inventories	49,407	(iii)	67,720
Plant & Equipment	130,449	(iv)	143,471
Capitalised Expenditure	140,762	(iv)	145,684
Investments	-		-
Other Assets	5,294		13,215
Total Assets	**390,092**		**369,139**
Liabilities			
Post VA Liability (c)	42,818	(v)	37,590
Pre-VA Liability	915,826	(vi)	975,007
Total Liabilities	**958,644**		**1,012,597**
Net Assets	**$(568,552)**		**$(643,458)**
Equity			
Capital	558,472		558,472
Reserves	-		-
Retained Profits/(Losses)	(1,108,871)		(1,196,791)
Current Period Profits/(Losses)	(18,154)		(5,139)
Total Equity	**$(568,552)**		**$(643,458)**

(a) Management accounts prepared by existing management in the ordinary course of business up to June 05 accounting period end, being 3 July 2005.
(b) Forecast balance sheet represents a high level analysis prepared by management, and linked to the profit and loss and cashflow forecast results.
(c) The post VA liability does not include estimates of provisions for employee entitlements for the Administrators period of office.

The information considered in respect of the SOG Group Companies is provided on a consolidated basis due to the affect of the DXG.

The following notes relate to the statement of financial position set out above:

(i) Trade debtors as at 3 July 2005 relate to amounts receivable from sales for the Minerals Division and is anticipated to be received on normal trading terms.

(ii) Other Debtors outstanding as at June 2005 consist of:

	$'000
BankWest (funds retained against EPB's)	8,443
Tax Credits (eg. GST refund)	3,910
Other	2,677
Total	**$15,030**

- It is unlikely that the full amount of $8.4 million held by BankWest will be recovered as that bank guarantees given by BankWest may be called upon to the value of at least $6.5 million. The balance of $1.9 million is being held by BankWest against bonds in relation to the Minerals Division, which will remain held until at least the restructure is achieved and BankWest is released from the bonds.

- Tax credits represent GST receivable and are collectable.

- Other debtors include a number of balances which are anticipated to be realised in full.

(iii) Inventories as at 3 July 2005 include Minerals inventories as follows:

	$'000
Finished Goods and WIP	35,726
Ore Stockpiles	8,448
Consumables and Stores	5,233
Total	**$49,407**

(iv) Plant & Equipment and Capitalised Expenditure is the current book value of the Minerals Division. The value of the Minerals Division will ultimately be dependent upon a number of factors including the final contract price determination with Cabot, prevailing market conditions, the realisation or restructure strategy that is ultimately adopted and the implementation of that strategy.

(v) Post VA Creditors include the following:

	$'000
Administrators' Trade Creditors	27,818
Finance Facility Drawn-down	15,000
Total	**$42,818**

(vi) Pre-VA liabilities include the following:

	$'000
Hedge Counterparties	476,313
US Noteholders	284,248
Trade Creditors/Accruals	44,469
Bilateral Debt	22,475
Rehabilitation Bonds/Guarantees	14,143
Employee Entitlements	12,574
Employee Entitlements Accrued for Payment	7,211
Lease Liabilities	2,763
Provisions & Other	2,578
Sub Total	**866,774**
Subordinated Interest Accrued	49,052
Total	**$915,826**

- Hedge Counterparties' debts are calculated in accordance with ISDA terms. Swap close out calculations were received from all twelve counterparties. An independent treasury consultant was engaged by us to review the claims and valuations.

- SOG through private placement of US dollar notes in 2000 and 2002 raised a total of US$170 million. This US Noteholders' liability of A$284.2 million now includes a contractual entitlement of A$36.3 million relating to make-whole prepayment compensation amounts claimable as a result of the default arising from commencement of Administration of SOG.

- Trade Creditor/Accruals have been decreased by payments made in settlement of retention of title claims.

- The Rehabilitation Bonds/Guarantees liability has decreased as a result of the replacement of EPB's associated with the Gold Division following the sale to SBM.

- The remaining claims of employees are afforded priority to ordinary unsecured Creditors claims pursuant to Section 556 of the Act. All employees working in the Group are directly employed by SOG. As at 3 July 2005 the claims of the remaining employees were approximately $12.6 million. This balance includes a contingent provision for severance entitlements of $7.9 million and an accrual for leave entitlements for the Administration period as follows:

	29 Aug 04 $'000	3 Jul 05 $'000
Wages	60	-
Annual Leave	4,098	2,004
Long Service Leave	4,711	2,236
Time in Lieu of Notice	3,506	1,658
Redundancy	11,496	6,260
Other	-	416
Total	**$23,871**	**$12,574**

- Employee entitlements accrued for payment in the amount of $7.2 million were entitlements due for payment following the sale of the Gold Division that were accrued as at 3 July 2005. These amounts were subsequently paid on 4 July 2005.

- There are liability provisions in the accounts for lease ($2.8 million) and other provisions ($2.6 million) against which provable claims in the Administration have been received.

- Subordinated Interest Accrued has been included in the pre-VA liabilities balance and is an accrual calculated since the commencement of the Administration based upon the outstanding pre-appointment debt and crystallised swap facilities. Section 563B of the Act provides for payment of Subordinated Interest only after payment of all other debts and claims.

(vii) Other balances

Inter-company loans exist between the Companies within the Group, as detailed in Annexure 8. These have been excluded from the consolidated balance sheet. Loans that exist between Companies that are in Administration and subject to the DXG, have been excluded as the assets and liabilities of these Companies are shown as pooled for the purposes of the Administration.

The loans that exist between Companies that are in Administration and those that are not in Administration do not (based on existing advice) result in ultimate cash leakage from the SOG Group of Companies in Administration (ie. any flow of funds out of the Group find their way back into the Group via loan accounts or shareholding). It should be noted that these liabilities remain provable in the Administration in the amount of $135.9 million and are not shown in the balance sheet above, but are listed in Annexure 8.

As a result of the carried forward tax losses in the Group, the future income tax benefits and deferred income tax liabilities within the various Group Companies have also been excluded, as they also are not expected to generate assets for the Group or result in cash leakage.

8.3 Financial Performance

Financial Performance – Administration Actual

Certain financial results relevant to the Minerals Division are subject to commercial confidentiality and cannot therefore be disclosed and discussed in detail in this report.

Group Trading Results

The Group's unaudited operating results for the period 23 August 2004 to 3 July 2005 (June 05 period) are summarised below:

	Actual VA to Jun 05 $'000
EBIT	
Gold	11,125
Minerals	(7,527)
Corporate and Exploration	(18,181)
Total EBIT	**$(14,583)**
Cashflow	
Gold	20,190
Minerals	15,971
Capital	(6,521)
Mine Development	(23,252)
Corporate	(50,002)
Sub Total	(43,614)
Movement in Working Capital	32,135
Movement in Borrowings	10,740
Group Cashflow	**$(739)**

We note that the reported results commence from 23 August 2004 being the last reconciled period end date immediately prior to commencement of Administration on 29 August 2004.

Whilst positive cashflow contributions have been made by the Gold and Minerals Divisions on an operating basis, investment in capital projects, mine development and corporate commitments have resulted in a negative contribution to cashflow over the period before working capital movements and borrowings. These are discussed below.

Gold Division

The Gold Division's unaudited trading results and reportable cash costs per ounce for the Administration period are provided below:

	Actual VA to Jun 05 $'000
EBIT	**$11,125**
Cashflow	
Operating Cashflow	20,190
Capital Expenditure	(1,600)
Development Expenditure	(6,628)
Net Cashflow	**$11,962**

Gold Production (ozs)	**221,235**
Reportable Cash Costs (A$/oz)	**455**

Minerals Division

The Minerals Division's unaudited trading results for the Administration period are provided below:

	Actual VA to Jun 05 $'000
EBIT	**$(7,527)**
Cashflow	
Operating Cashflow	15,971
Capital Expenditure	(4,669)
Development Expenditure	(16,624)
Net Cashflow	**$(5,322)**

Total Tantalum Production (lbs)	**1,688,501**
Lithium Production (tonnes)	**121,288**

On an operating basis the Greenbushes site has performed reasonably consistently, whilst Wodgina has experienced several operating challenges due to entrained deleterious elements impacting recovery and production. All contracted sales commitments have been met to customers of the businesses.

The capital expenditure during the period to date has been necessarily applied to non-elective project areas to:

- Enhance operations by improving performance by way of the Wodgina processing plant upgrade.
- Sustain the operations by maintaining production and personnel levels by way of the Greenbushes underground and the Wodgina camp upgrade.
- Mitigating risk and compliance with statutory and regulatory requirements (tailings dam uplifts and dust suppression).

The development expenditure has been expended on the movement of waste material in accordance with the mine plans for Greenbushes underground and the Wodgina open cut pit.

Corporate

Corporate comprises head office, exploration and interest cashflows as well as cashflows arising from Administration matters as detailed below:

	Actual VA to June 05 $'000
EBIT	
Head Office	(14,678)
Exploration	(3,503)
Total EBIT	**$(18,181)**
Cashflow	
Head Office	(11,740)
Exploration	(3,067)
Interest Received	320
Sub Total	**(14,487)**
VA Rationalisation	
Non-Core Asset Realisations	19,458
Gold Division Sale Receipt (SBM)	2,283
ROT & Other	(21,893)
Redundancy/Mine Closure	(14,581)
Administrators' Remuneration	(4,648)
Other Professional Fees	(7,783)
Other VA Cashflows	(8,352)
Sub Total	**(35,516)**
Total	**$(50,003)**

The head office cashflow has been applied against commercial, corporate, services and operations areas within the support role for sites and administration activities. The costs have been mostly driven by personnel and office lease costs, but given the reduction in head office personnel and relocation of head office to new cheaper premises this cost area will reduce significantly moving forward.

Whilst most field exploration programs were put on hold shortly after our appointment, work continued to be undertaken by resource staff in preparation of information memoranda for the Gold and Minerals Divisions, as well as assisting in the sale process for the Gold Division assets. The exploration cashflows reflect the personnel and other costs invested in those areas.

The VA Rationalisation items broadly represent:

- The non core asset realisations set out in the table in page 69 of this report.
- Satisfaction of ROT and other claims adjudicated as necessary and essential by the Administrators in the course of continuing operations.
- Severance payments such as redundancy and other entitlements (as appropriate) have been expensed or made to employees that have been terminated or have resigned.
- As at 3 July 2005 the Administrators remuneration had been approved and drawn in the amount of $4.648 million for the period to 28 February 2005.

- Other professional fees include payments in respect of legal and advisers' fees concerning the Cabot arbitration, investigation matters, the gold sale transaction, valuation of plant and businesses, restructuring analyses and recommendations, litigation matters, other asset realisations and general Administration tasks.

- Other VA cashflows mostly relate to Bank set offs of cash balances that existed at the commencement of the Administration simply due to location of the deposits, such set off action being out of the control of the Administrators.

Financial Performance - Forecast

The forecasts have been prepared by Management and have been reviewed by the Administrators for reasonableness. An audit of the information has not been performed, and we remain reliant upon Management representations and the accuracy and validity of the information that has been provided to us.

Forecasts by their nature are estimates of future events that are not able to be tested and are subject to the inherent uncertainty of commercial events.

Many of the assumptions that form the basis of the forecasts remain subject to commercial confidentiality and cannot therefore be disclosed in this report. Assumptions have been outlined where appropriate and possible.

Group Trading Forecast

The consolidated forecast Group financial performance for the period July 2005 to June 2006 is summarised below:

	Forecast Jul 05 to June 06 $'000
EBIT	
Minerals	14,519
Corporate	(5,110)
Total EBIT	**9,409**
Net Interest & Facility Fee Expense	(6,401)
Net Profit (Pre VA/DA Costs)	**$3,008**

The following comments are noted in respect of the Group profit and loss forecast for the periods:

- There is a forecast improvement in the Minerals Division's performance in the period from January 2006 onwards as a result of an assumed increase in the Wodgina sales price achieved via the Cabot arbitration (the outcome remains subject to change).

- The net profit is stated before fees and costs associated with the Voluntary Administration/DOCA, profit or loss on sale of assets and the accrual of subordinated interest on the Group's pre-appointment bank debt facilities.

The consolidated Group Cashflow forecast for the period July 2005 to June 2006 is summarised below:

	Forecast Jul 05 to Jun 06 $'000
Cashflow	
Minerals Operating	10,936
Capital Expenditure	(23,818)
Mine Development	(9,714)
Corporate	(27,800)
Sub Total	**(50,396)**
Movement in Working Capital	(6,089)
Movement in Borrowings	38,831
Group Cashflow*	**$(17,654)**

*cash deficiency funded from opening cash balance of equal amount

Key operating assumptions that underlie the forecasts for Minerals include:

- Sales quantities in line with contracted commitments plus an allowance for third party sales not subject to contract.
- Sales prices are subject to commercial confidentiality. The Wodgina pricing post January 2006 is subject to the arbitration outcome.
- An USD/AUD exchange rate of 76.5 cents to December 2005 and a rate of 74 cents to June 2006. SOG is seeking an A$ price in the Cabot arbitration.
- Operating costs in line with contract terms, or expected terms, of contractors, suppliers and third parties.

The forecast capital expenditure is in respect of essential projects to preserve the going concern nature of operations, including adherence to environmental and regulatory requirements. Major capital projects include:

- Wodgina – processing plant upgrade ($6,463k), tailings storage facility ($2,000k), extensional drilling ($1,200k) and other projects of necessity or regulatory compliance.
- Greenbushes - underground project ($3,660k), roaster plant ($1,400k), fire risk improvements ($530k) and other projects of necessity or regulatory compliance.

Mine Development expenditure is a necessary expenditure to preserve and maintain production in line with the forecast. During the forecast period development is dominated by Wodgina, including access to areas such as South Tinstone and Cassiterite.

Corporate

The forecast Corporate cashflows continue to comprise the several items as outlined earlier when discussing actual results, as follows:

	Forecast Jul 05 to Jun 06 $'000
Cashflow	
Head Office	(7,661)
Exploration	(2,714)
Interest & Facility Fees	(6,401)
Sub Total	**(16,776)**
VA Rationalisation	
Non-Core Asset Realisations	3,466
Other	171
Other Professional Fees	(7,182)
Administrators' Remuneration	(7,282)
Redundancy/Mine Closure	(197)
Sub Total	**(11,024)**
Total	**$(27,800)**

In respect of forecast Corporate cashflows we note:

- Annual head office costs have reduced significantly from the previous period to June 2005 in line with reductions in personnel and office lease costs.

- Exploration expenditure has been provided for in respect of specific projects that will mostly benefit Wodgina operations in seeking to source new ore sources in the short to medium term.

- Forecast Administrators' remuneration has been detailed at section 11 of this report.

- Other Professional fees are forecast to continue to be applied in respect of advisers' fees concerning the Cabot arbitration, investigation matters, valuation of the Minerals businesses, restructuring analyses and recommendations, litigation matters, other asset realisations and general Administration tasks.

The Administrators are currently settling the documentation for the $78.25 million banking facility that will support ongoing operations, capital projects and administration activities, and provide flexibility for unseen events that will cater for the sensitivity in cashflow assumptions.

Existing forecasts estimate that funds of between $54 million and $69 million will be required. This is demonstrated via the following forecast application of funds:

	Forecast Jul 05 to Jun 06 $'m
Minerals	
Operating Cashflow	10.9
Capital Expenditure	(23.8)
Development Expenditure	(9.7)
Sub Total	**(22.6)**
Corporate	
Head Office	(7.7)
Exploration	(2.7)
Interest & Facility Fees	(6.4)
Working Capital Movement	(6.1)
Sub Total	**(22.9)**
VA Rationalisation	**(11.0)**
Total Cashflow	**(56.5)**
Opening Cash	17.7
Less Facility Already Drawn to 3 July 05	(15.0)
Forecast Closing Facility – 30 June 06	**$(53.8)**

*Flexibility for month end cheque run of $15 million is the basis for the range up to $69 million.

Whilst the new facilities will be utilised for the purpose of generally funding the above activities, the intended application of the new facility will be broadly towards replacing the existing drawn bank facilities, payment of Administrators' trade Creditors and providing flexibility for month end cheque runs and unforeseen events.

In the event of default by SOG under the Bank facilities the security documentation will provide for the appointment of a Receiver and Manager. The proposed default priority of distribution is to be the same as has been outlined for the DOCAs (refer to page 26 of this report).

The achievability of the forecast is reliant upon the assumptions utilised which remain subject to movement. It is expected that the Group will be able to operate within the flexibility provided by the facility. The key sensitivity factors include the following:

- Movement in USD/AUD exchange rates.
- Wodgina sales price to Cabot.
- Wodgina sales quantity to Cabot.
- Tantalum market developments and maintenance.
- Lithium prices.
- Operational performance of the sites (grade, recovery, capital projects, etc).
- Working capital movement and requirements under the DOCAs.
- Escalation in costs or delay in capital projects.

- Increased purchase obligations from third party suppliers that can not be matched with a sale.

Hedging Policy

SOG's operating revenues derived from Minerals sales are highly sensitive to the USD/AUD exchange rate fluctuations. SOG's hedging facilities were terminated and unwound by the counterparties upon the appointment of the Administrators.

A short term (6 month outlook) hedging program was implemented by the Administrators to protect the Group's cashflows over the period. The forward sales hedging contracts entered into by the Administrators as at 29 June 2005 were in respect of US$38.5 million at an average exchange rate of 76.25 cents.

The hedging policy remains to provide increased certainty of cash flows (rather than gains) protects downside risk of an escalating USD/AUD exchange rate and enables SOG to average down/up using the unhedged receipts.

8.4 Estimated Return to Creditors

We have attempted to quantify below the possible incremental affect on the dividend range that may be available to Creditors across a range of outcomes. We expect that a Liquidation scenario will result in a lower return than under the DOCAs and subsequent restructure/sale alternatives for reasons outlined in section 11 and 12 of this report.

For reasons of commercial sensitivity we do not provide in this report the likely dividend range that may result following the Administration of the DOCAs. The primary reasons for this are:

- Ultimately the Administrators will seek to realise the value of the business assets via restructure or sale. Releasing the dividend range will disclose the Administrators' indicative valuation range for the assets, which may prejudice future realisation attempts.

- There remains uncertainty as to the outcome of the Cabot arbitration (and Wodgina product price) and the investigation matters. This will lead to a very broad range being placed on the dividend estimate which may also affect the future marketing of the asset or recoveries arising from the investigations.

Notwithstanding, we provide the estimated incremental dividend impact of the DOCAs versus Liquidation (ie. the differential between estimated liquidation returns and the estimated DOCAs dividend returns to Creditors) we confirm that:

- The estimated return from the DOCAs (followed by restructuring/sale) is expected to exceed the estimated Liquidation return.

- Our advisers consider that the possible future restructuring steps post-DOCA are viable.

It is estimated that the holding DOCAs (which preserve the opportunity of restructuring alternatives) may result in a possible incremental dividend return to Creditors of up to approximately 17 cents in the dollar.

The dividend analysis has been conducted on the assumption that shareholders claims (if valid) will be subordinated and will not rank pari parsu with ordinary unsecured Creditors. Ultimately the outcome is subject to the Shareholder Test Case. At this stage it would be impossible to try to estimate the quantum of this potential claimant pool given the existing uncertainty and timeframe under consideration.

The timing of any dividend, and whether in cash or other consideration, will depend on the form of restructure that Creditors wish to accept following the completion of the holding DOCAs (as well as the outcome and timing of the Shareholder Test Case).

This incremental dividend estimate is preliminary and based upon the best available information at this time. The key assumptions that have been made include, but are not limited to, the following:

- No adverse movement in USD/AUD exchange rates.
- Shareholders will not rank pari parsu with ordinary unsecured Creditors and will at least be subordinated pursuant to section 563A of the Act.
- Following the holding DOCAs, a restructuring proposal is implemented without delay and the going concern valuation is achieved. This assumes a favourable outcome on the Cabot arbitration.
- Achievement of forecast profit and loss and forecast cashflow for the 2005/2006 financial year, and subject to the sensitivity factors outlined.
- Priority repayment of employee entitlements, but with no provision for payment of contingent severance payments in a restructuring scenario (ie. employees are continued to be employed). Severance entitlements, including redundancies, are only payable where employees are actually made redundant.
- The intercompany loans between SOG Group Companies in Australia and overseas have not been included for dividend purposes.

9 Key Administration Issues

There have been numerous matters addressed by the Administrators to date during the course of the Administration. Outlined below are several key matters, including:

- Sale of Gold Assets
- Sale of Non Core Assets
- Cabot Arbitration
- Shareholders Test Case

9.1 Sale of Gold Assets

As advised in the Administrators' first report to Creditors, Macquarie were appointed by the Administrators as advisers to assist in the sale of the Gold Division. The sale to St Barbara Mines Ltd ("SBM") was completed on 28 March 2005, with certain post completion obligations of the parties thereafter.

The sale to SBM was a culmination of several weeks of negotiations with potential purchasers following a wide-ranging and comprehensive sale and marketing process involving a large number of interested parties, both from Australia and offshore. The sale was approved by the Committee of SOG.

Under the transaction SBM acquired SOG's gold interests in the Leonora, Southern Cross and South Laverton regions of Western Australia. SBM also acquired SOG's nickel exploration rights associated with these regions as well as a portfolio of royalty interests.

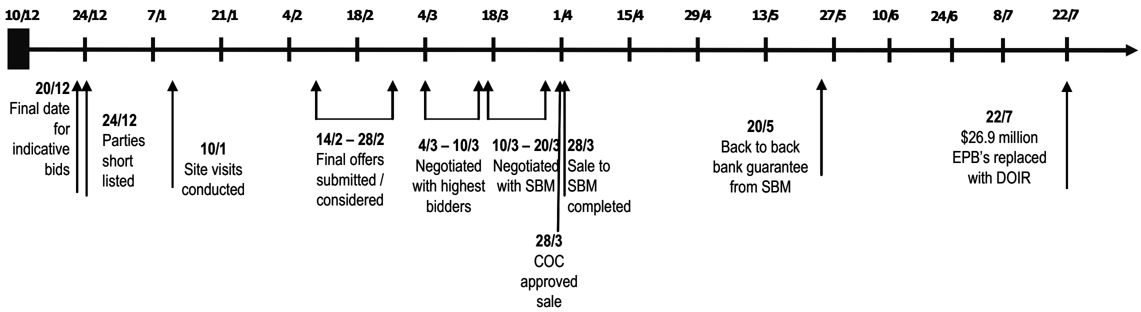
The ultimate consideration for the sale to SBM consisted of:

- Replacement of all existing bank guaranteed environmental performance bonds ("EPB") associated with the Gold Division totalling A$30.8 million;
- Assumption of additional EPBs proposed by the Western Australian Department of Industry and Resources in relation to the Gold Division assets of up to A$5.7 million; and
- Cash payment to SOG of A$2.3 million.

Other benefits to SOG's Creditors and stakeholders of the sale to SBM included:

- The sale allowed the realisation of value for Creditors in a simple, single transaction with minimal conditions whereby all EPB's and operational risks associated with the Gold Division were assumed by SBM; and
- SBM employed a significant proportion of SOG's Gold Division employees.

The process undertaken by the Administrators in relation to the sale of the Gold Division is depicted at a high level by the following time line:



There remains $3.9 million of SOG's EPBs to be replaced by SBM, which is pending the outcome of third party consents or pre-emption rights. That balance is expected to be replaced shortly and in the interim SBM has provided back-to-back bank guarantees to support the balance.

The completion of the sale of the Gold Division has substantially reduced the size of the Group's total mining operations and employee group, including dedicated head office resources.

9.2 Sale of Non-Core Assets

Non-Core Gold Project Assets

The Administrators identified the following non-core mining projects (ie. Non Gold Division / Non Minerals Division assets) to be offered for sale as part of the restructuring strategy for SOG:

- Eulaminna tenements east of Leonora;
- Coglia Well Nickel/Cobalt project;
- Weld Range Platinum Group Minerals JV;
- Weld Range General Minerals JV; and
- Forrestania / Bounty Nickel Royalty.

The sale process was conducted by the Administrators and the following points summarise the activities in relation to the sale of the five non-core mining projects:

- Advertisements seeking expressions of interest were placed in the local, interstate and offshore press;
- The Administrators were contacted by fifty five parties; and parties were selected to sign Confidentiality Agreements and receive the Information Memorandum and DVD data based on their written expressions of interest;
- An independent valuation of the non-core mining projects was completed;

- A number of offers were received for each of the projects. After negotiations with final bidders the Administrators recommended acceptance of a cash offer of $3 million for all five non-core mining project from Minara Resources Ltd; and

- The acceptance of the cash offer from Minara Resources Ltd was approved by the Committee on 16 June 2005; and the Administrators are in the process of finalising the Sale and Purchase Agreements with a view to completing the transaction by 31 August 2005.

Not dealt with as part of the above process was SOG's Mt Jackson Royalty interest. Prior to the appointment of the Administrators, SOG sold a number of tenements at Mount Jackson near Koolyanobbing, Western Australia to Portman Mining Limited ("Portman"). The tenements were sold for cash and a 2% gross overriding royalty on all gold, silver and 'metal' produced from the tenements. The Royalty Agreement has not been agreed between SOG and Portman due to the disagreement on whether the word 'metal' includes iron ore. The Administrators have obtained two independent expert opinions on the meaning of the word 'metal' which have been provided to Portman on a 'without prejudice' basis and Portman have agreed to a 'without prejudice' settlement conference with the Administrators to be held on 17 August 2005.

SOG is also pursuing a refund of certain stamp duty charges arising from the PacMin acquisition. The refund sought is in the order of A$5 million and remains subject to a response to a standing application lodged with the Office of State Revenue.

Other Non-Core Assets

The following table summarises the other non-core assets realised to date:

	$'000
Minara Receivable	7,692
Crescent Gold Shares	1,190
Pacific Wildcat Shares	762
Bemax Shares	7,622
Oropa Shares	422
Navigator Shares	125
Westpac Closeout Gain	271
Exploration Tenements	682
Greenbushes Properties	352
Misc Equipment/Motor Vehicles	224
Artwork	116
Total	**$19,458**

Comments on the significant realisations follow:

- The receivable from Minara Resources Ltd was due to be paid on 23 September 2005 in the amount of $8.25 million, and by agreement between the parties was discounted back to the earlier date of payment at the commencement of the Administration of $7.69 million;

- Shares held in the listed entities of Crescent Gold Limited and Bemax Resources NL were sold following consideration of an independent valuation, with the assistance of a duly appointed broker and at a price consistent with market; and

- Shares held in Pacific Wildcat Resources Corp (a Canadian listed company) were sold after completion of a tender process and consideration of an independent valuation.

The proceeds from the sale of the non-core assets have been deposited to the Group's general operating account and have been utilised to support operations, costs of the Administration and to fund working capital requirements of SOG.

9.3 Cabot Arbitration

Background

When SOG acquired Wodgina in 1996, Cabot, a US listed company, was a purchaser of tantalum concentrate produced from that operation. Cabot was also a purchaser of tantalum concentrates produced at SOG's Greenbushes operation. The Wodgina mine was small scale and had a limited reserve life. It was considered that with further exploration, additional ore would be identified and the reserve/resource position enhanced. On completion of the acquisition, Cabot's existing contract with the former owners was renegotiated at higher prices and SOG proceeded to invest in an exploration and resource drilling programme.

As a result of its initial exploration success, SOG doubled the Wodgina throughput capacity and in 1998 Cabot's contract was extended through to 2005 at increased volumes. In 2000 Cabot's contract was further amended to substantially increase committed volumes. In 2001 the last major expansion of capacity at Wodgina was completed.

These contracts (collectively "WTSC") contain confidentiality restrictions and commercially sensitive information. Accordingly, their details are not able to be disclosed.

The Greenbushes Tantalite Sales Contracts and WTSC are fixed term contracts through to 31 December 2005 and oblige SOG to sell and Cabot to purchase a certain quantity and specification of product at a fixed price per pound.

Each contract contains options of renewal. Cabot has elected not to extend the Greenbushes Contract past December 2005. In August 2003, Cabot elected to extend the WTSC for five years to 31 December 2010 ("Extended Term").

Arbitration

The WTSC provides that if the parties cannot agree on the prices to be charged for product during the Extended Term, then the prices will be determined by arbitration.

Despite extended negotiations and a formal mediation in November 2003, the parties have been unable to agree on prices, and accordingly, on the reference of SOG, the issue of price has been referred to arbitration. The arbitration will be held in London in September 2005 and will be conducted under the Rules of the London Court of International Arbitration ("LCIA").

