

Sargon Capital Pty Limited
ACN 608 799 873

(Receivers and Managers Appointed)(Administrators Appointed)
("Sargon" or "the Company")

First Meeting of Creditors

Wednesday, 18 March 2020

Wexted Advisors, Level 12, 28 O'Connell Street

Sydney, NSW, 2000

Agenda

- Meeting formalities
- Purpose of today's meeting
- Background of the Sargon Group
- Administration and strategy
- Preliminary investigations to date [source and use of funds]
- Resolutions
- Questions

Meeting formalities

- Open meeting
- Administrator to act as Chairperson: IPR 75-50
- Introduction:
 - Andrew McCabe (Administrator and Chairperson)
 - James Le Messurier, Patrick Skippen and Angus Malouf of Wexted Advisors
- Notice of Meeting and Declaration of Convenience IPR 75-30
- Register of Attendance
- Proofs of debt and proxies
- Quorum was present: IPR 75-105

Purpose of today's meetings

- Convened under Section 436E of the Corporations Act to:
 - Consider the removal of the Administrators and appoint an alternative Administrator who has consented to act (if proposed); and
 - Determine whether to appoint a Committee of Inspection to the Company and, if so, who are to be the Committee Members.
- These meetings have no authority to consider any other business
- At the second statutory meetings, a decision is made regarding the future of the Company

DIRRI and remuneration

DIRRI

- Declaration of Relevant Relationships and Declaration of Indemnities (“DIRRI”) dated 9 March 2020 – distributed with notice of meetings
- We remain of the view that we are independent and free of any potential conflict of interest
- The Secured Creditor agreed to provide a \$50,000 cash indemnity to meet part of our estimated remuneration costs, and a \$5,000 cash indemnity to meet our estimated disbursements, for undertaking the appointment. At the date of this report, we have not received any funds from the Secured Creditor
- DIRRI tabled and available for inspection (and available on the Wexted website)

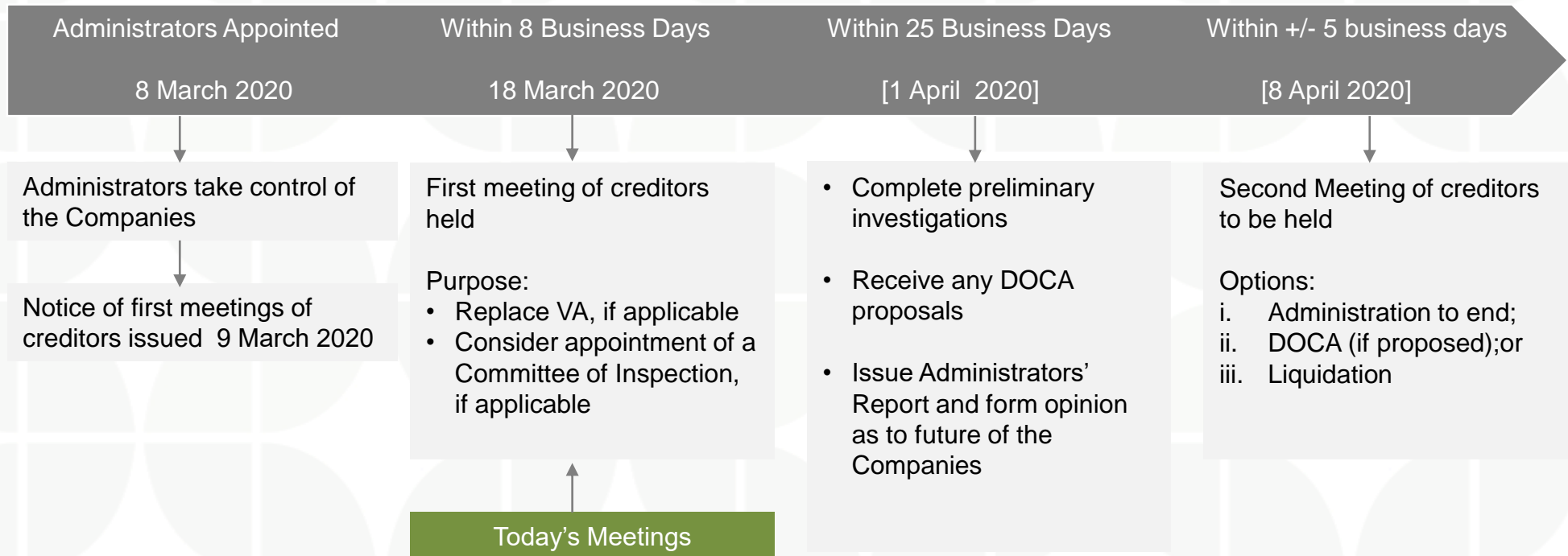
Remuneration

- Schedule of rates provided with meeting information
- Comprehensive remuneration report will be provided prior to seeking approval of fees

