



Australian Abrasive Minerals Pty Ltd

(Receivers and Managers Appointed) (In Liquidation)

ACN 118 292 756

Statutory Report by Liquidator

21 January 2021

KordaMentha

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Glossary

Abbreviation	Definition
1Q20	1 July 2019 to 24 October 2019
4Q18	13 April 2018 to 30 June 2018
AAM	Australian Abrasive Minerals Pty Ltd (Receivers and Managers Appointed) (In Liquidation)
Act	Corporations Act 2001 (Commonwealth)
Administrators	Rahul Goyal, John Bumbak and Richard Tucker
AIM	Australian Industrial Minerals Limited (Receivers and Managers Appointed) (In Liquidation)
ASIC	Australian Securities and Investments Commission
ASX	Australian Securities Exchange
ATO	Australian Taxation Office
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CLC	Central Land Council
COO	Chief Operating Officer
Companies	Australian Industrial Minerals Limited (Receivers and Managers Appointed) (In Liquidation) & Australian Abrasive Minerals Pty Ltd (Receivers and Managers Appointed) (In Liquidation)
Directors	Graeme 'Joe' Clayton (commenced 1 April 2019 / ceased 24 March 2020) Robert Benussi (commenced 20 March 2019 / ceased 16 December 2019) Julian Babarczy (commenced 7 February 2018 / ceased 21 November 2019) Robert Brand (commenced 20 February 2006 / ceased 1 April 2019) Fletcher Curtis Brand (commenced 10 December 2007 / ceased 1 April 2019) Bruce Hancox (commenced 26 September 2018 / ceased 14 March 2019)
Management	Graeme 'Joe' Clayton (commenced 1 April 2019 / ceased 24 March 2020) Marcus Locke (commenced 12 October 2019 / ceased 31 March 2020) Fletcher Curtis Brand (commenced 1 July 2014 / ceased 13 September 2019) Robert Brand (commenced 20 February 2006 / ceased 1 April 2019) Mark Pearson (commenced 19 September 2019 / ceased 31 October 2019) Paul Mason (commenced 30 April 2018 / ceased 15 November 2019)
DOCA	Deed of Company Arrangement
DPIR	Department of Primary Industry and Resources
FEG	Fair Entitlements Guarantee Recovery Program
FSP	Fine Screen Plant
FY19	1 July 2018 to 30 June 2019
HMC	Heavy Mineral Concentrate
HRM	Hart's Range Mine
IPO	Initial Public Offering
ML	Mining lease
MSP	Mineral Separation Plant
MSP Co	Mineral Separation Plant Pty Ltd
PPE	Property, plant and equipment
PPSA	Personal Property Securities Act 2009
PPSR	Personal Property Securities Register

Project	Harts Range Mine including plant and equipment, tenements, MSP and all other assets of AAM and AIM
Regal	Regal Funds Management
ROCAP	Report of Company Activities and Property
Rules	Insolvency Practice Rules (Corporations) 2016
Secured Creditor & Remagen Capital	RCM ST Pty Limited / Remagen Capital Management Pty Limited
Tinsel	Tinsel Assets Pty Ltd
Trailstone	Trailstone UK II Ltd
WCP	Wet Concentrator Plant

1 Introduction

Rahul Goyal, John Bumbak and Richard Tucker were appointed Voluntary Administrators of the Company on 24 October 2019 pursuant to Section 436A of the Corporations Act 2001 ('the Act').

At the Second Meeting of Creditors of the Company held on 4 March 2020, the creditors of the Company resolved that the Company enter into a Deed of Company Arrangement ('DOCA') proposed by the secured creditor, Remagen Capital ('the Secured Creditor'). The DOCA was signed on 24 March 2020 and Rahul Goyal, John Bumbak and Richard Tucker ('the Deed Administrators') were appointed Deed Administrators.