The Rules of the LCIA on confidentiality limit the information that can be provided about the arbitration and the parties' respective cases.

The WTSC provides that the price for product during the Extended Term shall be based on a nominated reasonable rate of return.

SOG has addressed these requirements of the WTSC by constructing a financial model ("Financial Model") that is able to deliver the price per lb of product in each year of the Extended Term which provides SOG with the contractual rate of return.

The dispute between the parties largely concerns:

- The interpretation and effect of those provisions of the WTSC which deal with the price calculation;
- The components that are to be included in the cost and capital investment base on which the price is calculated and the quantum of these components; and
- The relevant time frame in which these components are to be considered.

Subsequent to the appointment of the Administrators, SOG sought tenders from participants in the contract mining industry for contracts for load and haul and drill and blast at the Wodgina mine. The outcome of that process has resulted in substantial increases in the cost of production at Wodgina, reflecting the cost escalations within the West Australian resources sector. When SOG lodged its Statement of Case and Financial Model with the Arbitrator on 31 January 2005 the outcome of the tender was unknown. However, SOG was given the right to amend the Financial Model to reflect the outcome of the tender process.

The tender process confirmed that mining costs would materially exceed those used in the original Financial Model. Accordingly, on 4 April 2005 SOG submitted an amended Financial Model to reflect these increases.

In SOG's view there is a strong correlation between volume and price. Both the original and amended Financial Models were based on SOG's estimate of sustainable production over the Extended Term, and reserved SOG's position if Cabot did not confirm that its annual committed purchases would match production, to further amend the Financial Model to reflect Cabot's minimum annual purchase requirements under the WATSC. A re-amended Financial Model has been lodged.

The SOG Statement of Case and the Financial Models in support of its contentions as to the price payable by Cabot for product supplied over the Extended Term are:

- Detailed, comprehensive and considered;
- Evidenced by external and internal information and analysis;
- Endorsed by independent experts; and
- Supported by legal opinion.

Throughout the arbitration process communications have been maintained and meetings held with Cabot to preserve the prospect of a negotiated outcome.

9.4 Shareholders Test Case

A number of shareholder claims, or notice of pending claims, have been received by the Administrators to date. The claims total $40.5 million and can be summarised as follows:

	No.	Amount A$'000
Claims received	236	11,478
Notice of claims received only	963	29,060
Total	**1,199**	**$40,538**

Broadly the claims allege that:

- SOG failed to disclose necessary share price sensitive information to the market when required to do so;
- Such information was generally not known to the market and was not known to the shareholders;
- The shareholders would not have purchased the shares had they known the information; and
- SOG displayed misleading and deceptive conduct entitling the shareholder to compensation under statute, common law or in equity.

The investigation conducted by the Administrators to date indicates that further shareholder claims are possible.

A preliminary question which arises in relation to all of the shareholder claims is whether (even if they are established) they are provable as ordinary unsecured debts ranking equally with the debts due to ordinary unsecured Creditors. On the current state of the law the answer to that question is unclear.

Section 563A of the Act provides:

> *"Payment of a debt owed by a company to a person in the person's capacity as a member of the company, whether by way of dividends, profits or otherwise, is to be postponed until all debts owed to, or claims made by, persons otherwise than as members of the company have been satisfied."*

The High Court of Australia has stated in a case decided in 1993 (*Webb Distributors (Aust) Pty Ltd v Victoria*) that that section applies to postpone any claim brought by a shareholder who has acquired shares in a company by subscription. However, in 1997 the English House of Lords distinguished that decision and held in *Soden v British and Commonwealth Holdings plc* that the English equivalent of section 563A did not apply to postpone claims by a shareholder who had purchased shares on market.

Our lawyers advised that, given that the shareholders' claims are likely to be substantial, it is probable that this preliminary question will be taken to the High Court of Australia by one or more of the parties involved. Until the preliminary question is determined finally, there is the real potential that the claims of shareholders will significantly delay distributions to Creditors.

On 4 July 2005, the Administrators filed proceedings in the NSW Registry of the Federal Court of Australia in respect of the Shareholders Test Case. The Respondents to the application are Luka Margaretic, a shareholder claimant (represented by Jackson McDonald and funded by IMF (Australia) Ltd) and ING Investment Management LLC, a Creditor (represented by Arnold Bloch Leibler).

On 20 July 2005, Mr Margaretic filed a cross-claim in the proceedings, seeking orders that he be declared a Creditor for the purposes of Part 5.3A of the Act and be entitled to all of the associated rights, including the right to attend meetings, vote at meetings and receive relevant information.

Directions hearings have been heard on 22 July and 29 July 2005 before Justice Emmett. At the hearing on 29 July, the parties requested that the Test Case be tried on 29 August 2005. The judge acceded to that request and the matter has been set down for a one day trial on 29 August 2005.

A representative order is also being considered by the Court for the purposes of binding all shareholders and Creditors to the decision. His Honour has not made the representative orders thus far, stating that he would consider them further at the 29 August 2005 hearing.

The Administrators have retained Bret Walker SC, to present the case on behalf of SOG and its general body of Creditors.

10 Investigations

10.1 Introduction

We have conducted an investigation into the affairs of SOG and the conduct of its Directors, related parties and advisers in the period prior to our appointment.

Purpose and Scope

As stated earlier, the Administrators, are obliged to investigate a company's business, property, affairs and financial circumstances to:

- Assist the Administrators to form an opinion as to which of the available options is in the best interests of the Creditors; and
- Enable the Administrators to fulfil their statutory duty to report to ASIC offences, breaches of duty, breaches of trust or acts of negligence that may have been committed by past or present officers, employees, members or promoters of the company.

In discharging their obligations the Administrators have undertaken investigations to:

- Determine the reasons for the failure of the Company;
- Identify causes of action or claims that may exist against third parties and that may enhance the asset pool available to Creditors; and
- Identify those causes of action or claims that would only be available to a liquidator and that would not be available to Creditors under a DOCA (eg. claims for insolvent trading and voidable transactions are usually only available to a liquidator).

An Administrator has an obligation to each Company to which he is appointed and must consider the conduct of directors and other parties with respect to each company and the interests of that Company.

Whilst an Administrator's investigations are ordinarily limited in nature, the length of this administration period, the extent of the deficiency faced by the Creditors and the seriousness of various matters uncovered in the early stages of the investigation have led to an extensive investigation that has been both time consuming and expensive.

Throughout the investigation the Administrators have liaised closely with ASIC which is conducting its own investigation into the circumstances of the Company.

The Administrators and their legal advisers believe the investigations continue to be necessary and that they have the potential to add significantly to the net asset pool available to Creditors.

As the investigations are ongoing and we are still conducting examinations before the Supreme Court of Western Australia this report is necessarily circumspect and brief in many areas.

Areas of Investigation

The key areas of our investigations have included the following:

- The reasons for the failure of SOG including an examination of:
  - The Company's treasury activities; and
  - The Company's gold reserves and resource position.
- Consideration of insolvent trading by the Directors of SOG companies;
- Consideration of any negligence or breaches of duty by the Directors of any SOG companies;
- A review of whether any SOG companies have entered into any voidable transactions; and
- Consideration of any negligence or breaches of contract or duty by professional advisers of any SOG companies.

Summary of Work Performed

Our investigations to date have included, inter alia, the following:

- Conducting extensive searches of publicly available information including ASIC records, ASX records, land and mining title records, investment analysts' reports and media reports;
- Reviewing of all Directors' minutes for the six years prior to appointment;
- Reviewing of all major capital/debt raisings and acquisitions in the six years prior to appointment;
- Reviewing of all financial statements over the six years prior to appointment;
- Undertaking a detailed review and analysis of SOG's financial records, including each company to which we have been appointed;
- Interviewing and discussing with the past and present Directors and other key employees of SOG;
- Conducting private examinations in the Supreme Court of Western Australia of nineteen present and past officers, employees, bankers, advisers and auditors of the Company over 24 court days between April 2005 and August 2005;
- Obtaining independent expert advice in relation to:
  - Various aspects of the treasury activities of the Company from 1997 to 2004;
  - The gold reserve and resources of the Company and its disclosure; and

  - The appropriate accounting treatment of the various hedging products and certain treasury transactions that took place in 2000.

- Obtaining legal advice regarding certain aspects of our investigations;

- Issuing writs against the Company's auditors and certain directors for negligence, breach of contract and breach of duty.

10.2 Reasons for Failure

During the course of our investigation, we have considered the factors leading to the appointment of the Administrators and the reasons for the failure of the Company.

Directors' Reasons for failure

The Directors have indicated in their answers to the Directors' questionnaire that the failure of SOG was caused by:

- The sudden deterioration of the Company's gold reserves; and

- The early crystallisation of the contingent liability relating to the gold hedge book which occurred as a consequence of their decision to appoint Voluntary Administrators.

The Directors advised that they anticipated issuing a significantly reduced ore reserve statement to the market on 31 August 2004 and that announcement could have given rise to circumstances under which counterparties to the Company's hedging arrangements could have issued material adverse change notices threatening existing facilities.

The Directors sought an enforcement standstill from their financiers and major Creditors and in their answers to the Directors' questionnaire, state that it was their belief that up to various meetings on 27 August 2004, an effective enforcement standstill would enable an orderly implementation of a plan to dispose of the gold assets in a manner that would enable gold hedge liabilities to be dealt with without crystallisation. As unanimous agreement to the standstill could not be obtained the Directors sought the appointment of Administrators.

Administrators' Reasons for Failure

It is apparent from our investigations that the causes of the Company's failure are numerous, have a history dating back, in our opinion, to the mid 1990's and include the following combination of interrelated factors:

- The entering into highly leveraged hedge instruments known as Indexed Gold Put Options ("IGPO") in 1997. The IGPO's allowed the company to meet short term gold price targets well above spot but was only possible by effectively taking revenue from, or creating contingent liabilities in later years, as far out as 2010. The leveraged contingent liabilities attached to the IGPO's reduced the Company's financial flexibility and was in our opinion a major issue in the Company's inability to deal with its declining gold reserve/production profile and the failure of the proposed standstill. The closeout of the IGPO's on the appointment of the Administrators crystallised a liability of A$270 million;

- The Company's relatively unsuccessful exploration program contributed to SOG's inability to continue the development of the gold business. The near mine-site exploration programs produced some modest successes but none came close to a world class discovery;

- The failure of the September 2001 PacMin Mining Corporation acquisition to deliver the additional gold reserves intended of 2.52 million reserve ounces thought to have been acquired, 1,56 million ounces of reserves were written down in the period 2002-2004. These write-downs were partially the result of reserve sterilisation arising from the Tarmoola pit wall failure but also arose out of the overstatement of the reserves by PacMin prior to acquisition;

- The write-down of 992,000 ounces from the gold reserves at Gwalia underground and the Marvel Loch underground between 2002-2004;

- The fact that in the latter years, relative to the gold industry as a whole, SOG's mining operations were high cost and relatively short life projects. Since 2000 the gold division profit margins decreased from A$210 per ounce to A$12 per ounce;

- The significant overall decline in the level of the reserves and resources, finally recognised as only 851,000 ounces in August 2004, against a gold hedge commitment of 1,210,000 ounces excluding the contingent IGPO commitments; and

- The cost of treasury trading losses and consequential losses arising from unauthorised gold and FX trading activities undertaken by the finance director in the financial year ended 30 June 2000 which we estimate at in excess of $190 million. These losses were either settled in cash prior to the financial year end, or "rolled" into the SOG hedge book increasing risk and taking revenue from future years. In addition the Company paid out dividends of $30 million when, in our view, there were in fact no profits from which such dividends could be paid and paid income tax of $6 million when, in our view, the Company had not made any taxable profits in that financial year. The cash resources and facilities consumed severely limited the Company's capacity to deal with a declining gold business and the overhanging gold hedge commitments.

Reserves and Resources

We have engaged an appropriately qualified industry expert to review the Company's reserve and resource procedures and policy. The review concludes that:

- There are instances where the Company failed to report the progressive write-down of reserves;

- From 2002 SOG was trying to "manage" the write-down of its reserves. Circumstances have been identified where SOG continued to roll forward prior year assessments particularly on deposits which were known to be inadequately controlled. However, it is accepted that it would have been logistically difficult to update resource and reserve estimates for each of SOG's 70-odd deposits each year, but a more systematic and rigorous approach focussing on the key deposits should have been implemented;

- Contrary to industry practice, SOG's annual statements of reserves and resources were not updated for gold price movements;

- Having considered the circumstances which existed at the time, the reserve disclosures in relation to Whirling Dervish and lack of disclosure in relation to Tarmoola (post pit wall failure in particular) and Transvaal was inadequate;

- The need to write-down Marvel Loch Underground reserves (double counting error), would have been identified much earlier if more systematic and rigorous procedures had been adopted. The write-down relating to Gwalia Underground may also have been required as early as 2001;

- From 15 April 2004 there was no reasonable prospect of Tarmoola being viable post the February 2004 pit wall failure, except for the limited amount of residual mining carried out for a few weeks and the subsequent plan to treat the higher grade stockpiles;

- Because of the 2004 write-downs, SOG's future production was projected to fall into deficit in 2005/2006 against its hedged gold commitments. The risks associated with the production targets in the latter years of SOG's five year plan were identified in a report prepared by Behre Dolbear for one of the Company's bankers in December 2003;

- As a consequence of the Company's failure to recognise a reduction in reserves, the Board's answers to the Macquarie Bank Supplementary Pre Placement Questionnaire on 10 October 2003, to support the $70 million capital raising (institutional book build) in late October 2003, may have included an overstated reserves and resources position, with at least the position relating to Karari within the Board's knowledge.

- As a consequence there are matters relating to the reporting of the reserves and resources and the Company's compliance with the JORC code and the listing requirements of the ASX requiring further investigation.

- PacMin Mining Corporation Acquisition

- PacMin Mining Corporation Limited ("PacMin") was an Australian based mining company which was a subsidiary (80%) of Teck Cominco limited, a listed Canadian mining company ("Teck").

- PacMin operated two gold mines, Tarmoola and Carosue Dam, in the Leonora and South Laverton regions in Western Australia which were situated in and around Gwalia's existing mine sites.

- PacMin was acquired in October 2001 at a cost of $184 million (paid by shares $133 million & cash $51 million) to bolster SOG's reserves, resources and production profile and so redress the trends outlined above. The PacMin acquisition was reported to deliver SOG reserves of 2.5 million ounces and resources totalling 6.6 million ounces.

Due Diligence on The PacMin Reserves and Resources

The strategic considerations behind the PacMin acquisition were stated as follows:

- The need to rebuild the Leonora region;
- Opportunity to enhance resource prospects in the South Laverton region;
- Add ounces to reserves to reduce the risks associated with future gold hedging commitments;
- Establish a longer term gold business; and
- Reset the balance of the asset portfolio.
- The pre acquisition due diligence of PacMin commenced in late May 2001.

During due diligence PacMin made available a report by Snowdens being a high level audit of PacMin's Tarmoola May 2001 resource model. The report concluded that, with changes estimated to have less than a 2% effect on reserves and only a minor effect on resources, there were no fatal flaws in the Tarmoola resource estimate.

Limited further technical due diligence was performed until mid August 2001. Site visits to conduct further technical due diligence were planned but access was denied by PacMin.

On 13 September 2001 (which was the day following the release of PacMin's resource and reserve statement to the ASX 12 September 2001) SOG's Bidder's Statement was lodged with ASIC and served on PacMin.

On 13 September 2001, Teck (PacMin's holding company) announced that it intended to accept SOG's offer in the absence of a higher offer.

On 14 September 2001, SOG's offers were despatched to PacMin shareholders and PacMin issued its Target Statement.

On 28 September 2001, SOG's bid was declared free of conditions.

In early October 2001 site visits were conducted by SOG's technical staff and by 15 October SOG had 98% acceptances and resolved to proceed to compulsory acquisition.

On 29 October 2001, Mark Cutifani, SOG's then Managing Director, issued a PacMin acquisition update. The update flagged, amongst other issues, a material down-grade of reserves in Carosue Dam and that same was in the direct knowledge of PacMin senior management and Snowdens and excluded from qualification notes to the reserves in the PacMin Target Statement.

On 2 November 2001, SOG's Manager Technical Services, summarised a downgraded reserve outlook for Karara and Whirling Dervish, 69% and 66% less than reported by PacMin.

As noted earlier, of the 2.52 million ounces thought to be acquired in the PacMin acquisition, 1.56 million ounces were written down in the period 2002-2004.

From the information made available, it appears that PacMin was selective regarding the information it made available to SOG and potentially misleading regarding its non disclosure of certain matters.

We have sought legal advice concerning the circumstances leading up to the acquisition of the shares in PacMin and in particular the matters concerning the due diligence of PacMin's reserves and resources. We have been advised that there is a potential claim against Teck and others for damages for misleading and deceptive conduct. We have commenced a program of work to establish the level of damages claimable. This work will include a valuation of the PacMin shares based on the diminished reserves.

Whilst it is too early to indicate the extent of the likely claim Senior Counsel has advised that any claim will be limited to the cash cost of the acquisition of the shares less the true value of the shares at the date of acquisition. The total cash costs at acquisition are estimated at A$77.6 million.

Treasury

Gold Hedge Book

In or around 1995/96 the benefits of forward selling of gold to derive high forward prices reduced substantially. This was in the main caused by a reduction in interest rates and a resultant reduction in the contango.

In 1996/97 SOG had a price delivery objective of A$640 – 660 per ounce. This price could no longer be achieved through the use of conventional products, such as forward sales unless commitments were made for five years or more.

At around this time SOG accepted greater risk by buying deep in the money puts, funded by the sale of what was called gold lease fees based on indexation payments, for terms out as far as 10 years. These products had developed over a number of years and ultimately became known as Indexed Gold Put Options ("IGPO").

Essentially the IGPOs required no cash payment of premium at the time of purchase. The strike price of the put which SOG would receive for the gold, was set at a significantly higher price than the spot or forward prices available at the time of purchase. To compensate the seller of the options SOG agreed to pay an indexed gold borrowing fee calculated at maturity on a pre-determined formula related to the gold price. If the prevailing price at expiry was above a predetermined trigger price the indexation payment would be calculated and indexed to the increase in the price above the trigger price. If the price was below the predetermined trigger price no payment was required.

In 1998 SOG was advised that the nature of this product involved in reality the sale of multiple call options (described by some banks as “underlying sold calls”) for each put that had been purchased. The leverage averaged 5 to 1. The use of this product peaked in the 1998 financial year and our hedging expert estimates that the indexation at that time was equivalent to having sold approximately 6.2 million ounces of calls. When added to the disclosed gold committed through the use of other products, SOG in fact had commitments equal to approximately 8 million ounces of gold as at 30 June 1998.

SOG has at least since 1996 been bound by banking covenants to restrict committed gold hedging to 90% of gold reserves. As at 30 June 1998 SOG had disclosed gold reserves of 3.56 million ounces, significantly less than the commitments of 8 million ounces outlined in the previous paragraph. Our expert estimates that for the financial year ending 30 June 1999 SOG had gold commitments equal to approximately 6.1 million ounces compared to 3.12 million ounces of gold reserves.

In fact, in no year since 1998 has SOG been in compliance with the 90% of reserves hedging restriction, based on including the IGPO calls equivalents within the gold commitments.

SOG disclosed the IGPOs in some of its annual accounts by including them in the general note on hedging and importantly categorising them with the uncommitted purchased put instruments.

We have sought independent expert accounting advice regarding the adequacy of the disclosure of the IGPOs in the financial reports of SOG and whether the contingent sold call imbedded in the product should have been treated as committed ounces pursuant to the relevant covenants in certain banking agreements.

In the opinion of our expert the information about the IGPOs in the Company's financial reports was significantly incomplete and did not comply with the disclosure requirements of AASB 1033. The information about the significant contingency to pay Australian dollars or ounces of gold and quantification of these amounts should have been disclosed by the Directors as soon as they become aware of the situation.

In the opinion of our expert when reporting the percentage of committed ounces to reserves, the Company should have disclosed the existence of a contingency of a future material commitment to deliver Australian dollars and the equivalent number of ounces of gold as a consequence of the IGPOs.

The senior executive of the Company were aware as early as February 1998 that the IGPOs were effectively funded by sold calls. Importantly there was an opportunity in August 1999 to close out the commitments attached to the IGPOs for a cost of A$74 million that would have left SOG in a significant net positive position from the transactions. The opportunity was not taken and once the gold price exceeded A$500 per ounce the indexing problem was simply too large to effectively manage. It produced the incongruous position for a high cost gold producer, that the higher the gold price, the more pronounced the problem. The leverage of the underlying sold calls was too great to permit the Company to close them out and as noted earlier the closeout cost on appointment of the Administrators was A$270 million.

In our opinion had the full extent of the commitment attached to the IGPOs been properly disclosed to the markets or in the Company's financial statements the Directors would have been compelled to close them out in 1999 at a significantly lesser cost than that set out above.

Foreign Exchange ("FX") Hedge Book

With the merger of SOG and Gwalia Consolidated Limited in early 1998 and the expanding tantalum market, SOG became a significant hedger of United States currency.

As at 30 June 1999 SOG disclosed FX commitments totalling US$620 million (forwards and sold calls). In fact the FX hedge book at this time was more like US$1,000 million. Significantly, SOG did not disclose US$425 million of sold calls that were not perfectly matched by a similar amount of protective bought calls. Up until April 2000 SOG had chosen to treat the positions as offsetting each other, a treatment that later proved inappropriate as the bought protection was knocked out leaving SOG exposed to the sold calls.

Also, SOG records indicate that the negative mark to market of these mismatched positions was not disclosed in the fair values of the annual accounts in either 1998 or 1999. For the year ending 30 June 1998 the negative FX fair value was A$70 million higher than that disclosed.

Our hedging expert is of the view that both sides of the bought and sold call options should have been disclosed in the annual accounts in June 1998 and 1999. Further, that the actual FX commitments as at 30 June 1999 were in the order of US$1,000 million rather than the US$620 million disclosed.

It is interesting to note that the 1999/00 budget and five year plan budgeted approximately US$350 million in Minerals revenue over the five years to 30 June 2004, a number significantly less than the FX commitments, after adjusting for that part of the FX commitments allocated to the gold book.

In our opinion had the full extent of the FX commitments been disclosed in the June 1999 financial statements the Company would have been compelled to close out the positions to the extent they represented over hedging. The positions were not closed out and were delivered into over time at an increased loss in excess of $65 million.

Trading book – Gold and FX

Between 1994 and 2000 SOG generated profits from short term speculative gold and FX trading activities. These profits were never fully disclosed in the Company's financial statements as trading profits and from 1998, were to the extent that they were disclosed, were described as "Gains from management of gold and foreign exchange contracts". The trading book was a separate and distinct speculative book in contrast to the hedge book, which was developed to protect and enhance the Company's underlying revenue.

Treasury trading book profits that were reported through to the Board for the 1998, 1999 and 2000 financial years exceeded those reported in the annual accounts, for the above period by some A$11.701 million.

During this period the Company's Treasurer and Chief Financial Officer (from 1982 to July 2000), Mr Eardley Ross-Adjie ("ER-A"), directed internal memos to certain senior executives detailing outcomes of trading book positions taken. On occasions these memos would say that a profit had been made and other times the memo would say that the profits would be embedded into SOG's forward sales pricing. Those transactions that referred to "embedding" were usually credited to what is described as a "Gold Borrowing Account" ("GBA") with Citibank.

The transactions that were credited to the Citibank account were not captured in the SOG's general ledger accounting system and were effectively outside the Company's financial records. As at 30 June 1998 the balance of this account was $11.5 million. By 30 June 1999 the account had grown to $13.98 million and later peaked at $22.5 million on 9 September 1999. In the later part of ER-A's tenure similar but smaller accounts were opened with other financial institutions. Neither the balance of these accounts nor any of the transactions constituting their balances were recorded in the Company's general ledger.

These off balance sheet bank accounts were used to house profits and losses from gold and FX trading activities.

On 26 April 2000 ER-A advised SOG by way of letter that he believed that the Gold and FX trading book was "out of control". The Board suspended him from all duties on 8 May 2000.

Subsequent to the ER-A letter, work completed by the Company revealed that the FX trading book gross committed positions totalled some US$987.2 million and gold trading book some 2 million ounces against discovered Board approved trading limits of US$20 million and 20 thousand ounces of gold.

At the time of the reconciliation in May 2000, SOG identified that the FX trading book was out of the money by approximately A$100 million and the gold trading book out of the money by approximately A$50 million. At this point SOG's estimated exposure to potential losses was approximately A$125 million based on the then mark to market (A$150 million less A$25 million cash found in the off balance sheet accounts). At the time the directors considered that the extent of the potential losses threatened the company's existence.

How much were the losses and how was the Trading Book dealt with?

Between the date of ER-A's admissions about his unauthorised trading activities and until 30 June 2000 significant effort was made to close out the less costly trading positions and restructure or roll the remaining transactions into the hedge book (as distinct from the trading book).

Whilst an oversimplification, evidence has been given that the Board decided to redesignate, that part of the trading book, that was not closed down, as then being hedging, and to defer the losses over time. The decision was not minuted.

Essentially the trading book was dealt with in 3 main ways.

Type 1

- Close out trading transactions without incurring further risk.
- For example cash from the off balance sheet accounts or taking value by closing out in the money gold forwards.

Type 2

- Restructured trading transactions by taking on risk.
- For example selling long term gold calls to close out short term trading positions or recast trading into longer term products.

Type 3

- Rolling the trading transactions directly into the hedge book.

The losses funded or dealt with by the various types of transactions can be summarised as follows:

	A$m
Type 1	50
Type 2	43
Type 3	42
Total	**$135m**

In summary, A$50 million was expended closing down certain trading transactions without taking on additional risk. The balance of A$85 million was either the funds raised through a restructure or the estimated cost of closing out various transactions at the time they were rolled into the hedge book. It is important to note that the A$85 million involved deferring risk into the future, thus exposing SOG to further losses.

An analysis of the type 2 and 3 transactions has established that the various positions worsened over time and approximately a further A$80 million was lost as a direct result of not closing out the unauthorised trading transactions.

In total it is estimated that the FX and gold trading book cost SOG in excess of A$190 million.

Trading Book Restructure costs taken to financial records.

Although we have identified trading book losses closed out by June 2000 of approximately A$110 million (A$135 million less off balance sheet cash of A$25 million) the following table records the amounts entered into the Company's financial records.

Date	Deferred Losses		Deferred Gains
	Total $	Cumulative $	Cumulative $
June 2000	(6,522,502)	(6,522,502)	
June 2001	(2,892,658)	(9,415,160)	0
June 2002 (recorded Nov 2001)	(30,780,000)	(40,195,160)	30,780,000

Neither we nor SOG accounting personnel have been able to locate any other entries that passed through the Company's financial records. We have been unable to find any explanation for the delay in recording the $30,780,000 transactions some 14 months after the event.

There is no mention of the trading losses in the SOG 2000 financial statements and the losses were accounted for by SOG in such a way that it apparently had no impact on the profit and loss for that year. The only entry recorded in the SOG general ledgers is the deferral of hedge losses of $6.522 million to the balance sheet as noted in the table above. This was effectively achieved by netting off the sources of funds (gains) and the application of funds (losses), without actually passing through the Company's general ledger. Save for the journal entries representing the net deferral shown above all of the detail of the trading transactions was kept from the chief accounting officer then responsible for preparation of the financial statements.

We were advised that the Company's auditors worked with the senior executive in the development of the accounting treatment.

It is noted that no public announcement was made in respect of the unauthorised trading positions and the potential consequences for the company, ER-A's suspension by the Board or the reasons for it, the trading book losses, the off balance sheet monies or the steps taken by the company to remedy the problem caused by the unauthorised trading.

The independent expert review of the appropriate accounting treatment for the losses arising from the unauthorised trading book is continuing but preliminary views indicate that the reported operating profit before abnormals and tax should have been a loss rather than $83.6 million profit reported with further losses to be reported in following years.

Over commitment of FX

By 30 June 2000 those unauthorised FX trading transactions that were not closed down were rolled into the hedge book. FX commitments outstanding as at 30 June 2000 were US$1,441 million. This was effectively made up of the US$1,000 million from June 1999 with the balance being the residue of the unauthorised FX trading book.

