



**Kalium Lakes Potash Pty Ltd
(In Liquidation)
ACN 601 436 060
Kalium Lakes Infrastructure
Pty Ltd (In Liquidation)
ACN 631 042 450)**

Statutory Report by Liquidator

17 June 2024

Level 8, 235 St Georges Terrace,
PERTH WA 6000
GPO Box A29
PERTH WA 6837

P. +61 8 9263 7171
F. +61 8 9263 7129
W. kpmg.com.au

Contents

Section	Page
1 Executive summary	2
1 Introduction	4
2 Current position	4
3 Financial position of the Companies	5
4 Investigation into the Companies' affairs	6
5 Return to priority creditors (employees) and unsecured creditors	7
6 Conclusion	7
Annexures	9
A – Short guide to the Creditors' Portal	10
B – Forms to be completed	12

1 Executive summary

This section addresses frequently asked questions relating to the liquidation of the Companies. Full details are available throughout this report.

Question

What is the purpose of this report?

This Statutory Report is in accordance with Section 70-50 of the Insolvency Practise Schedule (Corporations) and Rule 70-40 of the Insolvency Practice Rules (Corporations) and the purpose of the report is to provide you and update on the following matters relating to the liquidation of the Companies:

- An update on the progress of the liquidation;
- The current position in relation to the realisation of assets;
- The results of my investigations into the Companies' affairs; and
- The likelihood of a dividend being paid in the liquidation.

What assets have been realised since the last report to creditors?

The Receivers and Managers remains in control of the business and the assets of the Companies and are now progressing with the orderly realisation of assets held at the Beyondie site.

Pickles Advisory and Valuations (**Pickles**) have been engaged by the Receivers to realise the assets at the Beyondie site. Certain assets have commenced being sold with collections commencing in June 2024 and it is anticipated the process will conclude around September 2024.

What is the estimated return to creditors?

Based upon the information available to us and the investigations conducted to date, we have concluded that there will be insufficient funds in the liquidation to permit the payment of a dividend to employees and unsecured creditors of the Companies.

Creditors should note that any funds received from the sale of the Companies' assets by the Receivers and Managers will firstly be applied to secured creditors debt (approximately \$209M). Given the extent of the secured creditor's debt and the cost incurred to date, we estimate that there will insufficiently proceeds from a sale to discharge the secured creditors debt in full, there will be no funds available to employees and unsecured creditors of KLP and KLI.

What claims are being investigated?

Creditors should refer to the Voluntary Administrators' Report dated 26 September 2023, for details on the Administrators' preliminary investigations undertaken. In that report, we consider that the Companies were not insolvent for any material time prior to our appointment as Voluntary Administrators on 3 August 2023.

Further details concerning the Companies solvency position, the underlying causes contributing to the Companies' failure including a summary of the key indicators of insolvency considered is contained within **Section 8** of the aforementioned report.

The result of those preliminary investigations is that we have not identified any potential claims or antecedent recoveries available in the Liquidation which would result in a return to creditors. At the time of writing, our view as to the date of insolvency and the potential recoveries have not changed.

Question

What do creditors need to do next?

Creditors should review the contents of this report and complete the following form if they have not previously done so.

Form/ voting	Where to submit
Proof of debt - form 535	Via Creditors' Portal https://creditors.accountants/

Further guidance on how to register, submit a proof of debt can be found at **Annexure A** of this report.

1 Introduction

On 3 August 2023, Matthew Woods, Clint Joseph and Martin Jones, were appointed as joint and several Administrators of the Companies by the Directors under Section 436A of the Act.

Following the Companies being placed into Voluntary Administration, on 3 August 2023, Robert Brauer, Robert Kirman and Jason Preston of McGrathNicol were appointed as Receivers and Managers (**Receivers**) of the Companies on 3 August 2023 by Westpac Administration Pty Limited (as Security Trustee) pursuant to a General Security Deed granted in its favour by the Companies. The Receivers and Managers remains in control of the business and the assets of the Companies.

At a reconvened Second Meeting of Creditors held on 6 December 2023, creditors of KLP and KLI resolved to accept a Deed of Company Arrangement (**DOCA**) as proposed by Reward Minerals Ltd (**Reward**).

