

CIRCULAR TO ALL CREDITORS AND EMPLOYEES

26 March 2015

Dear Sir / Madam

ALPHATISE LIMITED (ADMINISTRATORS APPOINTED) ACN 158 717 796 ("the Company")

I refer to the appointment of David Lombe and I as Joint and Several Administrators of the Company on 5 March 2015 pursuant to Section 436A of the Corporations Act 2001 ("the Act").

The purpose of this Circular is to advise creditors and employees that the Joint Administrators are in the process of filing an application with the Federal Court of Australia ("FCA") for **an extension to the Convening Period for a period up to 90 days**.

1. Second Meeting of Creditors

Pursuant to Part 5.3A of the Act, the Joint Administrators must hold a Second Meeting of Creditors (sometimes referred to as the "439A meeting" / "Second Meeting") no later than 5 business days after the end of the Convening Period being 25 business days from the date the Administrators were appointed.

Therefore, a Second Meeting of Creditors would need to be held on or before 20 April 2015, **unless the Administrators seek an extension to the Convening Period**.

The purpose of the Second Meeting is for creditors to resolve the future of the Company, being one of the following:

- The Company enter into a Deed of Company Arrangement; or
- The Administration end and control of the Company be returned to the Directors; or
- The Administration end and the Company be wound up / enter Liquidation.

For those creditors and employees in attendance at the First Meeting of Creditors (**16 March 2015**), it was advised that the Joint Administrators may consider making an application to the Court for an extension to the Convening Period if a recapitalisation or a sale of the business and assets as a going concern were still being progressed during the Convening Period.

2. Extension of the Convening Period

As part of that purpose and to address the reasons for the extension, we provide an update as follows:

- (i) Status of our Investigations
- (ii) Recapitalisation or Sale of the Business and Assets
- (iii) Application to FCA

(i) Status of our Investigations

In our Report to Creditors pursuant to Section 439A of the Act, the Administrators will report to creditors on the likely outcome or return to creditors in the event of liquidation and how this may compare with any Deed Of Company Arrangement ("DOCA") which may be proposed.

In this report, the Administrators will detail the findings of our investigations which may include actions for:

- Insolvent trading
- Voidable transactions
 - Unfair preferences (Section 588FA)
 - Uncommercial transactions
 - Unfair loans to a company
 - Unreasonable director related transactions
 - Transactions with the Purpose of Defeating Creditors
 - Circulating security interest created within 6 months before the relation back day.

The Administrators' investigations are continuing and our preliminary findings when complete will be provided in a report to creditors pursuant to section 439A of the Act. This report is issued in advance of the Second Meeting of Creditors.

(ii) Recapitalisation or Sale of the Business and Assets

The Administrators have commenced a campaign calling for Expressions Of Interest (EOIs) for the recapitalisation or sale of business and assets of the Company. An advertisement appeared in the Australian Financial Review Newspaper on **Friday 13 March 2015** requesting EOIs.

The Administrators have received a number of EOIs and we are assisting these parties with their due diligence.

Whilst the Administrators are currently in discussions with a number of interested parties regarding a recapitalisation or sale of the business and assets of the Company, we believe that neither option will be achieved by the current proposed date of the Second Meeting (**20 April 2015**).

(iii) Application to FCA

The Administrators intend to bring an application requesting an extension of the Convening Period of 90 days in the FCA in early April 2015.

The Administrators reasons for seeking the extension of the Convening Period are as follows:

- A recapitalisation or sale of the business and assets of the Company as a going concern is likely to result in a better return for creditors compared to a close down scenario. Not extending the Convening Period could jeopardise either of these options in which the Administrators are currently exploring
- A recapitalisation or sale of the business and assets of the Company as a going concern would also:
 - reduce the potential liability to employees and consequently the size of the creditor pool through continued employment under a recapitalisation or transfer of employment under a possible sale scenario
 - secures ongoing employment
 - ensures continuity of supply to customers and trade with key suppliers
 - satisfies the objectives of the administration provisions of the *Corporations Act* by enabling the business to continue in existence.

Creditors and employees are not required to take any further action at this stage unless they object to the Administrators application seeking an extension of the Convening Period. Creditors who object to the Administrators application or require further information should contact Chris Wollinski of the Administrators' office on cwollinski@deloitte.com.au.

We will advise creditors and employees of the outcome of the application to FCA once known.

Yours faithfully,



Vaughan Strawbridge
Joint and Several Administrator