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U.S. BANKRUPTCY COURT
PATRICIA GRAY, CLERK

ALLEN ALLEN & HEMSLEY
The Chifley Tower
2 Chifley Square
SYDNEY NSW 2000
Tel: +61 2 9230 4000
Fax: +61 2 9230 5333

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF NEVADA

In Re:) Case Nos. BK-N-98-30088 through
) BK-N-98-30105-GWZ
PEGASUS GOLD CORPORATION, a) (Jointly Administered)
Nevada Corporation; and related entities,)
) Date of Hearing: 01/22/99
Debtors) Time of Hearing: 10:00a.m.
) Set by: Deborah Marsh

SECOND INTERIM COMPENSATION APPLICATION

FOR ALLEN ALLEN & HEMSLEY

granted in order # 1725 + 2076

Allen Allen & Hemsley ("AAH") submit their second application ("Fee Application") for an award of interim compensation for professional fees and reimbursable expenses incurred from the period from October 1, 1998, to and including November 30, 1998 (the "Application Period") and respectfully represents:

1. AAH refer to their first application for award of interim compensation for professional fees and reimbursable expenses when the Order Approving the Retention and Employment of Allen Allen & Hemsley as Special Counsel was entered on August 6, 1998, a copy of which was attached as Exhibit "A".

	period	Fees	EXP
①		13,620(A)	16962.35(A)
②		31,066.00(A)	1788.80(A)
		44,686.00(A)	18,751.15(A)

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1 2. AAH, as Australian Special Counsel for Debtors, hereby apply for the payment of interim
2 compensation for services rendered and reimbursement of expenses incurred during the Application Period.
3 This is the second Fee Application for allowance of interim compensation and reimbursement of expenses
4 filed by AAH in the above-captioned case.

5 3. AAH seek the payment of interim compensation in the amount of Australian \$31,066.00
6 (Australian \$ is hereafter referred to as "A\$"¹), representing 100% of the fees for services rendered during
7 the Application Period, and interim reimbursement of expenses in the amount of A\$1,788.80, representing
8 100% of the expenses incurred during the Application Period. Members of AAH expended a total of
9 160.4 hours in the provision of services to the Debtors during the Application Period. AAH has received no
10 payments on these professional fees and expenses incurred during the Application Period or during these
11 proceedings.

12 4. A copy of the account and fee breakdown produced by AAH for Debtors for services rendered
13 during the Application Period are attached hereto as Exhibit "A". The fee breakdown sets out the name of
14 the lawyer who performed services for Debtors during the Application Period, details regarding the activity
15 for the billed amount and the hourly billing rate applicable to the member of AAH.

16 5. During the Application Period, AAH performed services for Debtors involving advice to Debtors
17 for the Australian litigation of Pegasus Gold Australia Pty Ltd ("PGA")² against Bateman Project
18 Engineering Pty Ltd, Kinhill Pacific Pty Ltd and Kilborn Engineering Pacific Pty Ltd ("collectively, "BKK").
19 As provided in the Retention Application, AAH were employed by Debtors as Special Counsel to provide
20 advice for the interests of PGI and PGC regarding taxation matters (where no conflict arises with PGA's
21 Deed Administrator) and the Debtors' positions in relation to the various PGA litigation matters. AAH
22 resisted BKK's application to transfer the Federal Court proceedings to the Supreme Court of the Northern
23 Territory. AAH appeared for and represented Debtors in the Federal Court Proceedings. In this way, the
24 services provided by AAH have benefited the Debtors and the estate. AAH submits that, to the best of its
25 knowledge, the services provided by it are in no way duplicative services provided by the other law firms
26 employed in this matter.

27 6. AAH acknowledges that the interim payment of compensation and reimbursement of expenses
28 sought in this Fee Application does not constitute a request for final allowances of such compensation and

¹ One A\$ is approximately equal to .61 American Dollars.

1 the reimbursement of expenses . Subsequently, AAH will seek final allowance of the compensation charged
2 and expenses incurred for the entire case, and any interim fees or expenses received during the course of the
3 case will be credited against such finally allowed fees and expenses.

4 7. The services of Mr Marcus Pesman, Barrister, were retained by AAH to provide barrister advice
5 and appear before the Federal Court of Australia. He is a member of the independent Bar. His employment
6 is bound by the codes and ethics regulated by the Bar Association of New South Wales. He can not enter
7 into any other employment which may create a conflict of interest with those of the Debtors. A separate
8 declaration by Mr Pesman is attached and marked Exhibit "B". Further attached and marked Exhibit "C" is
9 Mr Pesman's account for fees.

10 8. Neither AAH nor any members of AAH have any agreement or understanding of any kind to divide,
11 payover, or share with any other person (other than Mr Pesman), except as among the members of AAH,
12 any portion of the fees or expenses to be awarded pursuant to this fee application.

13 9. The items for which expense reimbursement are being sought are not included in AAH's overhead,
14 and are not, therefore, a part of the hourly rates charged by AAH.

15 10. Additional, included in this application are five time entries which precede the Application Period.
16 We respectively request these entries be included with this application, as at the time of submitting our first
17 interim application our accounts department had not completed processing these particular timesheets.

18 11. On 28 August 1998 AAH received instructions from Gordon & Silver Ltd in relation to contracts
19 between PGC and Svedala Inc, Svedala Chile. AAH was instructed to review those contracts and provide
20 legal advice on issues relating to (a) the transfer of property and transfer of title as between seller and buyer
21 and; (b) service of legal documents on an Australian Corporation. AAH understood that Gordon & Silver
22 was its client in this matter and therefore sought reimbursement from Gordon & Silver for work carried out.
23 Gordon & Silver has subsequently notified AAH that PGC/PGI is the client and that all work carried out for
24 Gordon & Silver should be reimbursed by PGC/PGI

25 12. It is on the basis provided in paragraph 11 that AAH seeks payment of interim compensation for
26 professional fees and reimbursable expenses incurred during the period from 28 August 1998, to and
27 including September 30, 1998.

4 period #1

² PGA is a non-debtor in the above-referenced bankruptcy proceedings

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THEREFORE, AAH respectfully requests that the Debtors pay, on an interim basis, the compensation for services rendered during the Application Period and reimburse the expenses incurred during the Application Period, as set out in this Fee Application.

DATED this 18th day of December, 1998.

ALLEN ALLEN & HEMSLEY

John Beresford Dorter

JOHN BERESFORD DORTER

The Chifley Tower

2 Chifley Square

SYDNEY NSW 2000

Tel: +61 2 9230 4000

Fax: +61 2 9230 5333