On 18 March 2024 Reward Minerals Limited (**Reward**) gave notice of termination of the Share Sale Agreement (SSA) due to non-satisfaction of a condition precedent. Consequently, the Deed of Company Arrangement (DOCA) dated 22 December 2023 (which formed part of the SSA) is no longer viable and therefore has been terminated.

As a result, the Companies were placed into liquidation on 18 March 2024.

This Statutory Report is in accordance with Section 70-50 of the Insolvency Practise Schedule (Corporations) and Rule 70-40 of the Insolvency Practice Rules (Corporations) and the purpose of the report is to provide you and update on the following matters relating to the liquidation of the Companies:

- An update on the progress of the liquidation;
- The current position in relation to the realisation of assets;
- The results of my investigations into the Companies' affairs; and
- The likelihood of a dividend being paid in the liquidation.

For completeness, this report should be read in conjunction with the information contained in:

- The Circular to Creditors dated 4 August 2023;
- The Voluntary Administrators' Report dated 26 September 2023;
- The Supplementary Voluntary Administrators Report dated 29 November 2023; and
- The Circular to Creditors dated 3 April 2024.

Copies of the aforementioned reports and other correspondences are available on the KPMG website, on the following link <https://kpmg.com/au/en/home/creditors/kalium-lakes.html>.

2 Current position

2.1 Matters addressed during the liquidation

Since our appointment as Liquidator on 18 March 2024, the following matters have been attended to:

- Communications with creditors of the Companies, advising of the liquidation and termination of the SSA.
- Liaising with the Receivers and Managers regarding the asset realisation process and the tasks outstanding to finalise the Receivership.
- Liaising with employees of KLP and the Department of Employment, in relation to the payment of outstanding employee entitlements by the Fair Entitlement Guarantee (FEG) scheme;
- Continued our investigations into the recovery of potential unfair preference payments and other antecedent transactions;
- Attendance to statutory requirements; and
- Investigation into the affairs of the Company and lodgement of a statutory report with ASIC.

2.2 Update from the Receivers and Managers

The Receivers and Managers have provided the following update on the asset realisation process

- Following Reward's withdrawal from the sale process and its subsequent termination, the Receivers are now progressing with the orderly realisation of assets held at the Beyondie site.

- Pickles Advisory and Valuations (**Pickles**) have been engaged by the Receivers to realise the assets at the Beyondie site. Certain assets have commenced being sold with collections commencing in June 2024 and it is anticipated the process will conclude around September 2024.
- Assets being realised under this process include:
 - Processing plant.
 - Power plant.
 - Mining camp.
 - Heavy and light vehicles.
 - Office buildings.
 - Various mining equipment and parts.
- As part of the asset realisation process, the Receivers have engaged several contractors and casual staff to maintain site while this process completes.
- We expect the asset realisation process will continue in stages for the next few months.

3 Financial position of the Companies

3.1 Company information and historical financial position

Please refer to the Administrators' Report dated 26 September 2023 for details regarding the Companies' history, statutory information and the events leading up to the Administration of the Companies.

In the Administrators report dated 26 September 2023, we also detailed the Companies' historical financial information which incorporates historical profit and loss result and balance sheets.

3.2 Report on company activities and property and reasons for failure

Please refer to the Administrators' Report dated 26 September 2023 for our detailed summary in respect to the statement about each company's business property, affairs and financials circumstances and Administrators' estimated realisable values of each individual companies' assets and liabilities.

Details as to the ROCAP and Administrators estimated realisable values of assets and liabilities of the Companies are presented in **Annexure C** of the aforementioned report and are to be read in conjunction with updates provided in **below**.

3.2.1 KLP – Employee entitlements Preferred creditors

Following Reward's withdrawal from the sale process, all employees of KLP have been terminated.

Based upon the information available to use, we estimate claims by employees to be approximately \$1.382M broken down as follows:

Employee entitlements	Amount \$
Wages / Superannuation	Nil
Annual leave	510,387.49
Time in Lieu	27,362.26
PILN	451,583.73
Superannuation PILN	49,674.21
Redundancy	342,956.81
Total	1,381,964.50

Please refer to **section 5** of this report for further information regarding eligible employees of KLP and submitting a claim with FEG for any outstanding entitlements.

