

Antares Energy Limited - Antares Creditors Trust

Final Report to Creditors



23 April 2018



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Note and Disclaimer

This report is based on financial and other information located in the books and records provided by the directors of the Company. The Trustees of the Creditors Trust have reviewed the books, documents and information and whilst limited independent verification of the information has been conducted, no audit has been undertaken.

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Glossary

Item	Definition
Administrators, Deed Administrators and Trustees of the Creditors Trust	Quentin Olde and Michael Ryan of FTI Consulting
AEC	Antares Energy Company
AEL, AZZ or the Company	Antares Energy Ltd ACN 009 230 835
ASIC	Australian Securities and Investments Commission
ASX	Australian Securities Exchange
Cruickshank	James Cruickshank
Defendants	James Cruickshank and Greg Shoemaker
DOCA	Deed of Company Arrangement
EGM	Extraordinary General Meeting
EOI	Expressions of Interest
EY	Ernst and Young
Former Administrators	Bryan Hughes and Daniel Bredenkamp of Pitcher Partners
FTI Consulting	FTI Consulting (Australia) Pty Ltd ACN 160 397 811

Item	Definition
FY	Full Year
HY	Half Year
Macquarie	Macquarie Bank Limited
NOM	Notice of Meeting
NPI	Net Profits Interest
Pager Partners or Deed Proponent	The syndicate headed by Pager Partners Corporate Advisory
R&P	Receipts and Payments
S439A Report or Report	Section 439A report to creditors dated 24 November 2016
Schoeffler	Schoeffler Energy
Shoemaker	Greg Shoemaker
Stantons International	Stantons International Audit and Consulting Pty Ltd ACN 144 581 519
The Proceedings	Federal Court of Australia proceedings no. WAD 588 of 2017
WTG	WTG Gas Processing L.P.

1. Introduction

This Report should be read in conjunction with the s439A report to creditors dated 24 November 2016.

This Report provides unsecured creditors and noteholders with further information in relation to the conduct and outcome of the Administration.

- This Report should be read in conjunction with the s439A report to creditors dated 24 November 2016.
- Quentin Olde and Michael Ryan of FTI Consulting were appointed as replacement administrators of Antares Energy Limited at the first meeting of creditors of the Company held on 11 May 2016 pursuant to s436E of the Act, following the appointment of Bryan Hughes and Daniel Bredenkamp of Pitcher Partners on 28 April 2016.
- At the second meeting of the creditors of the Company on 2 December 2016, the creditors resolved for the Company to enter into a DOCA with Pager Partners.
- The DOCA was executed by both parties on 21 December 2016.
- The Deed Administrators pursued the strategy outlined in the s439A report, which included:
 - Realisation of the Northern Star Acreage;
 - Realisation of the Northern Star Wellbores; and
 - Effectuation of the DOCA, which included the Big Star acreage.
- The effectuation of the DOCA was scheduled to occur prior to 31 May 2017, however the DOCA period was extended a number of times due to a number of factors outside the control of the Deed Administrators.
- The shareholders of AZZ approved the DOCA recapitalisation proposal at an EGM held on 23 January 2018.
- Following the completion of all conditions precedent, the DOCA was effectuated on 23 March 2018.
- Due to necessary extensions to the DOCA period, and unanticipated costs due to specific issues encountered, there are no surplus funds available to distribute to unsecured creditors including noteholders.
- This Report provides unsecured creditors and noteholders with further information in relation to the conduct and outcome of the Administration.

2. Executive Summary

The Deed Administrators have faced significant challenges in relation to the realisation of assets in the US and the effectuation of the DOCA.

