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1 December 2023

To Creditors

Dear Sir/Madam

**Kalium Lakes Ltd (Administrators Appointed) (Receivers and Managers Appointed)
ACN 613 656 643 (the Company)**

I refer to the appointment of Matthew Woods, Clint Joseph, and I, Martin Jones, as Joint and Several Voluntary Administrators of the Company on Thursday, 3 August 2023 pursuant to Section 436A of the Corporations Act 2001 (**the Act**).

We are now in a position to convene the second meeting of creditors of the Company in order to determine the Company's future.

Please find **enclosed** the Voluntary Administrators' Report pursuant to Insolvency Practice Rules (Corporations) 2016 75-225 and Section 438A of the Act.

The Voluntary Administrator's Report includes our opinion, with supporting reasons, on each of the following matters:

- Whether it would be in the creditors' best interest for the Second Meeting of creditors to be adjourned for a period not exceeding forty-five (45) business days.
- Whether it would be in the creditors' interests for the Company to be wound up; or
- Whether it would be in the creditors' interests for the administration to end.

You will note that the Administrators' recommendation is to adjourn the second meeting of creditors for a period not exceeding forty-five (45) business days.

The following documents in respect of the second meeting of creditors for the Company are **attached** to the report:

Report annexure	Document	Description
A	Notice of Meeting of Creditors (Form 529)	– Please note that the meeting will be on 11 December 2023, commencing at 10.00am (AWST) .
		– You should arrive for registration at least 15 minutes prior to the meeting.
		– For creditors who are unable to attend the meeting, a conference call facility will be available.
		– Please contact KPMG by email at kaliumlakes@kpmg.com.au or via telephone on (08) 9263 7297 one business day prior to the meeting to advise that you will be using the conference facilities and you will be provided with the conference ID.

Report annexure	Document	Description
E	Appointment of proxy (Form 532)	<ul style="list-style-type: none"> – This form enables you to appoint a person to act on your behalf at the meeting. – Proxy forms submitted at the first meeting of creditors are <u>not</u> valid for this meeting.
		<ul style="list-style-type: none"> – We are using the Creditors' Portal to manage creditor claims. – This document provides guidance on how to register and submit a claim. – A person is not entitled to vote at the meeting unless they provide particulars of their debt or claim electronically via the Creditors' Portal before the meeting.
C	Short Guide to the Creditors' Portal	<ul style="list-style-type: none"> – All creditors must furnish full details of their claims, indicating whether they rank as secured, preferential or unsecured, and whether they claim title to any goods supplied to the Company or any lien over goods in their possession which are the property of the Company via the Creditors' Portal. – If you have previously lodged your claim on the Creditors' Portal for the purposes of the first meeting of creditors, you <u>do not</u> need to re-submit your claim for the second meeting of creditors unless you wish to amend your claim.
D	Remuneration Approval Request	<ul style="list-style-type: none"> – Details of time spent by category of staff at the rates applicable for such staff. – A summary of the work undertaken by the Administrators and their staff in the administration.
		<ul style="list-style-type: none"> – A summary of the likely tasks and estimated remuneration of the Deed Administrators should creditors resolve to accept the DOCA. – A summary of the likely tasks and estimated remuneration of the Liquidators, should creditors resolve that the Companies be wound up.
B	Australian Restructuring, Insolvency and Turnaround Association (ARITA) Creditor Information Sheet	<ul style="list-style-type: none"> – Contains information regarding offences, recoverable transactions and insolvent trading, which may be pursued if the Companies are placed into liquidation. – Creditors should review the ARITA information sheet in conjunction with section 9 of the Administrators' report.

Proofs of debt and proxy forms are to be lodged before the meeting and, in any event no later than 4.00pm on 8 December 2023.

For further information concerning the Voluntary Administration process and KPMG, you may wish to visit our website at <https://kpmg.com/au/en/home/creditors/kalium-lakes.html>. In addition, you can access general information about external administrations and insolvency from ARITA's website at www.arita.com.au.

Should you have any questions regarding the administration or this report, please contact us on (08) 9263 7297 or email at kaliumlakes@kpmg.com.au.

Yours faithfully
Kalium Lakes Ltd

A handwritten signature in black ink, appearing to read 'Martin Jones', with a stylized flourish at the end.

Martin Jones
Joint and Several Administrator

Encl.



Voluntary Administrators' Report

Kalium Lakes Ltd (ACN 613 656 643)
(Administrators Appointed) (Receivers and Managers Appointed)

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Please complete and return the forms at **Annexure E** by 4:00pm on Friday, 8 December 2023 to our office via:

Email: kaliumlakes@kpmg.com.au

Post: Turnaround and Restructuring, KPMG, GPO Box A29, PERTH WA 6837

Glossary of terms

Term	Description
ACN	Australian Company Number
Act	Corporations Act 2001
Administrators	Matthew Woods, Clint Joseph and Martin Jones
Agrimin	Agrimin Limited ACN 122 162 396
APAAP	All present and after-acquired property – no exceptions
ARITA	Australian Restructuring, Insolvency & Turnaround Association
ASIC	Australian Securities & Investments Commission
ATO	Australian Taxation Office
Code	ARITA Code of Professional Practice
COI	Committee of Inspection
Companies	Kalium Lakes Limited ACN 613 656 643 Kalium Lakes Potash Pty Ltd ACN 601 436 060 Kalium Lakes Infrastructure Pty Ltd ACN 631 042 450
Creditors' Portal	The online platform used by the Administrators to communicate with creditors, manage creditor claims. Please refer to Annexure C for further information
Directors	Brent Smoothy Cheryl Edwardes Robert Adam Salvatore Lancuba Simon Wandke
DIRRI	Declaration of Independence, Relevant Relationships and Indemnities, pursuant to s436DA of the Act and Code
DOCA	Deed of Company Arrangement
ERV	Estimated Realisable Value
FEG	Fair Entitlements Guarantee
First Meeting	First meeting of creditors held on 15 August 2023
FY	Financial year
KLL / the Company	Kalium Lakes Ltd ACN 613 656 643
KLP	Kalium Lakes Potash Pty Ltd ACN 601 436 060
KLI	Kalium Lakes Infrastructure Pty Ltd ACN 631 042 450
IPR	Insolvency Practice Rules (Corporations) 2016

