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# **Australian Abrasive Minerals Pty Ltd (Administrators Appointed)**

## **ACN 118 292 756**

# **Australian Industrial Minerals Limited (Administrators Appointed)**

## **ACN 623 197 142 (together ‘the Companies’)**

Stakeholder update | 24 October 2019–4 December 2019

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## **1 Statutory requirements and reporting**

Following our appointment, we attended to the issuing of our statutory notices, commenced dialogue with the key stakeholders (creditors/employees/suppliers/customers/lessors), convened the first meeting of creditors held on 5 November 2019 and sought an extension for the convening of the second meeting of creditors.

### **1.1 First meeting of creditors**

The first meeting of creditors was held on 5 November 2019. Two resolutions were put to creditors at that meeting, being whether to appoint a committee of creditors to deal with the business of the Administration and secondly, whether to replace the incumbent administrators, being Rahul Goyal, Richard Tucker and John Bumbak (‘the Administrators’).

At the meeting, no committee of creditors was appointed and as no alternative administrators were proposed, the appointment of the Administrators remained. Minutes of the meeting have been lodged with ASIC and are also available on our website.

### **1.2 Extension of convening period**

The application to extend the convening period for the Administration of the Companies was heard on 18 November 2019. Justice Jagot gave the orders sought, extending the convening period such that the second meeting of creditors may be convened by 24 April 2020, or earlier should the Administrators deem appropriate. We have notified all stakeholders by email in accordance with the orders and these are available on our website.

## **2 Pre-appointment of bank accounts**

Following our appointment, the Administrators recovered all monies from the Companies pre-appointment ANZ bank accounts, including an ATO refund for a pre-appointment BAS.

ANZ also held cash collateral in respect of a bank guarantee and credit card facility. ANZ have partially called on the cash collateral held for amounts owing under the credit card facility and intend on retaining the residual cash collateral for the bank guarantee on issue, along with a small surplus until the facilities are finalised, which will ultimately be determined by the form of any restructure proposal for the group.

## **3 Insurance**

We are continuing to work with our broker, Willis, to incept ongoing insurance cover during the Administration period. We have almost finalised the go-forward insurance package, however we are refining some minor details. Whilst this continues to be navigated, Willis have confirmed that our initial ‘open cover’ will remain in place for another 30 days, through to 23 December 2019.

## **4 HRM/MSP care and maintenance**

We continue to transition the Hart’s Range Mine (‘HRM’) and Mineral Separation Plant (‘MSP’) operations to care and maintenance, facilitate the return of leased equipment and secure the return of company owned goods.

The onsite team have been instructed to clean all onsite equipment in anticipation that the equipment will not be restarted in the short-term. A staffing roster has been established for the go-forward care and maintenance team at the HRM and MSP.



## 4.1 Leased assets

Following our appointment, we wrote to all lessors who had goods at the HRM and MSP. A number of those lessors have now collected their goods and we are working to arrange the return of residual items in the coming weeks.

A small number of leased assets will be retained as part of the care and maintenance program for the HRM (including the mine camp) and MSP.

We will shortly write to all lessors who have received onerous property notices from the Administrators and whose leased assets remain onsite, setting out the specifics of the leased assets which remain and reiterate that it is the lessor's obligation to insure and collect these items.

## 4.2 Sale of MSP inventory

Since our appointment, we have completed sales of finished product totalling \$54,802.

We have finalised a sales strategy for a portion of the remaining garnet stock at the MSP, and dialogue has commenced with key domestic customers to agree a schedule to sell down the balance of finished product through to mid-2020.

## 4.3 Department of Primary Industries and Resources

A draft care and maintenance plan for the HRM was lodged with the Department of Primary Industries and Resources ('DPIR') on 26 November 2019. We are in discussions with DPIR before lodging a finalised plan for approval.

Furthermore, we have made deferral requests to DPIR and Central Desert Regional Council in relation to reporting obligations, rate payments and payment of fees for the mining leases and exploration licences. DPIR has advised that these requests are being reviewed.