By 30 June 2000 SOG had developed a 10 year plan. This plan showed forecast US$ receivables for Minerals of US$1,891 million over a 10 year period and a further US$341 million in US$ receivables for the gold book. On a gross total basis this exceeded the total FX commitments of US$1,441 million.

A closer review of this budget reveals a number of aspects:

- On 20 July 2000 SOG announced that it had entered into new take or pay tantalum sales contracts on 12 July 2000 for a minimum period of five years that would increase tantalum sales to approximately 2.3 million lbs per annum from the current 1.1 million lbs per annum. The feasibility study for the required plant expansions at both Greenbushes and Wodgina was not completed until 1 December 2000, following a series of discussion papers that were considered by the SOG Board commencing August 2000. The Board approved the expansion on 6 December 2000.

- The June 2000, 10 year plan included another expansion in 2002 that would have seen tantalum sales increase to 3.3 million lbs per annum by 2003/04. Evidence from SOG records indicate that, at that time, the revenue expected from this further expansion was based on "back of the envelope estimates".

We have also discovered that in order to increase US$ receipts a transaction was undertaken to convert 576,000 ounces of AU$660 per ounce gold contracts into 576,000 ounces of US$380 per ounce gold contracts. The conversion was done at US$0.582 cents. The US$ revenues were then allocated to the hedge book at an average rate of about US$0.73 cents. In gross terms this transaction resulted in A$ revenues reducing from A$380.1million to approximately A$300 million, a loss over the delivery period of some A$80 million.

Evidence found on SOG files shows that this transaction was completed solely for the purposes of increasing US$ revenues, and therefore removing the requirement to close out more of the trading book. In other words the losses that would otherwise have been incurred in closing out excess foreign exchange positions were deferred by this modification in the hedge book.

The reliability of the 10 year plan is questionable and would not withstand the rigours of a properly executed bankable feasibility study. History would later prove that US$ revenues never reached anything like the forecast that were used to justify the holding of such large FX hedge book.

Although the 10 year plan showed a covered position, the 5 year position was significantly overcommitted as the banks would not restructure the FX out 10 years. For example as at 30 November 2000 the 5 year US$ receivables for both the Minerals and Gold divisions were forecast at US$825 million compared to hedging commitments of US$1,280 million over the same 5 year period.

In our opinion the over commitment in FX hedging did not meet the requirements necessary to qualify as hedging under the then existing accounting standards.

10.3 Review of Records

Section 286 of the Act requires a company to keep written financial records that:

- Correctly record and explain the company's transactions, financial position and performance; and
- Would enable true and fair financial statements to be prepared and audited.

The financial records must be retained for a period of seven (7) years after the transactions covered by the records are completed.

A failure to maintain books and records in accordance with Section 286 may give rise to a rebuttable presumption of insolvency which may be relied upon by a Liquidator in an application for compensation for insolvent trading.

From our inspection of available records we are of the view, subject to the qualification below, that:

- The Group had prepared audited annual accounts for the years up to 30 June 2003 on a consolidated basis;
- The preliminary financial report for the financial year ending 30 June 2004 had been prepared, but not formally approved by the Board;

- Management accounts were prepared on a monthly basis up to 22 August 2004;

- All journals and prime records supporting the journals were available on our request;

- Prime books and records have been adequately maintained; and

- The Company has a well maintained filing and archive system.

As indicated in earlier sections of this investigation report the books and records were deficient in the following respects:

- There were insufficient records and controls in place to ensure that the full extent of the exposures, profits and losses of the Company's treasury trading operations were correctly recorded in the Company's records;

- There were material cash assets maintained outside the Company's general ledger system;

- There was inadequate disclosure of the commitment and contingent liabilities attached to the IGPO derivative product;

- Treasury trading profits were not adequately recorded in the records nor adequately disclosed in the financial statements for the years ended 30 June 1998 and 1999; and

- Treasury trading losses were not adequately recorded in the records nor adequately disclosed in the financial statements for the year ended 30 June 2000.

10.4 Insolvent trading

Statutory Framework

Insolvent trading is governed by Division 3 of Part 5.7B of the Act and imposes on directors individually a statutory duty to prevent insolvent trading by corporations.

Section 588G(2) of the Act provides that a director who fails to prevent a company from incurring a debt at a time when the director is aware that there are reasonable grounds for suspecting that the company is insolvent, or will become insolvent by incurring that debt or debts including that debt, contravenes section 588G of the Act. This may result in a civil penalty under the Act. For example, a compensation order in favour of the company under section 588J of the Act.

Section 588(3) of the Act provides that if the director's failure to prevent the debt being incurred when the director suspected that the company is insolvent, or would become insolvent by incurring that debt or debts including that debt and the director's failure to prevent the company incurring the debt was dishonest, then the director commits a criminal offence.

For civil liability to apply:

- The person must be a director at the time the debt was incurred;
- The company must be insolvent at the time the debt was incurred, or becomes insolvent by incurring the debt; and
- The director must be aware of insolvency, or there were reasonable grounds for a person in that position to suspect insolvency.

Importantly under section 588M a liquidator may seek, from a director who has breached the insolvent trading provisions, compensation for losses suffered by Creditors. This is not a right available to a deed administrator.

Section 588H sets out defences available to directors in respect of civil claims under 588G(2), they are:

- The director had reasonable grounds to expect that the company was solvent and would continue to be solvent when the debt was incurred;
- The director relied on a competent and reliable person to provide information regarding the company's solvency and, on the basis of the information so provided, the director expected the company was solvent and would continue to be solvent when the debt was incurred;
- Due to illness (or other good reason) the director was not involved in the management of the company; and
- The director took all reasonable steps to prevent the debt being incurred.

Section 588V provides that a holding company may be liable for the debts of an insolvent subsidiary on a similar basis as that applying to a director.

Section 588X provides a holding company with defences to an insolvent trading claim similar to those available to a director.

Section 1317S provides a basis on which a director may obtain an order of the court for relief from personal liability for an insolvent trading claim where they have acted honestly.

Claims for insolvent trading are usually conducted only in the context of a liquidation of a company. There are however limited circumstances in which insolvent trading claims may be commenced without liquidation having occurred. In a recent example ASIC successfully applied for a compensation order notwithstanding the insolvent company was subject to a deed of company arrangement.

Insolvency

Section 95A defines solvency and insolvency as:

- **Solvent person:** the person is solvent, if and only if, the person is able to pay all of the person's debts as and when they become due and payable.

- **Insolvent person:** a person who is not solvent is insolvent.

The definition of solvency/insolvency dictates that a cash flow, rather than a balance sheet, test applies to the determination. This requires an examination of a company's financial position in its entirety, by reference to the nature of its assets and liabilities, its activities and its current and future cash flow including the availability of funding and the support of its financiers.

Class Order

SOG and all the other companies of which we have been appointed Administrators are subject to a Class Order, and are parties to a DXG registered and approved by ASIC.

The DXG operates to pool the assets of the companies which are parties to it upon the liquidation of one or more of those companies.

On the basis of:

- The Class Order and the DXG;
- All the debts and liabilities of the SOG Group companies are incurred by SOG;
- SOG either directly or indirectly controls the other SOG Group companies and their assets;

We have conducted our review of insolvent trading on a consolidated Group basis.

Consideration of Insolvency

For the purpose of determining whether SOG was insolvent at any time prior to our appointment we have considered the following:

- Historical financial statements;
- Current budget and cash flow forecasts;
- Actions of the directors;
- Support of existing financiers; and
- General commercial matters.

We have only commented on those aspects of our investigation and analysis which we consider significant in terms of the analysis of the insolvency.

Historical financial statements

The following table summarises SOG's historical balance sheet for the periods ended 30 June 2001, 2002, 2003 (statutory accounts), 30 June 2004 (draft preliminary financial report/going concern basis) and 22 August 2004 (year to date management accounts).

	30/06/01 ($'m)	30/06/02 ($'m)	30/06/03 ($'m)	30/06/04 ($'m)	22/08/04 ($'m)
Current Assets	160.9	169.3	140.6	146.0	140.2
Non-Current Assets	584.3	1,089.9	1,256.1	954.6	958.5
Total Assets	745.2	1,259.2	1,396.7	1,100.6	1,098.7
Current Liabilities	82.4	119.3	125.8	148.5	128.8
Non-Current Liabilities	342.1	519.3	624.5	460.7	475.5
Total Liabilities	424.5	638.6	750.3	609.2	604.3
Net Assets	**$320.7**	**$620.6**	**$646.4**	**$491.4**	**$494.4**

The key issues arising from the summary are:

- The working capital and the liquidity profile deteriorates in the period 2001 to 2004;
- The net equity reduces to $491 million by 30 June 2004 (on a going concern basis). The decrease is mainly attributable to a pre tax write down of $335 million in the carrying value of mining assets as a consequence of a significant reduction in gold reserves/resource;
- The current and non current assets as at 30 June 2004 include deferred hedge cost $10.7 million (2003/Nil) and $40.7 million (2003/$23.2 million) respectively;
- The current and non current liabilities as at 30 June 2004 include net crystallised liabilities on gold and FX Hedges of $34.8 million (2003/Nil) and $55 million (2003/Nil) respectively;
- The Market to Market hedge position as at 30 June 2004 was negative $353 million (2003/$276.0 million);
- Creditors and accruals consist of aged current trade Creditors and suppliers to approximately 45 days; and
- The statutory taxes and liabilities including superannuation were current to the end of July 2004.

The following table summarises a comparison between actual and budgeted profit and loss outcome for the periods ended 30 June 2003 and 2004, 22 August 2004 (management accounts) and budget forecast for the 12 months to 30 June 2005.

	Full Year 30/06/2003		Full Year 30/06/2004		2 periods 22/08/2004		Full year 30/06/2005
	Actual ($'m)	Budget ($'m)	Actual ($m)	Budget ($'m)	Actual ($'m)	Budget ($'m)	Budget ($'m)
Gold EBIT	18.2	66.5	22.8	36.2	(1.6)	2.8	15.3
Mineral EBIT	65.8	58.9	47.5	49.9	6.7	6.2	38.8
Total Mine EBIT	**84.0**	**125.4**	**70.3**	**86.1**	**5.1**	**9.0**	**54.1**
Corporate Expense	(19.7)	(17.3)	(15.5)	(32.3)	(6.8)	(3.5)	(19.6)
Exploration	(8.0)	(10.0)	(5.0)	(8.0)	(0.7)	(0.7)	(4.0)
Restructure Savings	-	-	-	3.7	-	-	-
Group EBIT	**56.3**	**98.1**	**49.8**	**49.5**	**(2.4)**	**4.8**	**30.5**
Interest Expenses	(25.2)	(28.4)	(19.3)	(24.9)	(2.8)	(2.8)	(19.6)
Net Profit before Tax	**31.1**	**69.7**	**30.5**	**24.6**	**(5.2)**	**2.0**	**10.9**
Tax Expense	(5.8)	(14.3)	(7.0)	(5.9)	-	0.5	3.7
Net Profit after Tax	**25.3**	**55.4**	**23.5**	**18.7**	**(5.2)**	**2.5**	**14.6**
Significant items	11.6	-	(246.3)	(0.5)	8.1	-	-
Net Profit	**36.9**	**55.4**	**(222.8)**	**18.2**	**2.9**	**2.5**	**14.6**

The key issues arising from the table are:

- The Gold EBIT achieved was consistently unfavourable to forecast;
- The 2004/2005 budget forecast was predicated on an achieved gold price of A$590 and US$0.689 (delivery rate);
- The decreased Gold EBIT forecast for the 12 months ended 30 June 2005; and
- The actual total mine EBIT and net profit after tax both produced unfavourable variances to budget for the two month period ended 22 August 2004.

The unfavourable variance in the gold EBIT was attributable to lower gold production (grade) and increased costs. As a consequence the budget outcome for 2004 / 2005 may have been considered at risk.

This following table contrasts the actual and forecast cash flow for the 12 months ended 30 June 2004:

Cashflow Full Year 2003/04	Full Year 30/06/04 ($'m) Actual	Full Year 30/06/04 ($'m) Budget
Gold	87.2	93.6
Minerals	34.3	49.8
Operations	121.5	143.4
CAPEX	(64.8)	(69.4)
Corporate	(77.1)	(77.3)
Group Operations Cashflow	(20.4)	(3.3)
Movement in borrowing	(35.8)	13.0
Movement in capital	69.7	-
Movement in working capital	(8.2)	13.1
Group Cashflow	**5.3**	**22.8**

The key issues arising from the table are:

- Gold and Mineral operating cashflow was unfavourable ($17.5 million to forecast);

- Group cash flow was supported by capital raisings of $69.7 million, applied to retire interest bearing debt ($35.8 million) and working capital requirements; and

- As at 30 June 2004 SOG had available cash totalling $20.7 million and undrawn bilateral banking facilities of $60.0 million.

The following table summarises on a quarterly basis SOG's original cashflow forecast for 2004/2005:

	30 Sep 2004	31 Dec 2004	31 Mar 2005	30 Jun 2005	2004/2005 Total
Gold Cashflow	2,993	2,400	7,351	15,545	28,290
Minerals Cashflow	(6,694)	7,679	(4,566)	3,584	3
Corporate Cashflows	(15,327)	(17,602)	(14,526)	(11,649)	(59,104)
Asset Sales	-	2,000	600	12,000	14,600
Interest	(3,056)	(6,329)	(3,524)	(6,637)	(19,546)
Group Operating Cashflow	**(22,084)**	**(11,852)**	**(14,665)**	**12,843**	**(35,757)**
Movement in borrowings	2,700	9,700	17,705	11,000	41,105
Movement in Issued Capital	-	-	-	-	-
Movement in Working Capital	2,565	70	(781)	(22,841)	(20,987)
Group Cashflow	**(16,819)**	**(2,082)**	**2,259**	**1,002**	**(15,639)**
Bilateral Facilities Movement					
Opening Balance Drawn	-	3,000	13,000	30,705	-
Drawn	3,000	10,000	17,705	11,000	41,705
Closing Balance Drawn	3,000	13,000	30,705	41,705	41,705
Available Bilateral Facility	**$57,000**	**$47,000**	**$29,295**	**$18,295**	**$18,295**
Total Bilateral Facility	**$60,000**	**$60,000**	**$60,000**	**$60,000**	**$60,000**

The key issues arising from the table are:

- Group operating Cashflow is forecast to be negative $48.6 million for quarters 1-3 of 2004/2005;

- The cashflow forecast is supported by bilateral funding requirements of:

  - $13 million to December 2004;

  - $41.7 million to June 2005; and

  - Undrawn bilateral facilities at June 2005 are forecast at $18.3 million.

The following table compares actual to forecast cashflow for the two months ended 22 August 2004.

Cashflow YTD August 2004	Period 2 August 04 ($m's) Actual	Period 2 August 04 ($m's) Forecast
Gold	3.9	6.0
Minerals	2.0	1.7
Operations	5.9	7.7
CAPEX	(5.9)	(11.7)
Corporate	(12.2)	(16.8)
Group Operations Cashflow	(12.2)	(20.8)
Movement in borrowing	22.4	(.3)
Movement in working capital	(12.5)	(4.0)
Group cashflow	**(2.3)**	**(25.1)**

The key issues arising from the table are:

- Contribution from mining operations are lower than forecast mainly due to a decrease in cashflow from gold operations attributable to higher costs in the period;
- Both Capex and Corporate expenditures are favourable to forecast and attributable to cost savings and delayed commitment to Capital Expenditure on planned mining projects; and
- Bilateral facilities were drawn to $22.4 million compared to a forecast of $0.3 million.

As at the end of August 2004 SOG had available cash of $18.4 million and undrawn bilateral facilities $37.3 million.

We have reviewed the cashflow forecast (incorporating actuals for July 2004) for the 12 months ended 30 June 2005 and note the following:

- An under provisioning for hedging restructure costs totalling $15.3 million on the assumption that an agreement to defer to later years would be obtained. Timing of these payments would impact January 2005 - June 2005;
- The budget includes asset sales in fourth quarter of $10.5 million;
- There is a double counting of marketing and selling costs of $0.6 million;
- An under provision for employee redundancy costs of $0.5 million exists which would impact in the second half; and
- Working capital requirement increases $1.7 million.

The cashflow forecast has been adjusted for the net adjustments indicated above. As a consequence additional bilateral funding of approximately $40.0 million was required in the period February to June 2005 being in excess of the then approved bilateral funding facilities. In the event that programmed asset sales were not achieved or were stretched the Companies' cashflow would have become stressed in April and May 2005.

The Companies continued access to the bilateral facilities was critical to the short term solvency position. As at 29 August 2004 those facilities remained in place.

Action of the Directors

We have reviewed Board Minutes, certain management memorandum and other material in the period January 2004 to 29 August 2004.

It is instructive to set out the chronology of certain meetings and other events. It should be noted that four of the Company's six directors were appointed in the period January 2004 to May 2004.

We note the following:

- First quarter 2004, SOG announces the commencement of a strategic review of the Companies' businesses;
- Board Meeting on 15 April 2004 noted:
    - CEO report's on disappointing results for March quarter (in particular gold).
    - Mixed exploration results.
    - Continuing trend of resource downgrades.
- Board Meeting on 17 June 2004 considered:
    - The five year plan.
    - The formation of a due diligence committee for a capital raising.
    - CFO reported that the Company would comply with all financial covenants as at June 2004, however due to a more restrictive covenant with Note Holders occurring in 2004/2005 that compliance may not be achieved at 30 June 2005.
    - Review of Hedge book by Goldman Sachs.
    - CFO presentation on anticipated 2004 results, hedge restructure costs, carrying values and other year end issues.
- Mid June 2004 GEM Consulting was retained to assist with the strategic review process;

- On 28 June 2004 Clayton Utz provide general advice as to insolvency and of the insolvent trading provisions and in regard to ASX disclosure issues;

- Board Meeting on 14 July 2004 resolves to issue an ASX announcement in response to analysts expectations regarding 2004 results;

- Board Meeting on 22 July 2004 considered:

    - Draft forecast of 2004/2005 and forward five year plan.

    - Strategic review may result in changes to mining plans, closure of some operations, and reduction in Capital Expenditure.

    - Those risks impacting on the ability to achieve 2004/2005 budget.

    - The possible reduction in the gold reserves/resources.

    - Strategies required to deal with the gold business/gold hedge book, varying arrangements with US Note Holders, alternative debt arrangements or capital raising.

- Board Meeting on 5 August 2004 considered:

    - Proposal from Macquarie Bank Limited ("MBL") regarding possible capital raising options.

    - Obtaining advice from Clayton Utz and Ferrier Hodgson regarding solvency.

    - Confirmation of the Company's short term cashflow position.

    - The need for advice from Clayton Utz regarding entitlements to the managing director and CFO under contracts of employment.

- Board Meeting on 9 August 2004 considered:

    - Advice received from Ferrier Hodgson regarding solvency and near term issues affecting same.

    - MBL was appointed to advise on capital raising or other value realising transactions.

    - Ferrier Hodgson was appointed to prepare report for lenders.

- Board Meeting held on 19 August 2004 considered:

    - Progress of strategic review.

    - Proposal to seek standstill agreement with lenders.

    - Draft 2003/2004 year end accounts and audit.

- Draft report “indicative range of asset values”.
- Impact of material reduction in reserves/resources on achievability of five year gold plan “announced in September 2003”.

- 24 August 2004 Ferrier Hodgson report to lenders distributed;
- 25 August 2005 unfavourable draft report from Hatch and Associates regarding Marvel Loch underground mine plan;
- 25 August 2004 advice from Clayton Utz regarding “material adverse change” under various facilities documents;
- 24/25 August 2004 meetings with bilateral lenders and counterparties regarding Standstill Agreement;
- Board Meeting on 26 August 2004 considered:
    - Draft preliminary final report for year ended 30 June 2004 “4E” and auditors draft report to audit risk committee.
    - Finalisation of audit report subject to position of bilateral lenders and counterparties to proposed Standstill Agreement.
    - Exploration carrying values and compliance with Australian Accounting standards.
    - Draft report dated 16 August 2004 from KPMG regarding carrying value of mining and exploration assets.
    - MBL to focus on disposal of gold division and hedge book.
    - Need to suspend shares in the event bilateral and counterparties unlikely to support Standstill Agreement.
- Board Meeting 29 August 2004 considered:
    - Response of lenders and counterparties to Standstill Agreement was not unanimous.
    - Counter proposals considered unacceptable in the circumstances.
- The Board decided to appoint Administrators because:
    - The draft accounts disclosed a material adverse change;
    - Not all lenders and counterparties were prepared to support a Standstill Agreement to allow MBL to explore the sale of the gold business; and
    - The likelihood that counterparties would serve notice of default and as a consequence the Company was likely to become insolvent.

Support of Financiers

The approved Bilateral facilities from the ANZ and CBA amounted to $63.9 million of which $3.9 million had been drawn at 30 June 2004. A further $22.3 million had been drawn by 28 August 2004 reducing the available facilities to $37.7 million.

The CBA facilities were due for renewal in December 2004 and the ANZ facilities in March 2005. Prior to 29 August 2004 the bilateral facility was not in default.

The Bank of Western Australia had provided performance bonds totalling $33.3 million which had expired at 30 June 2004 and were to be refinanced by 30 September 2004. As at 28 August 2004 the Company had received an offer from one of the bilateral lenders to refinance approximately half of the amount. Management were confident that the balance was capable of being refinanced however we have not been provided with any evidence.

Further, it is noted that all interest and fees due on the bilateral facilities, the performance bonds and the US Notes was current as of the date of appointment of the Administrators.

In response to the proposal for a Standstill Agreement on enforcements rights the majority of the Company's bilateral lenders and counterparties had indicated their support of the proposal.

As indicated above, continued access to the bilateral facilities in the near term was critical to SOG's ongoing solvency. Without unanimous support for the Standstill agreement the directors anticipated that notices of default would be issued and all of its facilities would be crystallised.

General Commercial Matters

We have also taken into consideration the following matters:

- No trade suppliers had suspended or restricted supply, cancelled trade accounts or threatened or commenced recovery proceedings;
- No winding up proceedings had been threatened or commenced;
- All statutory liabilities i.e. PAYG, withholding tax, payroll tax, royalties and employee superannuation contributions were current;
- The Directors received advice that under the existing finance covenants up to an additional $20 million could be borrowed on an unsecured basis without approval from existing lenders and that $20-$40 million could be borrowed on a secured basis with the consent of bilateral lenders and certain counterparties;
- The Directors had met on a regular basis as issues evolved during the strategic review process and as necessary sought and obtained advice from the Company's lawyers, auditors, accountants and other consultants;
- The Company appointed Goldman Sachs, JB Were and then MBL to advise on capital raising and asset realising transactions;

- The then Directors believed the Companies' records had been properly maintained and management produced timely and accurate management accounts; and

- The Directors and their advisers formulated a proposal for a Standstill Agreement with the lenders and counterparties to enable it to pursue a restructure of its businesses.

Defences Available

On the information available to us we are of the view that the Directors would have good prospects of making out a defence under Section 588 of the Act on the basis that they had reasonable grounds to expect, and did expect, the Company was solvent at the time debt was incurred.

The Directors had projections and advice from their Chief Financial Officer that all of the Company's working capital requirements going forward could be accommodated within their bilateral banking facilities and furthermore they had the capacity to source a further A$40 million in funding. When it became clear that the proposed Standstill Agreement would not be agreed to by all significant counterparties the Directors resolved that the Company was about to or may become insolvent and that Administrators should be appointed.

Conclusion to Insolvent Trading

Given the matters considered by us, it is our view that the Companies did not trade whilst insolvent and that the Directors have not breached their duty under section 588G of the Act.

Critical to this conclusion was the expectation that the Company could operate within its facilities and that it had the continued support of the bilateral lenders to provide ongoing working capital during the period proposed under the Standstill Agreement with the lenders and counterparties. When it became clear that unanimous support for the Standstill Agreement was not possible the Directors immediately placed the Companies into voluntary administration.

We have sought Senior Counsel's advice in relation to this issue and the advice supports the conclusions reached.

10.5 Consideration of Breaches of Duty – Directors

The Directors of SOG and its professional advisers owe duties to SOG. We comment on the nature of these duties below.

Directors' Statutory and Common Law Duties

SOG Directors owe duties to the Companies under statute and at common law, including the duty to use reasonable care and diligence.

Under the statutory provisions, directors must exercise their powers and discharge their duties in relation to the company with the degree of care and diligence that a reasonable person would exercise if they:

- Were a director or officer of a company in the company's circumstances; and
- Occupied the office held by, and had the same responsibilities within the company as, the director or officer.

The duties of directors will differ with the position they hold, the Board committees they were on and the actual knowledge and experience of the director.

A person who accepts the office of a director of a particular company undertakes the responsibility of ensuring he or she understands the nature of the duty a director is called upon to perform. That duty will vary according to the size and business of the particular company and the experience or skills that the director held him or herself out to have in support of appointment to the office. The duty includes that of acting collectively to manage the company. Breach of the duty will found an action for negligence or breach of fiduciary duty to the benefit of the company.

The Standard to be Applied

To test whether the director's conduct is in breach of duty, their conduct will be measured firstly against the standard of care being the objective standard – that is such care as an ordinary person might be expected to take on his or her own behalf.

Secondly, the director's conduct is measured against a standard of skill being what an ordinary person with the knowledge and experience of the director concerned might be expected to have done in the circumstances if acting on his or her own behalf.

In determining whether a breach of duty of care and diligence has occurred, a Court will also consider:

- The balance between the benefit to the company of a particular decision weighed against the risk of harm; and
- The size of the corporation – the larger the corporation, the less detailed knowledge is required by the directors.

In considering whether these duties have been breached, the Law requires us to consider the specific circumstances of each director on a case by case basis.

Defences

In relation to the duty of care and diligence, directors have available a defence referred to as the "business judgement rule", which is available both under statute and common law.

The business judgement rule provides a defence to a director where a decision is made in respect of the business operations of the company, the decision is made in good faith and for a proper purpose, the decision is made in the circumstances where a director does not have a material personal interest in the decision, the director is informed concerning the subject matter of the decision to the extent the director believes reasonably to be appropriate and rationally believes that the decision is in the best interest of the corporation.

Section 189 of the Act provides a "safe harbour" for reliance by a director on information or professional or expert advice given or prepared by:

- An employee of the corporation whom the director believes on reasonable grounds to be reliable and competent in relation to the matters concerned;

- A professional adviser or expert in relation to matters which the director believes on reasonable grounds to be within the person's professional or expert competence; or

- Another director or officer in relation to matters within the director's or officer's authority; or

- A committee of directors on which the director did not serve in relation to matters within the committee's authority;

provided that reliance was made in good faith and after making an independent assessment of the information or advice having regard to the director's knowledge of the corporation and the complexity of its structure and operations.

If those requirements are satisfied, the reasonableness of the director's reliance on the information or advice arises in proceedings brought to determine whether a director has performed his or her statutory duty or an equivalent common law duty, then the director's reliance on the information or advice will be taken to be reasonable unless the contrary is proved.

The investigation undertaken in relation to the Company's hedging and treasury trading activities led us to conclude that there may have been breaches of duty by certain directors in relation to the following areas (where the breaches occurred in 2000, references are to the relevant sections of the Corporations Law ("the Law") which applied at that time):

Section 180 Care and Diligence

Mr Eardley Ross-Adjie (Finance Director/Chief Financial Officer)

- Failure to abide by the treasury trading limits set by the SOG Board of directors;

- Failure to put in place any, or alternatively any proper or effective internal controls over SOG's treasury operations;

- Failure to inform the Board of Directors as to the manner in which the SOG treasury operations were being conducted;

- Failure to cause SOG to keep adequate written financial records in breach of sections 286 and 344 of the Law in the years ended 30 June 1998 and 30 June 1999;

- Failure to ensure that the financial reports for the years ended 30 June 1998 and 30 June 1999 complied with the accounting standards in breach of sections 296 and s344 of the Law; and

- Failure to properly analyse and understand the nature of the IGPO derivative products entered into by SOG and to understand the imprudent financial risk associated with them and the failure to mitigate the exposure when the opportunity arose.