Term	Description
PMSI	Purchase Money Security Interest
PPSA	Personal Property Securities Act 2009 (Cth)
PPSR	Personal Property Securities Register
ROCAP	Report on Company Activities and Property
Reward / RWD / Proponent	Reward Minerals Limited ACN 009 173 602
Report	This report, prepared pursuant to IPR 75-225 and Section 438A of the Act
ROT	Retention of Title
Second Meeting	Second meeting held pursuant to IPR 75-225 and Section 439A of the Act, where creditors determine the future of the Company
SOP	Sulphate of Potash
SSA	Share Sale Agreement

1. Executive summary

This section addresses frequently asked questions relating to the Administration of the Company including a summary of the estimated outcome for creditors. Full details are available throughout this Report.

Question

What is the Company?

Kalium Lakes Limited (Administrators Appointed) (Receivers and Managers Appointed) and its subsidiaries (outlined below) own and operate the Beyondie Sulphate of Potash Project, located 160km South East of Newman, Western Australia.

Entity (All Administrators Appointed) (All Receivers and Managers Appointed)	ACN
Kalium Lakes Potash Pty Ltd	601 436 060
Kalium Lakes Infrastructure Pty Ltd	631 042 450

What is the purpose of this Report?

The purpose of this Report is to table the findings of our investigations of the Company's business, property, affairs and financial circumstances, as well as our opinion on the three (3) options available to creditors in deciding the future of KLL at the Second Meeting.

This Report is produced for the purposes of KLL creditors only.

For completeness, this Report should be read in conjunction with reports prepared for KLL's subsidiaries, KLP and KLI, in particular:

- the Voluntary Administrators' Report dated 26 September 2023;
- the Supplementary Voluntary Administrators' Report dated 24 October 2023; and
- the Supplementary Voluntary Administrators' Report dated 29 November 2023.

Copies of these report and other previous correspondences to creditors are available from the KPMG website at <https://kpmg.com/au/en/home/creditors/kalium-lakes.html>

What is the current status of the Company?

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

Immediately following our appointment, Robert Brauer, Robert Kirman and Jason Preston of McGrathNicol were appointed as Receivers and Managers of the Companies on the same day 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 are now in control of the Companies and their business operations.

Question

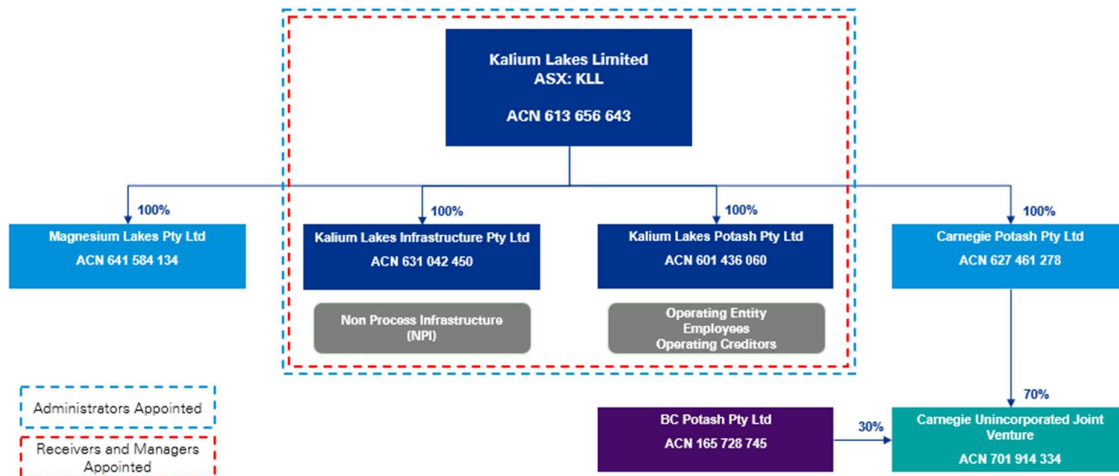
Who is in control of the Company?

The Receivers have responsibility for the day-to-day management of the Company, with the security held in favour of their appointor enabling them to assume control of the business.

The Administrators have undertaken preliminary investigations into the affairs of the Companies and the reasons for its failure.

What is the ownership structure of the Company?

KLL is an ASX listed entity and has controlling interests in four (4) wholly owned subsidiaries. The corporate structure is shown below:



How did the Company's business trade?

KLL was the parent entity and dealt with the corporate and administrative tasks, such as tasks associated with its listing on the ASX and shareholder related issues.

KLP was the employing entity and the majority of the suppliers to the project are contracted through KLP.

KLI held the non-process infrastructure assets for the project.

The Companies' main asset, the Beyondie SOP Project was operated by KLP and KLI. The Companies developed and constructed a commercial operation at the project site which is located approximately 160 km SE from Newman.

Question

Why do the Directors believe the Company became insolvent?

The Directors have provided their views on the affairs of the Company and attributed the following reasons to their failure:

- The secured lenders (Westpac as security trustee for secured lenders NAIF and KfW) to Kalium Lakes Potash Pty Ltd declined to provide the final \$5.0m liquidity facility or any further funding in order to continue with the strategic sale process under control of the Board.
- The Board was then left with no choice but to put the Companies into Administration following which the secured creditors appointed Receivers and Managers on 3 August 2023.

What do the Administrators consider were the underlying causes of the Company's failure?

The Administrators preliminary view is that, in addition to the reasons identified by the Directors, the Companies failed as a result of:

- Challenges associated with the development of the Beyondie SOP Project, which resulted in the Companies not meeting their production targets and consequently resulted in additional cost being incurred. This led to a funding shortfall and therefore a breach of existing debt covenants.
- The secured lenders (Westpac as security trustee for secured lenders NAIF and KfW) to Kalium Lakes Potash Pty Ltd declined to provide the final \$5.0m liquidity facility or any further funding for them to pursue their strategic initiatives.

