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MCDONALD VAGUE & PARTNERS

Insolvency and Recovery Specialists

DML RESOURCES LIMITED (IN LIQUIDATION)

LIQUIDATORS' NINTH REPORT TO CREDITORS

for the period from 7 November 2001 to 6 May 2002
(pursuant to section 255(2)(d) of the Companies Act 1993)

Auckland
New Zealand

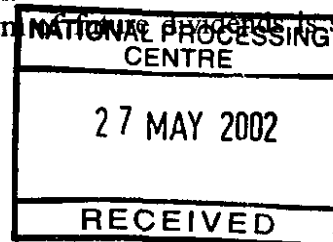
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28 MAY 2002

1. PROGRESS OF THE ADMINISTRATION OF THE LIQUIDATION

- 1.1 The liquidators are pleased to report to creditors on the progress made in the administration of the liquidation of DML Resources Limited (In Liquidation) ("DML") during the period 7 November 2001 to 6 May 2002
- 1.2 The liquidators advise that all assets of DML have been realised other than those relating to recoveries from current or future litigation actions
- 1.3 The attached cash position at 6 May 2002 shows that the liquidators held the sum of \$2,633,866 in the liquidation accounts at that date. There are further sums held in trust
- 1.4 The liquidators paid a five cent in the dollar interim distribution to admitted unsecured creditors in November 2001. The sum of \$100,000 is subject principally to litigation costs and outcome



2. CLAIMS AGAINST DIRECTORS

2.1 Main DML Claim

In December 2001, DML Resources Limited (In Liquidation) and we as liquidators issued proceedings in the High Court at Auckland against Mr McCarthy, Mr Bolton, Mr Margrain and Mr Walbridge concerning the performance of their obligations whilst directors of DML

In summary, the claims relate to alleged breaches

- a) by the above directors for DML incurring obligations and continuing to trade whilst there was a substantial risk of serious loss to DML's creditors,
- b) by the above directors for DML incurring obligations without having reasonable grounds to believe those obligations could be met when required, and
- c) by Mr Bolton, Mr Margrain and Mr Walbridge in respect to distributions by DML in contravention of s 56 of the Companies Act 1993

The claims range in quantum, but the combined sum of the claims substantially exceeds the current amount of the admitted creditor claims in DML's liquidation. The sums claimed against each director also vary according to their tenure as directors and the timing of the acts that support the claims

The directors are each defending the claims, which are proceeding through the interlocutory stages of the court process. At this stage it is too early to forecast a resolution date.

2.2 Claim concerning Hong Kong company

In addition to the above claims, DML has now issued proceedings in the High Court at Auckland against Mr Bolton and Mr Walbridge concerning a particular NZ\$2 million transaction affecting DML Resources (Asia) Limited (In Liquidation), a company being liquidated in Hong Kong.

DML is a substantial and the main creditor of DML Resources (Asia) Limited (In Liquidation). The claim will, by agreement, be conducted by DML in New Zealand under Hong Kong law.

- 2.3** It has been agreed with the solicitors for the defendants that both cases will run together in the High Court at Auckland.

3. VOIDABLE TRANSACTION CLAIMS

3.1 Background

As advised in previous reports, the liquidators and counsel have been examining a substantial number of transactions whereby creditors of DML were paid in circumstances that we considered breached section 292 of the Companies Act 1993. The primary focus of section 292 is to attempt to ensure that creditors of a company are not preferred over other creditors and to give the liquidator the ability through the court process to recover payments made and bring them back into the general pool of assets for redistribution in accordance with the usual pro-rata rules.

The liquidators and their counsel identified a group of creditors who were paid in circumstances that required the liquidators to address the issue of preferential payments. There were in excess of 15 such creditors and many transactions under review.

These issues were raised in a substantive way with a number of creditors in November 2000 and followed up in detail in March 2001. Since then there has been a significant amount of ongoing communication with these creditors.

3.2 Settlements achieved

We are pleased to report that settlements have now been concluded with the majority of the creditors involved without having to take any High Court action at all. There are two claims still to be resolved. There may also be some transactions that took place with other creditors who were not within the group we identified that may require further examination by us, but it is our current expectation that this will be unlikely.

The settlements that have been concluded are based upon the settlement payments being paid into a separate trust account which we have established outside of the normal liquidation accounts.