Mr Peter Lalor (Executive Chairman)

- Failure to put in place any, or alternatively any proper or effective internal controls over SOG's treasury operations;

- Failure to supervise adequately or at all SOG's treasury operations;

- Failure to ensure that ER-A abided by the treasury trading limits set by the SOG Board of Directors;

- Failure to inform the Board of Directors as to the manner in which the SOG treasury operations were being conducted;

- Failure to cause SOG to keep adequate written financial records in breach of Sections 286 and 344 of the Law/Corporations Act in the years ended 30 June 1998 to 30 June 2003;

- Failure to ensure that the financial reports for the years ended 30 June 1998 to 30 June 2003 complied with the accounting standards in breach of sections 296 and 344 of the Law;

- Failure to ensure that SOG complied with the continuous disclosure obligations imposed by the ASX Listing Rules and section 1001A of the Law; and

- Failure to properly analyse and understand the nature of the IGPO derivative products entered into by SOG and to understand the imprudent financial risk associated with them and the failure to mitigate the exposure when the opportunity arose.

Mr Christopher Lalor (Commercial and Legal Director)

- Failure to put in place any, or alternatively any proper or effective internal controls over SOG's treasury operations;

- Failure to supervise adequately or at all SOG's treasury operations;

- Failure to ensure that ER-A abided by the treasury trading limits set by the SOG Board of directors;

- Failure to inform the Board of Directors as to the manner in which the SOG treasury operations were being conducted;

- Failure to cause SOG to keep adequate written financial records in breach of Sections 286 and 344 of the Law/Corporations Act in the years ended 30 June 1998 to 30 June 2003;

- Failure to ensure that the financial reports for the years ended 30 June 1998 to 30 June 2003 complied with the accounting standards in breach of sections 296 and 344 of the Law;

- Failure to ensure that SOG complied with the continuous disclosure obligations imposed by the ASX Listing Rules and section 1001A of the Law; and

Failure to properly analyse and understand the nature of the IGPO derivative products entered into by SOG and to understand the imprudent financial risk associated with them and the failure to mitigate the exposure when the opportunity arose.

Thomas Andrew Lang (Non Executive Director- Chairman of the Audit/Risk Committee)

- Failure to ensure that SOG's auditors or an appropriately senior and qualified SOG officer had reviewed SOG's treasury trading activities to ensure that there were adequate internal controls;

- Failure to put in place any, or alternatively any proper or effective internal controls over SOG's treasury operations;

- Failure to ensure that SOG maintained adequate books and records to enable exposures and the resulting profit or loss to be ascertained and brought to the Boards' attention;

- Failure to supervise adequately or at all SOG's treasury operations;

- Failure to ensure that ER-A abided by the treasury trading limits set by the SOG Board of directors;

- Failure to inform the Board of Directors as to the manner in which the SOG treasury operations were being conducted;

- Failure to cause SOG to keep adequate written financial records in breach of Sections 286 and 344 of the Law/Corporations Act in the years ended 30 June 1998 to 30 June 2003;

- Failure to ensure that the financial reports for the years ended 30 June 1998 to 30 June 2003 complied with the accounting standards in breach of sections 296 and 344 of the Corporations Law/Corporations Act;

- Failure to ensure that SOG complied with the continuous disclosure obligations imposed by the ASX Listing Rules and section 1001A of the Law; and

- Failure to properly analyse and understand the nature of the IGPO derivative products entered into by SOG and to understand the imprudent financial risk associated with them and the failure to mitigate the exposure when the opportunity arose.

Consideration of Breaches of Duty – Auditors

SOG's auditors, Ernst & Young, have a contractual relationship with the Company, which requires them to use reasonable care and skill in the conduct of the audit and when making the audit report. Under the common law the auditor owes SOG a duty of care to use reasonable care and skill.

In addition, Sections 308 and 309 of the Law requires that the auditor include in the auditor's report on the company's annual and half year financial accounts, to the extent it is practical to do so, a quantification of the effect of any non-compliance with an accounting standard. If this is not practical, the report must state why it is not practical. Further, Section 311 of the Law imposes on the auditor an obligation to notify the ASIC of circumstances where the auditor has reasonable grounds to suspect a contravention of the Law and believes that the contravention has not been, or will not be, adequately dealt with by commenting on it in the auditor's report or bringing it to the attention of the directors.

The auditor is not required to detect every single fraud or error, however, the auditor is required to bring to his task a high capacity to perceive financial irregularities and therefore recognise opportunities for fraud and error and make appropriate inquiries. Reasonable audit practice requires the auditor to review the Company's systems of internal control and where there are weaknesses to report the same to the company and its Board.

If negligence on behalf of SOG or the Directors has contributed to any auditing errors, this will be taken into account in assessing any liability of the auditor.

Based on the investigation to date we believe Messrs Ernst & Young may have breached their duty to SOG in that they have:

- Failed to discover or alternatively to report or to warn SOG and its Board of Directors adequately or at all about the conduct of SOG's treasury operations;

- Failed to report or warn that there were no proper or effective internal controls over SOG's treasury operations to enable exposures to be able to be ascertained and controlled;

- Failed to report or to warn that the books and records of SOG were inadequate to enable the exposures and resulting profits and losses from SOG's treasury operations to be ascertained and audited;

- Failed to detect or to report to or warn the Board that trading limits imposed on the SOG treasury operations were being exceeded and could result in large losses;

- Failed to ensure that the IGPOs and other hedge positions were adequately disclosed in SOG's financial statements in the years ended 30 June 1998 to 30 June 2003; and

- Failed to ensure that SOG's financial statements correctly recorded trading profits and losses in the years ended 30 June 1998 to 30 June 2003.

10.6 Voidable Transactions

During the course of our investigations, we have considered whether SOG has entered into any transactions which appear to be voidable and may result in money or other property of any SOG Company to which we have been appointed being recovered. It is important to note that voidable transactions may only be recovered if SOG's Creditors resolve to place a particular SOG company into liquidation.

Unfair Preferences

A Liquidator is able to recover from a Creditor, payments made to it where:

- It results in the Creditor receiving more than it would in a winding up;
- The company is insolvent or becomes insolvent because of the payments;
- The transaction occurred within 6 months of the appointment of the Administrators, or 4 years if the transaction was with a related party, or 10 years if the transaction was made to defeat Creditors; or
- The Creditor or a reasonable person in the Creditor's position had reasonable grounds to suspect that the company was insolvent.

Our investigations have not disclosed any transactions, which in our view would constitute an unfair preference.

Uncommercial Transactions

A Liquidator is able to recover money or property associated with transactions entered into by a company where:

- A reasonable person in the company's circumstances would not have entered into the transaction having regard to the benefit and detriment of the transaction;
- The Company is insolvent or becomes insolvent because of the transaction; and
- The transaction occurred within 2 years of the appointment of the Administrators, or 4 years if the transaction was with a related party, or 10 years if the transaction was made to defeat Creditors.

Our investigations have not disclosed any transactions, which in our view, may be uncommercial and therefore voidable by a Liquidator of the Companies.

Unfair Loans

A Liquidator is able to recover money if the company entered into an unfair loan. A loan is unfair to a company if:

- The interest on the loan was or is extortionate; or
- The charges associated with the loan were or are extortionate.

Our investigations have not disclosed any loans which, in our view, may be unfair and therefore voidable by a Liquidator of the Companies.

Unreasonable Director-related Transactions

Section 588FDA of the Act is intended to allow liquidators to recover unreasonable (ie. excessive) remuneration payments and termination payouts, for the benefit of a company's unsecured Creditors.

A Liquidator is able to recover from a director, the "fruits of a transaction", entered into after 11 April 2003, where the transaction constitutes an unreasonable director-related transaction: (section 588FDA). The transaction may take the form of a payment, conveyance, transfer or other disposition of company property, the issue of securities (including options).

Where the liquidator attacks the transaction (as constituted by the payment, disposition or issue), the reasonableness of the transaction falls to be determined not at the time the obligation was incurred (such as pursuant to an earlier agreement), but at the time the transaction is entered into.

There is no pre-requisite that the company must have been insolvent at the time of entering into the transaction or at the (earlier) time the company incurred the obligation to enter into the transaction.

There are three essential elements of an "unreasonable director-related transaction":

- There must be a "transaction", which may take the form of a payment, conveyance, transfer or other disposition of company property, the issue of securities (including options) by the Company or the incurring by the company of an obligation (such as by way of agreement) to make such a payment, disposition or issue. The payment, disposition, issue or obligation must emanate from the company which is being wound up;

- The payment, disposition or issue must be made to, or on behalf of or for the benefit of, a director of the company or a "close associate" of a director of the company;

- It may be expected that a reasonable person in the company's circumstances would not have entered into the transaction, having regard to:

  - The benefits and detriments to the company of entering into the transaction;

  - The respective benefits to other parties to the transaction of entering into it; and

  - Any other relevant matter.

Section 588FDA(1)(c) refers to a "reasonable person in the company's circumstances". This means that the enquiry as to the reasonableness of the transaction is to be assessed from the perspective of the company. The phrase "it may be expected that" is intended to emphasise the objective nature of the enquiry - not what the particular company might or might not have done, but whether a reasonable person in the company's circumstances would not have entered into the director-related transaction. However, the phrase "in the company's circumstances" suggests that subjective considerations do have a part to play in the analysis (eg. what constitutes a reasonable bonus to a director might depend upon the particular company's size, financial position and financial performance and the extent to which the particular director has contributed to that state of affairs).

The Court's power under Section 588FF to make voidable preference orders on the basis of an unreasonable director-related transaction is limited to the unreasonable portion of the total transaction. The value of the entire transaction is not recoverable, unless the entire transaction is adjudged to be unreasonable (Section 588FF(4)).

In April 2004, Peter Lalor and Christopher Lalor ("Lalors") received retirement allowances of $2,527,935.93 and $1,456,966.77 respectively, in addition to accrued entitlements. The SOG Board on 29 March 2004 resolved to confirm the amounts payable to the Lalors pursuant to the terms of retirement deeds approved in January 2000.

The SOG Board resolved in January 2000 to enter into retirement allowance deeds with each of the above directors. Each of the deeds provided for an allowance to be paid to each director upon their retirement. These amounts were calculated in accordance with retirement deeds.

As the allowances and deeds were not approved by the members of the Company, the Act contains provisions limiting the amount of the payment which may be made. These provisions have been complied with.

The Lalors were the founding directors of the SOG Group and had served as executive directors of the Company for in excess of 20 years and under their stewardship the Company had, from modest beginnings, achieved a high point market capitalization approaching A$1 billion. Considering the time commitment made to the company by the Lalors the retirement payments are modest by the standards of modern corporate life.

The reasonableness of the payments to the Lalors falls to be determined not at the time the obligation was incurred pursuant to the Retirement Deeds, but at the time the payments were made, and the existence of the deeds and the legal obligations they create is relevant to the enquiry whether it was reasonable to make the payments.

In our opinion, had the matters canvassed in this report, which in our view constitute serious breaches of duty, been known to the Board of SOG at the time of making the payments then it would not have been reasonable to have made the payments.

Should the Company be placed into liquidation, the payments made to the Lalors in April 2004 totalling $3,984,902.70 in respect of retirement benefits, may be voidable on application of the liquidator.

Retirement benefits of $400,000 were paid to Mr Malcom Hillbeck on his retirement as an executive director in July 2001. At this point in the investigation we do not believe Mr Hillbeck's payments constitute voidable transactions.

Offences against the Corporations Law

In addition to the breaches of duty outlined above, the work undertaken in relation to the Company's hedging and treasury trading activities indicates that there may have been breaches of the provisions of the Act and the predecessor legislation the Corporations Law. These matters will be reported to ASIC in accordance with the requirements of Section 438D.

Legal Proceedings Issued

Writs have been issued against the Company's auditors, Messrs Ernst & Young, and Messrs E Ross-Adjie, P Lalor, C Lalor and T Lang for negligence, breach of contract and breach of duty.

The quantum of the damages is yet to be finally settled by the appropriate experts but the main legs of the claims are estimated as follows:

	A$m
(a) Trading Book Losses	190
(b) Dividends and tax paid	36
(c) Losses on failing to close out excess FX	65
(d) Losses attached to FX restructures	80
(e) Losses on failing to close out IGPOs	196
Total	**$567**

11 Options Available & Other Matters

Pursuant to section 439C of the Act, the options available at the second meetings of Creditors, are for Creditors to resolve that:

- Each or any of the Companies execute DOCA's; or
- Each or any of the Administrations of the Companies should end; or
- Each or any of the Companies should be wound up.

Pursuant to section 439B(2) of the Act the second meeting of Creditors can be adjourned for up to sixty days.

If a majority in number, and a majority in value, of those Creditors voting at the meetings approve the proposal, upon execution the DOCAs they will become binding on all Creditors and shareholders affected by their terms.

Accompanying this report are Informal Proof of Debt and Proxy Forms (please also refer to the Instructions For Completing Proxy Forms) which Creditors are required to complete to enable them to vote at the meetings.

11.1 Holding DOCAs

The basis and proposed terms of the holding DOCAs were outlined at section 4 of this report.

A Deed Administrator is unable to pursue certain recoveries (voidable transactions such as insolvent trading, unfair preferences, unreasonable director related transactions) that would be available to a liquidator. As addressed in section 10 of this report, those types of recoveries in this case are limited, but particularly in the context of the comparable value destruction to the business assets should the Companies be placed into liquidation.

Notwithstanding the above, as the DOCAs represent only a holding period, and a liquidator's ability (if later appointed) to pursue such matters is preserved during the period of the DOCAs proposed.

We consider that the DOCA's are in the best interests of Creditors for reasons including the following:

- Preserves the more flexible and value maximisation restructuring and/or sale alternatives for the SOG Group and, in particular, the Roll-Up type proposal outlined in section 5 above and the potential value of carried forward tax losses.
- Preserves business operating flexibility and avoids possible breaches of contracts in respect of:
  - Bank provided funding facilities.
  - Contractor, supplier and service provider contracts.

- Provides employees with an improved priority position for entitlements outstanding.
- Will assist in preserving market, customer and employee confidence in the ongoing business operations.
- Will provide a further period within which certainty of the outcome of the Cabot arbitration can be obtained and therefore expected to assist in preserving value upon sale or restructuring.
- Will provide a further period within which increased certainty of the outcome of the Shareholders Test Case can be obtained and therefore assessment of the size of the Creditor pool and likely returns to Creditors.
- The risk of Liquidation is reduced.
- The incremented dividend.

The above factors in the context of the DOCAs are consistent with seeking the continuing existence of the Companies or their businesses, and more so than pursuing the options of liquidation or ending the Administrations.

The more favourable estimated incremental dividend is sought to be preserved by the DOCAs, that was discussed in section 8 of this report (and below) is indicative of the DOCA's objective to maximise Creditors returns compared to the other alternatives.

It is our opinion that at this time it is in the best interests of Creditors to resolve to approve each of the Companies executing the DOCAs as outlined.

11.2 Whether the Administrations Should End

The Administrators consider that it is not appropriate and not in Creditors' best interests that each of the Administrations should end.

Should Creditors resolve that the respective Administrations be terminated, the Companies would be placed into a similar position to that existing prior to the appointment of the Administrators. If this was to occur, those Companies would be returned to the control of their directors, however the Companies would remain insolvent given the existing significant claims against them by Creditors. A further complication is that all of the directors of the Companies have since resigned.

Following from that Creditors would have the option of petitioning the Court to have the Companies wound up at their own expense. Therefore it is likely that terminating the Administrations will simply result in the Court appointing a Liquidator, which we consider is not in the best interests of Creditors.

11.3 Winding up the Companies

Should Creditors resolve that the Companies be wound up, they will be placed into liquidation. The Liquidators would be required to realise and distribute the assets in accordance with the Act, such realisations would occur quickly and likely to be in a

less competitive environment. The Liquidator would also be required to complete investigations into the Companies' past dealing and affairs, and past actions of directors, officers and third parties.
The proposed DOCAs for each of the Companies include a statement that:

> *"The Creditors acknowledge and agree that it is not in the best interests of the Company or the Creditors of the Company that the Company be wound up at this time or during the Arrangement Period"*

The reason for this statement is to acknowledge that a liquidation environment is not the best approach to maintain the businesses and maximise return to Creditors.

In terms of pursuit of the continuing existence of the Companies or their businesses we note that liquidation would be inconsistent with that objective for a number of reasons, including:

- There are 25 Companies in Administration, if some entities were placed into liquidation, and others not, then it would crystallise the DXG against SOG Group Companies and possibly operate inconsistently with the DOCA terms of the other Companies.
- It would cause the Companies' new Bank funding facilities, that are to support the operations, to be in default and consequently the facilities being withdrawn unless renegotiated by the Liquidator.
- May cause several of the Companies key contractor/supplier/service contracts to be in default, arising in contractual damages claims increasing the Creditor pool, and placing continuing operations at risk.
- Would limit the restructuring and/or sale alternatives available for the SOG Group and, in particular, the Roll-Up type proposal outlined in section 5 herein, as well as to quarantine carried forward tax losses and associated value.
- A Liquidator may only carry on the business of a company for the purposes of beneficial disposal or winding up of the business, which may reduce the flexibility of restructuring alternatives.
- May result in damage to market and customer confidence in SOG being able to continue to perform as the world's largest producer of tantalum concentrate.
- May damage employee confidence in the future of the business, making it more difficult to retain key staff at a time when there is high demand for such skills given the resources boom in Western Australia.

The above factors also go directly to the maximisation of Creditors returns as each will impact value of the underlying business asset. It is difficult to allocate specific value diminution to each of these factors however, consistent with advice received from our independent advisers, ultimately the combination of these factors in liquidation is likely to result in realisations being achieved at the low end of any value range, if not below that range, compared to the proposed DOCAs and subsequent restructuring steps.

As indicated at section 8 of this report, the preliminary estimated incremental dividend under the DOCAs (followed by the anticpated restructuring steps) is up to 17 cents in the dollar on Creditors claim known to date (excluding shareholder claims).

The anticipated return from certain possible recoveries that may be available to a Liquidator, that would not be able to be pursued by a Deed Administrator, is in our view significantly outweighed by the impact that the immediate liquidation will have on the realisable value of the assets. There remains certain key investigation matters and likely significant recoveries that would still be pursued by the Deed Administrator. Please refer to section 10 of this report in this regard.

The Administrators consider that it is not in Creditors' best interest that the Companies should be wound up.

11.4 Adjournment of Meeting

The adjournment of the meeting for a maximum of 60 days would usually occur when Creditors are not in a position at the meeting to resolve any of the above three alternatives. That may arise for a number of reasons, including for example the Creditors desire to consider the proposed DOCA's over an additional period of time for understanding, clarification or proposed amendment purposes.

An adjournment will be considered by the Chairman of the meeting at the appropriate time and in the appropriate circumstances, if so required.

11.5 Other Matters to be Decided

In addition to deciding the future of the Companies a resolution will be considered by Creditors at the second meeting as to the appointment of a Creditor representative group:

- In the case of a DOCA, the appointment of members to the CCC to consult and assist the Deed Administrators.
- In the case of a liquidation, the appointment of a Committee of Inspection to consult and assist the Liquidator.

Appointment of the CCC

The tenure of the Committee ceases at the end of the Voluntary Administration period. The proposed DOCAs detail that a CCC will be appointed by the final meeting of Creditors by way of separate resolution from approval of the DOCAs.

As noted in section 4 of the report, it is proposed that there be up to a seven member CCC constituted and created under the DOCA for SOG, which is also adopted and empowered under the DOCA's for the other SOG Companies. There will therefore be only one CCC representing all 25 SOG Group Companies, consistent with:

- The pooling of Creditors claims per the DXG; and
- Similar to the approach taken with the Committee during the Voluntary Administration.

The proposed powers of the CCC are outlined in section 4 and detailed in the SOG DOCA attached in Annexure 12.

The SOG DOCA contains requisite qualifications in order for Creditors to participate on the CCC which include:

- A Creditor is not entitled to more than one Creditor representative on the CCC.
- Must be a Creditor of the SOG Group with a Claim in excess of A$10 million.
- Must enter into confidentiality agreement(s) with SOG and the Deed Administrators as required by the latter.

Each of the proposed seven members of the CCC should satisfy the above criteria. The reasoning for proposing up to a seven member CCC comprising Creditors with those qualifications is the desire to maintain a smaller working group consisting of the larger Creditors in value that are also committed to the restructuring of the SOG Group.

Creditors will have the opportunity to consider and appoint the ultimate members to the CCC at the forthcoming meeting.

Appointment of a Committee of Inspection

In a liquidation scenario a Committee of Inspection may be appointed in respect of each Company in liquidation to assist the Liquidator. Such appointment would be made pursuant to Division 5 of Part 5.6 of the Act.

A person is not entitled to be a member of a Committee of Inspection unless they are a Creditor of the company, a power attorney of the Creditor or authorised in writing by that Creditor to be a member.

Voluntary Administrators' Remuneration

Set out in Annexure 9 is a summary of the Administrators' remuneration for the period 29 August 2004 to 30 June 2005 in the amount of $6,387,887.48 excluding GST.

Orders were obtained from the Supreme Court of Western Australia on 20 October 2004 confirming that:

- The Committee be authorised to approve the Administrators' remuneration, following provision of sufficient detailed information to the Committee.
- The Administrators' remuneration in respect of all work performed by them as Administrators of the Companies be recorded as having been incurred in relation to work performed for SOG without requirements to allocate remuneration between the individual companies in the Group.

In a accordance with the orders received we have provided the Committee with detailed information concerning our remuneration, which included summaries of the Administrators' remuneration categorised by:

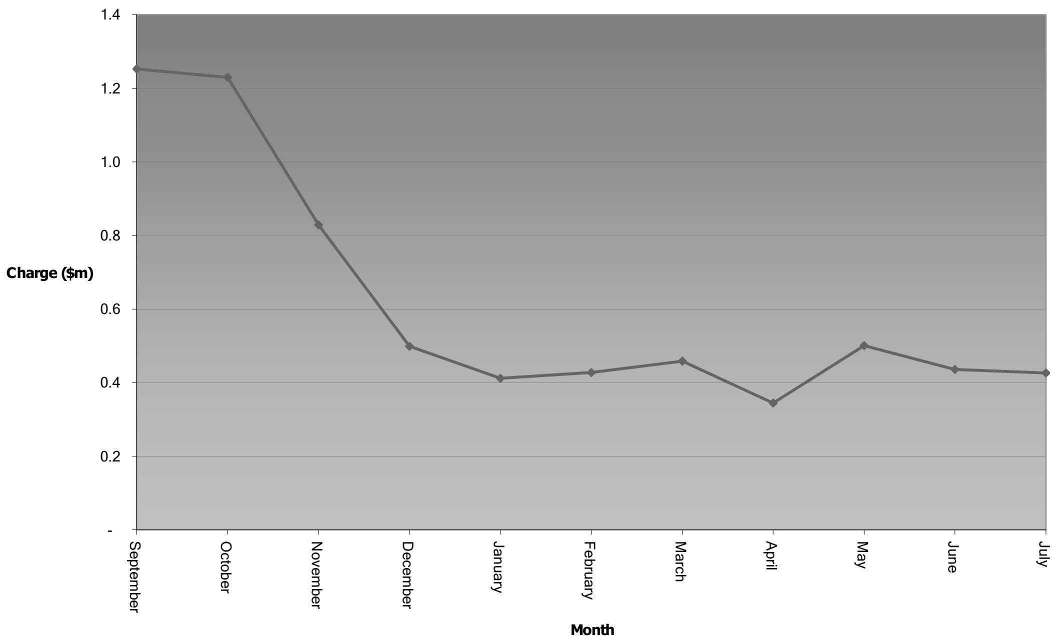
- Fees by Ferrier Hodgson office and grade.
- Time by grade and activity; and
- Fees by staff member.

Following each report a resolution was put to a meeting of the Committee for approval of the Administrators' remuneration. A summary of when these resolutions occurred follows:

Meeting Date	Period	Remuneration $
30 November 2004	29 August to 31 October 2004	2,481,624.45
21 February 2005	1 November to 31 December 2004	1,327,100.60
21 March 2005	1 January to 28 February 2005	839,456.76
16 June 2005	1 March to 31 May 2005	1,303,627.58
5 August 2005	1 June to 30 June 2005	436,078.10
Total		**$6,387,887.48**

At each of these meetings it was unanimously resolved that the Administrators be authorised to draw the appropriate remuneration from the assets of the Companies.

The Administrators' remuneration on a timeline of the Administration is represented as follows:



Summaries detailing the Administrators' remuneration categorised by (1) fees by Ferrier Hodgson office and grade, (2) time by grade and activity and (3) fees by staff member are attached in Annexure 9. Broadly, matters that have been attended to by the Administrators and their staff include the following:

- Statutory issues relevant to the Administration and the ASX;
- Operational issues for the Gold Division, Minerals Division and head office;
- Investigation of the Group's affairs, transactions and reporting;
- Negotiating funding facilities;
- Going concern sales, valuation and realisation matters;
- Communication with numerous parties, including the Committee, counterparties, the US Noteholders, employees and shareholders;
- Undertaking and completing the sale of the Gold Division;
- Negotiation of and preparation for the Cabot arbitration matter; and
- Preparation of the holding DOCAs and formation of the proposed Roll-up proposal.

At different points in time the number of Administrators staff that have been utilised on the Administration matters has fluctuated with the demands of the work tasks to be undertaken. Where appropriate we have sought to utilise SOG's existing employee resources and established organisational structure, whilst also maintaining appropriate control of functions and business operations.

A Committee of Creditors meeting will be held on 30 August 2005 to consider approving remuneration for the period 1 July 2005 to 31 July 2005 in the amount of $423,324.40, and a further estimate to the conclusion of the Voluntary Administration period (anticipated to be on or around 30 August 2005). If a lesser amount is incurred, only the amount actually incurred would be paid.

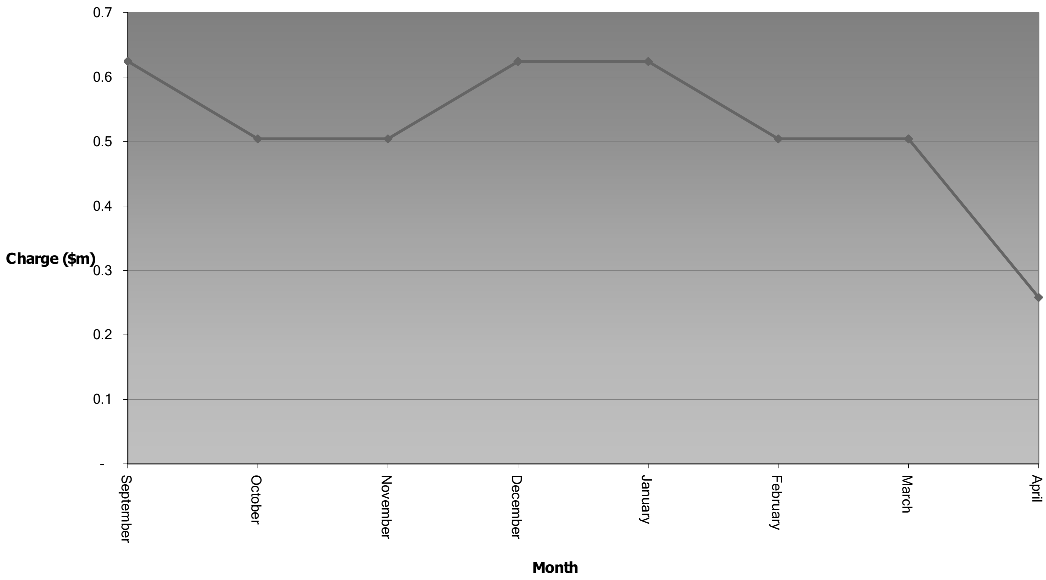
We will report to the duly appointed CCC with appropriate detail as to the actual remuneration charged for the period 1 August 2005 through to completion of the Administration period.

Deed Administrators Remuneration

The proposed DOCAs provide that the CCC will have the power to approve the remuneration of the Deed Administrators from time to time, and the Deed Administrators will draw that remuneration, upon the provision of sufficient detailed information as has occurred to date. Orders from the Court have been obtained to confirm these powers of the CCC.

The Deed Administrators schedule of proposed charge rates is set out in Annexure 11.

Based upon the forecasts prepared by the Administrators and considering the further tasks, duties and objectives ahead of the Administrators and Deed Administrators it is estimated that the remuneration of the Deed Administrators for the eight month holding DOCA period will be in the order of $4.2 million, demonstrated on a timeline overleaf:



The estimate is subject to change depending upon the events and matters that are required to be addressed. It is expected that during this period the following significant matters will be required to be addressed:

- Ongoing statutory issues relevant to the Administration and ASX;
- Operational issues for the Minerals Division and head office;
- Furtherance of the investigation of the Group's affairs, transactions and reporting;
- Settling opinions as to the merit of the likely recoveries from third parties, and pursuing those matters as appropriate and approved by the CCC;
- Completion of the Cabot arbitration/negotiation;
- Furtherance of the Shareholders Test Case;
- Advancing restructure alternatives for recommendation to the CCC and Creditors at the appropriate time; and
- Continued communication with the CCC, Creditors and stakeholders, including regular (quarterly) reporting to the full body of Creditors.