Purpose of administration and role of Administrators

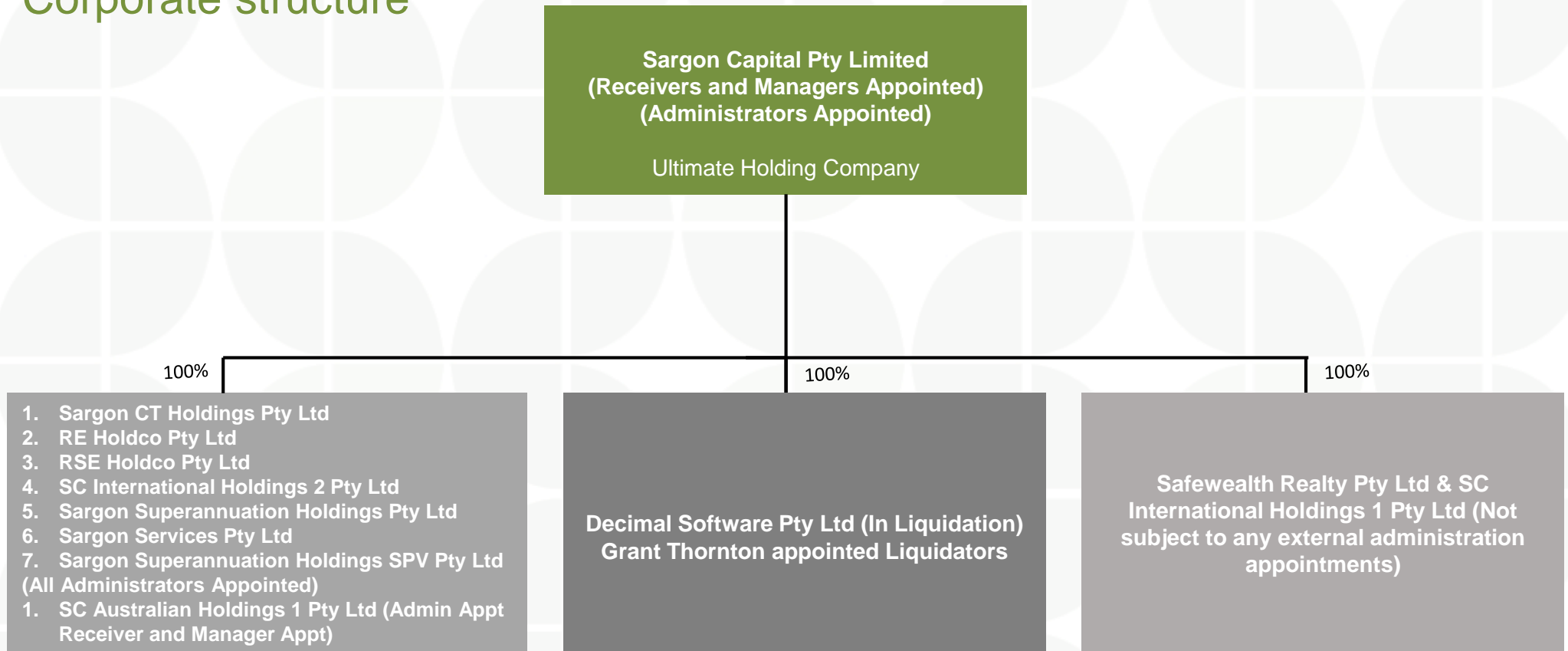
- Voluntary Administration provides a moratorium period for investigation and determination of the Company's future:
 - Voluntary Administration to end and control to return to director; or
 - Deed of Company Arrangement; or
 - Liquidation.
- It is the obligation of the Administrators to act in the interests of all creditors
- Director's powers are suspended, and the Administrators are in control of the Company
- Holding meetings of creditors
- Investigating the reasons for failure and actions of the director
- Making recommendations about the future of the Company

Administration Timeline



COVID-19 – Creditors are encouraged to complete the consent form by 31 March 2020 to enable creditors to receive all future reports by email. This will avoid any postage delays in the mailing system prior to the Second Meeting of Creditors.

Corporate structure



- The Group also has approximately 30 subsidiaries below the Companies listed above

Administration strategy and actions taken to date

Overall Strategy

- Collaborate with other external administrators and the Secured Creditor to achieve an outcome in the interests of all stakeholders i.e. sale of business or Deed of Company Arrangement
- Review and undertake a source and application of funds exercise, and consider litigation action
- Investigate any voidable transactions including unfair preference payments and uncommercial transactions and commence recovery action of same

Notification

- Notified all known creditors, investors, statutory bodies and other stakeholders of our appointment
- Discussions with Managing Director of the Company Mr Phillip Kingston
- Discussions with Ernst & Young & McGrath Nicol

Investigations

- Reviewed books and records received to date including some management accounts
- Commence preliminary investigations, reviewed bank statements
- Liaised with R&M to understand investigations undertaken and preliminary discussions on future actions