On 9 October 2020 Barry Taylor and Todd Gammel ('the Receivers') of HLB Mann Judd were appointed Receivers and Managers over the Company by the Secured Creditor. The Receivers are currently responsible for the Company's operations, namely the Harts Range Mine ('the HRM') and Mineral Separation Plant ('MSP'), until further notified.

A meeting of the Company's creditors was duly convened and held on 22 October 2020 and it was resolved by the creditors of the Company to terminate the DOCA and place the Company into liquidation. Rahul Goyal, John Bumbak and Richard Tucker ('the Liquidators') were appointed as Liquidators under Section 499 of the Act.

Our initial report providing information for creditors dated 5 November 2020 advised creditors of our appointment as the Liquidators and your rights as a creditor in the Liquidation.

This report is provided in accordance with Section 70-40 of the Insolvency Practice Rules (Corporations) 2016 and the Code of Professional Practice issued by the Australian Restructuring Insolvency and Turnaround Association ('ARITA'). The purpose of this report is to:

- provide you with an update on the progress of the Liquidation, and
- advise you of the likelihood of a dividend being paid in the Liquidation.

We have relied on information provided from numerous sources to prepare this report, including:

- The Company's books and records
- The Report on Company Activities and Property ('ROCAP') as submitted by the director Graeme 'Joe' Clayton ('the Director'), for the Company as at 24 October 2019
- Information from public sources, such as the Australian Securities and Investments Commission ('ASIC') and the Personal Property Securities Register ('PPSR'), and
- Discussions with the Director, management and other key stakeholders.

Whilst we have no reason to doubt the accuracy of any information, we have not performed an audit and reserve the right to alter our conclusions, should the underlying data prove to be inaccurate or change materially from the date of this report.

If further information becomes available on the progress of the Liquidation, we may distribute a further report to creditors.

This report should be read in conjunction with the Report by Administrators dated 26 February 2020 ('the Report by Administrators'), the Report by Deed Administrators dated 8 October 2020 ('the Report by Deed Administrators') and also various stakeholder updates, available on the creditors section of the KordaMentha website at www.kordamentha.com/Creditors/australian-abrasive-minerals-pty-ltd.

2 Company background

2.1 Company information

Please refer to the Report by Administrators for details about the Company's background, officers and historical financial information.

2.2 What happened to the business of the Company

AAM is the wholly owned subsidiary and operating entity, holding the HRM and MSP assets, of Australian Industrial Minerals Limited (Receivers and Managers appointed) (In Liquidation) ('AIM'), which is a public, unlisted company.

On 24 October 2019, Rahul Goyal, John Bumbak and Richard Tucker were appointed Voluntary Administrators of AAM pursuant to Section 436A of the Act. At the Second Meeting of Creditors of AAM held on 4 March 2020, the creditors of AAM resolved that AAM execute a DOCA proposed by Remagen Capital. Subsequently, on 24 March 2020 the DOCA was signed and Rahul Goyal, John Bumbak and Richard Tucker were appointed Deed Administrators pursuant to Section 444A(2) of the Act.

Upon execution of the DOCA on 24 March 2020, the Secured Creditor took operational and financial control (and liability) of the Company's mining operations and sought to satisfy the DOCA's conditions precedent.

The Deed Administrators actively sought to work with the Secured Creditor to provide them time to satisfy those conditions, which would then require the Secured Creditor to pay the required DOCA contribution. That contribution was to then allow payment of an anticipated dividend to priority (employee) creditors for their entitlements and subsequently for the DOCA to effectuate.

Following several extension requests by the Secured Creditor, the Deed Administrators provided the Secured Creditor with final notice on 31 July 2020 that the DOCA contribution of ~\$0.60 million was required to be received by 30 September 2020. This date would then allow payment of the priority (employee) dividend by 5 October 2020.

On 22 September 2020 the Secured Creditor advised the Deed Administrators that it would not be making the DOCA contribution payment.