Key Issue	Comments	Report Section
Sale of Assets	<ul style="list-style-type: none"> The Northern Star Acreage and Wellbores were sold to Schoeffler Energy for cUSD2.5m before costs. Following an unsuccessful sale process, the Big star acreage was transferred to the DOCA Proponent as part of the DOCA. 	3
Flow of funds and estimated outcome to creditors	<ul style="list-style-type: none"> There will be no return to unsecured creditors including noteholders. This is primarily due to the overall delay in effectuating the DOCA, and other unforeseen costs incurred including legal fees, listing fees and holding costs including well remediation costs in the US. This report includes a comparison between actual and estimated realisations previously provided in the Administrators' s439A report. Details of the Administrators' receipts and payments are also included in this report. 	4,5
Effectuation of DOCA	The DOCA was effectuated on 23 March 2018 with the Deed Administrators becoming the Trustees of the Antares Creditors' Trust.	6
Reasons for extension in the timeframe to effectuate the DOCA	<p>The DOCA was originally due to be effectuated by 31 May 2017. A number of factors delayed the effectuation of the DOCA including:</p> <ul style="list-style-type: none"> Prolonged period of negotiation between the DOCA proponent and the ASX in relation to recapitalisation requirements; Compliance with ASX conditions including the requirement to lodge all outstanding pre-appointment financial accounts of the Company (2 years of half yearly accounts); and Delays in the discontinuation of legal proceedings against Cruickshank and Shoemaker in the US. 	6
Update on legal actions	<ul style="list-style-type: none"> US legal actions against Cruickshank and Shoemaker were discontinued in March 2018 shortly before the effectuation of the DOCA. The Deed Administrators ultimately determined that it was not commercially viable to continue the proceedings, particularly given the legal costs required to pursue the claim, and the directors' personal asset position. ASIC have commenced proceedings against Cruickshank for pre-appointment conduct in the Federal Court of Australia. 	7
Administrators' fees and Court Application	The Trustees of the Creditors' Trust will shortly make an application to the Supreme Court of New South Wales for approval of additional Deed Administrators' remuneration. Creditors will be advised at the time of the lodgement of the application. A detailed remuneration report will be prepared for the purposes of the Court application. That document will be made available on the FTI Consulting website for creditors once finalised.	8
Way forward	The Trustees intend to finalise the matter following resolution of the Court Application.	

3. Sale of AEC Assets

The realisation of the Northern Star Project was made in two separate transactions.

The Deed Administrators were required to pay Macquarie USD500k to enable the removal of an NPI encumbrance on the Northern Star and Big Star acreage.

The proceeds from the sale of the Northern Star assets have been applied to ongoing field operations and distributions made to AEL.

A summary of the R&P for AEC is detailed at section 4.

Northern Star Acreage

- As advised in the s439A report, the Deed Administrators achieved a price of USD150 per acre for the sale of 7,131 net undeveloped acres in the Northern Star project.
- The rate achieved was consistent with independent land valuations, relevant market data, and the impairment of the projects detailed in the 2014 annual report.
- The sale completed on 1 May 2017 to Murphy Oil with net sale proceeds of USD1.07m received.
- As previously advised, Macquarie held a NPI on the Northern Star and Big Star Acreage.

Although the NPI was unlikely to be payable due to production thresholds not being met, Macquarie would not agree to remove the encumbrances on the acreage without being paid an amount of USD500k.

- As the purchaser would not complete the sale with the Macquarie NPI encumbrance remaining on the acreage, the Deed Administrators agreed to pay Macquarie on the basis of a full and final settlement and that all encumbrances would be removed on Northern Star and Big Star acreage.
- A summary of the transaction is provided below:

Table 1: Northern Star Acreage Sale
Comparison of actuals and as advised in the s439A report

Description	Low Case Scenario	Best Case Scenario	Actuals
Northern Star Leasehold Assignment	1,050,000.0	1,050,000.0	1,569,584.0
<i>Less</i>			
KLR Commission (3%)	(31,500.0)	-	-
Macquarie NPI (10%)	(101,850.0)	(105,000.0)	(500,000.0)
Net Proceeds	916,650.0	945,000.0	1,069,584.0