Consequently, the Directors resolved to appoint Administrators on 3 August 2023 given that it was likely that the Companies were insolvent or likely to become insolvent in the near future.

For completeness, we note that the above analysis is based upon our preliminary view only, any future appointed Liquidator would need to conduct further investigations to determine the actual causes of failure.

When do the Administrators consider the Company became insolvent?

Based upon our preliminary investigation into the affairs of the Company, we consider that the Company was not insolvent for any material time prior to our appointment on 3 August 2023.

For completeness, we note that the above analysis is based upon our preliminary view only, any future appointed Liquidator would need to conduct further investigations (which may include conducting a public examination of the directors and officers) to determine the actual date of insolvency.

Further details concerning the Company's insolvency is contained within Section 8 of this Report.

Question

What was the outcome of the sale of business process?

The Receivers and Managers are in control of the Companies and their assets. They have continued with the marketing and sale process for the restructure or recapitalisation of the Companies commenced in June 2023.

On 16 November 2023, the Receivers and Managers announced that they have entered into an exclusivity deed with Reward Mineral Limited (ASX: RWD) to negotiate the terms of sale agreement (and any associated documents) required to give effect to the sale of the Beyondie SOP Project.

At the time of writing, the sale agreement is still being negotiated and has not been formally executed. Under the terms of the sale that is being negotiated:

- KLL will sell its share interest in KLP and KLI to Reward; and
- DOCAs are also being proposed by Reward for KLP and KLI with completion of the transaction anticipated in January 2024.

Further details on these arrangements are provided in section 6 of this report.

In relation to KLL, at the time of writing, no DOCA has been received for KLL. We have received enquiries from parties who are interested to recapitalise KLL, however cognisant of the fact that a sale of the Kalium assets is still being negotiated and has not been finalised, it would not be appropriate to negotiate a sale/ recapitalisation of KLL prior to the sale completion and the effectuation of the DOCAs for KLP and KLI.

Therefore, it is our view that the meeting be adjourned so that we can accurately determine whether entering into a DOCA (if one is proposed) provides a better return to creditors as compared to an immediate winding-up of KLL.

Have the Administrators explored the possibility of a DOCA?

No DOCA proposal has yet been received for KLL.

During the course of the Administration, we have been approached by interested parties who expressed an interest in proposing a DOCA to recapitalise KLL. These interested parties required further time to put forward a more formal (and detailed) proposal.

What is the purpose of the Second Meeting of Creditors?

To resolve the future of KLL. The options available include whether:

- the Administration should end; or
- the company executed a DOCA; or
- the Company be wound up; or
- The second meeting of creditors to be adjourned for a period not exceeding forty-five (45) business days.

In the event that creditors resolve that the Administration should end, control of the company will revert to the Directors.

For further details on how to attend and vote at the Second Meeting of Creditors please refer to section 2.8 of this Report.

Question

What is the estimated return to creditors?

At this stage, in the absence of a DOCA, we are unable to confirm any potential dividend to the creditors of the Company.

In a Liquidation, any funds received from the sale of the Companies' assets 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 be insufficient proceeds from a sale to discharge the secured creditors debt in full, there will be no funds available to unsecured creditors.

We also do not expect that there will be any recoveries from the voidable and other transaction referred to in **Section 9** of this Report.

Ultimately, the final rate of return will be dependent on a number of factors. Please refer to **Section 10** for further information.

What do the Administrators recommend creditors should do?

During the course of the Administration, we have been approached by interested parties who expressed an interest in proposing a DOCA. In the absence of a DOCA and on the basis that ending the Administration is not a viable option due to the insolvency of the Company, the only alternative is for the Company to be put into liquidation.

Therefore, it is our view that it is in the creditors' best interest to consider an adjournment of the Second Meeting for a period not exceeding forty-five (45) business days to allow time for interested parties to formulate and submit their DOCA proposal.

Further commentary on the reasons for our recommendation are detailed at **Section 11** of this report.

What claims will a liquidator investigate?

Whilst the Administrators have considered the underlying causes of the Company's failure, our investigations into claims arising from those matters are at an early stage.

The preliminary investigations have not identified any potential claims or antecedent recoveries available in a Liquidation which would result in a return to creditors.

That said, a liquidator (if one is appointed) will conduct further investigations in addition to the preliminary investigations undertaken during the Administration.

The investigations undertaken to date in the Administration are detailed at **Section 8** of this report.

Question

What do creditors need to do next?

Creditors will vote on the future of KLL at the Second Meeting to be held at **10:00 am (AWST) on Monday, 11 December 2023, at the offices of KPMG, Level 8, 235 St Georges Terrace, PERTH WA 6000** and via teleconference.

All creditors of KLL are entitled to attend the Second Meeting. Creditors should review the contents of this report and complete the following forms by **4:00pm** on 7 December 2023:

Form/ voting	Where to submit
Appointment of proxy - form 532 (Annexure E)	Email: kaliumlakes@kpmg.com.au Post: GPO Box A29, PERTH WA 6837
Proof of debt - form 535	Via Creditors' Portal https://creditors.accountants/

Further guidance on how to register, submit a proof of debt form and vote at the meeting of creditors can be found at section 2.8 of this report.

Where can I get more information?

If you require any further information, please see the KPMG website (<https://kpmg.com/au/en/home/creditors/kalium-lakes.html>) and/or contact us at kaliumlakes@kpmg.com.au

2. Introduction

This section provides information on the entities subject to the Administration process, the objectives of the Administration, the purpose of this Report, details of meetings of creditors and a summary of the Administrators' remuneration.

Key takeaways		Ref.
1	On 3 August 2023, Matthew Woods, Clint Joseph and Martin Jones, were appointed as joint and several Voluntary Administrators of the Companies by the Directors under Section 436A of the Act.	2.1
2	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 Company.	2.2
3	The Administrators sought an extension to the convening period to 1 December 2023. The purpose of extending the convening period is to allow sufficient time for the Receivers and Managers to conduct a fulsome marketing and sale process for the Companies and or its assets, namely preserving the opportunity for interested parties to submit a DOCA proposal, which may provide a better return to creditors than a winding up of the Companies.	2.8

2.1. Appointment of Voluntary Administrators

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.