Liquidators' Remuneration

If the Creditors of any entity in the SOG Group resolve to wind up that entity at the second Creditors' meeting on 30 August 2005 the Administrators will become the Liquidators of those entities.

The Administrators propose that the Liquidators' remuneration be calculated on a time basis and pursuant to the schedule of Ferrier Hodgson hourly rates from time to time. The current hourly rates will be those set out in Annexure 11.

12 Recommendation of Administrators

12.1 Proposal for DOCAs

Holding DOCAs have been proposed for the Companies in the SOG Group.

There are a number of advantages in pursuing the proposal for the DOCAs including:

- To achieve those matters relevant to the DOCAs as set out in section 11 of this report.
- To avoid those matters relevant to a Liquidation set out at section 11 of this report.
- To achieve the DOCA objectives and certainty regarding the outcomes of the Cabot arbitration and Shareholder Test Case.
- The estimated incremental dividend.

Notwithstanding the objectives of the DOCAs and the advantages outlined there are risks in proceeding with a holding DOCA, most of which are connected to the ongoing operational risk of the Companies. In many respects, those risks are no different to the same risks that a liquidator would be faced with in the short term, which may include:

- Those operational risks outlined in section 8 of this report.
- The inherent risks associated with any mining business, as mining operations by their nature are at the high end of the risk spectrum, such as:
  - Retention of Employees – the uncertainty of Administration combined with the buoyant resources industry in Western Australia will continue to make it difficult to retain employees.
  - Maintenance of Production – unforseen events (unplanned shutdown or catastrophe) or capital requirements may impact the Companies' ability to maintain production, which may also affect cashflow.
  - Avoidance of Environmental Events – whilst appropriate steps are taken by Management, mining operations carry with them risk of environmental incidents occurring that are unforseen, or contrary to existing or future new regulatory requirements.
  - Financial Impacts – these may be seen from any or more of the sensitivity factors relevant to the cashflow including USD/AUD exchange rates, product sales prices, Tantalum market developments and working capital movements.
- The risk of a less than favourable outcome in the Cabot arbitration, although our legal advice strongly supports a favourable outcome.

- Further, there is no certainty that market conditions and sentiment for the Companies' assets and product will remain the same as at the date of this report. Any movement may be positive or negative.

- Ability to procure and maintain ongoing working capital facilities to support the operations and Administration.

12.2 Views of the Committee

The Committee has been working closely with the Administrators in preparing and considering the holding DOCAs as well as the development of the restructuring proposals. A meeting of the Committee was held on 5 August 2005 at which time the Committee resolved that the form of the DOCAs be approved and that the holding DOCAs be proposed to the full body of Creditors for consideration and approval.

12.3 Administrators' Opinion

The Administrators are of the opinion that the execution of the proposed DOCAs by each of the Companies is in the best interests of Creditors, and we recommend that the Creditors accept the proposal for each of the Companies.

It follows that in the Administrators' opinion it is not in the best interests of Creditors for the Administration to end or for the Companies to be wound up.

ANDREW LOVE, GARRY TREVOR, DARREN WEAVER
Joint and Several Administrators of
Sons of Gwalia Limited
And Certain of its Subsidiaries set out in Annexure 1

13 Glossary of Terms

AASB 1033	Australian Accounting Standard Board 1033 – Presentation and Disclosure of Financial Instruments
Administrators	Andrew Love, Garry Trevor and Darren Weaver as Joint and Several Administrators of SOG and its subsidiaries set out in Annexure 1
ANZ	Australian & New Zealand Banking Group Ltd
AUS SPV	Under the Roll Up proposal a wholly-owned subsidiary of SOG
ASIC	Australian Securities & Investments Commission
ASX	Australian Stock Exchange
BENL	Burmine Exploration NL
BGNL	Burmine Gold NL
BL	Burmine Limited
BOPL	Burmine Operations Pty Ltd
Cabot	Cabot Corporation
Call	A call option gives its holder the right but not the obligation to buy a currency or commodity at a predetermined price at a predetermined date. Conversely a seller has the obligation to sell if the buyer demands delivery.
CBA	Commonwealth Bank of Australia Ltd
CCC	Consultative Creditors Committee
Committee	Committee of Creditors appointed for the purposes of the Voluntary Administration
Companies	SOG Group
Company	SOG
Contango	The term used to refer to the difference between current prices and forward prices where forward prices are higher.
Creditor	Means any person who asserts a Claim against the Company or Companies as defined in the DOCAs
CRNL	Consolidated Resources NL
CRPL	City Resources (WA) Pty Ltd

CVL	Creditors Voluntary Liquidator
DA	Deed Administration
DA Facility	Deed Administrators banking facilities to support SOG
Deed Administrators	Administrators of the Deeds of Company Arrangement
DITL	Deferred Income Tax Liability
DOCAs	Deeds of Company Arrangement
DOCA Creditors	Those Creditors (eg. trade suppliers) incurred during the DOCA arrangement period
DoIR	Department of Industry and Resources
DXG	Deed of Cross Guarantee
EPB	Environmental Performance Bonds
ER-A	Mr Eardley Ross-Adjie
Extended Term	The extension of the WTSC for five years to 31 December 2010 with Cabot
FITB	Future Income Tax Benefits
Foreign SPV	Under the Roll Up proposal a foreign-controlled special purpose vehicle
Forwards	An agreement between two parties to transact the purchase or sale of a commodity or currency to a future date.
FX	Foreign Exchange
GBA	Gold Borrowing Account
GCL	Gwalia Consolidated Ltd
GGMNL	Gasgoyne Gold Mines NL
GIPL	Greenstone Investments Pty Ltd
GL	Greenbushes Ltd
GMNL	Gwalia Minerals NL
Gold Lease Fee	Interest charge payable on gold borrowings associated with gold forward sales or gold loans, similar to interest on dollars
Greenbushes	Greenbushes Ltd

GTPL	Gwalia Tantalum Pty Ltd
Gwalia Tantalum	Gwalia Tantalum Pty Ltd
Incremental Dividend	The difference between estimated liquidation return and the estimated DOCAs (and subsequent restructure/sale) dividend return to Creditors.
Indexation	More generally indexation refers to a linkage between two products (i.e. one product is indexed to another). In the case of SOG IGPO they were represented to be indexed to gold lease rates.
IGNL	Invincible Gold NL
IGPO	Index Gold Put Options
IMF	IMF Australia Ltd
IPO	Initial Public Offering
ISDA	International Swaps & Derivatives Association
JORC Code	The code prepared by the Joint Ore Reserves Committee of The Australasian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and Minerals Council of Australia
LAL	Lithium Australia Ltd
Lalors	Mr Peter Lalor and Mr Chris Lalor
LCIA	London Court of International Arbitration
Management	Senior management of SOG
MEMIL	Mount Edon Mines International Ltd
MNL	Mincoa NL
MOS	Mines d'Or de Salsigne SA - an entity incorporated in France that has recently ceased gold mining operations. The SOG Group holds a 50% interest in the entity and carries several contingent guarantees for rehabilitation obligations.
MVL	Members Voluntary Liquidation
New shares	Under the Roll Up proposal new share issued by SOG
ORL	Oriole Resources Ltd
ORNL	Orion Resources NL
Other Companies	Other Australian SOG Group Companies set out at section 6.7

PacMin	PacMin Mining Corporation Limited
PMCL	PacMin Mining Corporation Limited
Put	A put option gives holder the right but not the obligation to sell a currency or commodity at a predetermined price at a predetermined date.
RATA	Report as to Affairs
Roll-Up proposal	Refer to Section 5.1
ROT	Retention of Title
SBM	St Barbara Mines Ltd
Scheme	Scheme of Arrangement under Part 5.1 of the Act
Shareholders Test Case	Test case being undertaken in the NSW Registry of the Federal Court of Australia, as to whether shareholder claims are able to rank equally with ordinary unsecured Creditors.
SGMNL	Sons of Gwalia (Murchinson) NL
SOG	Sons of Gwalia Limited ACN 008 994 287 (Administrators Appointed)
SOG Group	SOG and the certain subsidiaries set out in Annexure 1
Swap Facilities	The hedging transactions entered into by the Administrators or Deed Administrators to protect the USD revenue receipts of SOG
TAPL	Tarmoola Australia Pty Ltd
TOPL	Tarmoola Operations Pty Ltd
TRCPL	Tantalum Refinery Co Pty Ltd
the Act	The Corporations Act (2001)
the Company	SOG
the Law	Corporations Law
UBS	UBS Warburg
VA	Voluntary Administration
VA Facility	Voluntary Administrators banking facilities to support SOG
WTSC	Wodgina Tantalum Sales Contract
Z2PL	Zephyr 2 Pty Ltd

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Annexure 1

Schedule of Companies in Administration

Company	ACN	Date of Incorporation	Status
Burmine Exploration NL	006 684 297	24/12/1986	Formerly held Southern Cross gold assets, now dormant
Burmine Gold NL	009 173 255	18/04/1986	Formerly held Southern Cross gold assets, now dormant
Burmine Limited	008 054 546	02/11/1984	Formerly held Southern Cross gold assets, now dormant
Burmine Operations Pty Ltd	000 703 346	30/06/1969	Formerly held Southern Cross gold assets, now dormant
City Resources (WA) Pty Ltd	008 622 339	11/12/1986	Dormant
Gasgoyne Gold Mines NL	009 212 382	06/01/1987	Formerly held Southern Cross gold assets, now dormant
Consolidated Resources NL	009 222 655	9/03/1987	Dormant
Greenbushes Ltd	004 603 516	19/06/1964	Greenbushes assets
Greenstone Investments Pty Ltd	008 707 748	30/01/1968	Dormant
Gwalia Consolidated Ltd	009 131 971	21/05/1985	Greenbushes assets
Gwalia Minerals NL	009 011 947	19/01/1982	Greenbushes assets
Gwalia Tantalum Pty Ltd	008 899 750	26/07/1979	Wodgina assets
Invincible Gold NL	009 066 246	17/05/1983	Dormant
Lithium Australia Ltd	008 899 769	26/07/1979	Greenbushes assets
Mincoa NL	009 098 999	15/06/1984	Dormant
Mount Edon Mines International Ltd	054 121 498	31/10/1991	Dormant
Oriole Resources Ltd	000 488 200	15/03/1965	Formerly held Carosue Dam gold assets, now dormant
Orion Resources NL	009 182 825	17/06/1986	Formerly held Southern Cross gold assets. Holds 50% of MOS.
PacMin Mining Corporation Ltd	001 936 901	16/07/1980	Formerly held Tarmoola / Carosue Dam gold assets, now dormant
Sons of Gwalia (Murchison) NL	000 829 130	18/09/1970	Dormant
Tantalum Refinery Co Pty Ltd	008 974 196	28/05/1981	Dormant
Tarmoola Australia Pty Ltd	009 138 523	25/06/1985	Dormant
Tarmoola Operations Pty Ltd	009 384 909	01/05/1989	Dormant
Zephyr 2 Pty Ltd	008 737 540	02/07/1970	Dormant

Annexure 2

Extract from the Administrators First Report to Creditors dated 16 December 2004 including the Summary of Directors Report as to Affairs

This Annexure is an extract from the Administrators first report to Creditors dated 16 December 2004.

Directors Report as to Affairs ("RATA")

The directors prepared and submitted a Report as to Affairs ("RATA") as at 22 August 2004, being the last accounting period prior to the appointment of Administrators on 29 August 2004. The directors used the 22 August 2004 date as it reflected reconciled period end balances. The RATA is summarised for the consolidated Group as follows:

	(Unaudited) Book Value AUD'000	Directors' Estimated Realisable Value AUD'000	Para. Ref.
Mining Assets			
Gold Division	509,922	122,181	(1)
Less: Lease Liability	(358)	(349)	
Minerals Division	343,407	531,551	(2)
Less: Lease Liability	-	-	
Net Mining Assets	**852,971**	**653,383**	
Other Assets			
Cash at Bank	7,012	7,006	(3)
Debtors	164,779	13,423	(4)
Investments	174,304	12,108	(5)
Land	16	26	
Plant & Equipment	6,490	5,105	
Less: Lease Liability	(4,383)	(4,383)	
Total Other Assets	**348,218**	**33,286**	
Total Assets	**1,201,188**	**686,669**	
Priority Creditors			
Employee Entitlements	(7,929)	(9,146)	(6)
Surplus Available for Unsecured Creditors	**1,193,260**	**677,524**	
Unsecured Creditors			
Trade Creditors and Accruals	70,284	70,284	(7)
Borrowings	254,235	266,588	(8)
Provisions and other liabilities	318,511	104,867	(9)
Total Unsecured Creditors	**(643,030)**	**(441,739)**	
Contingent Liabilities	**-**	**(472,543)**	(10)
Surplus/(Shortfall)	**$550,230**	**($236,758)**	

The companies in the Group are parties to the DXG. As noted in (section 3.1 of the report to Creditors dated 16 December 2004), the effect of the DXG is that all companies in the Group have guaranteed to pay the deficiency of any member of the Group. Accordingly, the directors prepared the RATA on a consolidated entity basis.

Please note that the Estimated Realisable Values set out in the RATA were determined by the directors and are not necessarily endorsed by the Administrators. The RATA should not be used to determine the likely return to Creditors as the realisable values set out therein remain subject to the review of the Administrators and, in particular:

- **The Administrators are not in a position to confirm (or otherwise) the asset values attributed by the directors due to the confidential and commercially sensitive nature of such information to the sale / restructure process.**

- **The value of Creditor claims remains subject to change as further claims may be received and pending the ultimate adjudication of all Creditor claims.**

- **The RATA does not provide for trading losses, capital costs or the professional costs associated with the Administration process.**

Prior to the Group entering into Administration, the directors undertook a strategic review of the Group's businesses and assets. The directors are of the view that, in the absence of the opportunity to individually and independently value all of the assets of the Group, the Strategic Review assessment and the estimates provided above represents the most appropriate estimate of realisable value.

The estimated value of liabilities was based on the most current information provided by the Creditors at the time of the RATA's preparation.

The Administrators have since received notification from various Creditors indicating claims may exceed the amounts listed in the RATA. Those claims are subject to adjudication. In addition, the Administrators have received notification of claims by shareholders (refer to section 7.3 of the first report to Creditors dated 16 December 2004). The Administrators are taking legal advice as to the admissibility of shareholder claims.

(1) Gold Division

The assets of SOG's Gold Division at Tarmoola, Southern Cross and Carosue Dam had a total book value as at 22 August 2004 of A$509.9m. The comparison of book value to directors' realisable value is summarised as follows:

	(Unaudited) Book Value AUD'000	Directors' Estimated Realisable Value AUD'000
Interest in Land	215	383
Debtors	4,532	4,392
Gold Metal Account	14,201	14,201
Site Imprest Bank Accounts	34	34
Stock	7,018	6,630
Work in Progress	8,603	8,654
Plant and Equipment	12,630	12,715
Leased Assets	1,609	1,634
Exploration & Development	461,080	73,537
Total	**$509,922**	**$122,181**

The realisable value of the gold operations will ultimately be determined by the result of the sale process being undertaken by the Administrators' in conjunction with Macquarie.

(2) Minerals Division

The assets of SOG's Minerals Division at its Greenbushes and Wodgina mines had a total book value as at 22 August 2004 of A$343.4m. The comparison of book value to directors' realisable value is summarised as follows:

	(Unaudited) Book Value AUD'000	Directors' Estimated Realisable Value AUD'000
Interest in Land	62	62
Debtors	25,199	25,278
Site Imprest Bank Accounts	33	28
Stock	32,927	38,941
Work in Progress	24,657	29,888
Plant and Equipment	131,926	131,926
Exploration & Development	128,602	305,427
Total	**343,407**	**531,551**

The value of the Minerals Division will ultimately be dependent upon a number of factors including the final contract price determination with Cabot, prevailing market conditions, the realisation or restructure strategy selected and the implementation of that strategy.

(3) Cash at Bank

At the date of appointment of Administrators, the Group held cash of approximately A$16m. The variance to the amount of A$7m reported in the RATA as at 22 August 2004 is due to movements between the metal account (see note 1) and cash at bank during that 7 day period.

Three Banks sought to set-off amounts held on deposit against debts owed to them by SOG of which A$2.9m has since been recovered. The Administrators have obtained legal advice in relation to the two remaining set-offs claimed and we note:

(a) BankWest set-off funds totalling A$8,442,741.16. The Administrators obtained advice from Senior Counsel confirming that BankWest was entitled to effect the set-off and therefore it would not be worthwhile to institute proceedings to seek the return of the amount set-off. The funds are held by BankWest against its potential liability to third parties under performance bonds for SOG's rehabilitation and repayment and premises lease obligations, which will be returned to SOG if the potential liability does not crystallise.

(b) ANZ Bank has sought to set-off approximately US$3.7m. The Administrators have been taking legal advice on the issues involved and have been corresponding with the Bank's lawyers. The matter remains subject to resolution.

The set-offs made by BankWest and ANZ Bank have been reflected in the liability balances set out at Note 10 below.

(4) Debtors

These amounts comprise GST refunds, diesel fuel rebates and other sundry receivables due. It does not include debts due by SOG’s customers. The book value of receivables from subsidiaries has been written down to nil, which is the reason for the significant difference between book value and realisable value.

(5) Investments

This amount represents the market value of holdings in listed entities, which the Administrators are in the process of realising. The book value of investments in subsidiaries have been written down to nil.

(6) Employee Entitlements

The amount owing to the employees of SOG in relation to wages, annual leave and long service leave as at 22 August 2004 was A$7.9m. The directors estimate an additional A$1.2m would arise from terminations following closure or sale of the Gold Division.

	(Unaudited) Book Value AUD’000	Directors’ Estimated Realisable Value AUD’000
Salary	257	1,046
Annual Leave	4,289	4,098
Long Service Leave	3,383	4,002
Total	**$7,929**	**$9,146**

As is set out in Note 10, an amount of approximately A$15.4m has been provided by the directors as a contingent liability in the event of further redundancies, therefore the maximum liability potentially payable to employees was estimated at A$24.5m.

(7) Trade Creditors and Accruals

The Administrators have received a number of Retention of Title claims ("ROTs") from trade Creditors, which will effect the quantum of outstanding Creditor claims. A summary and status of ROTs received to date is set out below:

	<A$50k		A$50k-A$100k		>A$100k		Total	
Total	**No.**	**AUD'000**	**No.**	**AUD'000**	**No.**	**AUD'000**	**No.**	**AUD'000**
Accepted and finalised	20	269	6	371	3	1,147	29	1,787
Accepted, Awaiting Acknowledgement	5	83	-	-	-	-	5	83
Rejected or Withdrawn	8	107	-	-	-	-	8	107
Outstanding – Further Information Required	10	65	3	191	5	3,768	18	4,024
	43	**524**	**9**	**562**	**8**	**4,915**	**60**	**6,001**

Of the 18 outstanding claims, we have received no response from 5 of the claimants (with potential claims totalling approximately A$127k). We wrote to the Creditors requesting that they provide further details of their claim by Monday, 13 December 2004 otherwise the Administrators will regard the claims as not yet having been established.

(8) Borrowings

As at 22 August 2004, SOG had bank borrowings of A$266.6m detailed as follows:

	(Unaudited) Book Value AUD'000	Directors' Estimated Realisable Value AUD'000
Bilateral Agreements:		
- Commonwealth Bank	12,596	12,596
- ANZ	9,894	9,894
US Bonds	231,745	244,098
Total	**$254,235**	**$266,588**

The increase in US Bonds of approximately A$12.4m is due to the revaluation of the bonds using the USD/AUD exchange rate applicable as at the commencement of the Administration.

(9) Provisions and Other Liabilities

As at 22 August 2004, SOG had provisions and other liabilities including gold lease rate liabilities, royalties payable and general provisions. The reason for the significant reduction between book value and realisable value is substantially due to writing back provisions for deferred tax liabilities which are unlikely to arise.

(10) Contingent Liabilities

SOG's contingent liabilities as at 22 August 2004 totalled A$472.5m and consisted of the following:

	(Unaudited) Book Value AUD'000	Directors' Estimated Realisable Value AUD'000
Hedge Counterparties*	-	385,110
US Bonds Make-Whole Payment	-	36,259
Employee Notice & Redundancy Entitlements	-	15,390
Rehabilitation and Other Bonds	-	35,784
Total	**$Nil**	**$472,543**

*Total Hedge Counterparty claims of approximately A$476m crystallised following the appointment of the Administrators. Please note that the balance of the total, being approximately A$91m, is accounted for in Note 9 – Provisions and Other Liabilities.

Since the appointment of the Administrators (ie 29 August 2004), the hedge counterparties have closed out their positions resulting in actual claims for the above liabilities.

The Noteholders have claimed certain contractual Make-Whole Amounts and a Prepayment Compensation Amount, as a result of the Voluntary Administration of SOG. The Noteholders have made these claims pursuant to the terms of the Note Purchase Agreements entered into by SOG. The Administrators are considering legal advice in respect of whether or not the Make-Whole and Prepayment Compensation Amounts would be provable in a Liquidation or Deed of Company Arrangement of SOG.

The amounts that will ultimately be payable for employee notice and redundancy entitlements and rehabilitation bonds will depend on the outcome of the sale and / or restructure processes.

Creditor claims (including contingent claims) as at 29 August 2004 received by the Administrators total A$912.4m. The directors have provided for liabilities of A$923.4m in the RATA. The A$11m variance relates to additional accruals for mine closure costs that were provided for at 30 June 2004, the costs of which were not incurred as at the date of our appointment and therefore do not constitute a pre-Administration liability.

It should be noted that for the purpose of calculating total liability for Creditor claims, inter-company loan accounts have been excluded on the basis that:

- Loans between companies in Administration and subject to the DXG, are required to be eliminated; and

- Preliminary analysis indicates that loans between companies in the Group that are in Administration, and those entities that are not, effectively do not result in cash leakage from the Group.

The assumptions underlying the RATA indicate that a deficiency of A$236m is likely (before any additional claims). As stated by the directors, this is an estimate only. It is not endorsed by the Administrators and is subject to change as asset values are determined and Creditor claims continue to be assessed.

Annexure 3

Directors and Secretaries of Subsidiaries in Administration

Company	ACN	Chris Foley	John Leevers	Ian McCubbing
Burmine Exploration NL	006 684 297	19/12/2003	4/08/2004	25/6/2004
Burmine Gold NL	009 173 255	19/12/2003	4/08/2004	25/6/2004
Burmine Limited	008 054 546	19/12/2003	4/08/2004	25/6/2004
Burmine Operations Pty Ltd	000 703 346	4/08/2004	4/08/2004	-
City Resources (WA) Pty Ltd	008 622 339	4/08/2004	4/08/2004	-
Consolidated Resources NL	009 222 655	19/12/2003	4/08/2004	25/6/2004
Gasgoyne Gold Mines NL	009 212 382	19/12/2003	4/08/2004	25/6/2004
Greenbushes Ltd	004 603 516	19/12/2003	4/08/2004	25/6/2004
Greenstone Investments Pty Ltd	008 707 748	19/12/2003	4/08/2004	-
Gwalia Consolidated Ltd	009 131 971	4/08/2004	4/08/2004	25/6/2004
Gwalia Minerals NL	009 011 947	19/12/2003	4/08/2004	25/6/2004
Gwalia Tantalum Pty Ltd	008 899 750	4/08/2004	4/08/2004	-
Invincible Gold NL	009 066 246	19/12/2003	4/08/2004	25/6/2004
Lithium Australia Ltd	008 899 769	19/12/2003	4/08/2004	25/6/2004
Mincoa NL	009 098 999	19/12/2003	4/08/2004	25/6/2004
Mount Edon Mines International Ltd	054 121 498	19/12/2003	4/08/2004	25/6/2004
Oriole Resources Ltd	000 488 200	19/12/2003	4/08/2004	25/6/2004
Orion Resources NL	009 182 825	19/12/2003	4/08/2004	25/6/2004
PacMin Mining Corporation Ltd	001 936 901	19/12/2003	4/08/2004	25/6/2004
Sons of Gwalia (Murchison) NL	000 829 130	19/12/2003	4/08/2004	25/6/2004
Tantalum Refinery Co Pty Ltd	008 974 196	4/08/2004	4/08/2004	-
Tarmoola Australia Pty Ltd	009 138 523	19/12/2003	4/08/2004	-
Tarmoola Operations Pty Ltd	009 384 909	19/12/2003	4/08/2004	-
Zephyr 2 Pty Ltd	008 737 540	4/08/2004	4/08/2004	-

Chris Foley was appointed Secretary of all listed companies on 19 December 2003

Annexure 4

Overseas SOG Subsidiaries and Investments

Company	Country
Draycott Cross Colliery Ltd	United Kingdom
Energy Management & Finance Ltd	United Kingdom
Europa Energy (Finance) Ltd	United Kingdom
Europa Energy (Investments) Ltd	United Kingdom
Europa Energy (US) Ltd	United Kingdom
Europa Energy Plc	United Kingdom
Europa Minerals Group Plc	United Kingdom
Europa Minerals Inc	United States
Europa Minerals Ltd	United Kingdom
Mount Edon (Switzerland)	Switzerland
Pacific Wildcat Resources Corporation	Canada
Solidville Ltd	United Kingdom
Tanex Plc	United Kingdom

Annexure 5

Directors and Secretaries of Australian Subsidiaries not in Administration

Company	ACN	Chris Foley	John Leevers	Ian McCubbing	Lorry Mignacca
Austmin Platinum Mines Pty Ltd	051 958 699	8/04/04	8/04/04	-	-
Burmine Exploration (SA) Pty Ltd	008 273 372	8/04/04	8/04/04	-	-
Burmine Investments Pty Ltd	006 750 205	8/04/04	8/04/04	-	-
Burmine Management Pty Ltd	058 850 025	8/04/04	8/04/04	-	-
Burmine Shelf No. 1 Pty Ltd	008 143 413	8/04/04	8/04/04	-	-
Cavalary Nominees Pty Ltd	008 925 335	8/04/04	8/04/04	-	-
Criterion Share Registry Pty Ltd	009 058 959	8/04/04	8/04/04	-	-
Donegal Exploration and Mining Services Pty Ltd	009 340 069	19/12/03	8/04/04	-	-
Edjudina Operations Pty Ltd	009 221 372	19/12/03	8/04/04	-	-
Europa Coal Australia Pty Ltd	003 714 547	8/04/04	8/04/04	-	-
Europa Minerals Australia Pty Ltd	003 828 206	8/04/04	8/04/04	-	-
Fraser Mine Management Pty Ltd	008 169 435	8/04/04	8/04/04	-	-
Gwalia Securities Pty Ltd	009 469 336	8/04/04	8/04/04	-	-
Kensington Investments Pty Ltd	008 910 656	8/04/04	8/04/04	-	-
Kurrajong Pty Ltd	009 206 571	8/04/04	8/04/04	-	-
Metallica Limited	001 937 417	19/12/03	8/04/04	25/06/04	-
Mincoa Nominees Pty Ltd	009 132 021	8/04/04	8/04/04	-	-
Mount Edon Mines Pty Ltd	008 758 361	19/12/03	8/04/04	-	-
PacMin Corporation Pty Ltd	074 276 314	19/12/03	8/04/04	-	-
PacMin Resources Pty Ltd	079 447 439	19/12/03	8/04/04	-	-
Scanfire Exploration Pty Ltd	009 053 785	19/12/03	8/04/04	25/06/04	-
Sevake Pty Ltd	002 772 223	8/04/04	8/04/04	-	-
Tarmoola Joint Venture Pty Ltd	076 871 657	19/12/03	8/04/04	25/06/04	8/04/04
Yilgarn Star Pty Ltd	009 334 767	8/04/04	8/04/04	-	-
Zinnanda Pty Ltd	009 129 695	8/04/04	8/04/04	-	-