## 4.4 Meetings with HRM and MSP landholders

The Administrators' team and the Companies' management met with parties who have the relevant interests in the land at the MSP and HRM on 28 and 29 November 2019. The purpose of those meetings was to outline the Administrators' intended strategy, timeline and navigate the various queries those parties have as part of any restructure of the Companies.

# 5 Employees

Following our appointment, we have made 35 employees across the business redundant with many having already been stood-down when the HRM/MSP sites ceased operation prior to our appointment. We are now working with a 'skeleton team' of eleven employees and contractors.

## 5.1 Employee entitlements

We have completed our indicative employee entitlements calculation, based on information to hand. Our analysis assumes the continuing employees were made redundant on 24 October 2019, giving a complete view of pre-appointment entitlements. As several employees continue to be employed during the administration, the severance calculation will remain fluid and the current calculation is an estimate only.

We will be providing all employees with details of their estimated entitlements owing in due course, but note there is no need for employees to take any action regarding their claim for outstanding entitlements currently. We will notify all employees when action is required to formalise their claim in the Administration.

# 6 Feasibility study

The Administrators have been working with the Companies management team to define and agree a scope of works which comprises the HRM and MSP feasibility study. This scope of works is aimed at:

1. Defining the necessary process changes and improvements required to the current infrastructure and flow charts to allow the mine to operate efficiently and economically.
2. To quantify the amount of investment required to deliver the necessary process changes and improvements.



The scope of works comprises eight components, with the cornerstone feasibility being an Engineering and Cost Study ('ECS'). This lengthy scope was provided to a short list of suitably qualified consultants on 14 November 2019 and their proposals were received on 22 November 2019.

A request for proposals has also been issued to a number of other consultants for the other scope components and those proposals are currently being reviewed.

The Administrators are currently consulting with a number of stakeholders including the secured creditor before engaging any parties, however, anticipate making those appointments in the coming weeks.

The feasibility is targeting completion by 29 February 2020.

Once the feasibility is completed, it will then allow a decision to be made regarding the best course of action for the Companies. This may include:

- i. Running a recapitalisation process
- ii. Obtaining additional secured funds
- iii. Conducting an asset or share sale of the Companies
- iv. Winding down operations
- v. Or a hybrid of these options.

## **7 Six-week outlook**

The key work streams for the Administrators over the next six-weeks are as follows:

### **7.1 Statutory requirements**

We will continue meeting our statutory obligations with ASIC, the ATO, and local and state government bodies.

### **7.2 Insurance**

We will continue working with our insurance broker to finalise the go-forward insurance package. This should be finalised prior to the end of the 'open cover' policy due to lapse 23 December 2019.

### **7.3 HRM/MSP operations**

We will continue finalising the transition of the Companies' operations to a care and maintenance program. This will ensure cash outflows are minimised while we engage consultants to assess the long-term viability of the Companies' operations through the feasibility study.

### **7.4 Employees**

The 'skeleton' crew of eleven employees and contractors will continue to work with the Administrators to maintain the HRM and MSP.

### **7.5 Feasibility study**

We will continue liaising with consultants to complete the scope of work required as part of the feasibility study.

### **7.6 Department of Primary Industries and Resources**

We are actively seeking a response from DPIR on the care and maintenance plan and the deferral of the Companies' payment and reporting obligations.



## **7.7 Statutory investigations**

We are required under the Corporations Act ('the Act') to undertake investigations into the affairs of the Companies and their directors in the lead up to our appointment as Administrators. We have already begun compiling information and will look towards completing our investigations to be included in our report to creditors. These investigations will form part of our report to creditors in accordance with Section 439A of the Act.

## **8 Next update**

Our next update to creditors will be provided prior to 17 January 2020.

All relevant correspondence and documents are made available to creditors of the Companies on our website at:

[www.kordamentha.com/creditors/australian-abrasive-minerals-pty-ltd](http://www.kordamentha.com/creditors/australian-abrasive-minerals-pty-ltd)

Should you have any questions in relation to this update or the Administrations, please contact Michael Barrington-Smith of this office on (02) 8257 3078 or by email at [mbarringtonsmith@kordamentha.com](mailto:mbarringtonsmith@kordamentha.com).