3.3 What does this mean for creditors?

The general approach agreed means that

- a) **creditors who have settled voidable transaction claims** will **not** receive any additional payment. They have waived any claim on the **trust fund** as part of the settlement. In addition, none of their claims in the liquidation have increased,
- b) **creditors who are not involved in these settlements** (and this will be the majority by number of creditors) will receive an **additional payment** from the **trust fund** over and above the normal dividend(s) paid in the liquidation, calculated pro-rata among these creditors

3.4 What is the amount of the additional payment?

The settlements all involve the relevant creditors meeting some of their settlement sum (to an agreed percentage) from their own dividend entitlements. As such, the final additional payment figure will not be known until the conclusion of the liquidation. The ultimate figure depends principally on the success of the remaining litigation and the final creditors' admitted figure. Accordingly, no interim payments are presently proposed from the **trust fund**.

However, it is expected that at a **minimum** the payment from this **trust fund** will be in the amount of four cents in the dollar.

3.5 Costs

In addition, we have received from the settlements, contributions to our costs totalling \$30,361, which have been paid into the general liquidation accounts.

3.6 Comment

The liquidators are pleased to have resolved matters this way without having to resort to any court action at all. We consider that the overall net return to the creditors affected compares very favourably to the potential outcome of a litigation result.

4. CREDITORS' CLAIMS

4.1 All preferential claims in the liquidation have been paid in full.

4.2 The liquidators have conducted a review of all major claims in the liquidation which has resulted in the rejection and/or withdrawal of a significant amount of creditors' original claims in the liquidation.

4.3 Disputed creditors claims totalling \$18,351,208 have been fully and finally settled. These creditors have been paid a total sum of \$694,148 which equates to an average payment of less than 3.8 cents in the dollar. These creditors have no further claim in the DML liquidation.

4.4 Claims still under review at 6 May 2002 totalled \$5,471,591. The dividend of five cents in the dollar for these claims totalling \$273,576 has been withheld and retained by the liquidators in a separate trust account. These funds will be released to creditors and/or returned to the general liquidation accounts in terms of the liquidators' final decision as to admission and/or rejection of such claims.

4.5 The liquidators summarise below the position in respect of claims received, rejected, withdrawn, settled, still under review and admitted as at 6 May 2002 compared to the Statement of Affairs at May 1998 -

Creditors' claims as per Statement of Affairs at May 1998		\$28,330,000
	\$	\$
Claims received to date		52,836,194
Less claims rejected or withdrawn to date	16,671,469	
Less Claims settled to date	18,351,208	
	<u> </u>	<u>35,022,677</u>
Total of claims admitted to date or still to be admitted or rejected		<u>\$17,813,517</u>

5. FUNDS

The attached cash position as at 6 May 2002 shows the receipt and disposition of funds since the commencement of the liquidation on 7 May 1998

6. LIQUIDATION COMMITTEE

As advised previously, the creditors appointed the following duly authorised representatives of the following creditors

- | | |
|---------------------------------|-------------------|
| ▪ BP Oil New Zealand Limited | Mr James Marryatt |
| ▪ Ross Family | Mr Michael Ross |
| ▪ Lawson & Zambucka Limited | Mr Chris Zambucka |
| ▪ Caspex Corporation Limited | Mr Tony Staub |
| ▪ New Zealand Engineering Union | Mr Ray Urquhart |
| ▪ Gough Gough & Hamer Limited | Mr Bruce Mazey |

The committee have met as required and have been kept informed in writing as the liquidation has progressed. The liquidators wish to thank the members for their continuing assistance during the course of this complex liquidation.

7. COMPLETION

Due to the complexities of this liquidation and the number of issues, it is not possible to advise creditors of an expected date of completion.

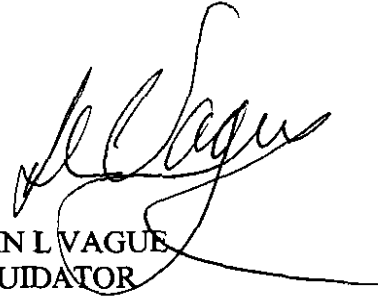
Creditors are advised that this report and all previous reports are available on our website
www.mvp.co.nz

Any enquiries can be directed to the liquidators at this office

Yours faithfully
for DML RESOURCES LIMITED
(IN LIQUIDATION)



GRAEME G McDONALD
LIQUIDATOR



JOHN L VAGUE
LIQUIDATOR

Dated this 22 day of May 2002

GGM/KWB/rmk/220
DML/0NinthReport

Number of Company AK 340593

Name of Company DML RESOURCES LIMITED (IN LIQUIDATION)