Northern Star Wellbores

- The Northern Star project wellbores were sold to Murphy Oil, for a sale price of USD1m. The sale was completed on 4 May 2017.
- As detailed in the s439A Report, the Northern Star project had one significant producing well, known as Cozart 1-19.
- WTG had a claim over four of the wellbores in the field being subject to a liability totalling approximately USD650k for the remaining cost of the construction of natural gas gathering lines to the wells when they were originally drilled.
- The Deed Administrators were able to negotiate a final settlement of the WTG liability of USD200k.
- A summary of the transaction is provided below:

Table 2: Northern Star Wellbore Sale
Comparison of actuals and as advised in the s439A report

Description	Low Case Scenario	Best Case Scenario	Actuals
Northern Star Wellbore Sale	790,000.0	1,300,000.0	1,000,000.0
<i>Less</i>			
WTG Costs	(650,000.0)	(400,000.0)	(200,000.0)
KLR Commission (3%)	(4,200.0)	(27,000.0)	-
Macquarie NPI (10%)	(13,580.0)	(87,300.0)	-
Taxes and other liabilities	0.0	-	(54,625.0)
Net Proceeds	122,220.0	785,700.0	745,375.0

The proceeds of these two sales were used for ongoing field operations and distributions made to AEL. A summary of the R&P for AEC is detailed in section 4.

4. Flow of Funds from AEC to AEL

Extensions and delays in the effectuation of the DOCA resulted in the requirement to operate AEC for longer than anticipated which resulted in increased costs.

- In preparing the s439A report, the Administrators estimated that the effectuation of the DOCA would occur prior to the original deadline of 31 May 2017 with a handover of the Big Star acreage to the DOCA Proponent.
- Due to the extensions of the DOCA period and other factors advised previously, additional costs have been incurred.
- The Deed Administrators finalised the sale of the Northern Star acreage that was higher than previously advised (USD1.57m compared to USD1.07m).
- A payment of USD500k was made to Macquarie in relation to its NPI, which was required to be paid prior to the completion of the sale, which was USD243k higher than estimated.
- Extensions and delays in the effectuation of the DOCA caused us to operate AEC for longer than expected which resulted in increased costs relating to:
 - AEC operating costs (maintenance of Big Star acreage);
 - Well remediation and capping;
 - Legal fees; and
 - FTI Consulting (US) fees.
- Table 3 opposite provides the estimated flow of funds from AEC to AEL and a summary of the realisations from the sale of the Northern Star Acreage and Wellbores.
- In addition, a comparison of forecast and actual costs and variances is included.

Table 3: Estimated flow of funds from AEC to AEL

	Note	Previously Advised (USD)	Updated Likely (USD)	Variance (USD)
USD/AUD: 1.28				
Cash Balance		100,870	100,870	-
AEC Trading Surplus/(Deficit)	1	(85,968)	(338,703)	(252,735)
		14,902	(237,833)	(252,735)
Antares Asset Sales & Associated Costs				
Northern Star Land Sale Proceeds	2	1,069,000	1,569,584	500,584
Northern Star Land Sale - Macquarie 10% NPI	3	(106,900)	(500,000)	(393,100)
Northern Star Project Wellbore Sale Proceeds		1,000,000	1,000,000	-
WTG (Gas Gathering Line Construction Balance)	4	(376,412)	(200,000)	176,412
Northern Star Wellbore Sale - Macquarie 15% NPI	3	(150,000)	-	150,000
Northern Star Project Wellbore - post closing costs and taxes	5	-	(54,625)	(54,625)
TOTAL ASSET SALES PROCEEDS LESS DEDUCTIONS		1,435,688	1,814,959	379,271
Less FTI (US) Fees (Estimate)	6	(500,000)	(676,595)	(176,595)
Well remediation	7	-	(264,848)	(264,848)
Estimated Net Amount available to pay AEL via PIYC (USD)		950,590	635,683	(314,907)

Note 1: AEC Net Trading Deficit

Further net trading outflows from maintaining the trading status of the Big Star Project while effectuating the DOCA.