2.2. Appointment of Receivers and Managers

Following the Companies being placed into Voluntary Administration, on 3 August 2023, Robert Brauer, Robert Michael 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 are now in control of the business.

The Receivers represent predominantly the interests of the Secured Creditors, with their primary role being to realise sufficient secured assets to repay the debt owed to the Secured Creditors. The Receivers have, under the terms of their appointment, the power to manage the assets and trading operations of the Companies.

2.3. Objective of voluntary administration

In a voluntary administration, Administrators are empowered by the Act to assume control of an insolvent company, superseding the powers of the directors and officers, to manage the company's affairs and deal with its assets in the interests of its creditors.

The intention of a voluntary administration is to maximise the prospects of a company continuing in existence or, if that is not possible, to achieve better returns to creditors than would be achieved by its immediate liquidation. During a voluntary administration there is a moratorium over most pre-administration creditor claims.

Administrators are also required to investigate a company's affairs and report to creditors on the Administrators' opinion as to which outcome of the voluntary administration process is in the creditors' best interest, informing the creditors prior to their voting at the Second Meeting (please see **Section 11** for further details).

2.4. Purpose and basis of this report

IPR 75-225 requires a voluntary administrator to provide a report (the **Voluntary Administrator's Report** or this **Report**) to all creditors ahead of the Second Meeting, outlining:

- Details regarding the business, property, affairs and financial circumstances of the entity under administration;
- The Administrator's opinion and recommendation on each of the options available to creditors; and
- If a DOCA is proposed, the details of the DOCA.

This Report also informs creditors about the preliminary investigations undertaken by the Administrators to date. Accordingly, the views formed in this Report are not final and may be subject to change. Any additional material issues that are identified after this Report may be subject to a further written report and/or tabled at the forthcoming Second Meeting.

This Report has been prepared primarily from information obtained from the Companies' books and records and discussions with the Directors. Although the Administrators have conducted certain investigations of the affairs of the Companies', there may be matters which we are unaware of as an audit of the Companies' has not been undertaken.

In order to complete our Report, we have utilised information from:

- ASIC;
- the PPSR;
- the Companies' book and records;
- discussions with the Directors and former directors of the Companies;
- discussions with key employees of the Companies;
- discussions with creditors of the Companies; and
- other public databases.

2.5. Context of this Report

This Report is based on our preliminary investigations to date. Any additional material issues that are identified subsequent to the issue of this Report may be the subject of a further written report and/or tabled at the Second Meeting.

The statements and opinions given in this Report are given in good faith and in the belief that such statements and opinions are not false or misleading. We reserve the right to alter any conclusions reached based on any changed or additional information which may be provided to us between the date of this Report and the date of the Second Meeting (except where otherwise stated).

In considering the options available to creditors and formulating our opinion and recommendation, we have necessarily made forecasts of asset realisations and total creditors' claims based on our best assessment in the circumstances. These forecasts and estimates may change as asset realisations progress and we receive creditor claims and consequently the outcome for creditors might differ from the information provided in this Report.

Creditors should consider seeking their own independent legal advice as to their rights and the options available to them at the Second Meeting.

2.6. Declaration of independence, relevant relationships and indemnities

In accordance with Section 436DA of the Act and the Code, a DIRRI was enclosed with the Administrators' first communication to creditors (and tabled at the First Meetings of Creditors).

The DIRRI disclosed information regarding the Administrators' independence, prior personal or professional relationships with the Company or related parties and any indemnities received in relation to the appointment. This assessment identified no real or potential risks to the Administrators' independence.

There has been no change in the declaration since that time.

2.7. First Meeting of Creditors and Committee of Inspection

Section 436E of the Act requires the Administrators to convene the first meeting of creditors within eight business days of being appointed. The First Meeting of Creditors of the Companies was held on 15 August 2023, at which the Administrators appointment was confirmed.

Creditors resolved at the First Meeting of Creditors to appoint a COI for KLL and KLP, but not for KLI. Details of the members of the COI's are shown below:

Committee member	Representing	KLL	KLP
Rob Brauer	McGrathNicol as Receivers and Managers	✓	✓
Brent Smoothy	Himself	✓	
Jason Shaw	Himself and Ms Tenielle Bray as employees		✓
Gavin McGavock	Alliance Autoparts & Mining Supplies		✓

The correspondences sent and matters discussed at the COI meetings, including any resolutions passed by the COI are summarised in the following table.

Date	Details	Resolution passed
22 August 2023	Correspondence sent to all COI members regarding notice of meeting for 23 August 2023.	-
23 August 2023	COI meeting held. The Administrators discussed their applications to the Supreme Court of Western Australia, relating to the extension of the convening period for a further 3 months to 1 December 2023.	<p>"That the Committee of Inspection of Kalium Lakes Limited acknowledge and consent to the Administrators application pursuant to section 439A(6) of the Corporations Act 2001 to the Court to extend the convening period from 1 September 2023 to a period not exceeding 3 months."</p> <p>"That the Committee of Inspection of Kalium Lakes Potash Pty Limited acknowledge and consent to the Administrators application pursuant to section 439A(6) of the Corporations Act 2001 to the Court to extend the convening period from 1 September 2023 to a period not exceeding 3 months."</p>

2.8. Second Meeting of Creditors

Based on the statutory timetable of a voluntary administration, the Second Meeting was required to be held on or before 7 September 2023. As Administrators, we made an application to the Supreme Court of Western Australia for orders to extend the period of time within which to convene the second meeting of creditors of each of the Companies by a period of three (3) months, ending until 1 December 2023.

On 31 August 2023, the Court made orders that pursuant to section 439A(6) of the Corporations Act 2001, the convening period for the Companies is extended up to and including 1 December 2023 (**the Orders**). The Administrators also have the power to convene a meeting of creditors at an earlier date should they consider it to be appropriate.