Accordingly, to allow priority (employee) creditors to access their entitlements from the Commonwealth Fair Entitlements Guarantee scheme ('FEG') the Deed Administrators convened a meeting of creditors to consider a resolution to terminate the DOCA and also place the Company into liquidation.

At the meeting of creditors held on 22 October 2020, creditors resolved to terminate the DOCA and place the Company into liquidation. Priority (employee) creditors have now been referred to FEG and are currently going through the claim process with assistance from the Liquidators.

As previously stated, the Receivers took control of the Company's mining operations following their appointment on 9 October 2020. Any queries regarding the ongoing trading or any sale process for the Company's business should be directed to James Scarcella of HLB Mann Judd on (02) 9020 4146 or by email at jscarcella@hlbnsw.com.au.

Creditors should refer to the Report by Administrators for detailed commentary on the key events leading up to the appointment of the Voluntary Administrators on 24 October 2019.

3 Update on the progress of the Liquidation

3.1 Sale of business

Control of the Company's operations and assets transitioned from the Secured Creditor (in their capacity as DOCA proponent) to the Receivers following the appointment of the Receivers on 9 October 2020. Accordingly, whilst creditors resolved to terminate the DOCA at the meeting of creditors on 22 October 2020, control of the Company's operations and assets currently remains with the Receivers. Any sale program for the Company's operations and assets will therefore be directed by the Receivers whilst they continue to be appointed.

We have sought periodic updates from the Receivers on their intended way forward for the HRM and MSP and any intended sale program. The Receivers issued a short form update to stakeholders on 19 January 2021 which advised that a formal sale process is currently on hold while the Secured Creditor explores the sale of their debt. The operations of the Company (HRM and MSP) are continuing on a care and maintenance basis during this time under the control of the Receivers. We therefore await a further update from the Receivers in due course.

A copy of the update to stakeholders can be requested by emailing James Scarcella from the Receivers' office at jscarcella@hlbnsw.com.au.

3.2 Employees

Retention of staff

At the date of the Report by Administrators, there were eight employees who continued to assist the Administrators with the care and maintenance plan of the Company's operations and assets. Three employees were terminated upon execution of the DOCA, effective 31 March 2020. From the execution of the DOCA on 24 March 2020 to the appointment of the Receivers on 9 October 2020 a further two employees ceased their employment and we understand that three continue to be employed by the Company, under control of the Receivers.

Employee Entitlements

There have been no changes to the employee entitlement calculations outlined in the Report by Administrators. Our employee entitlements calculation is set out below and has been shared with FEG to assist in the claims process.

Entitlement category	(\$)
Wages	7,086.43
Unpaid allowances	10,000.00
Superannuation	81,338.96
Annual leave	184,538.37
Pay in lieu of notice	115,760.61
Superannuation on pay in lieu of notice	10,997.26
Redundancy	80,500.00
Total	490,221.64

Letters with finalised entitlement amounts were sent to employees on 19 February 2020.

Fair Entitlements Guarantee scheme

As we have determined that there will be insufficient asset realisations available to satisfy outstanding priority employee entitlements, eligible employees may now lodge a claim for their outstanding entitlements through the FEG scheme.

Employees that we had identified as being eligible for FEG assistance were issued a letter on 2 October 2020 detailing the process for claiming their entitlements with FEG. Upon the Company entering liquidation on 22 October 2020, letters referring employees to the FEG scheme were also sent on 23 October 2020. At the date of this report, 20 employees have received a distribution for their entitlements through the FEG scheme. Approximately 20 employees who are eligible to submit a claim with FEG are yet to do so.

We will continue to liaise with FEG in the coming months to assist in progressing the verification and assessment of employee claims.

3.3 Assets and liabilities

A summary of the ROCAP as prepared by the Director at the appointment of administrators on 24 October 2019 and the Liquidators' estimated realisable value of the assets and estimated liabilities are detailed below. As the Secured Creditor and the Receivers have been in control of the Company since 24 March 2020, an updated ROCAP has not been requested from the Director.