Note 2: Northern Star Acreage Sale

Deed Administrators achieved a significantly higher price than previously estimated (USD500k).

Note 3: Macquarie NPI

As detailed in section 2 of this report, Macquarie would not release their lien over the property until a payment of USD500k was paid. We note that this is approximately USD243k more than originally estimated.

Note 4: WTG Liability

WTG had a claim over four of the wellbores in the amount of USD650k. The Deed Administrators negotiated a settlement of the WTG liability to USD200k.

Note 5: Post-Closing Costs

Additional costs withheld to cover post-closing costs and 2017 property taxes.

Note 6: FTI (US) Fees

Additional fees incurred due to the prolonged nature of the matter.

Note 7: Well Remediation Costs

Well remediation costs that were not originally forecasted but were incurred due to the prolonged nature of the matter.

5. Estimated Outcome Statement - AEL

Due to the prolonged nature of the engagement and additional costs incurred, there are insufficient funds available to make a distribution to unsecured creditors including noteholders.

- There are insufficient funds available to make a distribution to unsecured creditors including noteholders.
- In addition, there are insufficient funds to pay legal fees and Deed Administrators' fees in full.

AEC Distribution

- Although the the Deed Administrators were able to achieve a higher sale price for the sale of the Northern Star acreage and wellbores, this was offset by the additional costs including NPI and operating costs.
- These costs resulted in a variance of \$100k from the AEC distribution previously estimated.

Administration Costs

- The Deed Administrators paid all required listing fees during their appointment it was required to re-list AZZ in the recapitalisation proposal.
- A variance of c\$24k of Administration costs against the amount previously advised is primarily due an additional year of ASX annual fees above what was estimated.

Legal Fees

- Additional legal fees of \$169k were incurred in relation to the following issues:
 - Claim against Cruickshank and Shoemaker in the US for breach of fiduciary duty, fraudulent transfer and theft;
 - ASIC action against Cruickshank which also joined the Company; and
 - Process of complying with ASX re-listing requirements including lodgement of historical accounts.

- Further details in relation to legal actions are provided in section 7.

Deed Administrators' Fees

- The Deed Administrators' initial estimate of fees was predicated on the DOCA being effectuated by 31 May 2017.
- Additional fees were incurred by the Deed Administrators in complying with specific ASX conditions for reinstatement of the quotation and operating AEC.
- Table 4 provides the estimated funds available for distribution from net receipts from AEC and the DOCA funding less the costs of the administration.

Table 4: Estimated Outcome Statement - AEL

AEL Estimated Return	Previously Advised (AUD)	Updated Likely (AUD)	Variance (USD)
AEL Estimated Return from AEC (AUD)	915,393	814,978	(100,415)
AEL Cash at bank	40,209	40,209	-
Administration Costs	(40,000)	(63,660)	(23,660)
FTI Fees (Australia)	(604,078)	(554,872)	49,207
FTI Costs	(19,225)	(20,021)	(796)
Legal Fees	(250,000)	(419,040)	(169,040)
Plus Pager Partners Creditors Trust	500,000	500,000	-
Deed Fund	542,299	297,595	(244,704)
Less Deed Administrators Fees	(200,000)	(310,439)	(110,439)
Estimate of funds available for distribution from asset sales and DOCA fund	342,299	(12,844)	(355,143)

- Further details are provided in Appendix 2 - Estimated Outcome for Creditors (including Noteholders)

6. Timeline of effectuation of DOCA

The DOCA Proponents received confirmation of ASX conditions to reinstate the Company's quotation on 25 July 2017.

The Deed Administrators proceeded to satisfy the ASX conditions and sought shareholder approval for the recapitalisation proposal at the EGM on 23 January 2018.

Settlement and closure of the US legal action occurred on 22 March 2018.

The DOCA was effectuated on 23 March 2018.