3.3 Summary of receipts and payments

There have been no receipts or payments in the liquidation to date as the Receivers have responsibility for the day-to-day management of the Companies, with the security held in favour of their appointor enabling them to assume control of the business.

4 Investigation into the Companies' affairs

Creditors should refer to the Voluntary Administrators' Report dated 26 September 2023, for details on the Administrators' preliminary investigations undertaken. In that report, we consider that the Companies were not insolvent for any material time prior to our appointment as Voluntary Administrators on 3 August 2023.

Further details concerning the Companies solvency position, the underlying causes contributing to the Companies' failure including a summary of the key indicators of insolvency considered is contained within Section 8 of the aforementioned report.

The result of those preliminary investigations is that we have not identified any potential claims or antecedent recoveries available in the Liquidation which would result in a return to creditors. At the time of writing, our view as to the date of insolvency and the potential recoveries have not changed.

For completeness, we summarise below our findings on possible claims for voidable transactions and insolvent trading claims below:

4.1 Voidable transactions

Please refer to the Administrators' Report dated 26 September 2023 for further details and our preliminary analysis regarding voidable transactions. In summary, we have **not** identified any potential voidable transactions for KLP or KLI. A table of the potential recovery items investigated are below:

Potential recovery item	Value \$
Unfair preferences	None identified
Uncommercial transactions	None identified
Unfair loans	None identified
Unreasonable director-related transactions	None identified

4.2 Insolvent trading

Section 588G of the Act provides that directors are obliged to prevent a company from:

- Incurring a debt whilst insolvent; or
- Becoming insolvent by incurring a debt.

If a contravention of Section 588G can be established, then Section 588M empowers a Liquidator (or a creditor under certain circumstances) to recover compensation from a director for any loss or damage suffered as a consequence of any such contravention. There are also various statutory defences (Section 588H and Section 588GA) which are available to the Directors which they may seek to rely upon, should an insolvent trading claim be considered.

4.2.1 Pursuing an insolvent trading claim

A liquidator must form an opinion as to the date of insolvency and determine the debts incurred from that date; thereby quantifying the loss to the company. The costs of proceeding with an insolvent trading action, which are usually considerable, particularly given the need for expert evidence as to insolvency, must be considered.

Any decision to commence an action against the Director or Former Director for insolvent trading must have regard to the following:

- the quantum of such claim; and
- the costs of litigation and the uncertainty of success inherent in any complex litigation; and
- the fact that the liquidation is presently devoid of funds; and
- the Director's/Formal Director's capacity to meet a claim for compensation.

As Liquidators, we believe that there is no commercial merit in pursuing an insolvent trading claim directors for insolvent trading as the Companies were not insolvent for a substantial period prior to our appointment and that the cost of pursuing such action will outweigh the benefits of any claim.

For completeness, we note that Section 588R entitles creditors to commence proceedings under Section 588M against the Director of the Company subject to the consent of the Liquidator. Should creditors have any further information that may assist our investigations into the conduct of the Company's affairs, they should communicate details in writing to my office **within 7 days from the date of this report**.

5 Return to priority creditors (employees) and unsecured creditors

Based upon the information available to us and the investigations conducted to date, we have concluded that there will be insufficient funds in the liquidation to permit the payment of a dividend to employees and unsecured creditors of the Companies.

Creditors should note that any funds received from the sale of the Companies' assets by the Receivers and Managers will firstly be applied to secured creditors debt (approximately \$209M). Given the extent of the secured creditor's debt and the cost incurred to date, we estimate that there will insufficiently proceeds from a sale to discharge the secured creditors debt in full, there will be no funds available to employees and unsecured creditors of KLP and KLI.

5.1 Claims by employees

As outlined in our Circular to Employees dated 29 April 2024, we encourage eligible employees of KLP to submit a claim with FEG for any outstanding entitlements owed to them prior to the appointment of Administrators on 3 August 2023. Please visit <https://www.dewr.gov.au/fair-entitlements-guarantee> online to access the FEG assistance fact sheets and to lodge your claim. Any eligible claim must be lodged with FEG no more than twelve (12) months after the end of your employment or the date of liquidation of the Company (i.e. by 17 March 2025).