Chris Foley was appointed Secretary of all listed companies on 19 December 2003

Annexure 6

Detailed Summary of the Group's Statement of Financial Position – 2001 to 2004

	30/06/2001 $'000	30/06/2002 $'000	30/06/2003 $'000	30/06/2004[2] $'000	22/08/2004 Man Acs $'000
CURRENT ASSETS					
Cash	75,745	70,241	15,462	20,757	18,393
Receivables	34,613	36,774	46,072	39,842	34,960
Investments	158	149	149	148	148
Inventories	49,866	60,490	66,024	71,268	72,980
Other	476	1,684	12,848	14,025	13,691
TOTAL CURRENT ASSETS	**160,857**	**169,338**	**140,556**	**146,040**	**140,171**
NON CURRENT ASSETS					
Receivables	-	96	8,346	8,250	8,250
Investments	13,331	13,738	9,294	15,702	15,704
Inventories	-	18,173	13,462	-	-
Property, Plant & Equipment	141,631	244,701	218,382	153,595	153,957
Mineral Exploration Expenditure	147,998	327,576	330,745	295,192	296,843
Expenditure Carried Forward	234,265	435,849	509,753	292,459	294,464
Deferred Tax assets	12,257	22,819	70,585	130,097	130,097
Other	34,834	27,017	95,588	59,348	59,254
TOTAL NON CURRENT ASSETS	**584,315**	**1,089,970**	**1,256,155**	**954,644**	**958,568**
TOTAL ASSETS	**745,172**	**1,259,308**	**1,396,710**	**1,100,685**	**1,098,739**
CURRENT LIABILITIES					
Accounts Payable	57,910	100,028	86,060	85,306	69,313
Interest Bearing liabilities	2,552	7,896	4,490	5,622	5,322
Provisions	21,259	10,506	14,262	20,112	18,224
Tax Liabilities	-	-	764	212	212
Other	682	894	20,223	37,277	35,699
TOTAL CURRENT LIABILITIES	**82,403**	**119,324**	**125,800**	**148,530**	**128,770**
NON CURRENT LIABILITIES					
Interest Bearing liabilities	239,359	345,268	294,568	242,738	257,251
Provisions	13,698	17,519	17,826	19,513	19,824
Deferred Tax Liability	89,082	139,649	184,661	130,181	130,181
Other	0	16,910	127,437	68,295	68,295
TOTAL NON CURRENT LIABILITIES	**342,140**	**519,346**	**624,492**	**460,727**	**475,552**
TOTAL LIABILITIES	**424,543**	**638,671**	**750,292**	**609,257**	**604,322**
NET ASSETS/(LIABILITIES)	**320,629**	**620,637**	**646,419**	**491,428**	**494,418**
SHAREHOLDERS EQUITY					
Issued Capital	218,742	484,933	488,729	558,472	558,472
Total Reserves	0	(28)	(44)	(44)	(44)
Outside Equity Interest	385	343	234	284	284
Total Retained Profits	101,501	135,390	157,500	(67,284)	(64,294)
TOTAL SHAREHOLDERS EQUITY	**320,629**	**620,638**	**646,419**	**491,428**	**494,418**

[2] Preliminary Final Report Financial Year ended 30 June 2004

Annexure 7

Detailed Summary of the Group's Statement of Financial Performance – 2000 to 2004

	30/6/2000 ($000's)	30/6/2001 ($000's)	30/6/2002 ($000's)	30/6/2003 ($000's)	30/6/2004 ($000's)	22/8/2004 ($000's)
Sales of Gold and Mineral Operations						
Gold Sales	251,486	282,912	326,592	347,538	312,092	37,156
Gold on Metal Account	16,299	-	-	-	-	-
Mineral Sales	99,994	146,027	193,443	205,461	188,019	27,360
	367,779	**428,939**	**520,035**	**552,999**	**500,111**	**64,516**
Cost of Sales						
Production Costs	201,700	229,929	303,867	375,736	365,686	51,231
Selling Expenses	3,913	6,630	7,313	10,936	11,752	1,323
Royalties Paid	5,820	11,004	14,222	15,397	14,437	1,755
Depreciation: Land	20	20	23	279	-	-
Depreciation: Buildings	1,723	929	1,121	802	-	-
Depreciation: Plant & Equipment	3,911	4,357	12,346	9,573	13,330	1,607
Amortisation: Plant & Equipment Under Lease	2,864	2,757	5,734	1,366	704	37
Amortisation: Mining Tenements	1,230	485	501	438	-	-
Amortisation: Mine Development	27,294	37,781	34,487	50,627	44,171	4,099
Amortisation: Investment in Associate	1,186	585	-	-	-	-
Provision for Restoration	1,139	1,072	2,377	3,045	2,830	386
	250,800	**295,549**	**381,991**	**468,199**	**452,910**	**60,438**
Gross Profit	**116,979**	**133,390**	**138,044**	**84,800**	**47,202**	**4,078**
Other Revenue from ordinary activities						
Gain on Restructure of Hedge Book	-	-	-	-	11,197	-
Gains from Management of Gold and FX Contracts	4,308	599	2,559	320	(832)	8,128
Toll Treatment Revenue	1,064	374	-	-	-	-
JV Overhead Recoveries	1,620	1,428	911	-	16,494	936
Interest Received	2,016	2,596	2,754	817	360	4
Profit on Sale of Controlled Entity	-	-	-	4,661	-	-
Profit from Sale of Non-Current Assets	792	788	8,079	5,575	(24,084)	172
Gain on Deferred Sale of Mining Properties	-	-	-	8,250	-	-
Royalty Income	-	206	82		62	17
Rental Receipts	49	-	-	-	70	8
Dividends Received	1	-	-	-	1	-
Other Revenue	21	486	531	170	308	(3,598)
	9,871	**6,477**	**14,916**	**19,793**	**3,576**	**5,667**

	30/6/2000 ($000's)	30/6/2001 ($000's)	30/6/2002 ($000's)	30/6/2003 ($000's)	30/6/2004 ($000's)	22/8/2004 ($000's)
Borrowing costs expensed						
Interest Expense: Borrowings	9,714	15,617	24,139	24,070	18,987	2,707
Interest Expense: Finance Lease	848	509	2,244	2,069	343	58
Amortisation of Borrowing Costs	376	546	838	-	1	-
Loan Establishment Fees	-	5,407	1,437	-	-	-
Less: Interest Capitalised	-	(400)	(4,418)	(986)	-	-
Less: Loan Establishment Fees Capitalised	-	(5,407)	(1,437)	-	-	-
	10,938	**16,272**	**22,803**	**25,153**	**19,331**	**2,765**
Exploration Expensed	**(9,315)**	**(10,064)**	**(8,000)**	**(8,052)**	**(5,464)**	**(667)**
Other Expenses from ordinary activities						
Administration	19,399	18,792	20,913	21,810	20,028	2,703
Depreciation of Plant & Equipment	1,356	731	735	1,955	572	68
Amortisation of Plant & Equipment Under Lease	564	140	145		1,407	216
Other Provisions	2,000	1,800	4,000	3,569	208	
Mining Contractor Settlement Payments	3,500	1,758	-	-	-	-
Provision for Diminution in Shares of Associate	1,791	-	-	-	-	-
Write Down of Accumulated Deferred Waste	-	-	-	5,404	-	-
Write Down of Mining Properties	5,986	2,000	25,000	-	336,673	-
Restructure Cost	-	-	-	11,128	4,567	(20)
Care and Maintenance	662	1,731	1,053	-	909	356
	35,258	**26,952**	**51,846**	**43,866**	**364,364**	**3,323**
Profit from Ordinary Activities Before Income Tax	**71,339**	**86,579**	**70,311**	**27,522**	**(338,381)**	**2,990**
Income Tax (Expense)/Benefit Attributable to Ordinary Activities	(11,750)	(22,897)	(13,148)	6,992	113,596	-
Net Profit Attributable to Members of the Company	**59,589**	**63,682**	**57,163**	**34,514**	**(224,785)**	**2,990**
Net Exchange Differences on Translation of Financial Statements of Controlled Entity		-	(27)	(17)	-	-
Total changes in equity	**59,589**	**63,682**	**57,136**	**34,497**	**(224,785)**	**2,990**

Annexure 8

Schedule of Inter-company Loans

Company	SOG	BENL	BGNL	BL	BOPL	CRPL	CRNL	GGMNL	GL	GIPL	GCL	GMNL	GTPL	IGNL	LAL	MNL	MEMIL	ORL	ORNL	PMCL	SGMNL	TRCPL	TAPL	TOPL	Z2PL	Total
Companies in Voluntary Administration (VA)	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Sons of Gwalia Ltd	-	2,416	(3)	298	(8,272)	1,381	(53)	(1,910)	(88,119)	-	83,693	(3,729)	(20,915)	(11,626)	(28,444)	-	-	(311,316)	13,379	118,625	(105)	557	26,208	(43,575)	-	**(271,511)**
Burmine Exploration NL	(2,416)	-	-	-	(7)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**(2,423)**
Burmine Gold NL	3	-	-	(187)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**(184)**
Burmine Ltd	(298)	-	187	-	7,654	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**7,543**
Burmine Operations Pty Ltd	8,272	7	-	(7,654)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**624**
City Resources (WA) Pty Ltd	(1,381)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**(1,381)**
Consolidated Resources NL	53	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(125)	-	-	4,348	1	-	**4,276**
Gasgoyne Gold Mines NL	1,910	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**1,910**
Greenbushes Ltd	88,119	-	-	-	-	-	-	-	-	-	(60,587)	(3,048)	243	-	4,988	-	-	-	-	-	-	-	-	-	-	**29,715**
Greenstone Investments Pty Ltd	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
Gwalia Consolidated Ltd	(83,693)	-	-	-	-	-	-	-	60,587	-	-	31,887	15,983	-	(3,518)	-	-	-	-	-	-	-	-	-	-	**21,246**
Gwalia Minerals NL	3,729	-	-	-	-	-	-	-	3,048	-	(31,887)	-	-	-	(181)	-	-	-	-	-	-	-	-	-	-	**(25,292)**
Gwalia Tantalum Pty Ltd	20,915	-	-	-	-	-	-	-	(243)	-	(15,983)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**4,689**
Invincible Gold NL	11,626	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**11,626**
Lithium Australia Ltd	28,444	-	-	-	-	-	-	-	(4,988)	-	3,518	181	-	-	-	-	-	-	-	-	-	-	-	-	-	**27,155**
Mincoa NL	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
Mount Edon Mines International Ltd	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	69	-	-	**69**
Oriole Resourses Ltd	311,316	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(33,924)	-	-	(55,731)	22,934	-	**244,595**
Orion Resources NL	(13,379)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**(13,379)**
Pacmin Mining Corporation Ltd	(118,625)	-	-	-	-	-	125	-	-	-	-	-	-	-	-	-	-	33,924	-	-	-	-	15,064	6,232	-	**(63,279)**
Sons of Gwalia (Murchison) NL	105	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**105**
Tantalum Refinery Co Pty Ltd	(557)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**(557)**
Tarmoola Australia Pty Ltd	(26,208)	-	-	-	-	-	(4,348)	-	-	-	-	-	-	-	-	-	(69)	55,731	-	(15,064)	-	-	-	59,467	-	**69,510**
Tarmoola Operations Pty Ltd	43,575	-	-	-	-	-	(1)	-	-	-	-	-	-	-	-	-	-	(22,934)	-	(6,232)	-	-	(59,467)	-	-	**(45,059)**
Zephr 2 Pty Ltd	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
Net Claims	**$271,511**	**$2,423**	**1$ 84**	**$ (7,543)**	**$ (624)**	**$1,381**	**$ (4,276)**	**$ (1,910)**	**$ (29,715)**	**$-**	**$ (21,246)**	**25,292**	**$ (4,689)**	**$ (11,626)**	**$ (27,155)**	**$-**	**$ (69)**	**$ (244,595)**	**$13,379**	**$63,279**	**$ (105)**	**$ 557**	**$ (69,510)**	**$45,059**	**$-**	**$**

Schedule of Inter-company Claims

Company	SOG	BENL	BGNL	BL	BOPL	CRPL	CRNL	GGMNL	GL	GIPL	GCL	GMNL	GTPL	IGNL	LAL	MNL	MEMIL	ORL	ORNL	PMCL	SGMNL	TRCPL	TAPL	TOPL	Z2PL	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Australian Subsidiaries not in Administration																										
Austmin Platinum Mines Pty Ltd	(693)	-	-	-	(8)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**(700)**
Burmine Exploration SA Pty Ltd	722	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**722**
Burmine Investments Pty Ltd	238	(2,757)	-	(18,502)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,000	-	-	-	-	-	-	**(19,021)**
Burmine Management Pty Ltd	(1,006)	-	-	942	15,438	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**15,374**
Burmine Shelf No 1 Pty Ltd	155	-	-	(19,262)	15,417	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**(3,689)**
Cavalry Nominees Pty Ltd	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Criterion Share Registry Pty Ltd	41	-	-	-	-	-	-	-	-	-	(59)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**(18)**
Donegal Exploration and Mining Services Pty Ltd	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	164	-	-	102	43	-	**309**
Edjudina Operations Pty Ltd	818	-	-	-	-	-	(3,887)	-	-	-	-	-	-	-	-	-	-	(29)	-	(234)	-	-	(4,207)	(189)	-	**(7,728)**
Europa Coal Australia Pty Ltd	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Europa Minerals Australia Pty Ltd	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fraser Mine Management Pty Ltd	(11)	-	-	11	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Gwalia Securities Pty Ltd	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Kensington Investments Pty Ltd	-	-	-	-	-	-	-	-	(1,007)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**(1,007)**
Kurrajong Pty Ltd	(21)	-	-	(147)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**(167)**
Metallica Ltd	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Mincoa Nominees Pty Ltd	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Mount Edon Mines Pty Ltd	4	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,858	-	-	**1,862**
PacMin Corporation Pty Ltd	186	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(78,884)	-	-	-	-	-	**(78,698)**
PacMin Resources Pty Ltd	(41)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	81	-	-	409	-	-	**449**
Scanfire Exploration Pty Ltd	377	-	-	-	-	-	(6,934)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(25,470)	31,080	-	**(947)**
Sevake Pty Ltd	115	-	-	-	-	-	-	-	-	-	(30,508)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**(30,394)**
Tarmoola Joint Venture Pty Ltd	(40)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(62,803)	-	-	46,656	-	-	**(16,187)**
Yilgarn Star Pty Ltd	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Zinnanda Pty Ltd	(33,429)	-	-	-	-	-	-	-	(6,797)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**(40,226)**
Net Claims	**(32,584)**	**(2,757)**	**-**	**(36,958)**	**30,848**	**-**	**(10,820)**	**-**	**(7,805)**	**-**	**(30,567)**	**-**	**-**	**-**	**-**	**-**	**-**	**(29)**	**2,000**	**(141,677)**	**-**	**-**	**19,348**	**30,934**	**-**	**(180,066)**
Overseas Subsidiaries																										
Draycott Cross Coillery Ltd	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Energy Management & Finance Ltd	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Europa Energy (Finance) Ltd	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Europa Energy (Investments) Ltd	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Europa (US) Ltd	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Europa Energy Plc	13,717	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**13,717**
Europa Minerals Group Plc	1,566	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**1,566**
Europa Minerals Inc	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Europa Minerals Ltd	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Mt Edon (Switzerland)	(2)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3,751	-	-	**3,749**
Pacific Wildcat Resources Corporation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Solidville Ltd	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Tanex Plc	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net Claims	**15,281**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**3,751**	**-**	**-**	**19 ,032**
Claims Against Companies in VA																										
Number of Claims	**11**	**-**	**-**	**2**	**2**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1**	**2**	**-**	**-**	**5**	**2**	**-**	**25**
Total Claimable	**$ 17,939**	**$ -**	**$-**	**$ 953**	**$30,856**	**$ -**	**$ -**	**$ -**	**$ -**	**$-**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$-**	**$ -**	**$ -**	**$ 2,000**	**$ 245**	**$ -**	**$ -**	**$ 52,7731,**	**$ 123**	**$-**	**$135,891**

Number of Claimants 17

Annexure 9

Summary of Administrators Fees by Office and Grade for the Period 29 August 2004 to 31 July 2005

	Total			Perth Office			Sydney Office			Melbourne Office			Brisbane Office		
Position	Hours	Average Rate	$A	Hours	Rate	$A	Hours	Rate	$A	Hours	Rate	$A	Hours	Rate	$A
Partner	4,581.4	413	1,889,864	3,126.4	400	1,250,540	1,197.9	450	539,055	257.1	390	100,269	-	400	-
Director	6,107.0	301	1,840,982	4,648.7	287	1,334,177	524.7	366	192,040	743.2	350	260,120	190.4	287	54,645
Manager I	2,206.4	311	685,915	310.9	258	80,212	1,611.0	323	520,353	284.5	300	85,350	-	258	-
Manager II	3,528.0	207	731,281	2,882.3	197	567,813	185.7	261	48,468	460.0	250	115,000	-	197	-
Supervisor	3,303.7	182	601,460	2,138.8	168	359,318	654.4	214	140,042	510.5	200	102,100	-	168	-
Senior I	2,913.2	153	446,015	2,413.0	149	359,537	233.5	190	44,365	113.1	170	19,227	153.6	149	22,886
Senior II	1,897.2	125	237,232	1,894.1	125	236,763	2.3	152	350	0.8	150	120	-	125	-
Intermediate I	462.6	107	49,320	446.8	106	47,361	15.8	124	1,959	-	120	-	-	106	-
Intermediate II	696.5	103	71,578	518.3	102	52,867	178.2	105	18,711	-	110	-	-	102	-
Accounts Clerk	30.4	76	2,312	29.4	76	2,233	1.0	79	79	-	76	-	-	76	-
Secretary	1,204.7	98	118,024	847.0	95	80,465	343.5	105	36,068	14.2	105	1,491	-	95	-
Junior	2,299.8	60	137,230	2,106.5	59	124,284	193.0	67	12,931	0.3	50	15	-	59	-
Total	**29,230.8**		**$6,811,212**	**21,362.1**		**$4,495,569**	**5,141.0**		**$1,554,420**	**2,383.7**		**$683,692**	**344.0**		**$77,531**

Summary of Administrators Time by Task
29 August 2004 to 31 July 2005

Position	Average Rate	Head Office	Statutory	Gold Division	Advanced Minerals	Communication	Operational	Investigation	Going Concern	Total Hours	Total Charge
Partner	413	160.1	277.3	294.0	737.0	1,207.6	793.7	612.7	499.0	**4,581.4**	**$1,889,864**
Director	301	756.7	539.3	1,036.2	1,612.3	408.8	736.1	816.4	201.2	**6,107.0**	**$1,840,982**
Manager I	311	165.1	12.5	131.8	375.0	478.9	35.5	323.9	683.7	**2,206.4**	**$685,915**
Manager II	207	925.4	256.9	12.2	479.9	192.6	74.1	1,586.9	-	**3,528.0**	**$731,281**
Supervisor	182	653.9	727.8	266.2	410.7	121.5	14.2	703.3	406.1	**3,303.7**	**$601,460**
Senior I	153	561.0	1,252.8	90.1	256.7	208.6	90.1	438.8	15.1	**2,913.2**	**$446,015**
Senior II	125	743.0	293.9	566.8	5.1	21.7	261.0	5.7	-	**1,897.2**	**$237,232**
Intermediate I	107	21.2	9.2	-	23.9	25.2	-	22.9	360.2	**462.6**	**$49,320**
Intermediate II	103	115.7	115.6	-	20.2	109.8	335.2	-	-	**696.5**	**$71,578**
Secretary	98	-	-	-	-	1,201.9	-	-	2.8	**1,204.7**	**$118,024**
Accounts Clerk	76	-	-	-	-	2.9	-	-	27.5	**30.3**	**$2,312**
Junior	60	279.9	389.8	174.4	485.9	170.0	621.1	43.5	135.2	**2,299.8**	**$137,230**
Total Hours		**4,382.0**	**3,875.1**	**2,571.7**	**4,406.7**	**4,149.5**	**2,961.0**	**4,554.1**	**2,330.8**	**29,230.8**	**$6,811,212**
Total Charge		**$865,989**	**$731,278**	**$620,682**	**$1,154,432**	**$1,009,031**	**$696,228**	**$1,129,446**	**$604,125**	**$6,811,212**	

Summary of Administrators Fees by Name for the Period 29 August 2004 to 31 July 2005

Position	Total Hours	Rate	Charge ($A)
Partner			
Garry Trevor	1,215.9	400	486,360
Andrew Love	1,090.2	450	490,590
Darren Weaver	1,909.7	400	763,880
Simon Jennings	256.1	390	99,879
Barry Taylor	103.7	450	46,665
Ian Ferrier	3.5	450	1,575
John Spark	1.0	390	390
Martin Jones	0.8	400	300
Peter Walker	0.5	450	225
Director			
Phil Rundell	1,612.3	287	462,730
Bob Jacobs	1,487.7	287	426,970
Ian Hobson	1,435.6	287	412,017
Michail Lagogiannis	743.2	350	260,120
Paul Bailey	521.7	366	190,942
Tim Michael	190.4	287	54,645
Brad Norman	113.1	287	32,460
Nigel Carson	3.0	366	1,098
Manager I			
Said Jahani	1,008.0	323	325,584
Robert Pfaff	603.0	323	194,769
Ben Taylor	284.5	300	85,350
Mark Doust	310.9	258	80,212
Manager II			
Mark Doust	1,400.1	197	275,820
David Payne	816.2	197	160,791
Ryan Eagle	657.8	197	129,587
Steven Leong	431.5	250	107,875
Ben Lyons	156.2	261	40,768
Duncan Gardiner	28.5	261	7,439
Katie Barbour	28.5	250	7,125
Sean Powell	5.6	197	1,103
Rebecca Bradshaw	2.6	197	512
Mustafa Mohabbat	1.0	261	261
Supervisor			
Steve Guidera	952.1	168	159,953
Yvan Dang	510.5	200	102,100
Sean Powell	585.0	168	98,280
Deborah Woodroffe	546.7	168	91,846
Craig Mahoney	201.6	214	43,142
Andrew McCabe	140.1	214	29,981
Chew Mar	101.8	214	21,785
Jim Sarantinos	98.2	214	21,015
Simon Davies	57.2	214	12,241
Sean McBean	55.5	214	11,877
Rebecca Bradshaw	55.0	168	9,240
Senior I			
Harry Spindler	939.5	149	139,986
Bob Bickford	848.7	149	126,456
Kelly Porter	465.9	149	69,419
Jim Sarantinos	233.5	190	44,365
Andrew Fitton	153.6	149	22,886
Christine Bertolotti	113.1	170	19,227

Position	Total Hours	Rate	Charge ($AUS)
Senior I			
Andrew Smith	116.2	149	17,314
Sandra Wallington	19.0	149	2,831
Kannara Sovann	15.2	149	2,265
Dwight Maul	8.5	149	1,267
Senior II			
Francisca Irawati	673.7	125	84,213
Tara McGuire	377.0	125	47,125
Kannara Sovann	359.3	125	44,913
Andrew Smith	247.9	125	30,988
Dwight Maul	209.2	125	26,150
Harry Spindler	27.0	125	3,375
Bede Ronzani	2.3	152	350
Gary Koroneos	0.8	150	120
Intermediate I			
Tom Birch	409.9	106	43,449
Greg Piotrowski	36.9	106	3,911
Luke Fiatarone	7.1	124	880
Sean Wengel	4.5	124	558
Georgina Gordon	3.9	124	484
James Iliffe	0.3	124	37
Intermediate II			
Tom Birch	364.2	102	37,148
Natalie Ma	169.6	105	17,808
Chris Hoult	103.1	102	10,516
Sian Sullivan	51.0	102	5,202
Daniel Streefkerk	6.0	105	630
Danielle Franjic	2.6	105	273
Secretary			
Amy Dosek	417.1	95	39,625
Sally Walsh	337.2	105	35,406
Michelle Prentice	272.6	95	25,897
Stacey Magee	155.0	95	14,725
Alley Aiken	10.6	105	1,113
Tracey Crawford	3.8	105	399
Jane McEwan	3.4	105	357
Temps 2.1		95	200
Rachel Alexander	1.5	105	158
Marise Maechler	0.9	105	95
Nancy Stavropoulos	0.2	105	21
Charlotte Jones	0.2	95	19
Catherine Mitchell	0.1	105	11
Accounts Clerk			
Cathy Lie	29.4	76	2,233
Michelle Wagner	1.0	79	79
Junior			
Sian Sullivan	891.4	59	52,593
Chris Hoult	740.7	59	43,701
Natalie Ma	180.4	67	12,087
Matt Rimkus	162.8	59	9,605
Ryan Bowyer	129.9	59	7,664
Gaye Hayward	116.8	59	6,891
Pauline Kardik	63.7	59	3,758
Roma Pillay	8.5	67	570
Ben Hynes	4.1	67	275
Chris Moore	1.2	59	71
Stephanie Clee	0.3	50	15
Total 29,230.8			**$6,811,212**

Annexure 10

Schedule of Registered Charges over SOG Group Companies

1. The deed of charge (numbered 640395) granted by Greenbushes Limited (ACN 004 603 516) as chargor and Cabot as chargee dated 23 April 1998 and lodged at the ASIC on 24 April 1998;

2. The deed of charge (numbered 640396) granted by Gwalia Tantalum Pty Ltd (ACN 008 899 750) as chargor and Cabot as chargee dated 23 April 1998 and lodged at the ASIC on 24 April 1998;

3. Mortgages dated 23 April 1998 and granted in favour of Cabot, being mortgages:

   (a) 3H/989 over mining leases M01/3, M01/6 and M01/7 granted by GL; and

   (b) 4H/989 over miscellaneous licence 45/58 and mining leases M45/50, M45/351 and M45/354 granted by GT,

4. The fixed cross charge over mining tenements and interest in joint venture property granted by SOG in favour of Troy Resources NL securing performance of the obligations of SOG under a joint venture known as the Cornishman Joint Venture, constituted by a joint venture agreement dated 16 December 1992 as varied on 19 June 1998.

Annexure 11

Schedule of Hourly Charge Rates for the Deed Administrators Under the DOCAs

Position	Rate Per Hour
	$
Partner	470
Director	400
Manager (Grade I)	340
Manager (Grade II)	280
Supervisor	220
Senior (Grade I)	190
Senior (Grade II)	160
Intermediate (Grade I)	130
Intermediate (Grade II)	110
Secretary	110
Computer Operator	90
Junior	80

Annexure 12

SOG DOCA

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This Deed of Company Arrangement

is made on July 2005 between the following parties:

1. **The company specified in item 1 of Schedule 1** (the **Company**)
2. **Andrew John Love** of Level 17, 2 Market Street, Sydney, New South Wales and **Garry John Trevor and Darren Gordon Weaver**, each of care of Ferrier Hodgson, 108 St Georges Terrace, Perth, Western Australia in their capacity as administrators of each of the Companies and as administrators of this Deed including any successor or permitted assign (**Administrator**)

Recitals

A. A meeting of the creditors of the Company to consider, among other things, the execution of a deed of company arrangement, was duly held pursuant to section 439A of the Act on 30 August 2005 (**Meeting**).

B. At the Meeting, the creditors duly resolved that it was in the interests of the creditors of the Company for it to execute a deed of company arrangement in the terms set out herein.