Subject LIQUIDATORS STATEMENT OF REALISATIONS AND
DISTRIBUTIONS FOR PERIOD 7 MAY 1998 TO 6 MAY 2002

CASH HAS BEEN RECEIVED AS FOLLOWS:

Funds from the Receiver		1,114,125
Funds from the Debentureholder		240,000
New Zealand Assets		
- Truck Sales	129,200	
- Plant and Equipment	342,150	
- Office Furniture and Equipment	766	
- Miscellaneous Assets	4,444	
- Debtors	32,783	
	<hr/>	509,343
Overseas Assets		
- Chile	177,562	
- Indonesia	72,076	
	<hr/>	249,638
Settlements		
- Auriferous Settlement	100,000	
- Win Land	140,000	
- Glencol Settlement	27,500	
- Solid Energy	375,000	
- Coeur Gold (excluding GST)	2,440,640	
	<hr/>	3,083,140
Miscellaneous		
- GST Refunds (net)	1,757,749	
- Interest Received	651,955	
- Legal Costs Recovered	9,797	
- Sundry	6,960	
- Insurance Refund	55,696	
- Income Tax Refund	168,950	
- RWT Refund	42,676	
- Reimbursed Legal Fees (Voidable Transaction Costs)	30,361	
	<hr/>	2,724,144
TOTAL REALISATIONS		<hr/> \$7,920,390 <hr/>

CASH HAS BEEN PAID AS FOLLOWS:**Costs Charges & Expenses of the Liquidators**

Liquidators' Fees	1,566,191	
Disbursements	62,991	
	<u> </u>	1,629,182

Professional Fees

- Accounting	17,120	
- Consulting Fees	29,303	
- Computer Support	2,388	
	<u> </u>	48,811

Legal Fees

- Coeur Gold (including consultants)	1,080,872	
- Asia	23,222	
- Auriferous	32,059	
- Chile Funds	24,033	
- Creditors Claims	28,239	
- Debenture	39,150	
- Diesel Propulsion	39,991	
- China Receivable	23,270	
- GST Dispute	9,554	
- Voidable Transactions	56,608	
- Action Against Directors	133,966	
- Solid Energy	42,937	
- Other	144,061	
	<u> </u>	1,677,962

Security For Costs

- Action Against Directors	150,000	
- China Receivable	25,000	
	<u> </u>	175,000

Liquidation Operating Costs

- Accident Compensation Costs	14,856	
- Advertising	2,528	
- Bank Fees	970	
- Fringe Benefit Tax	2,459	
- Insurance	12,211	
- Printing	3,583	
- Storage – records, vehicles, engines	25,190	
- Vehicle Expenses	5,534	
- Wages	7,822	
- Sundry	8,037	
- RWT	20,446	
	<u> </u>	103,636

Costs of Realising Assets

- Truck Transport	9,753	
- Asia	36,947	
	<u> </u>	46,700

Creditors Meetings

Settlement Chilean Employees	1,220	
	16,000	
	<u> </u>	17,220

Preferential		
Applicant Creditors Costs	2,155	
Inland Revenue Department – PAYE & GST	980	
	<hr/>	3,135
Settlement of Creditors Claims		694,148
First Distribution to Unsecured Creditors	(5 cents/\$1 00)	890,730
		<hr/>
TOTAL DISTRIBUTIONS		\$5,286,524
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TOTAL REALISATIONS		7,920,390
LESS TOTAL DISTRIBUTIONS		5,286,524
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BALANCE HELD		\$2,633,866
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BALANCE REPRESENTED BY:		
Bank of New Zealand – Current Account		9,368
ASB Bank Limited – Interest Bearing Trust Account		574,380
WestpacTrust – Term Deposit		2,050,118
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		\$2,633,866
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FUNDS ON TRUST FOR SPECIFIC PURPOSES		
(in addition to above)		
Bank of New Zealand – IBTA (security for costs – action against directors)		150,000
ASB Bank Limited – IBTA (security for costs – China receivable)		25,000
ASB Bank Limited – IBTA (voidable transactions trust)		508,769
ASB Bank Limited – IBTA (VT distribution cheque held over)		55,246
ASB Bank Limited – IBTA (Dividends on claims held under review)		238,298
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		\$977,313
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Note The above figures are GST exclusive


 GRAEME G McDONALD
 LIQUIDATOR

Dated this 22nd day of May 2002