

Circular to Creditors

17 March 2020

Dear Sir/Madam

**Australian Industrial Minerals Limited (In Liquidation) (Receivers and Managers Appointed)
ACN 623 197 142 ('the Company')**

We refer to our Administrators' Report to Creditors dated 26 February 2020.

Notification of Appointment

We confirm that at the Second Meeting of Creditors duly convened and held on 4 March 2020 at 1.00pm, it was resolved pursuant to Section 439C(c) of the Corporations Act 2001 ('the Act'), that the Company be wound up.

Please note that the creditors did not nominate a person to be appointed as Liquidator and accordingly, Rahul Goyal, John Bumbak and Richard Tucker are the duly appointed Liquidators of the Company pursuant to Section 499 of the Act.

Explanation of a creditors' voluntary liquidation

A creditors' voluntary liquidation is a liquidation initiated by the Company where it is unable to pay all of its creditors in full. This means that the Company is insolvent.

As Liquidators, we act for all creditors. We will now attend to our responsibilities, including:

- Conducting further investigations to determine the potential of any recoveries and assess them on a commercial basis.
- Reporting the outcome of the investigations to the Australian Securities and Investments Commission ('ASIC').
- Liaising with creditors and the Receivers in order to further investigate and pursue the potential claims available to the Company that were raised in the Administrators' Report to Creditors dated 26 February 2020 ('the Administrators' Report').
- Distributing funds, if any are available, to creditors.
- Liaising with the Fair Entitlements Guarantee Recovery Program ('FEG') in respect of any shortfall of outstanding entitlements owing to priority (employee) creditors after distributing funds.

What are your rights as a creditor?

Information regarding your rights as a creditor is provided in the information sheet 'Creditors Rights in Liquidations' issued by the Australian Restructuring Insolvency and Turnaround Association ('ARITA') and enclosed in this report. This includes your right to:

- Make reasonable requests for a meeting.
- Make reasonable requests for information.
- Give directions to us.
- Appoint a reviewing liquidator.
- Replace us as liquidator.

Creditors have an additional right to request a meeting in the first 20 business days of a creditors' voluntary liquidation. If we receive a request for a meeting from at least 5% of known creditors that are not a related entity of the Company, we are required to hold a meeting, as long as the request is reasonable. The details of whether a request is reasonable or not are included in the ARITA information sheet on creditors' rights.

What happens to your debt?

All creditors of the Company are now creditors in the liquidation. As a creditor, you have certain rights, although your debt will now be dealt with in the liquidation process.

The amount of money you receive, if any, depends on the amount of money recovered, including from selling the Company's assets. After paying our fees, creditors share the remaining money. This amount is called a dividend.

A dividend can vary between creditors because the law entitles different types of creditors to be paid before other types of creditors.

If you are claiming title to any goods delivered to the Company pursuant to a contract or the Personal Property Securities Act or any lien over goods in your possession which are the property of the Company, details of your claim should be forwarded to our office urgently.

Do you have to do anything?

You should read this information. You can choose to participate in the liquidation process, including attending any meetings of creditors in person or by proxy, but you do not have to.

We have enclosed a Proof of Debt Form in respect of any money that may be owed to you and ask that you complete and return it to this office. You only need to complete this if you have not previously completed one during the Voluntary Administration or wish to amend your claim.

If we need you to take any other action, we will write and ask you.

If you do not think you are a creditor, please let us know.

Operations of the Company

The Company primarily operated as a holding company for the purpose of raising capital for the operating entity, Australian Abrasive Minerals Pty Ltd (Administrators Appointed). This activity ceased prior to our appointment as Administrators on 24 October 2019.

Liquidators' remuneration and disbursements

Enclosed is our Initial Remuneration Notice. This document provides you with information about how we will be remunerated for undertaking the liquidation and how disbursements may be calculated and incurred. Our remuneration is paid from the Company's funds, including realisations from assets, successful legal recoveries or from money paid to us by others, such as the Company's directors. If there is not enough money in the liquidation, we may not get paid for all the time we spend on the

liquidation. If there is no money in the liquidation, we will not get paid at all. However, we will still attend to our statutory duties.