This deed witnesses

Pursuant to Part 5.3A of the Act, the Parties bound by this Deed agree:

1 Definitions, interpretation and prescribed provisions

1.1 Definitions

In this Deed (including the recitals) unless the context otherwise requires:

Act means the Corporations Act 2001 (Cth);

Administration Funding Facility means the facility made or to be made available to the Administrator, both as administrator of the Company and deed administrator of the Company, to assist in funding the operations of the Company during the period of the administration of the Company and during the Arrangement Period;

Administrator's Costs means the remuneration, costs, fees and expenses payable to the Administrator pursuant to clause 5.7;

Advanced Minerals Assets means the plant and equipment of Gwalia Tantalum Ltd and Greenbushes Ltd used to produce tantalum concentrates, tantalum glass and lithium, and their mining tenements and all associated assets;

Appointment Date means 29 August 2004, being the date on which the Administrator was appointed to the Companies, or was taken to be appointed, pursuant to Section 436A of the Act;

Arrangement Period means the period from the Commencement Date to the date this Deed is terminated in accordance with clause 7 of this Deed;

ASIC means the Australian Securities and Investment Commission;

ASIC Class Order means class order 98/1418 (formerly class order 91/996);

Business Day means a weekday on which banks are generally open for business in Western Australia;

Claim means a debt payable by, or a claim against, the Company (present or future, certain or contingent, ascertained or sounding only in damages) being debts or claims which arose on or before the Appointment Date or out of events or circumstances which occurred before the Appointment Date, regardless of whether the debt or claim arose before or after the Appointment Date, and irrespective of whether the debt or claim arose by virtue of contract, at law (including by statute) in equity or otherwise, and regardless of whether such debt or claim has been or will be admitted or disputed in whole or in part;

Commencement Date means the date of execution of this Deed by the last of the parties hereto;

Consultative Creditors Committee means the committee of Creditors constituted pursuant to clause 9;

Corporations Regulations means the Corporations Regulations 2001 (Cth);

Court means any court having jurisdiction to hear and determine matters under the Act;

Creditor means any person who has or asserts a Claim;

Deed means this deed of company arrangement, as amended from time to time;

Deed of Cross Guarantee means the deed dated 21 May 1993 executed by Sons of Gwalia Ltd (Administrators Appointed) as Trustee and certain other of the Companies pursuant to the ASIC Class Order;

Directors means the directors of the Companies from time to time;

Employee means a person who has been or is employed by a Group Company, whether remunerated by salary, wages, commission or otherwise;

Employee Entitlements means any right or entitlement of an Employee in respect of which, if the relevant Group Company were to be wound up, that Employee would be entitled to receive payment, pursuant to Section 556 of the Act, in priority to the unsecured creditors of the relevant Group Company. For the avoidance of doubt, an Employee is only entitled to receive a payment with a priority over unsecured creditors by way of a retrenchment payment (as that term is defined in the Act) under section 556 of the Act, if that Employee is actually terminated by the relevant Group Company;

Enforcement Process has the same meaning as in the Act;

Financier means a party who makes, or has made, the Administration Funding Facility available to the Administrator;

Fund means the Proceeds Account (as contemplated by the Administration Funding Facility) being the fund maintained by the Administrators in respect of the Company for the purposes of clause 4.1 this Deed and the deeds of company arrangement for each of the other Group Companies;

Group Companies means the SOG Ltd group companies under voluntary administration as specified in item 2 of Schedule 1;

GST means goods and services tax or similar value added tax levied or imposed in Australia pursuant to the GST law or otherwise on a supply;

GST Act means A New Tax System (Goods and Services Tax) Act 1999 (Cth);

GST law has the same meaning as in the GST Act;

Hedging Arrangements includes spot or forward foreign exchange transactions, interest rate swaps or gold commodity swaps;

Meeting has the meaning ascribed in Recital A to this Deed;

Members means the shareholders of SOG Ltd;

Moratorium Period means the period commencing on the Resolution Date and ending on the Termination Date;

Officers means:

(a) the Directors; or

(b) the secretaries of the Company; or

(c) a person:

  (1) who makes, or participates in making, decisions that affect the whole, or a substantial part, of the business of any of the Companies; or

  (2) who has the capacity to affect significantly the financial standing of any of the Companies; or

  (3) in accordance with whose instructions or wishes the directors of the Company are or were accustomed to act.

For the avoidance of doubt, no member of the Consultative Creditors Committee shall be considered to be an actual or “shadow” Officer.

Related Companies means those companies other than the Companies, which are controlled (directly or indirectly) by the Companies, and which are listed in Schedule 4;

Resolutions means the resolutions of the creditors of the Company passed at the Meeting approving the Company's executing this Deed;

Resolution Date means the date on which the Resolutions were passed;

Roll-Up Reconstruction Scheme means a reconstruction scheme with the purposes and to the effects summarised in Schedule 3, as modified from time to time;

Scheduled Rates means the rates set out in Schedule 2 of this Deed;

SOG Ltd means Sons of Gwalia Ltd ACN 008 994 287 (Administrators Appointed);

Swap Provider means a party who enters into, or has entered into, swap transactions with the Company, a Group Company or the Administrator during the Arrangement Period;

Tax Invoice includes any document or record treated by the Commissioner a tax invoice or as a document entitling the recipient to an input tax credit;

Termination Date means the earlier of:

(a) the date 8 months after the Commencement Date or such later date as the Administrator and the Consultative Creditors Committee shall determine under clause 7.2 of this Deed; or

(b) the date this Deed is terminated under clause 7.4 of this Deed.

1.2 Interpretation

In this Deed, unless the context otherwise requires:

(a) month means a calendar month;

(b) headings are for convenience only and do not affect the interpretation of this Deed;

(c) references to sections, sub-sections and paragraphs of the Act are references to sections, sub-sections and paragraphs of the Corporations Act 2001;

(d) references to clauses are references to clauses of this Deed;

(e) references to members of the Consultative Creditors Committee are references to the actual and *ex officio* members of the Consultative Creditors Committee, but nothing herein shall be construed to provide to *ex officio* members either voting rights or the right to speak for or act in the name of the Consultative Creditors Committee in any manner;

(f) the singular includes the plural and vice versa;

(g) words importing a gender include each other gender;

(h) an expression importing a natural person includes any corporation, partnership, joint venture, association or other body corporate;

(i) a reference to any thing includes a part of that thing;

(j) a reference to any statute, regulation, proclamation, ordinance or by-law includes a reference to each statute, regulation, proclamation, ordinance or by-law varying, consolidating or replacing it, and a reference to a statute includes a reference to each regulation, proclamation, ordinance and by-law issued under that statute;

(k) a reference to a document includes a reference to an amendment or supplement to, or replacement or novation of, that document;

(l) a reference to a party to any document includes a reference to that party's successors and permitted assigns;

(m) when a day on or by which anything is to be done is not a Business Day, that thing must be done on or by the next Business Day;

(n) a reference to a dollar or $ is a reference to Australian currency; and

(o) a covenant or agreement on the part of two or more persons binds them jointly and individually.

1.3 Prescribed provisions

Except as otherwise provided for in this Deed, the prescribed provisions contained in Schedule 8A of the Corporations Regulations are excluded from this Deed.

2 Preliminary matters

2.1 Purpose and objects

The purpose and objects of this Deed are to provide for the business, property and affairs of the Company to be administered in a way that:

(a) provides the Creditors with the opportunity to consider and, if thought fit, to approve a subsequent arrangement for an orderly transition to take the Company out of administration under this Deed;

(b) will provide a flexible means by which the value of the assets of the Company may be maximised;

(c) does not compromise any of the Claims;

(d) provides a moratorium on Creditors taking action against any of the Company;

(e) provides for a moratorium on the transfer of shares in the Company other than by or with the prior written consent of the Administrator or upon an order of the Court;

(f) provides for subsequent meetings of the Creditors to consider and, if thought fit, approve variations to this Deed;

(g) results in a better return for the Creditors than would result from an immediate winding up of the Company;

(h) facilitates a commercial resolution to the financial difficulties of the Company without unnecessary impediment or legal dispute; and

(i) subject to clause 4.2, provides for the liabilities of the Company to be distributed in the same order of priority as if in a winding up.

2.2 Effective date

This Deed will take effect on the Commencement Date.

2.3 Interim effect

Insofar as a person would be bound by this Deed if it had already been executed, the person must not, at any time after the Resolution Date but before the Commencement Date, do anything inconsistent with the terms of this Deed except with the leave of a Court.

2.4 Officers and Directors

Throughout the Arrangement Period:

(a) the Officers and Directors cannot perform or exercise, and must not purport to perform or exercise, a function or power as an officer of the Company without the Administrator's written approval;

(b) the Directors and Officers must:

(i) attend on the Administrator at such times; and

(ii) give the Administrator such information about any of the Company business, property affairs and financial circumstances;

as the Administrator reasonably requires.

(c) the Officers shall cooperate with and assist the Administrator in the performance of his obligations under this Deed;

(d) the Directors shall remain as Directors of the relevant Companies unless removed or they resign; and

(e) the Officers shall not perform or exercise or purport to perform or exercise any function or power they may have as Officers of the relevant Companies including, but not limited to, the power to resolve to place any of the Companies into voluntary administration under Part 5.3A of the Act or take any step to wind up any of the Companies.

2.5 Administrator

During the Arrangement Period, the Administrator shall be the persons named as Administrator under this Deed, and shall have those powers specifically vested under this Deed.

2.6 No liquidation

The Creditors acknowledge and agree that it is not in the best interests of the Company or the Creditors that the Company be wound up at this time or during the Arrangement Period.

3 Scope of this arrangement and the moratorium

3.1 Creditors bound

(a) This Deed binds:

  (1) the Company;

  (2) the Administrator;

  (3) the Creditors;

  (4) the Officers; and

  (5) the Members.

(b) This Deed does not bind secured creditors of the Company, except to the extent that those secured creditors voted in favour of the Deed at the Meetings.

3.2 Moratorium regarding Company

(a) During the Moratorium Period Creditors, including owners and lessors of property used or occupied by the Company, must not:

(1) begin an application to wind up any of the Company or proceed with an application in connection with the winding up of the Company made before the Commencement Date;

(2) begin or continue any proceeding against the Company, or in relation to any of its property;

(3) exercise any right of set-off or cross claim against the Company which the person would not have been entitled to had the Company been wound up upon the Commencement Date; or

(4) begin or continue with any Enforcement Process in relation to the property of the Company,

without the prior written consent of the Administrator and, in the case only of paragraphs (2) and (4), with the leave of a Court and in accordance with such terms (if any) as a Court imposes.

(b) For the purposes of this clause 3.2, **property** includes property used or occupied by, or in the possession of, the Company.

(c) The Administrator will not be liable for any loss or damage suffered by any person arising from or as a consequence of the Administrator refusing to give his consent under clause 3.2(a) of this Deed.

3.3 Moratorium regarding Members

(a) Subject to paragraph 5.1, during the Moratorium Period, a transfer of shares in the Company, or an alteration in the status of members of any of the Companies shall be void except so far as the Court otherwise orders or the Administrator provides written consent.

(b) The Administrator will not be liable for any loss or damage suffered by any person arising from or as a consequence of the Administrator refusing to give his consent under clause 3.3(a) of this Deed.

3.4 Limited Release of Claims

(a) In the event that a dividend is paid to a Creditor under this Deed, that Creditor must accept that dividend under this Deed in partial satisfaction and discharge of that Creditor's Claim under this Deed to the extent of the quantum of the dividend paid.

(b) Except to the extent contemplated by this clause and clause 3.5, or by any scheme of arrangement which might operate with respect to the Company upon the termination of this Deed, this Deed does not operate to release any Claims.

3.5 Claims extinguished

Upon the payment of a dividend under this Deed, the Claims of Creditors are extinguished to the extent of any dividend paid to that Creditor.

3.6 Administrator's Discretion

The Administrator may, in his absolute discretion:

(a) admit Claims; and

(b) pay any Claim in accordance with the provisions of this Deed if it is considered desirable to do so, having regard to, amongst other things, the interests of the Creditors.

3.7 Making Claims and proof of Claims

(a) Sections 562, 562A and 563A, Division 2 of Part 5.6 of the Act and subdivisions A, B, C, and E of Division 6 of Part 5.6 of the Act and Regulations 5.6.37 and 5.6.39 to 5.6.63 (inclusive), 5.6.70 and 5.6.70A of the Corporations Regulations apply to Claims under this Deed, and the adjudication and admission to proof thereon, as if the references to the liquidator were references to the Administrator.

(b) As soon as reasonably practicable after the Commencement Date the Administrator shall issue a notice to submit particulars of debt or claim in the manner prescribed in Regulation 5.6.39 of the Corporations Regulations.

(c) In adjudicating upon a Claim, the Administrator shall treat the Company as a discrete and separate entity and the obligations of a party making a Claim owed to the Company shall not be able to be set off against Claims against another of the Group Companies.

(d) No interest shall accrue or be payable in respect of Claims.

3.8 Abandonment of Claims

A party with a Claim will have abandoned, and will be taken for all purposes to have abandoned, that Claim:

(a) which is not the subject of a proof lodged with the Administrator in the form required by the Administrator prior to the declaration of a final dividend; or

(b) which has been rejected by the Administrator and which is not the subject of any appeal or application to the Court within 21 days after the date of notification of the rejection to the party with the Claim.

3.9 Transfer of Claims

The Administrator, in consultation with the Consultative Creditors Committee, shall establish a mechanism for the transfer and registering of all or any part of any Claim, provided that the Administrator shall at all times be satisfied that this shall not result in any duplication in respect of any Claim. Any holder of a Claim that is transferred and consequently registered shall stand in the shoes of the original holder of that Claim prior to its transfer and registration and, for the avoidance of doubt, shall not in any way be constructed or deemed to constitute a cost or expense of the Administrator either prior to the Commencement Date or under this Deed.

3.10 Unclaimed Moneys

Section 544(1) of the Act applies to unclaimed monies under this Deed as if the references to the liquidator were references to the Administrator.

3.11 Financiers

This Deed does not bind any Financier, except to the extent that the Financier is also a Creditor, in which case this Deed binds the Financier in its capacity as a Creditor only.

4 Distribution by the Administrator

4.1 Creditor's Available Assets

(a) Subject to clause 4.1(b), the Fund shall consist of those funds which may be set aside by the Administrator from time to time, in the Administrator's discretion and after consultation with the Consultative Creditors Committee, from the following:

  (1) the net proceeds of sale of any asset owned by any of the Group Companies;

  (2) the net proceeds received by any of the Group Companies from its relevant business activities; and

  (3) the net proceeds of the realisation of any assets of any of the Group Companies.

(b) The Administrator shall set aside as the Fund:

  (1) if there is any realisation or sale of the Advanced Mineral Assets, the net proceeds of such realisation or sale; and

(2) such other amounts as shall be decided in the Administrator's absolute discretion, after consultation with the Consultative Creditors Committee, having regard to the business, affairs and working capital requirements of the Group Companies from time to time.

(c) Subject to the provisions of this Deed, the property that is available to pay the Claims is the Fund.

4.2 Distribution of the Fund

(a) Subject to clause 3.6 of this Deed, in the event that there is a distribution under this Deed, the Administrator shall distribute the Fund in the following order of priority, giving effect to the terms of Deed of Cross Guarantee and the ASIC Class Order, as if the Deed of Cross Guarantee and ASIC Class Order were operative:

(1) first, subject to clause 4.2(b), to satisfy:

(A) the Employee Entitlements; and

(B) any costs, fees and expenses incurred by the Administrator in realising the assets, the proceeds of which make up the Fund;

(C) any fees, costs and expenses of the Administrator incurred in the capacity as administrator of the Company prior to the Commencement Date and debts and liabilities incurred by the Administrator in the capacity as administrator of the Company prior to the Commencement Date; and

(D) any debts or liabilities incurred by the Administrator during the Arrangement Period to the Financier or Swap Provider;

(2) next, to the Administrator in satisfaction of the fees, costs and expenses incurred as Administrator under this Deed in accordance with clause 5.7 of this Deed;

(3) next, to satisfy the fees, costs and disbursements incurred by the Administrator, in any capacity whatsoever, in the winding up and deregistration and realisation and distribution of the assets of the Related Companies;

(4) next, to satisfy any debts and liabilities (other than those referred to in clause 4.2(a)(1)(D)) incurred by the Administrator under this Deed;

(5) next, to satisfy any amounts the subject of the indemnity in favour of members of the Consultative Creditors Committee under clause 9.7 ; and

(6) next, except for Employee Entitlements which receive the priority referred to at clause 4.2(a)(1)(A), in the same order of priority as would apply if the Company was being wound up.

(b) If the Fund is insufficient to satisfy the whole of the debts due under the categories of debt referred to in sub-clauses (A), (B), (C) and (D) of clause 4.2(a)(1) in full, those categories of debts must be paid proportionately.

(c) In the event that there is any balance in the Fund after all of the Creditors have been paid in full in relation to their Claims, such balance shall be paid in the same order of priority as would apply if the Company was being wound up.

(d) For the avoidance of doubt, payment of any debts or liabilities owed by the Company to Members in the Members' capacity as a member of the Company, whether by way of dividends, profits or otherwise are, to the extent contemplated by Section 563A of the Act and the general law, to be postponed until all debts owed to, or claims made by, Creditors have been satisfied.

5 Administrator

5.1 Role of Administrator

(a) This Deed must be administered by the Administrator who will have the powers, functions and duties conferred on him by this Deed and the Act;

(b) Subject to clause 9.4(b), the Administrator has those powers, authorities and discretions:

(1) as are set out in paragraph 2 of Schedule 8A of the Corporation Regulations;

(2) to assign assets and novate liabilities between the Group Companies subject to the ASIC Class Order for the purpose of maximising the proceeds from the sale of the assets of the Group Companies;

(3) to investigate the business, property, financial circumstances and affairs of the Group Companies and to the extent the Administrator considers it appropriate, report the results of the

investigations to ASIC and/or the Creditors and/or prosecute any claims;

(c) In addition to, and without limiting the powers, authorities and discretions conferred on the Administrator under clause 5.1(b), during the Arrangement Period the Administrator shall:

  (1) have control of the business, property and affairs of the Company;

  (2) carry on the business of the Company and manage the property and affairs of the Company;

  (3) be entitled to borrow funds for working capital or other purposes of the Company, on such terms as the Administrator may decide, including upon the provision of security over some or all of the assets of the Company;

  (4) engage solicitors and consultants on such terms as the Administrators may decide;

  (5) have the power to alter the constitution of the Company to the extent necessary to avoid any inconsistency with this Deed;

  (6) have the powers of directors, in their capacity as directors, to the exclusion of any Directors, including, without limitation, the power to:

    (A) issue shares; and

    (B) convene meetings of the Members;

(d) In exercising or performing the powers and functions conferred by this Deed or the Act and carrying out the duties under this Deed or the Act, the Administrator:

  (1) is taken to act as agent for and on behalf of the Company; and

  (2) does not act as, and does not have any of the duties owed by, a trustee.

5.2 Disclaimer of Onerous Property

During the Arrangement Period, Division 7A of Part 5.6 of the Act shall apply to the Administrator as if the references to the liquidator or a liquidator as the case may be, were references to the Administrator.

5.3 Applications to Court

(a) Without limiting the operation of clause 5.8 or the rights or powers of the Administrator under the Act, during the Arrangement Period, the Administrator may, at any time, apply to the Court:

(1) under section 445G; or

(2) under section 447A; or

(3) for directions in relation to any matter arising under this Deed or to give effect to this Deed.

(b) If the Court determines that any provision of this Deed does not comply with Part 5.3A of the Act (as it may be modified pursuant to Section 447A of the Act) then all the parties bound by this Deed hereby consent to the Court varying this Deed by severing the offending provision from it.

5.4 Books and records

During the Arrangement Period, the Administrators are entitled to possession of all the books and records of the Company and no other person is entitled to:

(a) obtain the books and records of the Company in the absence of the prior written consent of the Administrators; or

(b) to claim or enforce a lien on the books and records of the Company, although such a lien is not otherwise prejudiced.

5.5 Extent of Administrator's liability

(a) Notwithstanding anything contained in any provision of this Deed and notwithstanding that any provision contained in this Deed is not expressed to be made subject to this clause 5.5, it is expressly agreed and declared that the Administrator is and shall be personally liable to any creditor of the Company for any debt of the Company which is incurred after the execution of this Deed in the exercise or performance or purported exercise or performance after the execution of this Deed of the Administrator’s functions, powers or duties under this Deed or the Act or otherwise for :

(1) services rendered; or

(2) goods bought; or

(3) property hired, leased, used or occupied,

only to the extent of any moneys of the Company which the Administrator is entitled under clause 6.1 of this Deed to apply in or towards the payment of that debt.

(b) For the avoidance of doubt, a creditor referred to in clause 5.5(a) of this Deed is not entitled to take any action or pursue any claim or commence any proceeding against the Administrator, in the Administrator's personal capacity, to recover any shortfall, loss or damage suffered by that creditor in consequence of the insufficiency of any moneys referred to in clause 5.5(a) of this Deed.

(c) Notwithstanding anything contained in any provision of this Deed and notwithstanding that any provision contained in this Deed is not expressed to be made subject to this clause 5.5, it is expressly agreed and declared that, in the exercise or performance or purported exercise or performance after the execution of this Deed of any of the Administrator's functions, powers or duties under this Deed or the Act or otherwise, the Administrator will not be personally liable to:

(1) any or all of the other parties to this Deed; or

(2) any other person or entity (whether a party to this Deed or not),

for:

(A) any actual, contingent or prospective liability incurred, directly or indirectly, after the execution of this Deed; or

(B) any loss or damage caused or suffered, directly or indirectly, after the execution of this Deed,

in consequence of any act, omission, negligence or default by the Administrator or any person or entity acting or purporting to act on behalf of the Administrator, except as expressly provided in clause 5.5(a) of this Deed and except for any liability incurred or loss or damage suffered after the execution of this Deed in consequence of the gross negligence, dishonesty or wilful default of the Administrator.

(d) In this clause 5.5, any reference to the Administrator is to the Administrator in the capacity as administrator of this Deed.

5.6 Reporting by Administrator

Subject to the Act and the Corporations Regulations, during the Arrangement Period, the Administrator must report to the Creditors at such intervals and in such modes as are sufficient to ensure that the Creditors are able to adequately monitor the steps taken and results obtained by the Administrator during the Arrangement Period.

5.7 Remuneration of Administrator

Subject to clause 5.8, the Administrator must be:

(a) remunerated at the usual rates charged from time to time by Ferrier Hodgson (which at the date of this Deed are the Scheduled Rates) or at such other rates as the Administrator may from time to time charge in respect of any work done by the Administrator, and any partner or employee of the Administrator, in connection with:

  (1) the conduct of the administration of the Company from the Appointment Date;

  (2) the negotiation, preparation and operation of this Deed;

  (3) the performance of his duties, obligations and responsibilities under this Deed; and

  (4) the winding up and deregistration and the realisation and distribution of the assets of the Related Companies.

(b) reimbursed in respect of all costs, fees and expenses incurred in connection with the foregoing, including, without limitation, any stamp duty payable in respect of this Deed.

5.8 Approval of Administrator's remuneration by Consultative Creditors Committee

(a) Prior to the Meeting, and conditional upon the passing of the Resolutions, the Administrator (in the capacity as administrator of the Company) obtained orders from the Court varying section 449E of the Act such that:

  (1) the Consultative Creditors Committee is entitled to fix the remuneration of the Administrator; and

  (2) the Administrator is entitled to apply to the Court in the event that the Administrator requires the remuneration so fixed by the Consultative Creditors Committee to be reviewed.

(b) The remuneration of the Administrator may therefore be fixed by a resolution of the Consultative Creditors Committee at a meeting of the Consultative Creditors Committee.

(c) If the Administrator seeks to have his remuneration fixed at a meeting of the Consultative Creditors Committee, the Administrator must provide to the members of the Consultative Creditors Committee, at least 7 days prior to the meeting, adequate information justifying the work which they have undertaken and the amount of remuneration sought for such work to enable the members of the Consultative Creditors Committee to determine the following:

(1) the time spent by the Administrator or member of staff of the Administrator in undertaking various the tasks in question;

(2) sufficient detail as to the task undertaken to enable the members of the Consultative Creditors Committee to determine whether the time taken was appropriate; and

(3) the hourly rate of the relevant Administrator and/or member of staff.

5.9 Administrator to lodge accounts

The Administrator shall lodge accounts with the Consultative Creditors Committee in the same form and manner as that prescribed by Section 432(1) and 432(1A) of the Act as if the references to a controller were references to the Administrator.

6 Indemnity of Administrator

6.1 Indemnity

The Administrator is entitled to be indemnified out of the present and future assets of the Company, including without limitation, the Fund for:

(a) the remuneration, costs, fees and expenses payable pursuant to this Deed;

(b) all liabilities incurred by the Administrator during the administration of the Company, in the course of this Deed and/or during the Arrangement Period;

(c) all liabilities incurred in the exercise or performance or purported exercise or performance of the Administrator's functions, powers or duties under this Deed or the Act; and

(d) all actions, suits, proceedings, accounts, claims, demands and liabilities arising after the Appointment Date, out of or relating to the administration of the Company, or this Deed, which may be commenced against, incurred by or made on the Administrator (in any capacity), by any person and against all costs, charges and expenses incurred by the Administrator in respect of them,

PROVIDED THAT the Administrator shall not be entitled to an indemnity in respect of any particular liabilities or demands if the Administrator, or any partner, employee, authorised agent or delegate of the Administrator, has acted negligently, dishonestly, in breach of fiduciary duty, or breach of trust in relation to the act or omission in question, including any act or omission in respect of which this indemnity would not be allowed by reason of Section 199A of the Act.

6.2 Continuing indemnity

This indemnity will take effect on and from the Commencement Date and will be without limitation as to time and will operate notwithstanding the removal of the Administrator and the appointment of a new Administrator or the termination of this Deed for any reason whatsoever.

6.3 Indemnity not to be affected or prejudiced

The indemnity under this clause 6 will not:

(a) be affected, limited or prejudiced in any way by any irregularity, defect or invalidity in the appointment of the Administrator and will extend to all actions, suits, proceedings, accounts, liabilities, claims and demands arising in any way out of any defect in the appointment of the Administrator, the approval and execution of this Deed or the Act or otherwise; or

(b) affect, limit or prejudice all or any rights that the Administrator may have against the Company or any other person to be indemnified against the costs, charges, expenses and liabilities incurred by the Administrator of or incidental to the exercise or performance of any of the functions, powers or duties conferred on the Administrator by this Deed or the Act or otherwise.

6.4 Entitlement of Administrator

The Company and the Administrator agree that, to the extent that the Administrator is entitled to recover remuneration, costs, fees and expenses and to be indemnified for debts and liabilities incurred under a deed of company arrangement for any of the other Group Companies, which entitlement is for the benefit of the Administrator in the capacity as administrator of that other Group Company or as deed administrator of the deed of company arrangement for that other Group Company, the Administrator is also entitled to be indemnified for such amounts out of the present and future assets of the Company, including without limitation, the Fund.

6.5 Administrator's Lien

(a) To secure:

(1) the Employee Entitlements, the Administrator for the benefit of the Employees;

(2) the right of indemnity in this clause 6, the Administrator in the Administrator's own right; and

(3) the right of indemnity under clause 9.7, the Administrator for the benefit of the Consultative Creditors Committee,

has a lien over all of the Company's present and future assets including, without limitation, the Fund.

(b) To the extent that the assets the subject of Administrator's lien under this clause 6.5 are insufficient to satisfy:

(1) the Employee Entitlements; and also

(2) the Administrator's right of indemnity under this clause 6; and also

(3) the right of indemnity under clause 9.7,

the Employee Entitlements and the Administrator's right of indemnity under this clause 6 shall be satisfied first, and only after those amounts have been satisfied in full shall the right of indemnity in clause 9.7 be satisfied.

(c) To the extent that the assets the subject of the Administrator's lien, which are available to satisfy the Employee Entitlements and the Administrator's right of indemnity under this clause 6, are insufficient to satisfy all amounts to be satisfied pursuant to that indemnity, the available assets shall be applied in the order of priority contemplated by clause 4.2(a)(1)(A) to clause 4.2(a)(5).

(d) Nothing in clause 6.5(b) obliges the Administrator to exercise the Administrator's rights as the holder of a lien under this clause 6.5 other than at the Administrator's absolute discretion or as required under the Administration Funding Facility.

(e) Nothing in this Deed, including this clause 6, affects or limits the operation of:

(1) the equitable lien arising by operation of law, in favour of the Administrator; or

(2) Subdivision B Division 9 of Part 5.3A of the Act.

7 Termination

7.1 Termination

Subject to this clause 7, the Arrangement Period and this Deed shall terminate on the Termination Date.

7.2 Extended Termination Date by Administrator

The Administrator may, subject to clause 9.4(b), and without the need to convene a meeting of the Creditors, from time to time, extend the Arrangement Period by a notice in writing to the Creditors and provide that this Deed shall terminate on the date specified in that notice, provided that no such extension shall extend beyond 12 months from the Commencement Date without approval from the Creditors at a duly convened meeting of the Creditors.

7.3 Meeting of Creditors

Subject to the provisions of section 445A and section 445F of the Act, the Administrator:

(a) may convene a meeting of the Creditors to consider a resolution to terminate or vary this Deed if:

   (1) the Administrator determines that the terms of this Deed cannot be fulfilled; or

   (2) a Court so orders; and

(b) must convene a meeting of the Creditors to consider a resolution to terminate or vary this Deed:

   (1) within 45 days of a request by the Consultative Creditors Committee to do so; and

   (2) prior to the end of the Arrangement Period.