Pursuant to Section 439A of the Act, the Second Meeting for KLL is now convened for **Monday, 11 December 2023 at the offices of KPMG, Level 8, 235 St Georges Terrace, Perth WA at 10:00 am (AWST)**. At the Second Meeting, creditors will decide the Company's future by voting on one of the following options:

- that the administration should end (in this case control of the Company will revert to its directors); or
- that the Company should be wound up; or
- that the Company execute a DOCA; or
- that the Second Meeting be adjourned for a period not exceeding forty-five (45) business days.

The Notice of Meeting of Creditors is attached (**Annexure A**) along with an appointment of proxy form (**Annexure E**).

During the course of the administration, interested parties have expressed their intention to formulate and propose a DOCA for the benefit of all stakeholders of the company. However, at this stage, the proposal is not sufficiently progressed to a form that may be considered by creditors. In the absence of a DOCA, the only alternative would be for the Company be placed into liquidation.

However, it is our view that it is in the creditors' best interest to consider an adjournment of the Second Meeting for a period not exceeding 45 business days to allow time for the sale of KLP and KLI to complete to enable us to determine if there are any remaining assets following the completion.

All creditors of KLL are entitled to attend the Second Meeting. Creditors who wish to participate in the Second Meeting must complete and submit the following forms to this office by **4:00pm on 8 December 2023**.

A person is not entitled to vote at the meeting unless they provide particulars of the debt or claim to the Administrators before the meeting. All creditors must furnish full details of their claims, indicating whether they rank as secured, preferential or unsecured, and whether they claim title to any goods supplied to the Company or any lien over goods in their possession which are the property of the Company.

Form/ voting	Where to submit
Appointment of proxy - form 532 (Annexure E)	Email: kaliumlakes@kpmg.com.au Post: GPO Box A29, PERTH WA 6837
Proof of debt - form 535	Via Creditors' Portal https://creditors.accountants/

For creditors who are unable to attend the meeting, a conference call facility will be available.

Please contact KPMG by email at kaliumlakes@kpmg.com.au or by telephone on (08) 9263 7297 at least one business day prior to the meeting to advise that you will be using the conference facilities and to be provided with the conference call code.

2.9. Remuneration

An Administrator's remuneration can only be fixed by resolution of a COI, the Company's creditors, or by application to the Court. In accordance with IPR 70-35 and the Code, an Initial Remuneration Notice was provided to creditors with our initial communication and tabled at the First Meeting of Creditors.

ARITA has issued an "Approving remuneration in external administrations" information sheet providing general information for creditors on the approval of an administrator's fees in a liquidation, a voluntary administration or a DOCA. This information sheet is available from the ARITA website (www.arita.com.au).

A summary of the remuneration we will be seeking approval for at the Second Meeting of Creditors is as follows:

Remuneration period	KLL (\$ ex GST)
Remuneration to be approved at Second Meeting of Creditors	
Voluntary Administration - 3 August 2023 to 24 November 2023	90,711
Voluntary Administration - 25 November to the Second Meeting of Creditors	30,000
Estimated total remuneration – Voluntary Administration	120,711
Liquidator - Commencement to completion of liquidation (if applicable)	150,000
Estimated total remuneration – Liquidation	150,000

Please refer to our Remuneration Approval Request at **Annexure D** for details of the key tasks undertaken throughout the course of the administration to date.

2.10. Non-disclosure of certain information

There are sections of this Report where we have considered it inappropriate to disclose certain information to creditors. Such information includes:

- valuations of specific assets
- valuation of the business
- details of offers received during the sale process
- commercially sensitive prospective financial information (for example, projections / forecasts)

We recognise the need, so far as is possible, to provide creditors with complete disclosure of all necessary information relating to the Company. However, we believe this information is commercially sensitive and it is not in creditors' interests for us to disclose the information publicly at this stage.

Where necessary in this Report, we provide a combined figure for potential realisations of assets when comparing estimated dividends under the relevant options.

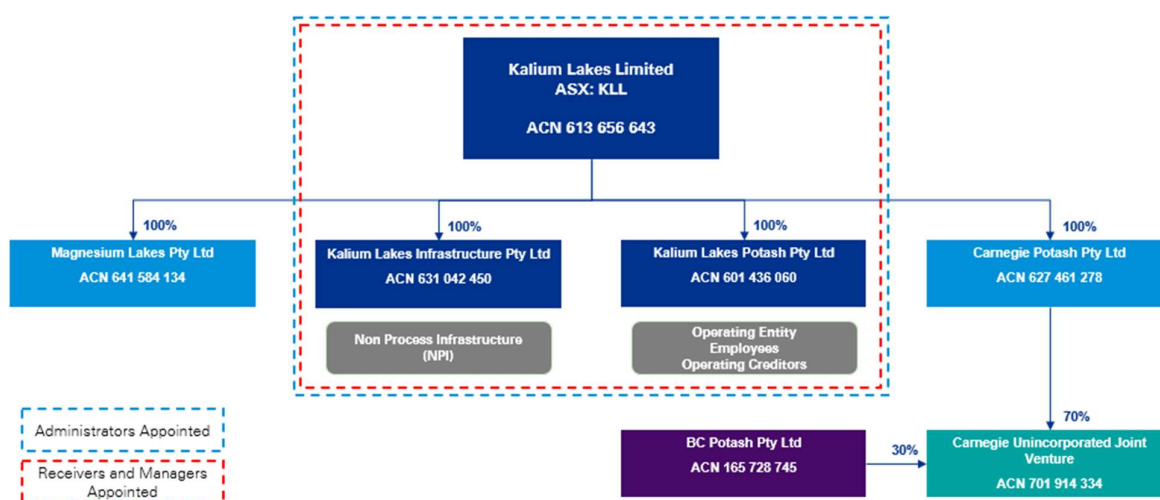
3. Company information

This section provides creditors with information on the history of the Company and the circumstances leading up to the appointment of Administrators together with details of related entities including statutory information, and an overview of the operating businesses.