At the Second Meeting of Creditors, the Liquidators' remuneration was approved as set out in the Administrators' Report.

Further communication with creditors

It is unlikely that we will hold a meeting of creditors unless we believe it is in the interests of creditors. However, if we receive a reasonable request for a meeting that complies with the guidelines set out the creditors' rights information sheet, we will hold a meeting of creditors.

We will write to you within three months of our appointment advising whether a dividend is likely and update you on the progress of our investigations.

We may write to you again after that with further information on the progress of the liquidation or proposals to approve certain matters in the liquidation.

Further information available to creditors

ARITA provides information to assist creditors with understanding liquidations and insolvency. This information is available from ARITA's website at www.arita.com.au/creditors.

ASIC also provides information sheets on a range of insolvency topics. These information sheets can be accessed on ASIC's website at www.asic.gov.au/insolvencyinfosheets.

The privacy of your information

KordaMentha may collect personal information either from you, the Company or otherwise in connection with the amount owed to you by the Company. KordaMentha takes all reasonable steps to protect the personal information it holds about you from misuse and loss and from unauthorised access, modification or disclosure. From time to time, we may need to disclose personal information regarding you to a third party, such as a regulatory body. Except for certain disclosures required by the Corporations Act, such disclosures will be made on a confidential basis and, where possible, will require the third party to comply with appropriate privacy obligations.

If you would like to access or change the personal information KordaMentha holds about you, you can contact the contact person detailed in this letter at KordaMentha and request the relevant change or access. To action any change or access request, KordaMentha will need to verify your identity and comply with its other procedures which are in place to prevent unauthorised access to personal information. If you have a complaint in relation to the privacy of your information, please contact privacy@kordamentha.com. The privacy policy can be found on the KordaMentha website.

Contact information

If you have any queries, please contact Michael Barrington-Smith of this office on (02) 8257 3078 or by email at mbarringtonsmith@kordamentha.com.

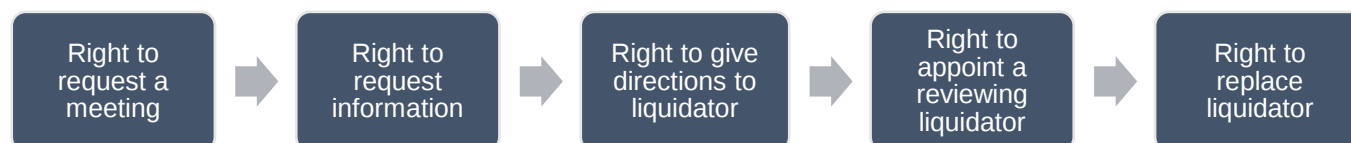
Yours faithfully



Rahul Goyal
Liquidator

Creditor Rights in Liquidations

As a creditor, you have rights to request meetings and information or take certain actions:



Right to request a meeting

In liquidations, no meetings of creditors are held automatically. However, creditors with claims of a certain value can request in writing that the liquidator hold a meeting of creditors.

A meeting may be requested in the first 20 business days in a creditors' voluntary liquidation by $\geq 5\%$ of the value of the debts held by known creditors who are not a related entity of the company.

Otherwise, meetings can be requested at any other time or in a court liquidation by:

- $> 10\%$ but $< 25\%$ of the known value of creditors on the condition that those creditors provide security for the cost of holding the meeting
- $\geq 25\%$ of the known value of creditors
- creditors by resolution, or
- a Committee of Inspection (this is a smaller group of creditors elected by, and to represent, all the creditors).

If a request complies with these requirements and is 'reasonable', the liquidator must hold a meeting of creditors as soon as reasonably practicable.

Right to request information

Liquidators will communicate important information with creditors as required in a liquidation. In addition to the initial notice, you should receive, at a minimum, a report within the first three months on the likelihood of a dividend being paid.

Additionally, creditors have the right to request information at any time. A liquidator must provide a creditor with the requested information if their request is 'reasonable', the information is relevant to the liquidation, and the provision of the information would not cause the liquidator to breach their duties.