Comments on DOCA Process

- A number of conditions were required to be met to enable the effectuation of the DOCA:
 - ASX approval and agreement to a waiver of certain listing rules;
 - Shareholder approval; and
 - Discontinuation of U.S. legal proceedings.
- Fulfilling these conditions required a number of extensions of the DOCA period.
- On execution of the DOCA, the Deed Proponent entered into dialogue with the ASX to establish the terms on which AEL could be reinstated.
- Following substantial correspondence, the ASX provided conditions to reinstatement to the DOCA proponent on 25 July 2017.
- The conditions included the requirement to prepare all outstanding half yearly accounts for the Company from 31 December 2015 to 20 June 2017.
- Some delays were encountered in the preparation of financial accounts for periods prior to the appointment of the administrators, including some difficulties in obtaining historical records of AEC and AEL.
- Following the preparation of the financial accounts, the Deed Administrators, in conjunction with the DOCA Proponent, prepared the Notice of Meeting ("**NOM**") to call the shareholders meeting for approval of the recapitalisation.
- The finalisation of the NOM took a number of months liaising with the ASX and ASIC, and the EGM was held on 23 January 2018.
- The final stage of the DOCA process involved the withdrawal and mutual settlement of the legal action against Cruikshank and Shoemaker (discussed in the next section).

Key Dates in DOCA Process

Date	Description
2-Dec-16	Creditors resolve for the Company to enter into the DOCA
21-Dec-16	DOCA Proponent and the Administrators execute the DOCA
December - April	Deed Administrators and DOCA Proponents liaise with ASX and ASIC regarding a waiver from the requirements of section 1 and 2 of the listing rules and other requirements to effectuate DOCA
19-May-17	Commenced the preparation of financial report from 30 June 2015 onwards as required by ASX
25-Jul-17	ASX issue conditions to DOCA Proponent for the reinstatement of the quotation
17-Oct-17	Lodgement of financial reports for FY15 to HY17
October – November	Preparation of, and amendment to, draft NOM
19-Dec-17	NOM issued to shareholders
23-Jan-18	Shareholders approve recapitalisation
February – March	Negotiations with Defendants to discontinue legal proceedings in the US
February – March	Numerous extensions of the DOCA period
22-Mar-18	Cruikshank and Shoemaker execute settlement agreement
23-Mar-17	DOCA effectuated

7. Legal Actions

The Administrators sought to recover funds that were withdrawn from the AEC bank account by Cruickshank and Shoemaker to pay their entitlements prior to our appointment as administrators to the Company.

The Deed Administrators officially discontinued the action on 22 March 2018 for a number of reasons including the lack of commercial viability in pursuing the claims, likely inability to recover damages from the defendants, and that the proceedings were preventing the DOCA from effectuating.

ASIC is pursuing Cruickshank in relation to alleged continuous disclosure breaches.

US Legal Actions against Cruickshank and Shoemaker

- As detailed in the s439A report, the Administrators commenced proceedings against Cruickshank and Shoemaker in the district court of Dallas County, Texas US prior to the second meeting of creditors.
- The Administrators filed claims for breach of fiduciary duty, fraudulent transfer, and theft against Cruickshank and Shoemaker. These claims were based on Cruickshank and Shoemaker's alleged misappropriation and dissipation of company funds and breaches of the trust placed in them as directors and company insiders.
- In February 2018, the Deed Administrators sought to discontinue their US legal action for a number of reasons including:
 - The Deed Administrators considered that it was uncommercial to continue to pursue the claim, as costs to pursue were estimated to be significant, it was being defended, and a settlement offer from the defendants was unlikely; and
 - As detailed in the s439A Report, investigations indicate that Cruickshank and Shoemaker have limited personal assets (excluding their personal residence which is protected under Texas law).
- The defendants were not cooperative during the settlement process and delayed agreeing to the settlement offer, placing a number of unreasonable conditions on the Deed Administrators.
- Notwithstanding these conditions, a Deed of Settlement was executed between the parties on 22 March 2018. Accordingly, the DOCA effectuated shortly after on 23 March 2018.