	Director	Liquidators			
	ROCAP	Number of creditors	Value recovered to date	Estimated future recoveries	Total (ex GST)
ROCAP	\$		\$	\$	\$
Current assets	847,547		1,723,343	-	1,723,343
Fixed assets	33,046,684		-	Withheld*	Withheld*
Inventory	-		212,949	Unknown	212,949
Other potential recoveries	-		-	Unknown	Unknown
Total assets	33,894,231		1,936,292	-	1,936,292
Employee entitlements:					
Wages and superannuation	(80,701)	53	(98,425)		(98,425)
Leave of absence	(160,863)	41	(184,538)		(184,538)
Retrenchment	(474,080)	34	(207,258)		(207,258)
Secured creditors	-	14	(6,463,948)		(6,463,948)
Unsecured creditors	(2,277,429)	104	(37,454,624)		(37,454,624)
Total liabilities	(2,993,073)		(44,408,793)		(44,408,793)
Estimated surplus/(deficiency) subject to the costs of the Liquidation and Receivership	30,901,158		(42,472,501)		(42,472,501)

*Withheld due to being commercially sensitive. See note 2 below.

Notes

Note 1: The book value of current assets comprise the accounts receivable balance only. This includes \$0.7 million security deposit held with the NT Government for rehabilitation and a security deposit of \$0.1 million held with ANZ in relation to the MSP site (bank guarantee) and the credit card facility. We note the credit card facility guarantee has been called by ANZ. Furthermore, it is unlikely that either the security for the MSP (bank guarantee) or the security for rehabilitation are realisable. Accordingly, the current assets in the Liquidators' column consist of cash at bank on appointment of administrators on 24 October 2019 only. We note that the cash at bank balance was not included in the Director's ROCAP.

Note 2: The book value of the fixed assets does not represent the realisable value of the fixed assets. In a liquidation sale scenario the fixed assets are likely to be heavily discounted, after allowing for the costs of decommissioning and their geographical location. The Administrators commissioned an external valuation of the PPE in a liquidation sale scenario however we note this is commercially sensitive and is not disclosed in the above table. We will continue to liaise with the Receivers to seek updates on the progress of the sale. Given the nature of the PPE, a return in excess of the Secured Creditor liability is unlikely and as such does not affect the estimated return to priority (employee) creditors and unsecured creditors.

Note 3: The Administrators sold inventory in the amount of \$0.2 million in the period 24 October 2019 to 24 March 2020. We understand the Secured Creditor, who had operational control of the Company from 24 March 2020 to 9 October 2020, made further sales over this period, however we have not been provided with sales amounts. We are not aware of any inventory sales the Receivers have made since their appointment on 9 October 2020.

Note 4: The Report by Administrators identified other potential recoveries which may be pursued for the benefit of creditors, as highlighted in section 4.4 of this report. Recoveries currently sit with the Receivers and we will continue to liaise with the Receivers to seek an update on the progress of the potential recovery actions.

Note 5: The amount owing to priority (employee) creditors has been revised down from the book value, as a number of employees were retained beyond the appointment of the Administrators. Employees that were not retained have been referred to FEG to lodge a claim for outstanding employee entitlements where they are eligible. FEG will step into the creditor position of priority (employee) creditors in the Liquidation as FEG make payment of employee entitlements.

Note 6: The book value of secured creditors has not been accounted for in the Director's ROCAP. The secured creditors balance is based upon the book value and Proofs of Debt received. We note the amount owed to the Secured Creditor is included in this amount however does not include any accrued interest.

Note 7: The book value of the unsecured creditor balance consists of trade creditors and statutory creditors. This amount is calculated from the book value of trade creditor balances and also proof of debts received. This amount may continue to change as more proof of debts are received.

Note 8: This is an estimate of the surplus/deficiency available to creditors for a distribution and continues to evolve. This amount is subject to the sale process, any litigation pursued and costs of the Receivership and Liquidation.