A liquidator must provide this information to a creditor within 5 business days of receiving the request, unless a longer period is agreed. If, due to the nature of the information requested, the liquidator requires more time to comply with the request, they can extend the period by notifying the creditor in writing.

Requests must be reasonable.

They are not reasonable if:

Both meetings and information:

- (a) complying with the request would prejudice the interests of one or more creditors or a third party
- (b) there is not sufficient available property to comply with the request
- (c) the request is vexatious

Meeting requests only:

- (d) a meeting of creditors dealing with the same matters has been held, or will be held within 15 business days

Information requests only:

- (e) the information requested would be privileged from production in legal proceedings
- (f) disclosure would found an action for breach of confidence
- (g) the information has already been provided
- (h) the information is required to be provided under law within 20 business days of the request

If a request is not reasonable due to (b), (d), (g) or (h) above, the liquidator must comply with the request if the creditor meets the cost of complying with the request.

Otherwise, a liquidator must inform a creditor if their meeting or information request is not reasonable and the reason why.

Specific queries about the liquidation should be directed to the liquidator's office.

Right to give directions to liquidator

Creditors, by resolution, may give a liquidator directions in relation to a liquidation. A liquidator must have regard to these directions, but is not required to comply with the directions.

If a liquidator chooses not to comply with a direction given by a resolution of the creditors, they must document their reasons.

An individual creditor cannot provide a direction to a liquidator.

Right to appoint a reviewing liquidator

Creditors, by resolution, may appoint a reviewing liquidator to review a liquidator's remuneration or a cost or expense incurred in a liquidation. The review is limited to:

- remuneration approved within the six months prior to the appointment of the reviewing liquidator, and
- expenses incurred in the 12 months prior to the appointment of the reviewing liquidator.

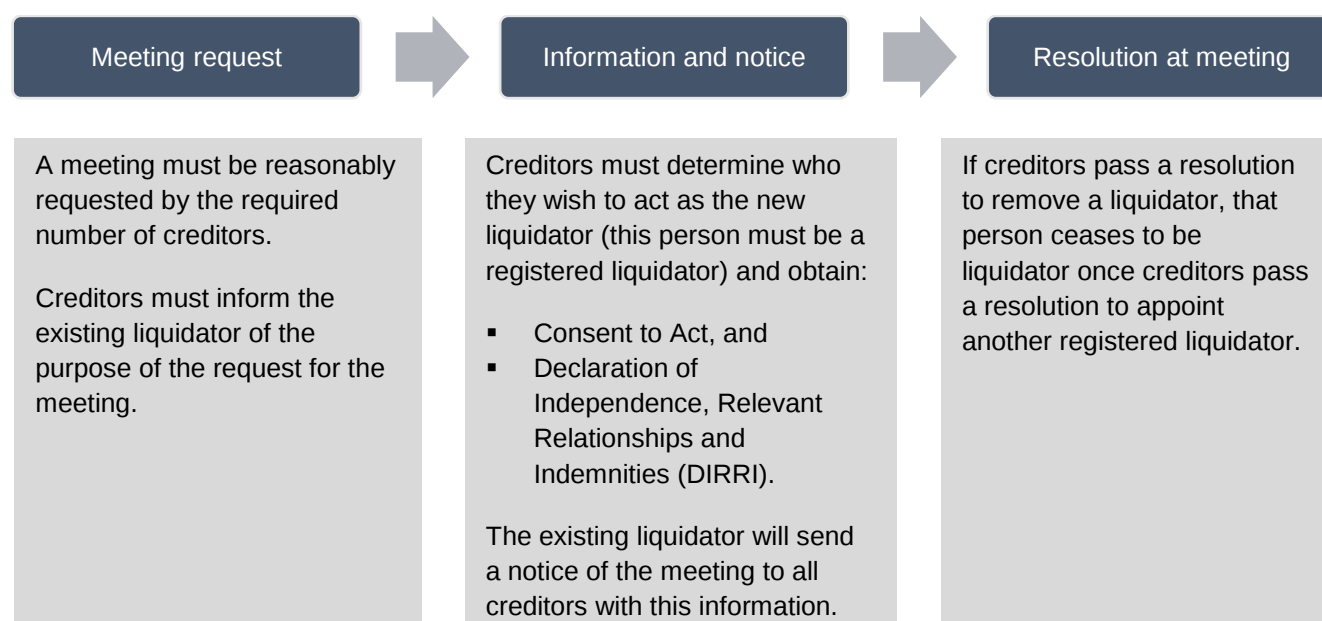
The cost of the reviewing liquidator is paid from the assets of the liquidation, in priority to creditor claims.