ASIC Proceedings

- On 29 November 2017, ASIC served the Company with documents filed in the Federal Court of Australia for proceedings against the Company and Cruickshank.
- The Deed Administrators consented the Proceedings.
- ASIC has commenced proceedings against Cruickshank in relation to continuous disclosure breaches in relation to the Company's September 2015 announcement of a deal to sell two US oil and gas properties for USD253 million.
- Given that ASIC has only a declaration of contravention against the Company with no monetary (or other) relief, we are advised that the proceedings have limited ongoing consequences for the Company, particularly following effectuation of the DOCA.
- In addition cost orders are not being sought against the Company.
- Any claim by Cruickshank under a contractual indemnity provided to him by the Company will be compromised by the DOCA, and so such a claim will not see the Company with any payment obligation (beyond the funds in the DOCA).
- Having regard to these matters, the Company will not be an active defendant in the Proceedings, and will have limited ongoing exposure to the Proceedings.
- The Former Administrators have advised ASIC that they are willing to assist, if required.

8. Deed Administrators' Fees and Court Application

An application to the Supreme Court of New South Wales will be made for the approval of the Deed Administrators remuneration.

Work Undertaken

- The work completed by the Administrators since the second meeting of creditors, has included but is not limited to the following since their appointment:
 - Finalisation of DOCA document and execution;
 - Extensive work undertaken with the DOCA Proponent to enable DOCA to be effectuated including:
 - Corresponded with ASX and ASIC;
 - In conjunction with the Deed Proponents, prepared and approved audited financial statements for two years prior to the appointment of the Administrators, as required by the ASX;
 - In conjunction with the Deed Proponents prepared and approved the NOM;
 - Assisted DOCA Proponent in preparation for Shareholders meeting on 23 January 2018;
 - Work undertaken to brief lawyers with respect to US district court matter including facilitating withdrawal;
 - Oversaw AEC operations including liaising with colleagues in the US;
 - Complied with all conditions to effectuate the DOCA; and
 - Prepared and lodged ASX announcements pursuant to ASX Listing Rule 3.1.

Remuneration Sought

- The Trustees will submit an application to the Supreme Court of NSW to approve the drawing of their additional fees incurred in relation to acting as Deed Administrators, past and future remuneration out of the assets of the Creditors Trust.
- The Administrators' remuneration is calculated by reference to the hourly rates of FTI Consulting.
- The application is being made retrospectively as the Deed Administrators did not wish to delay the effectuation of the DOCA any further.
- A detailed remuneration report will be prepared for the purposes of the Court application. That document will be made available on the FTI Consulting website for creditors once finalised.

Further Information

Please contact Jonathan Chee of my office on (02) 8247 8000 if you require any further information.

Dated 23 April 2018



Quentin Olde
Trustee of the Antares Creditors Trust

Appendix 1 – Estimated Outcome Statement

Estimated Outcome Creditors (including Noteholders)