Key takeaways		Ref.
1	The principal activity of the Companies prior to the appointment of Administrators was the development of a Sulphate of Potash mining operation at Beyondie which is located approximately 160 km SE from Newman, Western Australia.	3.1
2	Voluntary Administrators and Receivers and Managers have only been appointed over Kalium Lakes Limited, Kalium Lakes Infrastructure Pty Ltd and Kalium Lakes Potash Pty Ltd, with Carnegie Potash Pty Ltd and Magnesium Lakes Pty Ltd not subject to Administration or Receivership.	3.1

3.1. Corporate structure

A summary of the corporate structure and main business activities of the Company and affiliated entities are outlined below:



A summary of the business operations of each entity within the wider Kalium Group is set out below:

Company name	Description of main business activities
Entities subject to Administration and Receivership	
Kalium Lakes Limited (ASX: KLL) ACN 613 656 643 (KLL)	KLL a public entity, listed on the ASX (ASX:KLL) and is the ultimate holding company for the Companies and the wider Kalium Group, with control over 4 wholly owned subsidiaries. There is no DXG in place between any of the Companies.

Company name	Description of main business activities
Kalium Lakes Potash ACN 601 436 060 (KLP)	<p>KLP is the operating entity within the group and holds the tenements which relate to the Beyondie Sulphate of Potash project which comprises 16 granted exploration licences, two mining leases and several miscellaneous licences in Western Australia.</p> <p>Its principal activity was the development of a Sulphate of Potash mining operation at Beyondie which is located approximately 160 km SE from Newman, Western Australia.</p> <p>At the time of our appointment of Administrators it had approximately ninety-seven (97) employees.</p>
Kalium Lakes Infrastructure ACN 631 042 450 (KLI)	KLI is a wholly-owned subsidiary of KLL and owns all non-process infrastructure – such as the access road, airstrip, gas pipelines, power station and camp facilities.
Other entities within the wider group (“Kalium Group”) (not subject to Administration or Receivership)	
Carnegie Potash Pty Ltd	Wholly-owned subsidiary of KLL. Owns a 70% interest in Carnegie Unincorporated JV, which is being wound down and has no commercial value
Magnesium Lakes Pty Ltd	Wholly-owned subsidiary of KLL and dormant.

3.2. Company history and events leading up to the administration

A summary of events leading up to the Administrators' appointment (and specific subsequent events) is as follows:

Date	Event
24 November 2023	Extension of Exclusivity Period: Reward and Kalium have agreed to further extend the exclusivity period under the Exclusivity Deed to 6pm AWST on 30 November 2023.
16 November 2023	Update on strategic process: The Receivers and Managers announces that they have entered into an exclusivity period with Reward Minerals Limited (ASX:RWD) for the purpose of agreeing a Share Sale Agreement (SSA) for the sale of KLL's subsidiaries, KLP and KLI.
4 October 2023	Transaction Update: Agrimin has given notice of termination of the Share Sale Agreement to Kalium and the Receivers, thereby terminating the contract in accordance with its terms.
29 September 2023	Administrators Second Report to Creditors: The Administrators announce that the second meeting of creditors of KLP and KLI has been convened to take place on 4 October 2023.
20 September 2023	Update on strategic process: The Receivers and Managers announces that they have entered into a SSA with Agrimin for the sale of KLL's subsidiaries, KLP and KLI.
23 August 2023	Orders were made in the Supreme Court of Western Australia extending the convening period to 1 December 2023.

Date	Event
4 August 2023	Resignation of Directors: Hon Cheryl Edward (KLL, KLP, KLI Chairperson and Non-executive Director), Brent Smoothy (KLL, KLP, KLI Non-executive Director), Simon Wandke (KLL Non-executive Director), Robert Adam (KLL Non-executive Director), Salvatore Lancuba (KLL Non-executive Director).
3 August 2023	Appointment McGrathNicol as Receivers and Managers.
3 August 2023	Appointment of KPMG as Voluntary Administrators.
28 July 2023	Request for extension of voluntary suspension the Company is undergoing a strategic corporate process.
24 July 2023	Revised Arrangements Agreed with Ebtec: Kalium Lakes Limited announces that it has agreed on revised arrangements with engineering and design firm Ebtec GbR (Ebtec) in relation to the Company's Sulphate of Potash purification plant (SOP Plant) at its Beyondie SOP Mine (Beyondie).
14 June 2023	<p>Beyondie Operational and Corporate Update: NAIF and KFW (the Lenders) have agreed to make available for drawdown the remaining \$10m of the \$20m Liquidity Facility. The continued access to the Liquidity Facility will be available for drawdown in two stages:</p> <p>The Initial \$5m provided by Lenders alongside commencement of a strategic process by Kalium Lakes in conjunction with Lenders</p> <p>The remaining \$5m is available at Lenders discretion and is subject to progress of strategic process and plants current ramp up performance.</p> <p>Indicative SOP production for the combined months of April and May 2023 was approximately 2,079 tonnes – KLL's best production quarter to date.</p> <p>Reduction in production rate to approximately 55ktpa for the December 2023 quarter.</p>
14 June 2023	Request for extension of voluntary suspension pending announcement regarding an update on Lake Way Project and response to an ASX query.
6 June 2023	Request for voluntary suspension pending announcement regarding Company operations.
5 June 2023	Resignation of Non-executive Director: Mr Mark Sawyer
5 April 2023	Beyondie Operations Update: SOP production for March 2023 was the highest production to date. Pond operations was progressing ahead of expectations or the current quarter.
4 April 2023	Trading Halt: Trading halt pending the release of an announcement.
29 March 2023	Safe Harbour: The Board approved the engagement of Cor Cordis to advise on the Safe Harbour process (refer to section 8.5 of this Report for further details).
27 March 2023	Safe Harbour: The Board approved the engagement of Peloton Legal to advise on the Safe Harbour process (refer to section 8.5 of this Report for further details).
27 February 2023	Facility Amendments Executed with Senior Lenders: The Facility amendments with its senior lenders NAIF and KfW make available for drawdown up to \$10m of the \$20m