An individual creditor can appoint a reviewing liquidator with the liquidator's consent, however the cost of this reviewing liquidator must be met personally by the creditor making the appointment.

Right to replace liquidator

Creditors, by resolution, have the right to remove a liquidator and appoint another registered liquidator.

For this to happen, there are certain requirements that must be complied with:



**For more information, go to www.arita.com.au/creditors.
Specific queries about the liquidation should be directed to the liquidator's office.**

Form 535**Formal proof of debt or claim (General form)**
**Australian Industrial Minerals Limited (In Liquidation) (Receivers and
Managers Appointed)
ACN 623 197 142 ('the Company')**

To: The Liquidators of Australian Industrial Minerals Limited (In Liquidation) (Receivers and Managers Appointed) ('the Company')

1. This is to state that the Company was on 24 October 2019, and still is, justly and truly indebted:

To _____
(name of creditor)

Of _____
(address of creditor)

For \$ _____ GST Amount: \$ _____
(amount owed to creditor, include cents, GST inclusive)

Particulars of the debt are:

Date	Consideration	Amount (\$)	Remarks
(insert date when debt arose)	(state how the debt arose and attach supporting invoices and statements of account)	(GST inclusive amount)	(include details of voucher substantiating payment)

(If debt is held due to an assignment of debt, provide evidence of the transfer and the consideration paid for assignment of the debt.)

2. To my knowledge or belief, the creditor has not, nor has any person by the creditor's order, had or received any satisfaction or security for the sum or any part of it except for the following:
(Insert particulars of all securities held. If the securities are on the property of the Company, assess the value of those securities. If any bills or other negotiable securities are held, show them in a schedule in the following form.)

Date	Drawer	Acceptor	Amount (\$)	Due date

3. This proof of debt may be used for the purposes of voting at any meeting, a proposal without a meeting or for distribution to creditors unless a further proof of debt is submitted by me.

Execution:

- ☐ I am employed by the creditor and authorised in writing by the creditor to make this statement. I know that the debt was incurred for the consideration stated and that the debt, to the best of my knowledge and belief, remains unpaid and unsatisfied. (select if applicable)
- ☐ I am the creditor's agent authorised in writing to make this statement in writing. I know that the debt was incurred for the consideration stated and that the debt, to the best of my knowledge and belief, remains unpaid and unsatisfied. (select if applicable)
- ☐ I nominate to receive electronic notification of notices or documents in accordance with Section 600G of the Corporations Act at the email address or fax number listed below.

Signature _____

Name _____ Date _____

Address _____

Email _____

Phone _____ Fax _____

Corporations Act 2001

Initial Remuneration Notice

Australian Industrial Minerals Limited (In Liquidation) (Receivers and Managers Appointed)
ACN 623 197 142 ('the Company')

The purpose of the Initial Remuneration Notice is to provide you with information about how our remuneration for undertaking the liquidation will be set and how disbursements may be calculated and incurred.

Remuneration methods

There are four basic methods that may be used to calculate the remuneration of an external administrator. They are:

1. Time based or hourly rates – This is the most common method. The total fee charged is based on the hourly rate charged for each staff member based on their level of experience and multiplied by the number of hours spent by each staff member on each of the tasks performed
2. Fixed fee – The total fee charged is normally agreed to, and quoted, at the commencement of the liquidation and is based on the anticipated work through the term of the liquidation. At times, an insolvency practitioner will finalise a liquidation for a fixed fee.
3. Percentage – The total fee is based on a percentage rate of a particular variable, such as the gross proceeds of all assets recovered in an liquidation.
4. Contingency – the fee is structured to be contingent on a particular outcome being achieved.