3.4 Other matters

Further actions undertaken during the Deed Administration/Liquidation since the Report by Deed Administrators include:

- Preparing for the anticipated priority (employee) creditor distribution
- Liaising with various statutory bodies including the Department of Primary Industry and Resources
- Attending to our statutory requirements including lodgements including BAS returns and ASIC reporting
- Assisting FEG and employees with the claims process
- Reviewing and authorising payments in relation to the Administration/Liquidation periods
- Convening and holding a meeting of creditors, held on 22 October 2020
- Attending to the termination of the DOCA and Liquidation of the Company
- Liaising with the Secured Creditor regarding handover of operations and other matters
- Liaising with the Receivers regarding handover of operations and other matters
- Assessing creditor claims, where necessary, and
- Preparing this report.

3.5 Receipts and payments for the period 24 October 2019 to 31 December 2020

A summary of the receipts and payments for the external administration period from 24 October 2019 to 31 December 2020 is attached at Appendix A.

4 Investigations and recovery actions

This section provides an update on actions and investigations undertaken by us since the Report by Administrators.

We are required to investigate the affairs of the Company. To date, we have conducted preliminary investigations, building on those completed during the external administration of the Company. The purpose of these investigations is to identify matters which required a more detailed review, as well as determining any cause of action and other potential sources of recovery that may be available for the benefit of creditors of the Company.

The investigations have focused on a number of areas pertaining to the following potential conduct:

- Unfair preference payments.
- Uncommercial transactions.
- Unfair loans.
- The liability of the Director for insolvent trading.
- Other breaches of the Act by the Director.

A liquidator may be able to recover on behalf of a company, compensation for any loss suffered by a company as a result of any breaches of duties owed to it by a director.

We will be reporting to ASIC under Section 533 of the Act, any offences that may have been committed by the Director of the Company, as identified in this section of this report.

4.1 Approach to investigations

Throughout our investigations, we have built on the tasks completed during the external administration. Our approach during the Liquidation has included:

- Reviewing transactions entered into by the Company.
- Identification, review, reconstruction and analysis of financial information in electronic form.

4.2 Limitation of investigations

The opinions outlined below are based on investigations undertaken by our office into the Company's affairs, business and financial position. Our investigations have been based on the following information:

- Representations of the Director
- The details of the Company's assets and liabilities as established by our office
- The books and records of the Company which have been written up to record transactions of the Company to 24 October 2019. Our investigations are limited to the books and records available to us.

If creditors are aware of any additional information that may assist our investigations, they should contact this office in writing as soon as possible.

4.3 Offences under the Act by the Director

Books and records

Failure to maintain books and records may be relied upon by a liquidator in an application for compensation for insolvent trading and other actions for recoveries pursuant to Division 2 of Part 5.7B of the Act.

In our opinion, the Company has maintained books and records in accordance with Section 286 of the Act.

General directors' duties

We have further investigated whether there have been any pre-appointment contraventions of the following directors' fiduciary duties under the Act:

- Section 180 Care and diligence – civil obligations.
- Section 181 Good faith – civil obligations.
- Section 182 Use of position – civil obligations.
- Section 183 Use of information – civil obligations.
- Section 184 Good faith, use of position and use of information – criminal offences.

We have not identified any contraventions at this point in time.

4.4 Other open items from Report by Administrators

There are a number of other open items that were identified in the Report by Administrators. A number of these items relate to AAM's parent company, AIM, and as such are not available for the benefit of AAM creditors (other than to the extent such recoveries allow a dividend to be paid to creditors of AIM). We have provided below an update on the matter relevant to AAM:

4.4.1 Tehmar transactions

The potential recovery of transactions to an equipment lessor, Tehmar, has been transitioned to the Receivers for them to pursue.

We have sought an update from the Receivers to understand their position in relation to this potential recovery and no update has been received.

Please refer to section 4.7.2 of the Report by Administrators for background of the Tehmar transactions.