Date	Event
	liquidity facility. The Facility amendment also defers interest payments due in CY2023. The availability of the second \$10m tranche will be subject to Lender discretion following the assessment of the ramp-up performance of the Company's Beyondie SOP mine.
30 November 2022	Appointment of Company Secretary: Appointment of Ms Loren King as Company Secretary
4 November 2022	Appointed of New Chairperson: Appointment of Hon. Cheryl Edwards AM as independent non-executive director and Chairperson
31 October 2022	<p>Beyondie SOP Plant Operations Update:</p> <p>Operational: Design-grade KTMS feed to the Beyondie SOP purification plant was conducted in October with the plant operating mechanically well, achieving the highest average KTMS feed rate to date, with significant performance improvement within the schoenite circuit. Flotation and solid / liquid separation were limiting factors which constrained overall plant operation. Month-to-date (as at 29 October), the plant has achieved KTMS feed throughput of 19,566 tonnes and SOP production of 502 tonnes.</p> <p>Financial: as at 28 October, A\$27.4m cash and A\$185.9m of drawn senior debt facilities with NAIF and KfW. Undrawn debt capacity is A\$2.4m under Facility A, provided by KfW, which is set aside for final commissioning payments, and \$20million under the Liquidity Facility provided by KfW and NAIF</p>
14 October 2022	<p>Beyondie SOP Mine Annual Resource & Reserve Statement:</p> <p>Update on annual abstraction, Mineral Resources and Ore Reserves now incorporates 2.5 years of brine extraction history at Beyondie.</p> <p>Approximately 9 giga litres of brine has been extracted at a potassium grade of 9,140 mg/L as at the end of June 2022.</p> <p>Further drilling and sampling completed as part of the targeted expansion to the 120 ktpa SOP production target has yielded greater aquifer extent at Lake Sunshine and a marginal increase to overall potassium concentration</p> <p>This saw an overall increase in Beyondie Mineral Resources, including a 5.6% increase in Measured SOP Resources and 1.4% increase in Indicated SOP Resources as at 30 June 2022 (relative to the prior year and after abstraction depletion).</p> <p>Ore Reserves as at 30 June 2022 have decreased by 2.75% over the past year following incorporation of abstraction depletion.</p>
13 October 2022	Appointed of Independent, Non-Executive Directors: Appointment of Robert (Bob) Adam and Simon Wandke as independent non-executive directors of the Company.
7 October 2022	<p>Cleansing Prospectus:</p> <p>On 18 August, the Company announced that it had received firm commitments for a two-tranche placement of 550 million Shares (Placement Shares) to institutional and sophisticated investors at A\$0.04 per Share to raise a total of A\$22 million (before costs) (Placement). The Placement comprises:</p> <p>Tranche 1: a placement of 177,256,832 Shares (Tranche 1 Placement Shares) to raise approximately A\$7.1 million utilising the Company's existing placement capacity pursuant to Listing Rule 7.1; and</p> <p>Tranche 2: a conditional placement of up to 372,743, 168 Shares (Tranche 2 Placement Shares) to raise approximately A\$14.9 million subject to shareholder approval which was obtained at the Company's general meeting on Monday, 3 October 2022.</p>

Date	Event
19 September 2023	Supplementary Prospectus: Kalium Lakes announced that it had received applications in excess of \$8 million under the 2022 SPP offer and, to accommodate the level of demand, the Company had determined to increase the size of the 2022 SPP offer to \$12 million. The 2022 SPP closed on 27 September 2022, with the Company announcing on 30 September 2022 that it had been oversubscribed, receiving eligible applications of \$16.2 million, which was scaled back to \$12 million (before costs).
13 September 2022	Beyondie SOP Plant Restarted: SOP purification plant had restarted in-line with the targeted schedule, following an approximate four-week planned shutdown to perform key rectification and optimisation works. Further incremental plant optimisation was anticipated to occur alongside normal plant operations during coming months.
18 August 2022	Capital Raise: Kalium Lakes announced that it had received firm commitments from investors for a two-tranche placement of fully paid ordinary shares to raise \$22 million (before costs) (the "Placement") at a price of \$0.04 per share. The Company announced that its largest shareholder, Greenstone Resources and co-founder and director Brent Smoothy, respectively committed to subscribe for \$8 million and \$2 million under the Placement.
18 August 2022	Debt Restructure: The Company announced that it had entered into formal binding documentation with its senior lenders to restructure its existing debt arrangements including (but not limited to) a deferral of the commencement of all senior principal repayments under the project finance term facilities from March 2024 to March 2025, an extension to the final maturity date for the project finance term facilities to March 2040 and an extension to the maturity date for the existing and undrawn \$20 million liquidity facility to January 2026.

Note: The above timeline is not inclusive of all Companies ASX announcements and board minutes. Its purpose is to provide creditors with a general overview of the timeline of events leading to our appointment as administrators.

3.3. Statutory information

Statutory information in respect of the Company extracted from ASIC's national database at the time of our appointment are summarised below:

Kalium Lakes Ltd	
ACN	613 656 643
Incorporation date	14 July 2016
Registered office / Principal place of business	Unit 1 152 Balcatta Road, Balcatta WA 6021

The Company's officers over the past 3 years according to ASIC's national database at the time of our appointment were:

Name	Role	Appointment date	Resignation date
Salvatore Lancuba	Director	14 October 2020	4 August 2023
Brent Ronald Smoothy	Director	1 May 2020	3 August 2023
Robert Andrew Adam	Director	12 October 2022	4 August 2023
Simon Charles Wandke	Director	12 October 2022	3 August 2023
Cheryl Lynn Edwardes	Director	25 November 2022	3 August 2023
Mark Raymond Sawyer	Director	1 May 2020	3 June 2023

Name	Role	Appointment date	Resignation date
Stephen Bruce Dennis	Director	24 April 2019	25 November 2022
Dale James Champion	Director	6 April 2020	3 September 2021
Malcolm Roger Joseph Randall	Director	14 July 2016	26 November 2020
Brett William Hazelden	Director / Secretary	14 July 2016	24 July 2020
Philippus Rudolph Van Niekerk	Director	14 July 2016	1 May 2020
Jason Shaw	Secretary	1 October 2021	3 October 2023
Loren Anne King	Secretary	30 November 2022	31 August 2023
Sophie Jane Raven	Secretary	14 April 2022	30 November 2022
Gareth David Widger	Secretary	14 July 2016	14 April 2022
Antony Heitmann Beckmand	Secretary	23 February 2021	30 September 2021
Christopher Achurch	Secretary	30 August 2018	23 February 2021