Creditors

- Receive creditor enquires via telephone and email
- Maintain creditor enquiry register

First meeting of Creditors

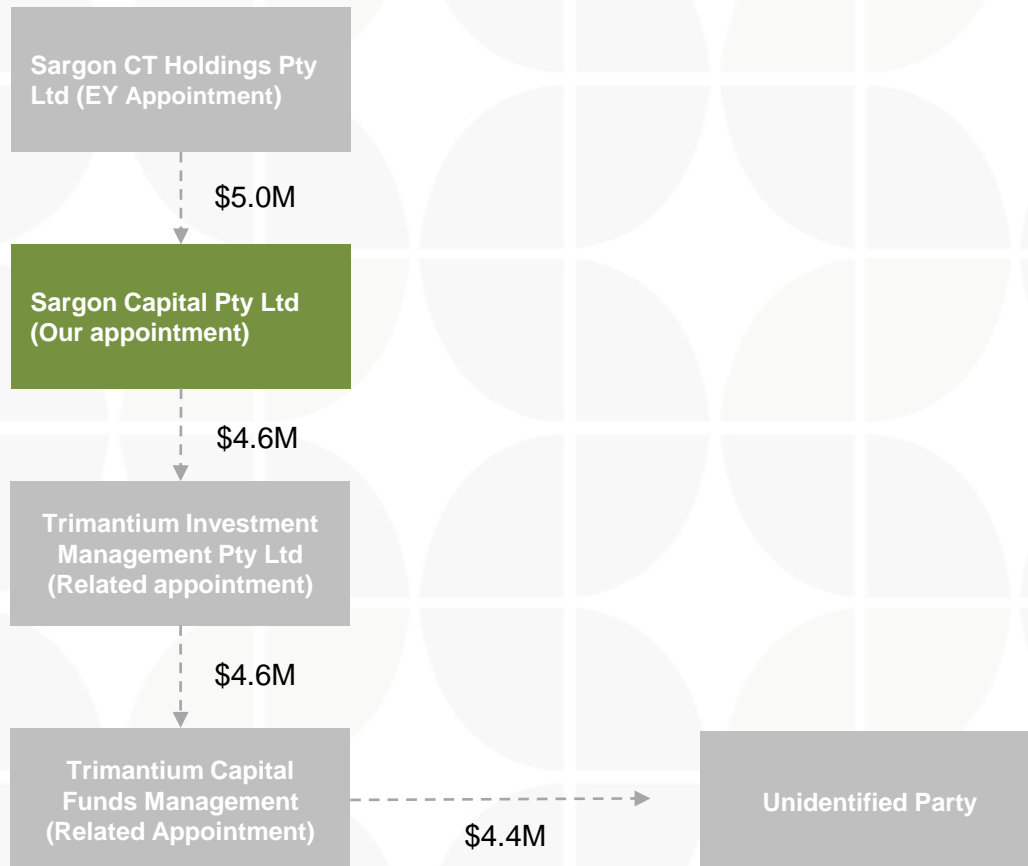
- Issued First Circular to Creditors on 9 March 2019
- Prepared for the First Meeting of Creditors

Administrators' investigations

- Investigating the reasons for the Company's failure and the conduct of the Directors
- Undertaking a review of the source and application of funds and reviewing a Cashflow forecast and pipeline of work to understand the reasons for Company failure
- Key lines of enquiry include:
 - Insolvent Trading
 - Unreasonable Director Related Transactions
 - Discharge of Directors' duties
 - Voidable transactions:
 - Unfair preference payments
 - Transactions at undervalue
 - Fraudulent transactions
 - Unfair Loans

Preliminary investigations to date

Our preliminary investigations have identified the following intercompany transaction in the Sargon Group. These payments require further investigation to determine their source and application.



Possible administration outcomes at the Second Meeting

Deed of Company Arrangement (DOCA)

- A DOCA is a binding arrangement between a company and its creditors
- If a DOCA is proposed, details of the DOCA, including estimated returns to creditors, will be included in the Administrators' report

Liquidation

- Insolvent trading and voidable transactions can be pursued
- Eligible employees may access FEG

Returned to the Director

- The Company to be returned to the control of the Director (only feasible if the Companies are solvent at the time)

In the Administrators' second reports to creditors, the Administrators will provide their recommendation to creditors on voting on the above options

Resolutions – removal and replacement of Administrators

- Section 436E(4) of the Corporations Act 2001 allows creditors the opportunity to appoint an alternative Administrator if they so choose
- Prior to the meetings today, I have not been made aware of any alternative Administrator having been nominated or consenting to act
- If there is no alternative Administrator nominated, there will be no resolution put to creditors

Resolutions – Committee of Inspection

- Role:
 - Consult with the Administrators about matters relating to the Administration;
 - Receive and consider reports by the Administrators; and
 - Approve Administrators' fees.

Discussion – Questions and Answers

- Please state your name, creditor you are representing for the purposes of our minutes of meetings.

Meeting close