Antares Energy Limited (Administrators Appointed)			Estimate Provided in s439A Report			Current Estimate	
Updated Estimated Statement of Position							
USD/ AUD	Line Item	Note	DOCA	DOCA	DOCA	DOCA	Variance
			Best Case Scenario	Likely Scenario	Low Case Scenario	Updated Likely Scenario	
			AUD\$	AUD\$	AUD\$	AUD\$	AUD\$
1.28							
AEC Realisations							
	Cash at bank at 18 November 2016 (AEC US accounts)		129,321	129,321	129,321	129,321	-
	<i>Less estimated operating cash outflows</i>	1	(110,215)	(110,215)	(129,321)	(434,234)	(304,914)
	Net Proceeds from Northern Star Leasehold Assignment	2	1,211,538	1,211,538	1,175,192	1,371,262	196,069
	Net Proceeds from Wellbore Sale	3	1,007,308	563,085	156,692	616,060	459,368
	<i>Less</i>		-	-	-	-	-
	FTI Consulting (US operating fees)	4	(488,347)	(488,347)	(532,742)	(867,430)	(334,688)
	Other costs of sale		(13,070)	(13,070)	(13,070)	-	13,070
	Net AEC realisations to distribute to AEL		1,846,750	1,402,527	915,393	814,978	(100,415)
AEL Realisations							
Assets							
	Recapitalisation of AEL		500,000	500,000	500,000	500,000	-
	Cash at bank (AEL AUS accounts)		40,209	40,209	40,209	40,209	-
	Plant and machinery		-	-	-	-	-
	Debtors		-	-	-	-	-
	Other Assets		-	-	-	-	-
	Available funds		540,209	540,209	540,209	540,209	-
Potential Recoveries							
	Litigation claim against J. Cruickshank/G. Shoemaker	5	1,377,390	275,478	-	-	-
	D&O claim	6Unknown	Unknown	Unknown	-	-	-
	Available funds		1,377,390	275,478	-	-	-
	Estimated Asset Realisations		3,764,349	2,218,214	1,455,602	1,355,187	(100,415)
External Administration Costs (FTI Australia)							
	Estimated administration costs	7	(28,081)	(28,081)	(40,000)	63,660	103,660
	Estimated administration legal costs	8	(160,000)	(160,000)	(170,000)	(336,040)	(166,040)
	Estimated Administrators remuneration		(604,078)	(604,078)	(604,078)	(554,872)	49,207
	Estimated Administrators disbursements		(16,021)	(16,021)	(19,225)	(20,021)	(796)
	Estimated Deed Administrators remuneration	9	(100,000)	(150,000)	(200,000)	(310,439)	(110,439)
	Estimated Liquidators remuneration		-	-	-	NA	NA
	Estimated future legal costs	8	(50,000)	(50,000)	(80,000)	(83,000)	(3,000)
	Total External Administration Costs		(958,180)	(1,008,180)	(1,113,303)	(1,368,031)	(254,728)
	Estimated surplus/(shortfall) from Deed Fund / Asset realisations		2,806,169	1,210,034	342,299	(12,844)	(355,143)
	Total surplus funds available for distribution		2,806,169	1,210,034	342,299	(12,844)	(355,143)

Estimated Outcome Creditors (including Noteholders)

Note 1: AEC Net Trading Outflows

As advised in our 439A report, the primary performance well was Cozart 1-19 in the Northern Star Project that was sold in May 2017. Accordingly, the remaining Big Star project was loss making but was required to be maintained and held for the effectuation of the DOCA.

FTI (US) oversaw the operations of AEC and report a net estimated operating cash outflows of the trading of Big Star as USD339k excluding consulting fees and net sale of the Northern Star acreage and wellbores.

Note 2: Net proceeds from the Northern Star Acreage

As detailed in section 2 of this report, the Northern Star acreage was sold for more than originally estimated. However, a total Macquarie NPI of USD500k was necessary to be paid prior to the completion of the sale, which was USD243k higher than previously estimated.

Note 3: Net proceeds from the Northern Star Wellbore Sale

The Deed Administrators obtained an agreed-upon sales price of USD1m. An estimated liability was previously estimated at USD650k to WTG who had a claim over four of the wellbores in the field for the remaining cost of the construction of natural gas gathering lines to the wells when they were originally drilled. The Deed Administrators were able to negotiate a final settlement of the WTG liability to USD200k which resulted in a positive variance of cUSD450k.