4.5 Possible recovery actions available to the Liquidators

4.5.1 Insolvent trading

Insolvent trading date

The Report by Administrators detailed the likely date of insolvency of the Company and reasons why. We have made further inquiries and have not uncovered any additional information to change this view. As such, we are still of the view that the date of insolvency of the Company was around the time of the appointment of Administrators on 24 October 2019.

As discussed in the Report by Administrators, this is evidenced by:

- The Company's cash position, whilst fluctuating over the period 13 April 2018 to 24 October 2019, was always sufficient to meet its current debts as and when they were payable.
- Whilst the Company's ability to continue as a going concern was reliant on continued capital raisings at the AIM level (both debt and/or equity), there was a demonstrated ability to raise capital from a broad group of investors.
- As a result of the operating entity's project review by the group COO, which highlighted numerous infrastructure issues and following receipt of the Primero electrical compliance and safety report (section 4.6.1 of the Report by Administrators) in October 2019, operations of AAM ceased on 18 October 2019. Shortly after, the Director resolved to appoint the Administrators.

Please refer to section 4.8.1 of the Report by Administrators for commentary on the key operational issues of AAM which subsequently led to HRM and MSP operations ceasing on 18 October 2019.

Our investigations have given consideration to the extent to which current and former management and the Director may have been aware of the infrastructure and electrical compliance and broader operational issues. In circumstances where management and the Director had investigated the issues highlighted in the Report by Administrators earlier, then the withdrawal of financial support by investors at the AIM level may have resulted in an inability for the Company to continue to operate at an earlier date.

Should any claim for insolvent trading against the Director of the Company be brought, such claim(s) would need to be assessed on commercial grounds, including:

- Likelihood that pursuing a claim of insolvent trading would be successful, taking into account the defences available to the Director
- Cost of the litigation
- Likelihood of recovery against the Director.

The Act provides directors with a number of defences to a claim for insolvent trading. We are unable to comment, at this date, as to whether he would have any defences.

Based on the above and the costs to creditors for pursuing a claim for insolvent trading, we do not currently propose to initiate any action for insolvent trading.

4.5.2 Voidable transactions

Following on from the Report by Administrators, we have finalised our review of the Company's records. The records do not indicate, and we are not aware of, any voidable transactions under Sections 588FA (unfair preferences), 588FB (uncommercial transactions) and 588FD (unfair loans) of the Act.

4.6 Further inquiries

As discussed, in this section of this report, we are currently in discussions with the Receivers to understand their intentions in relation to investigating the potential recovery highlighted earlier against Tehmar.

We will write to all creditors of the Company upon any major developments in the investigations, if appropriate.

5 Meeting of creditors

A Meeting of Creditors of the Company was held on 22 October 2020. Nineteen creditors were present by proxy and by phone at the meeting. The outcomes from that meeting were as follows:

- The DOCA be terminated and the Company be wound up.
- Rahul Goyal, John Bumbak and Richard Tucker were appointed Liquidators of the Company.
- The internal disbursements of the voluntary administrators for the period 24 October 2019 to 24 March 2020 in the amount of \$2,435.47 (ex GST) was approved by creditors.
- The remuneration of the Deed Administrators for the period 24 March 2020 to 4 October 2020 in the amount of \$60,750.00 (ex GST) was approved by creditors.
- The remuneration of the Deed Administrators for the period 5 October 2020 to 22 October 2020 in the amount of \$20,675.00 (ex GST) was approved by creditors.
- No Committee of Inspection was appointed.

Minutes of the meeting of creditors have been lodged with ASIC.

At this time, there have been no meetings of creditors held in the Liquidation. If we receive a request for a meeting that complies with the guidelines set out in the initial information provided to you, we will hold a meeting of creditors. Otherwise, we do not intend to call a meeting of creditors at this time.