Remuneration method chosen

Given the nature of this liquidation, remuneration will be calculated on the basis of an hourly rate charged for each person who carried out the work at the direction of the liquidator multiplied by the number of hours spent by each person on each of the tasks performed as it fairly reflects the necessary work performed and overcomes the difficulty in identifying the scope of the work required, particularly on longer term engagements. It also ensures that creditors are only charged for work that is performed. This method is also chosen as there are a number of tasks that are required to be performed but do not relate to the realisation of assets, for example responding to creditor enquiries, reporting to the Australian Securities and Investments Commission ('ASIC'), distributing funds to creditors.

Explanation of the KordaMentha rates

The current rates for our remuneration calculation are set out in the attached appendix together with a general guide showing the qualifications and experience of staff engaged in the liquidation and the role they take in the liquidation. These rates are multiplied by the time spent by the applicable staff member in completing tasks relating to the liquidation as recorded in our time reporting system. The basis of our time reporting system is one of six-minute time increments. This allows us to produce a detailed analysis of time spent on each type of task by each individual staff member utilised in the liquidation. This method provides full accountability to creditors in the method of calculation.

The KordaMentha rates are subject to review and adjustment at 1 July each year to reflect changes in the cost base of the firm and changes in market conditions and rates for comparable insolvency firms. The hourly rates charged encompass the total cost of providing professional services and should not be compared to an hourly wage.

Estimate of total remuneration

Based on the information we have at this stage of the liquidation, we estimate that this liquidation will cost approximately \$40,000 (excluding GST), funds permitting. The total cost of the liquidation will vary depending on the complexity and demands of the liquidation and the work required to be performed by the Liquidators and our staff in respect of issues arising from the liquidation. Any delays in the liquidation could also cause the estimate to

vary. These variables may have a significant effect on this estimate, however, we are unable to determine at this stage of the liquidation what the effect may be.

At the second meeting of creditors during the voluntary administration, creditors approved the Liquidators' estimated remuneration. The estimate above is consistent with the estimate provided at that meeting. However, if the value of the work performed exceeds the approved amount, then we reserve the right to seek further approval of fees from creditors.

We have not received an upfront payment or indemnity.

Please note that if the total remuneration claimed is less than the statutory minimum pursuant to Section 60-15 of Schedule 2 (Insolvency Practice Schedule) of the Corporations Act 2001 ('the IPS'), being \$5,000 (exclusive of GST), creditor approval will not be required pursuant to Subsection 60-5(2) of the IPS.

Disbursements

Disbursements are divided into three types:

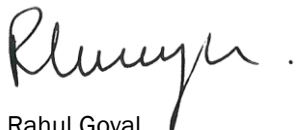
- Externally provided professional services – these are recovered at cost. An example of an externally provided professional service disbursement is legal fees.
- Externally provided non-professional costs – these are recovered at cost. Examples of externally provided professional service disbursements are travel, accommodation, search fees and lodgement fees.
- Internal disbursements – these are recovered on a reasonable commercial basis. These disbursements are generally charged at cost, though some may be charged at a rate which recoups both variable and fixed costs. Examples of internal disbursements include printing and postage costs, travel allowance and data room hosting.

We are not required to seek creditor approval for disbursements paid to third parties but must account to creditors. However, we must be satisfied that these disbursements are appropriate, justified and reasonable.

We are required to obtain creditor's consent for the payment of internal disbursements. Creditors may be asked to approve our internal disbursements prior to these disbursements being paid from the liquidation.

Details of the basis of recovering disbursements are included with the enclosed schedule titled KordaMentha rates – National – FY 2020.

Dated: 17 March 2020



Rahul Goyal
Liquidator

Appendix A

KordaMentha rates

National

Applicable from 1 July 2019

FY 2020

Classification	\$ per hour*
Principal Appointee/Partner/Executive Director	725
Director	675
Associate Director 1	625
Associate Director 2	575
Manager	525
Senior Executive Analyst	475
Executive Analyst	425
Senior Business Analyst	375
Business Analyst	325
Administration	150

**Exclusive of GST*

KordaMentha disbursement policy

Disbursements incurred from third party suppliers are charged at the cost invoiced. KordaMentha does not add any margin to disbursements incurred through third parties.