5.2 Claims by unsecured creditors

We are using an online platform to communicate with creditors and manage creditor claims (**the Creditors' Portal**). Creditors who have not lodged a Formal Proof of previously are requested to register and submit a formal proof of debt form electronically via the Creditors' Portal at the following link <https://creditors.accountants/>. Creditors can find further guidance on how to register, submit and manage a claim at **Annexure A**

6 Conclusion

I advise that the liquidation will be finalised after the following matters are complete:

- The retirement of the Receivers and Managers following their realisation of the assets of KLP and KLI;
- Recovering any further available property following the retirement of the Receivers and Managers;
- Completing my investigations into the affairs of KLP and KLI;
- Completing my reporting ASIC; and
- Attending to statutory obligations as required.

We may write to you again with further information on the progress of the liquidation following the retirement of the Receivers and Managers, however, at this stage I do not anticipate that I will write to you again unless any additional information becomes available that otherwise materially alters the information contained in this report.

We expect to have completed this liquidation within the next 12 months (i.e. on or around June 2025).

If you are able to assist with our investigations concerning the Companies, the conduct of the Directors, our have any questions concerning the above or required any further information, please contact Lachlan Wharton of this office on 08 9263 7297 or kaliumlakes@kpmg.com.au

Dated this 17th day of June 2024.



Martin Jones
Joint and Several Liquidator

Annexures

A – Short guide to the Creditors’ Portal

Short guide to the Creditors’ Portal

We are using the Creditors’ Portal as the primary tool for communicating with creditors and managing claims.

We have prepared this short guide to assist you as a creditor to understand the process that you must undertake to ensure you are appropriately registered as a creditor of the Company.

Please refer to the following link for further guidance on how to register, submit and manage a claim:

<https://creditors.accountants/Help>

Step 1: Register



- Register as a user at the following link: <https://creditors.accountants/> (use chrome, edge or firefox).
- You will receive a confirmation email to verify your account (verify your email address within 24 hours of registering as a user).
- Once verified, you will be redirected to the Portal.
- If you are already a registered user, please skip to “Login” below.

Step 2: Log in



- Log into the Portal using your username and password.
- You will be redirected to a screen where you need to input the following details:
 - Company creditor – an ABN; or
 - Individual creditor – first and last name.
- You will be prompted to make a declaration to confirm that you are authorised to act on behalf of the Companies or individual and agree on how you wish to receive future correspondence.

Step 3: Link creditor



- Once you have completed your declaration, you will be redirected to the Portal landing page where you can view the Companies under “Recent Interactions”.
- If you cannot view the Companies listed on the landing page you may need a creditor code to link your profile to the Companies.
- Please contact the External Administrators for a unique code to register your claim.
- Once you receive your creditor code, log in and click on your user name in the top right hand side and click on “Creditor Admin” and input your code and click “Link”
- There will be an option to provide an ABN (if relevant) for company creditors, click “I do not have an ABN” (individuals) and then click “continue”

Step 4: View company and documents



- You will be able to view the Companies on the landing page or under the “Debtors” tab and click “My debtors” or “My claims”. Click on “Details” to be directed to the Companies.
- You will be able to view any documents uploaded under the “Documents” tab that relate to the Companies.
- There are additional resources that you can also access under the “Resources” tab.

Step 5: Submit a Formal Proof of Debt Form (POD)



- You will be able to view the Companies on the landing page or under the “Debtors” tab and click “My debtors” or “My claims”. Click on “Details” to be directed to the Companies.
- Click on the “Proof of Debt” tab.
- Click on the “Submit” button and start completing the POD form.
- Tick “No” to the question “Is your proof of debt informal”. If you are an employee creditor, this will not be an option.
- Upload any supporting documentation for consideration.
- Press “Next” and “Submit”

Step 6: Be admitted for voting (performed by the External Administrators)



- Once you have submitted a POD with supporting documentation, we will evaluate your claim to admit for voting purposes at the online meeting .
- If necessary, the External Administrators will request further information with respect to your claim.
- The External Administrators will announce your admission status once the online meeting commences.

B – Forms to be completed

Creditors should review the contents of this report and complete the following form.

Form/ voting	Where to submit
Proof of debt - (form 535)	Via Creditors' Portal https://creditors.accountants/