6 Cost of the Liquidation

At this stage we are not seeking creditor approval for our remuneration for the Liquidation period. It is likely that we will be seeking approval of remuneration at a future meeting of creditors or by way of future proposals without meetings. As previously advised in our initial information to creditors, made available to creditors on 5 November 2020, we have estimated that our total remuneration for the Liquidation is approximately \$0.30 million (ex GST).

6.1 Disbursements

Attached as Appendix B is a summary of disbursements incurred and or paid during the period 9 October 2020 to 31 December 2020. Any disbursements paid during the Liquidation are included in the Receipts and Payments summary, attached as Appendix A. Disbursements have been categorised as follows:

- 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 disbursements – 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. Internal disbursements will only be paid once approved.

Details of our disbursement policy are included in the schedule titled KordaMentha Rates – National – FY21, previously provided to creditors.

We are not seeking approval from creditors for internal disbursements for the Liquidation period at this time. It is likely that we will seek approval from creditors for internal disbursements at a future meeting of creditors or by way of future proposals without meetings. We are not required to seek creditor approval for externally provided disbursements.

7 Likelihood of a dividend

The likelihood of a dividend being paid to creditors and the amount of any dividend will be affected by a number of factors, including:

- The size and complexity of the Liquidation and Receivership
- The amount ultimately realised for the Company's assets and the costs of realising those assets incurred by the Receivers
- The statutory priority of certain claims and costs
- The value of various classes of claims including secured, priority and unsecured creditor claims
- The volume of enquiries by creditors and other stakeholders.

7.1 Secured creditor

Upon the Receivers completing their sale process, a distribution to the Secured Creditor may be paid. However, it is unlikely there will be sufficient funds received from the sale process to repay the Secured Creditor debt in full. Accordingly, we expect a shortfall to the Secured Creditor.

7.2 Priority (employee) creditors

Priority (employee) creditors of the Company, other than directors or their related persons, have a statutory priority of payment in respect of outstanding entitlements such as wages, superannuation, annual leave, long service leave and retrenchment. Per section 3.2 of this report, we have determined the total priority employee entitlements owing as at 24 October 2019 was \$0.49 million.

As we have determined that there will be insufficient asset realisations available to satisfy outstanding priority employee entitlements, eligible employees may now lodge a claim for their outstanding employee entitlements through the FEG scheme.

The Liquidators have already referred priority (employee) creditors to lodge claims with FEG and continue to assist this process.

FEG will step into the priority (employee) creditors position in the Liquidation in respect of entitlements paid out to employees. Due to the anticipated shortfall to the Secured Creditor, we expect there to be a shortfall to priority (employee) creditors.

Additionally, as FEG does not cover outstanding superannuation for priority (employee) creditors, we anticipate a shortfall to employees in respect of employees' superannuation.

7.3 Unsecured creditors

Due to the anticipated shortfall to the Secured Creditor and priority (employee) creditors, we do not expect there to be a distribution to unsecured creditors in the Liquidation.

If sufficient funds do become available and a dividend paid, you will be contacted before that happens and, if you have not already done so, you will be asked to lodge a Proof of Debt Form or be given the opportunity to alter any Proof of Debt Form that you have previously lodged. This formalises your claim in the Liquidation and is used to determine all claims against the Company.

7.4 Proofs of debt

A Proof of Debt Form is enclosed at Appendix C. If you have previously lodged a Proof of Debt Form, you do not need to provide an additional Proof of Debt Form unless you wish to alter the Proof of Debt Form previously lodged.

Proofs of Debt may be mailed to KordaMentha, GPO Box 2523, Sydney NSW 2001, faxed to (02) 8257 3099 or scanned and emailed to mbarringtonsmith@kordamentha.com.

General information regarding the completion of Proof of Debt Forms can be found on KordaMentha's website www.kordamentha.com in the [Creditor section](#). Also available there is a form to update your contact details or bank account details.

Section 600G of the Act permits electronic notification to creditors of certain notices or documents. If you would like to nominate to receive electronic notification, please complete the relevant section on the Proof of Debt Form.