There are no charges for internal KordaMentha disbursements, such as internal photocopy use, telephone calls or facsimiles, except for bulk printing and postage that is performed internally, which are calculated on a variable cost recovery basis.

In relation to any employee allowances, being kilometre allowance and reasonable travel allowance, the rate of the allowance set by KordaMentha is at or below the rate set by the Australian Taxation Office.

If a KordaMentha data room is utilised, the fee will comprise an initial setup fee and then a fee based on the duration and size of the data room.

Certain services provided by Forensic Technology may require the processing of electronically stored information into specialist review platforms. Where these specific Forensic Technology resources are utilised, the fee will be based on units (e.g. number of laptops), size (e.g. per gigabyte) and/or period of time (e.g. period of hosting).

GST is applied to disbursements as required by law.

KordaMentha disbursement internal rates and allowances

Description	Charge*
Photocopying, printing (general)	\$0.06 per page
Envelopes and postage (varies due to size and weight)	\$1.59 to \$6.02 per envelope
ASIC charges for appointments and notifiable events (updated 14 January 2020)	These amounts will be charged at cost, if known at the time it is charged, or at an estimated amount, if known at the time it is charged, or at the last issued estimated amount or actual cost, as advised by ASIC. The current actual cost and estimated cost amounts are as detailed below: \$77.00 per appointee or notifiable event for FY18 at cost – advised by ASIC Jan 2019 \$83.00 per appointee or notifiable event for FY19 or FY20 at estimated amount – advised by ASIC Jun 2019 \$97.42 per appointee or notifiable event for FY19 or FY20 at cost – advised by ASIC Jan 2020
Travel Reimbursement	\$0.60 per kilometre
Meal per diem, etc.	Up to \$92.70 per day per staff member (unless other arrangements made)
RelativityOne fee	User licence fees (including analytics) \$150 per user per month
	Data hosting \$22.50 per GB per month
	Repository workspace \$7.50 per GB per month
	Cold storage \$5.65 per GB per month
	<i>Note: only one of Data hosting, Repository workspace or Cold storage cost will be charged at any one time</i>
Dataroom fee (varies based on MB size)	0–300 MB \$1,000 per month
	300–1000 MB \$1,000 + \$2.50/MB per month
	1000–5000 MB \$2,750 + \$1.25/MB per month
	5000+ MB \$7,750 + \$0.60/MB per month

*Exclusive of GST, reviewed annually on 1 July. Dataroom rates applicable at the time of establishment are fixed for the duration of the dataroom. If lower rates are negotiated, then they will apply to datarooms established from that point in time.

KordaMentha classifications

Classification	Guide to level of experience
Principal Appointee/Partner/ Executive Director	Registered/Official Liquidator/Trustee, his or her Partners. Specialist skills brought to the administration. Generally in excess of 10 years' experience.
Director	More than eight years' experience and more than three years as a Manager. Answerable to the appointee, but otherwise responsible for all aspects of an administration. Controls staffing and their training.
Associate Director 1	Six to eight years' experience with well developed technical and commercial skills. Will have conduct of minor administrations and experience in control of a small to medium team of staff. Assists with the planning and control of medium to large administrations.
Associate Director 2	Five to seven years' experience with well developed technical and commercial skills. Will have conduct of minor administrations and experience in control of a small to medium team of staff. Assists with the planning and control of medium to large administrations.
Manager	Four to six years' experience. Will have had conduct of minor administrations and experience in control of one to three staff. Assists with the planning control of medium to large administrations.
Senior Executive Analyst	Three to four years' experience. Assists planning and control of small to medium administrations as well as performing some of the more difficult tasks on larger administrations.
Executive Analyst	Two to three years' experience. Required to control the tasks on small administrations and is responsible for assisting tasks on medium to large administrations.
Senior Business Analyst	Graduate with one to two years' experience. Required to assist in day-to-day tasks under supervision of more senior staff.
Business Analyst	Undergraduate or graduate with up to one year experience. Required to assist in day-to-day tasks under supervision of more senior staff.
Administration	Appropriate skills, including books and records management and accounts processing particular to the administration.