There was no KLR commission and the Macquarie NPI was fully satisfied in the acreage sale. Summary of the net proceeds of the sale of the Northern Star Wellbores is below (in USD):

	Best Case Scenario	Likely Scenario	Low Case Scenario	Updated Scenario
Northern Star Wellbore Sale ("NSWS")	1,300,000	1,045,000	790,000	1,000,000
Less				
WTG costs	(400,000)	(400,000)	(650,000)	(200,000)
KLR commission (3%)	-	-	-	-
Macquarie NPI (10%)	-	-	-	-
Other post-closing costs and taxes	-	-	-	(54,625)
Net Proceeds from NSWS (USD)	900,000	645,000	140,000	745,375

Note 4: FTI Consulting (US Operating Fees)

Additional fees incurred due to the prolonged nature of the matter.

Note 5: Litigation claim against J. Cruickshank/G. Shoemaker

As detailed in section 5 of this report, the Deed Administrators officially discontinued the claim on 22 March 2018 for a number of reasons including the lack of commercial viability in pursuing the claims, likely inability to recover damages from the defendants, and that the proceedings were preventing the DOCA from effectuating. Accordingly, there were no realisations made with regard to the litigation claim.

Note 6: D&O Claim

The Deed Administrators obtained legal advice that provided that no claim was available under the D&O policy.

Note 7: Estimated administration costs

Estimated costs in preserving and realising assets of the Company. Amounts incurred as at the date of this report are as follows:

Description	AUD (excl GST)
ASX Annual Fees	45,142.36
Data room fees	11,927.35
Document Storage	3,803.91
Auctioneer Charges	1,646.27
Sundry Expenses	406.60
Registrars Fees	400.00
Insurance	333.25
Total	63,659.75

Note 8: Estimated administration legal costs

Total invoices received as at the date of this report from the Trustees solicitors, Baker McKenzie, total \$336k (excl GST).

Additional legal fees are estimated at \$83k for:

- Baker McKenzie outstanding WIP of approximately \$63k (excl GST); and
- Estimated fees of \$20k (excl GST) for the application to the Supreme Court of NSW relating to the Deed Administrators remuneration.

Note 9: Estimated Deed Administrators Remuneration

FTI Consulting WIP as at 13 April 2018 is \$290k for the DOCA. This is above the \$150k approval at second meeting of creditors on 2 December 2016 due to the extension of the DOCA. The Trustees will be making an application to the Supreme Court of NSW for the approval of the Deed Administrators additional remuneration and approval up to \$20k for the remuneration of the Trustees of the Creditors Trust. Further details are available in section 6 of this report.

Appendix 2 – Summary of ASX Announcements

Summary of ASX Announcements

Date	Description
10-May-16	Appointment of Replacement Administrators
19-May-16	Application to Supreme Court to extend convening period
26-May-16	Court approves extension to 26 November 2016
30-Aug-16	Commencement of Expressions of Interest ("EOI") Campaign
08-Sep-16	Administrators' update on EOI Campaign and Media Speculation
09-Dec-16	Company placed into DOCA
22-Dec-16	Recapitalisation DOCA executed
02-Jun-17	Extension on DOCA period to 31 October 2017
17-Oct-17	2015 Annual Report
17-Oct-17	Half Year Financial Report - 30 June 2016
17-Oct-17	2016 Annual Report
17-Oct-17	Half Year Financial Report - 30 June 2017
25-Oct-17	Notice of change in Auditor
31-Oct-17	Extension on DOCA effectuation period to 31 January 2018

Date	Description
19-Dec-17	Notice of EGM
19-Dec-17	Deed Administrators' update on EGM
19-Dec-17	Notice of Consolidation
23-Jan-18	Notice of Results of EGM
05-Feb-18	Extension of DOCA effectuation period to 28 February 2018
19-Feb-18	Notice of ASX Waiver on securities issuance
28-Feb-18	Extension of DOCA effectuation period to 16 March 2018
15-Mar-18	Extension of DOCA effectuation period to 30 March 2018
23-Mar-18	Confirmation of DOCA effectuation
23-Mar-18	Company update regarding effectuation of DOCA and release from Administration and appointment of new board of directors and company secretary