8 What happens next?

The following matters still need to be completed and further inquiries made prior to the finalisation of the Liquidation:

- Sale of the business and/or sale of assets by the Receivers
- Payment of the expenses incurred during the Liquidation and Receivership
- Approval and payment of the Liquidator's remuneration and internal disbursements
- Finalise investigations and report to ASIC
- Liaise with the Receivers to pursue any recovery actions that have reasonable prospects of success if there are funds available or funding is received

- Distribution to creditors if appropriate
- Other administrative requirements.

It is expected that the Liquidation will be completed within 12 months. However, completion may be delayed if any of the following occur:

- A delay in realisation of assets by the Receivers
- Recovery actions are pursued
- ASIC commences litigation against an officer of the Company
- Litigation is commenced against the Company.

9 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.

ASIC 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.

If you need to update your contact details or bank account details, you will find a form on KordaMentha's website www.kordamentha.com in the [Creditor section](#).

Creditors requiring further information regarding the Liquidation can contact Michael Barrington-Smith on (02) 8257 3078 or by email at mbarringtonsmith@kordamentha.com.

Dated: 21 January 2021



Rahul Goyal
Liquidator



John Bumbak
Liquidator



Richard Tucker
Liquidator

KordaMentha
Level 5 Chifley Tower
2 Chifley Square
Sydney NSW 2000

Tel: (02) 8257 3000
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Appendix A Summary of receipts and payments for the period 24 October 2019 to 31 December 2020

	Voluntary administration from 24 October 2019 to 24 March 2020 (\$)	DOCA from 24 March 2020 to 22 October 2020 (\$)	Liquidation from 23 October 2020 to 31 December 2020	Total (\$)
Receipts				
Cash at bank on appointment	1,723,343	-	-	1,723,343
GST received	225,856	77,671	25,506	329,033
Insurance refund	184,223	5,735	473	190,431
Other income	1,527	53,344	-	54,871
Received from Voluntary Administrator	-	1,139,325	-	1,139,325
Received from Deed Administrator	-	-	44,006	44,006
Sales	212,949	-	-	212,949
AAM Creditors' Trust distribution	-	-	109,218	109,218
Total receipts	2,347,899	1,276,075	179,203	3,803,177
Payments				
Deed Administrators disbursements	-	(27)	(192)	(219)
Deed Administrators fees	-	(66,000)	(89,568)	(155,568)
GST paid	(54,037)	(546)	-	(54,583)
Legal fees	-	(91,500)	-	(91,500)
PAYG paid	(57,697)	(32,351)	-	(90,048)
Trading expenses	(1,096,839)	(189,338)	-	(1,286,178)
Transfer to Deed Administrator	(1,139,325)	-	-	(1,139,325)
Transfer to Liquidator	-	(44,006)	-	(44,006)
Voluntary Administrators disbursements	-	(18,050)	(2,679)	(20,729)
Voluntary Administrators fees	-	(834,257)	-	(834,257)
Total payments	(2,347,899)	(1,276,075)	(92,438)	(3,716,412)
Net receipts/(payments)	-	-	86,765	86,765

Appendix B Summary of disbursements

Externally provided disbursements paid or incurred and internal disbursements paid during the period 9 October 2020 to 31 December 2020

	Basis	Actual \$ (ex GST)
Externally provided non-professional disbursements	At cost	
Document storage		47.40
Postage		305.19
Total – Externally provided non-professional disbursements		352.59
 Internal disbursements previously approved and paid during the period		
RelativityOne fee		2,435.47
Total – Internal disbursements		2,435.47
 Total disbursements		2,788.06

Appendix C Proof of Debt



Form 535**Formal proof of debt or claim (General form)****Australian Abrasive Minerals Pty Ltd (Receivers and Managers Appointed) (In Liquidation)
ACN 118 292 756 ('the Company')**

To: The Administrators of Australian Abrasive Minerals Pty Ltd (Administrators 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
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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 _____