7.4 Termination of this Deed by Court order or Creditors' resolution

This Deed will terminate if:

(a) a Court so orders in accordance with section 445D of the Act; or

(b) pursuant to a meeting convened pursuant to clause 7.3, the Creditors pass a resolution terminating this Deed at a meeting of the Creditors.

7.5 Report to Creditors

Upon a meeting being convened pursuant to clause 7.3, the Administrator must send each Creditor, prior to the meeting, a report as to the state of affairs of the Company, accompanied by such financial statements as the Administrator thinks fit. The report must include a statement:

(a) explaining the circumstances which have caused the Administrator to convene the meeting pursuant to clause 7.3; and

(b) that this Deed will be terminated if the Creditors so resolve.

7.6 Previous operation of this Deed preserved

The termination or avoidance, in whole or in part, of this Deed does not affect the previous operation of this Deed.

7.7 Notice of termination

Upon the termination of this Deed pursuant to clause 7.1 of this Deed, the Administrator must certify in writing that this Deed has been fully effectuated and immediately lodge with ASIC a notice of termination of this Deed.

8 Meetings

(a) The Administrator:

(1) may at any time;

(2) will, if requested to do so by the Consultative Creditors Committee; or

(3) must, if so requested in writing by Creditors the value of whose Claims is not less than 10% of the value of all the Creditors' Claims; or

(4) will, in the event that the Administrator proposes a course of action pursuant to clause 9.4(b), the Consultative Creditors Committee does not approve that course of action and notwithstanding the decision of the Consultative Creditors Committee, the Administrator wishes to pursue that course of action,

convene meetings of the Creditors of the Company.

(b) Except to the extent (if any) they are excluded or modified by or are inconsistent with the terms of this Deed, regulations 5.6.12 to 5.6.36A of the Corporations Regulations apply, with such modifications as are necessary, to meetings of the Creditors as if the references to the liquidator, the liquidator or provisional liquidator, the liquidator, provisional liquidator or chairman, or a liquidator, provisional liquidator or trustee for debenture holders, as the case may be, were references to the Administrator.

(c) Nothing in this clause 8 shall limit the operation of section 445F of the Act.

(d) Any meetings of Creditors of the Group Companies shall take place concurrently.

9 Consultative Creditors Committee

9.1 Composition and Meetings of the Consultative Creditors Committee

During the Arrangement Period there will be a Consultative Creditors Committee representative of all of the Creditors of the Group Companies to which the following rules will apply:

(a) the Consultative Creditors Committee must consist of no more than 7 members, one of whom the members shall elect as the chairperson;

(b) the following persons shall serve as *ex officio* members of the Consultative Creditors Committee:

   (1) the Administrator;

   (2) Mr David Bale (or such other representative of the Employees as may be advised from time to time), who shall be entitled to attend those meetings of the Consultative Creditors Committee at which matters concerning the existing and future rights and priorities of Employees are to be discussed; and

   (3) if considered beneficial or desirable to the Creditors as a whole or to a material sub-set thereof, the members of the Consultative Creditors Committee, in consultation with the Administrator, may at their discretion admit additional *ex officio* members of the Consultative Creditors Committee on appropriate terms;

(c) the Creditors must appoint the voting members of the Consultative Creditors Committee at the concurrent meeting of all of the Creditors of the Group Companies;

(d) a Creditor is not entitled to have more than one representative (including the Creditor himself or herself if the Creditor is a natural person) at any time on the Consultative Creditors Committee but may appoint an alternate representative and may have additional non voting representatives present at meetings;

(e) the Consultative Creditors Committee shall keep a record of the matters and resolutions considered at its meetings and provide to the Administrator a copy of all such records, and unless the contrary is proved, the meeting is taken to have been duly had and convened and all resolutions passed and proceedings taken at the meeting are taken to have been duly passed and taken;

(f) a legal person (being otherwise qualified for membership of the Consultative Creditors Committee) is entitled to be a member of the Consultative Creditors Committee by appointing a person from time to time to represent it on the Consultative Creditors Committee;

(g) a person is not eligible to be appointed a member of the Consultative Creditors Committee unless the person is:

    (1) a Creditor of one or more of the Group Companies;

    (2) the attorney of a Creditor of one or more of the Group Companies by virtue of a general power of attorney given by the Creditor of one or more of the Group Companies;

    (3) a person authorised in writing by a Creditor of one or more of the Group Companies to be a member of the Consultative Creditors Committee; or

    (4) a professional retained by one or more Creditors of one or more of the Group Companies;

(h) the Consultative Creditors Committee must meet at such reasonable times and places as its members from time to time appoint (which can include telephonic meetings), and will notify the Administrator in advance:

    (1) of the occurrence of any meeting (provided that the failure to provide such notice shall not affect the validity of the matters transacted at such meeting); and

    (2) as to whether the Administrator is invited to attend the meeting;

(i) any member of the Consultative Creditors Committee may convene a meeting of the Consultative Creditors Committee, on 3 days' notice, or on shorter notice if required by the exigencies of the circumstances;

(j) the Administrator may request to meet with the Consultative Creditors Committee at any time, in which event the Consultative Creditors Committee shall promptly convene a meeting for such purpose and the Administrator shall be entitled to attend any such meeting;

(k) the Consultative Creditors Committee may act by a majority of its members present at a meeting (with each member having one vote), but must not act unless a quorum of at least 51% of its members at such time are present;

(l) vacancies on the Consultative Creditors Committee shall be dealt with as follows:

  (1) a member of the Consultative Creditors Committee may resign by notice signed by the member and delivered to the remaining members;

  (2) if a member of the Consultative Creditors Committee becomes insolvent or is absent from 5 consecutive meetings of the Consultative Creditors Committee without the leave of those members who together with himself or herself represent the Consultative Creditors Committee, his or her office becomes vacant;

  (3) a member of the Consultative Creditors Committee may be removed for cause by a resolution at a concurrent meeting of all of the Creditors of the Group Companies of which 7 days' notice has been given stating the object of the meeting, and a replacement for such member may be appointed by a resolution at such meeting or at a subsequent concurrent meeting of Creditors;

  (4) notwithstanding a vacancy in the Consultative Creditors Committee, the continuing members of the Consultative Creditors Committee may act provided they are not less than 2 in number;

  (5) as otherwise provided in 9.1(n) and 9.1(o) below.

(m) a member of the Consultative Creditors Committee must not, while acting as such a member, except as provided by this Deed or with the leave of a Court:

  (1) make an arrangement for receiving, or accept, from any Group Company or any other person, in connection with the administration of any Group Company under this Deed, a gift, remuneration or pecuniary or other consideration or benefit; or

  (2) directly or indirectly derive any profit or advantage from a transaction, sale or purchase for or on account of any Group Company;

For the avoidance of doubt, this shall not:

  (A) include reimbursement as contemplated in clause 9.4(d);

  (B) payments pursuant to the indemnification contemplated in clause 9.7;

(C) preclude separate arrangements for indemnity or reimbursement of a member of the Consultative Creditors Committee in its individual capacity as a creditor and not as a member of the Consultative Creditors Committee, such as in relation to financing or litigation matters;

(D) preclude a member of the Consultative Creditors Committee, or the legal person which such member represents, from providing or participating in (and receiving interest, fees and other benefits under) a finance facility for the Company; or

(E) preclude a member of the Consultative Creditors Committee, or the legal person which such member represents, from engaging in other arm's-length transactions with any Group Company with the prior consent of the other members of the Consultative Creditors Committee and the Administrator.

(n) in the event that a member (or if applicable the appointor of a member) of the Consultative Creditors Committee sells or otherwise disposes of its Claim with the result that the remaining Claim is less than $10,000,000:

(1) that member can no longer act as a member of the Consultative Creditors Committee; and

(2) any purchaser of that Claim is not entitled, for that reason alone, to become a member of the Consultative Creditors Committee; and

(o) the Consultative Creditors Committee may, after consultation with the Administrator, by resolution:

(1) increase or, subject to 9.1(l), reduce the number of members of the Consultative Creditors Committee; and

(2) appoint additional Creditors or representatives of Creditors as members of the Consultative Creditors Committee.

9.2 Confidentiality

A member of the Consultative Creditors Committee shall only be entitled to act as a member if the member or its nominee has entered into an agreement, to keep all information conveyed to that member by the Administrator in their capacity as a member in relation to:

(a) the business and assets of the Group Companies; or

(b) the management of the property and affairs of the Group Companies,

confidential under the terms of the agreement, it being understood for the avoidance of doubt that:

(1) the Administrator and the Consultative Creditors Committee may jointly agree to share confidential information with a Creditor who has entered into a substantially similar confidentiality agreement with the Administrator; and

(2) individual members of the Consultative Creditors Committee may enter into more restrictive confidentiality agreements to the extent desirable to enable such members to receive further information not otherwise available to the Consultative Creditors Committee pursuant to the original confidentiality agreement.

9.3 Reporting to the Consultative Creditors Committee

Subject to clause 9.2, Administrator will:

(a) as and when he considers it appropriate; or

(b) if an issue contemplated by clause 9.4(b) arises; or

(c) at the reasonable request of a member of the Consultative Creditors Committee,

report to the Consultative Creditors Committee in relation to:

(d) the business and assets of the Group Companies;

(e) the management of the property and affairs of the Group Companies; or

(f) any restructuring proposal in relation to the Group Companies or any one or more of them.

9.4 Functions of the Consultative Creditors Committee

(a) Subject to clause 9.4(b), the functions, powers and duties of the Consultative Creditors Committee shall be to consult with, advise and assist the Administrator in relation to the administration of this Deed including, but not limited to, the Administrator's role as set out in clause 5, provided that nothing in this sub-clause shall limit the ability of the Administrator to:

(1) carry on the business of the Group Companies; or

(2) manage the property and affairs of the Group Companies,

in the ordinary course of business, as considered appropriate in the Administrator's reasonable discretion.

(b) Unless such a step is undertaken by the Administrator:

(1) in an emergency situation (provided that the Administrator shall use its reasonable best efforts to contact the members of the Consultative Creditors Committee concerning such emergency if feasible under the circumstances);or

(2) in relation to any Group Company's compliance with its:

(A) environmental obligations and responsibilities; and

(B) Occupational Health and Safety obligations and responsibilities including, without limitation, employee safety related issues; or

(3) in the ordinary course of the business of the Group Companies,

the Consultative Creditors Committee shall have the power to disapprove any proposed step by the Administrator to:

(A) terminate or dispose of all or part of the business of any of the Group Companies;

(B) perform any function or exercise any power that any of the Group Companies or their respective Officers could perform or exercise if the relevant Group Company was not subject to this Deed;

(C) sell or dispose of shares in any of the Group Companies;

(D) transfer assets or novate liabilities from one Group Company to any other of the Group Companies;

(E) enter into contracts, incur capital expenditure or incur a financial liability (which includes borrowing for working capital purposes, but does not include entering into Hedging Arrangements consistent with a policy approved pursuant to clause 9.4(b)(3)(F)) of an amount of in excess of $1 million per transaction;

(F) amend, vary or replace any existing policy pursuant to which the Hedging Arrangements of the Group Companies or any one or more of them are undertaken, provided that the Administrator shall not require the approval or acquiescence of the Consultative Creditors Committee in respect of actions taken from time to time to implement the policy;

(G) commence, prosecute and or settle pending or threatened material legal proceedings;

(H) propose or pursue a process for the Company to be reconstructed including, but not limited to, a reconstruction which contemplates a partial or full debt for equity swap and/or in accordance with the Roll-Up Reconstruction Proposal; and

(I) extend the Arrangement Period under clause 7.2.

(c) The Consultative Creditors Committee may retain such professional advisors as the Consultative Creditors Committee considers necessary or appropriate, subject to the consent of the Administrator as to the terms and conditions of each such retention.

(d) The Company will pay:

(1) the reasonable "out of pocket" expenses of the members of the Consultative Creditors Committee in attending meetings of the Consultative Creditors Committee, or otherwise as approved by the Administrator; and

(2) the reasonable costs of such professional advisors as are engaged by the Consultative Creditors Committee pursuant to clause 9.4(c).

9.5 Disagreement between Consultative Creditors Committee and Administrator

If the Consultative Creditors Committee disapproves a step proposed by the Administrator under clause 9.4(b), and notwithstanding the decision of the Consultative Creditors Committee, the Administrator still wishes to pursue that step, the Administrator must convene a meeting of the Creditors pursuant to clause 8 to give to the Creditors the opportunity to decide as to whether that step should be undertaken. The foregoing is without prejudice to the right of the Administrator thereafter to apply for directions from the Court as contemplated in clause 5.3.

9.6 Liability of Consultative Creditors Committee

In the performance or exercise, or purported performance or exercise, of any of the Consultative Creditors Committee's functions under this Deed, neither the Consultative Creditors Committee nor any member thereof will be liable for any loss or damage caused by any act, default or omission by or on behalf of the Consultative Creditors Committee, other than loss or damage caused by the gross negligence, dishonesty or wilful default of the Consultative Creditors Committee or such member.

9.7 Indemnity of the members of the Consultative Creditors Committee

(a) Each member of the Consultative Creditors Committee is entitled to be indemnified out of the present and future assets of the Company, including without limitation, the Fund, for:

(1) "out of pocket" expenses as contemplated by paragraph 9.4(d)(1);

(2) costs of professional advisors as contemplated by clause 9.4(d)(2);

(3) all actions, suits, proceedings, accounts, claims and demands arising after the Appointment Date, out of or relating to the administration of the Company, or this Deed, which may be commenced against, incurred by or made on the member of the Consultative Creditors Committee by any person and against all costs, charges and expenses incurred by the member of the Consultative Creditors Committee in respect of them,

PROVIDED THAT the members of the Consultative Creditors Committee shall not be entitled to an indemnity in respect of any particular liabilities or demands if the member of the Consultative Creditors Committee, or any authorised agent or delegate thereof, has acted dishonestly, in breach of fiduciary duty, or breach of trust in relation to the act or omission in question.

(b) This indemnity will take effect on and from the Commencement Date and will be without limitation as to time and will operate notwithstanding the removal or resignation of the member of the Consultative Creditors Committee and the appointment of a new member or the termination of this Deed for any reason whatsoever.

(c) The indemnity under this clause will not affect or prejudice all or any rights that the member of the Consultative Creditors Committee may have against the Company or any other person to be indemnified against the costs, charges, expenses and liabilities incurred by the member incidental to the exercise or performance of any of the powers or authorities conferred on the member by this Deed or otherwise.

9.8 Entitlement of Consultative Creditors Committee

The Company and the Administrator agree that, to the extent that members of or professional advisors to the Consultative Creditors Committee are entitled to recover costs, fees and expenses and to be indemnified for liabilities incurred under a deed of company arrangement for any of the other Group Companies, such members and professional advisors are also entitled to be indemnified for such amounts out of the assets of the Company, including without limitation, the Fund.

10 General

10.1 Variation of this Deed by creditors

This Deed may be varied with the consent of the Administrator by a resolution passed at a meeting of the Creditors of the Company convened under section 445F of the Act but only if the variation is not materially different from a proposed variation set out in the notice of that meeting.

10.2 Governing law

This Deed shall be governed by and construed in accordance with the laws in force in the State of Western Australia. Any action or proceeding arising out of or in connection with this Deed shall be instituted or brought in a Court in Western Australia or New South Wales.

10.3 Inconsistency with the Act

If there is any inconsistency between the terms of this Deed and the Act then the Act shall, only to the extent of the inconsistency, prevail and this Deed shall be interpreted accordingly.

10.4 Severance

Notwithstanding anything contained in any provision of this Deed, if any such provision shall be held or found to be void, invalid or otherwise unenforceable, such provision shall be deemed to be severed from this Deed to the extent only that it is void, invalid or unenforceable but the remainder of any such provision and this Deed shall remain in full force and effect.

10.5 This Deed prevails over Constitution, contracts etc

If there is any inconsistency between the provisions of this Deed and the constitution of any of the Company or any other obligations binding on the Company, then the provisions of this Deed shall prevail to the extent of the inconsistency.

10.6 Counterparts

This Deed may be executed in any number of counterparts and all those counterparts taken together constitute one and the same instrument.

10.7 Further Assurances

(a) Each of the parties to this Deed will do all acts, matters and things as may be reasonably necessary or expedient to implement and give full effect to the provisions of this Deed.

(b) All persons bound by this Deed will do (at their own expense, unless otherwise agreed by the Administrator, acting reasonably) all acts, matters and things as may reasonably be requested by the Administrator to give effect to this Deed and the transactions contemplated by it (including signing any documents).

10.8 GST

(a) Words used in this clause 10.8 which have a defined meaning in the GST Act have the same meaning as in the GST Act unless the context indicates otherwise.

(b) Unless expressly included, the consideration for any supply under or in connection with this Deed does not include GST.

(c) To the extent that any supply made under or in connection with this Deed is a taxable supply, the recipient must pay, in addition to the consideration provided under this Deed for that supply (unless it expressly includes GST) an amount (**additional amount**) equal to the amount of that consideration (or its GST exclusive market value) multiplied by the rate at which GST is imposed in respect of the supply. The recipient must pay the additional amount at the same time as the consideration to which it is referable.

(d) The supplier must issue a tax invoice to the recipient of a taxable supply to which clause (c) applies no later than 7 days following payment of the GST inclusive consideration for that supply under that clause.

(e) If either party is entitled under this Deed to be reimbursed or indemnified by the other party for a cost or expense incurred in connection with this Deed, the reimbursement or indemnity payment must not include any GST component of the cost or expense for which an input tax credit may be claimed by the party being reimbursed or indemnified, or by its representative member.

Schedule 1 – The Company

Item 1: The Company: **Sons of Gwalia Ltd ACN 008 999 287**

Item 2: Group Companies:

Group **Companies**	**ACN**
Burmine Exploration NL	006 684 297
Burmine Gold N.L.	009 173 255
Burmine Limited	008 054 546
Burmine Operations Pty Ltd	000 703 346
City Resources (WA) Pty Ltd	008 622 339
Gasgoyne Gold Mines N.L.	009 212 382
Consolidated Resources NL	009 222 655
Greenbushes Ltd	004 603 516
Greenstone Investments Pty Ltd	008 707 748
Gwalia Consolidated Ltd	009 131 971
Gwalia Minerals N.L.	009 011 947
Gwalia Tantalum Pty Ltd	008 899 750
Invincible Gold N.L.	009 066 246
Lithium Australia Ltd	008 899 769
Mincoa NL	009 098 999
Mount Edon Mines International Ltd	054 121 498
Oriole Resources Ltd	000 488 200
Orion Resources N.L.	009 182 825
PacMin Mining Corporation Ltd	001 936 901

Sons of Gwalia (Murchison) NL	000 829 130
Tantalum Refinery Co. Pty Ltd	008 974 196
Tarmoola Australia Pty Ltd	009 138 523
Tarmoola Operations Pty Ltd	009 384 909
Zephyr 2 Pty Ltd	008 737 540

Schedule 2 - Schedule of Hourly Rates

Ferrier Hodgson Chartered Accountants

Position	Rate Per Hour
	$
Partner	470
Director	400
Manager (Grade I)	340
Manager (Grade II)	280
Supervisor	220
Senior (Grade I)	190
Senior (Grade II)	160
Intermediate (Grade I)	130
Secretary	110
Intermediate (Grade II)	110
Computer Operator	90
Junior	80

Schedule 3 – Roll Up Reconstruction Scheme

The Roll Up Reconstruction Scheme would broadly involve the following steps:

1. Under a creditors' scheme under Part 5.1 of the Act, the Creditors would transfer their claims to a wholly-owned subsidiary of SOG ("Aus SPV"), by way of novation, in exchange for, amongst other things, SOG issuing new ordinary shares ("New Shares") to a foreign-controlled special purpose vehicle ("Foreign SPV").

2. Upon the Scheme becoming effective, Aus SPV would be placed in liquidation. The Administrators would become scheme administrators and liquidators of Aus SPV.

3. The New Shares would be issued at an issue price per share calculated by dividing a notional and nominal payment to existing shareholders in consideration for the corporate shell by the number of shares on issue.

4. The new shares issued to Foreign SPV would represent greater than 90% of SOG ordinary shares on issue. The recapitalisation would be completed by Foreign SPV undertaking a general compulsory acquisition of SOG shares it does not own pursuant to Part 6A.2 of the Act.

5. The issue of New Shares to Foreign SPV would be undertaken on the basis that Foreign SPV covenants for the benefit of Aus SPV that it would pay the net proceeds from the sale of the New Shares (and any SOG shares acquired through completion of the step above) up to the face value of the claims of the Creditors, to Aus SPV. Any proceeds of sale of SOG shares above the face value of the claims of Creditors would be paid into a unit trust, units in which would be issued under the Scheme to the Creditors in proportion to their claims.

6. Under the Scheme, a restructure of SOG would also occur, such that all of the existing subsidiaries (other than Gwalia Tantalum Pty Ltd, Gwalia Consolidated Pty Ltd, Gwalia Minerals Pty Ltd and Greenbushes Ltd) become subsidiaries of Aus SPV.

7. Within a defined period of the conclusion of arbitration proceedings between SOG and Cabot in respect of the price payable under certain Tantalum Sales Contracts, and a decision in the Shareholders Test Case, the Deed Administrators may propose a further arrangement (whether implemented by Scheme, DOCA or otherwise) by which some or all of the Creditors may elect to exchange their claims for equity in SOG (whether alone, or together with one or more new equity investors) or by which there may be a disposal of the business via a trade sale, an IPO or otherwise.

8. The participation of Creditors in the Scheme will be subject to the ultimate admission or rejection, in whole or in part, of their claims.

Schedule 4 – Related Companies

Europa Minerals Inc	UK
Europa Minerals Group plc	UK
Energy Management and Finance Ltd	UK
Europa Energy plc	UK
Europa Energy (Finance) Ltd	UK
Europa Energy (US) Ltd	UK
Europa Energy (Investments) Ltd	UK
Europa Minerals Ltd	UK
Europa Minerals Finance Ltd	UK
Europa Mining Services Ltd	UK
Draycott Cross Colliery Ltd	UK
Solidville Ltd	UK
Mt Edon SA	Swiss
Tanex Resources plc	UK

Burmine Exploration (SA) Pty Ltd	008 273 372
Burmine Investments Pty Ltd	006 750 205
Burmine Management Pty Ltd	058 850 025
Burmine Shelf No. 1 Pty Ltd	008 143 413
Criterion Share Registry Pty Ltd	009 058 959
Edjudina Operations Pty Ltd	009 221 372
Fraser Mine Management Pty Ltd	008 169 435
Kensington Investments Pty Ltd	008 910 656
Kurrajong Pty Ltd	009 206 571
PacMin Corporation Pty Ltd	074 276 314
PacMin Resources Pty Ltd	079 447 439
Sevake Pty Ltd	002 772 223
Tarmoola Joint Venture Pty Ltd	076 871 657
Scanfire Exploration Pty Ltd	009 053 785
Cavalary Nominees Pty Ltd	008 925 335
Donegal Exploration and Mining Services	009 340 069
Europa Coal Australia Pty Ltd	003 714 547
Europa Minerals Australia Pty Ltd	003 828 206
Gwalia Securities Pty Ltd	009 469 336
Metallica Limited	001 937 417
Mincoa Nominees Pty Ltd	009 132 021
Mount Edon Mines Pty Ltd	008 758 361
Yilgarn Star Pty Ltd	009 334 767
Austmin Platinum Mines Pty Ltd	051 958 699
Zinnanda Pty Ltd	009 129 695
Gwalia Superannuation Nominees Pty Ltd	065 666 391

Executed as a deed:

Executed as a deed by **[insert details of relevant Company]**
in accordance
with s127 of the Companies Act
by its duly appointed
Administrators:

Joint Administrator	Joint Administrator
Name (please print)	Name (please print)

Executed as a deed by
Andrew John Love
in the presence of:

Signature of witness	Signature of Andrew John Love
Name (please print)	

Executed as a deed by
Garry John Trevor
in the presence of:

Signature of witness	Signature of Garry John Trevor
Name (please print)	

Executed as a deed by
Darren Gordon Weaver
in the presence of:

Signature of witness	Signature of Darren Gordon Weaver
Name (please print)	

Annexure 13

Summary of changes to SOG DOCA that are relevant for other SOG Companies (excluding Greenbushes and Gwalia Tantalum)

The proposed DOCA's for the other SOG Companies (excluding Greenbushes and Gwalia Tantalum) contain the same terms as the proposed SOG DOCA except in relation to part 9 relating to the Consultative Creditors Committee. Part 9 of the DOCA's for these companies read as follows:

9 Consultative Creditors Committee

9.1 Composition and Meetings of the Consultative Creditors Committee

(a) During the Arrangement Period the Consultative Creditors Committee constituted under the deed of company arrangement for SOG Ltd will also be the Consultative Creditors Committee for the Company, representing all of the Creditors of the Group Companies.

(b) The Company will pay:

(1) the reasonable "out of pocket" expenses of the members of the Consultative Creditors Committee in attending meetings of the Consultative Creditors Committee, or otherwise as approved by the Administrator; and

(2) the reasonable costs of such professional advisors as are engaged by the Consultative Creditors Committee pursuant to clause 9.4(c) of the deed of company arrangement for SOG Ltd.

9.2 Liability of Consultative Creditors Committee

In the performance or exercise, or purported performance or exercise, of any of the Consultative Creditors Committee's functions, neither the Consultative Creditors Committee nor any member thereof will be liable for any loss or damage caused by any act, default or omission by or on behalf of the Consultative Creditors Committee, other than loss or damage caused by the gross negligence, dishonesty or wilful default of the Consultative Creditors Committee or such member.

9.3 Indemnity of the members of the Consultative Creditors Committee

(a) Each member of the Consultative Creditors Committee is entitled to be indemnified out of the present and future assets of the Company, including without limitation, the Fund, for:

(1) "out of pocket" expenses as contemplated by paragraph 9.4(d)(1) of the deed of company arrangement for SOG Ltd;

(2) costs of professional advisors as contemplated by clause 9.4(d)(2) of the deed of company arrangement for SOG Ltd;

(3) all actions, suits, proceedings, accounts, claims and demands arising after the Appointment Date, out of or relating to the administration of the Company, or this Deed, which may be commenced against, incurred by or made on the member of the Consultative Creditors Committee by any person and against all costs, charges and expenses incurred by the member of the Consultative Creditors Committee in respect of them,

PROVIDED THAT the members of the Consultative Creditors Committee shall not be entitled to an indemnity in respect of any particular liabilities or demands if the member of the Consultative Creditors Committee, or any authorised agent or delegate thereof, has acted dishonestly, in breach of fiduciary duty, or breach of trust in relation to the act or omission in question.

(b) This indemnity will take effect on and from the Commencement Date and will be without limitation as to time and will operate notwithstanding the removal or resignation of the member of the Consultative Creditors Committee and the appointment of a new member or the termination of this Deed for any reason whatsoever.

(c) The indemnity under this clause will not affect or prejudice all or any rights that the member of the Consultative Creditors Committee may have against the Company or any other person to be indemnified against the costs, charges, expenses and liabilities incurred by the member incidental to the exercise or performance of any of the powers or authorities conferred on the member.

9.4 Entitlement of Consultative Creditors Committee

The Company and the Administrator agree that, to the extent that members of or professional advisors to the Consultative Creditors Committee are entitled to recover costs, fees and expenses and to be indemnified for liabilities incurred under the deed of company arrangement for SOG Ltd, such members and professional advisors are also entitled to be indemnified for such amounts out of the assets of the Company, including without limitation, the Fund.

Annexure 14

Summary of changes to SOG DOCA that are relevant for Greenbushes and Gwalia Tantalum

The proposed DOCA's for Greenbushes and Gwalia Tantalum vary to the other SOG Companies DOCAs because of the different operation of the DOCA lien. The additional paragraphs to be inserted in the Greenbushes and Gwalia Tantalum DOCAs are:

1.1 Definitions

Cabot Charge means the deed of charge dated 23 April 1998 and entered into between Greenbushes and Gwalia Tantalum and Cabot Corporation being a company incorporated in Delaware of 75 State Street, Boston, Massachusetts;

Charged Assets means 'Greenbushes Assets' are the "Wodgina Assets" as that term is defined in the Cabot Charge;

6.5 Administrators Lien

(f) The Company and the Administrator are hereby authorised to enter into a separate deed by which the Company grants to the Administrators a lien over the Charged Assets to also secure the amounts referred to in clause 6.5(a). Under such a lien, the Administrator shall not be obliged to exercise its right thereunder, other than at the Administrators absolute discretion or as required under the Administration Funding Facility.