Provided below is a list of the Top 10 largest registered ordinary shareholders of KLL as at the date of our appointment:

Registered Owner	Shares held	Description	Fully paid	% Issued Capital
Greenstone Resources II (Australia) Holdings L P	352,886,533	Ordinary Shares	Yes	17.4%
Greenstone Management (Delaware) II Llc	78,673,124	Ordinary Shares	Yes	3.9%
Kumarina Holdings Pty Ltd <Smoothy Investment A/C>	70,598,155	Ordinary Shares	Yes	3.5%
Hishenk Pty Ltd	41,000,000	Ordinary Shares	Yes	2.0%
Kumarina Holdings Pty Ltd <Vince Smoothly Family A/C>	39,839,800	Ordinary Shares	Yes	2.0%
Coola Station Pty Ltd <T C Ellis Family A/C>	33,783,179	Ordinary Shares	Yes	1.7%
Ps Super Nominee Pty Limited <Shadbolt Future Fund A/C>	32,245,278	Ordinary Shares	Yes	1.6%
Biga Nominees Pty Ltd <Executive Super Fund A/C>	22,009,226	Ordinary Shares	Yes	1.1%
Hsbc Custody Nominees (Australia) Limited	15,432,052	Ordinary Shares	Yes	0.8%
Citicorp Nominees Pty Limited	14,358,808	Ordinary Shares	Yes	0.7%
Total				100%

Source: Company Share Register

3.4. Registered security interests

Details of the security interest holders as obtained by PPSR searches undertaken on 30 November 2023 are set out below:

Company name	PPSR number	Collateral class	End date
Westpac Administration Pty. Limited ACN 008 617 203	201911220073343	All PAP with Exception	
Airwell Group Pty Ltd ACN 009 323 871	202207050027845	Other Goods	05-July-2029
David Campbell Transport Pty Ltd ACN 151 523 090; The Trustee For The David Campbell Trust ABN 46 216 918 631	202306070024767	Motor Vehicle	07-June-2030
Global Credit Investments Pty Ltd ACN 604 417 647	202309110029919	All PAP with Exception	
	202309110033881	General Intangible	
	202309110034075	Investment Instrument	
The Trustee for GCI Special Opportunities Fund 10 ABN 91 759 309 688	202310040062698	All PAP with Exception	
	202310040062803	General Intangible	
	202310040062916	Investment Instrument	

The Company entered into syndicated loan facilities involving Northern Australia Infrastructure Facility (**NAIF**) and KfW IPEX Bank. We understand that the loan is fully drawn and under the terms of the General Security Deed dated 14 November 2019 Westpac Administration Pty Ltd is the Security Trustee.

We note that the Company have granted security over their assets in favour of Westpac Administration Pty Ltd on behalf of the syndicated lenders.

These securities are registered on the Personal Property Security Register in relation to each of the Companies.

On 3 August 2023, Receivers and Managers were appointed to the Company pursuant to these securities.

As part of the Receivers and Managers role, they will undertake a detailed assessment of the registered security interests and any further PPSA claims received.

3.5. Winding up applications

At the date of our appointment, there was no outstanding winding up application against the Company.

4. Historical financial position

This section provides a summary of the financial performance of the Company on a consolidated basis during the period of FY20, FY21, FY22 and HY23.

Key takeaways		Ref.
1	The Company and its affiliated entities prepared their accounts on a consolidated basis and appear to be in compliance with section 268 of the Act.	4.1
2	The Companies reported a loss for all periods under review from FY20 to HY23. This is not uncommon given that the Companies were in the development stage of their mine life and recorded its first commercial sales of Beyondie SOP in July 2022.	4.2
3	The Companies' net asset position and working capital positions were positive as at 31 July 2023. This is primarily due to capitalisation of capital works in progress in the balance sheet and the retention of reasonable cash balances to satisfy short-term trade payables.	4.3

4.1. Preparation of financial statements

The Companies' financial statements were prepared up to 31 December 2022. RSM Australia audited the financial statements up to the half year ended 31 December 2022. At the time of our appointment, the financial accounts for FY23 had not yet been finalised. The Company also prepared monthly management reports, weekly cash flows, budgets and various other reports to assist management with its reporting obligations and financial analysis.

For completeness, we note that the Companies did not have a cross guarantee obligation in place, should the Second Meeting be adjourned, we will also include the stand-alone financials for KLL to the extent that it is relevant for creditors information prior to reconvening the adjourned meeting.

At section 8.6 of this Report, we comment on the adequacy of the Company's books and records.

4.2. Summary profit and loss

Set out below is a summary of the consolidated profit and loss statement for the period ending 30 June 2020, 30 June 2021, 30 June 2022 and half year ended 31 December 2022.

Consolidated Statement of Profit and Loss and Other Income				
	FY20(A)	FY21(A)	FY22(A)	HY23(A)
\$000s	30-Jun-20	30-Jun-21	30-Jun-22	31-Dec-23
Revenue				
Sales revenue	-	-	-	3,681
Other income	639	7,526	41	149
Total revenue	639	7,526	41	3,830
Expenditure				
Accounting and audit fees	(170)	(96)	(141)	(55)
Depreciation and amortisation expense	(746)	(922)	(2,693)	(1,382)
Directors and executive remuneration	(1,166)	(1,287)	(1,320)	(988)
Employee expenses	(3,227)	(1,038)	(1,424)	(860)
Finance costs	-	-	(9,520)	(8,280)
Foreign currency gain/(loss)	-	-	(8,756)	(1,966)
Legal fees	(4,617)	(1,002)	(604)	(339)
Operating expenses	-	-	(8,281)	(13,168)
Share based payment (credit)/expense	(244)	(94)	94	(60)
Other expenses	(1,923)	(3,710)	(3,945)	(3,104)
Site exploration expenditure	(6,798)	-	-	-
Asset impairments	-	-	-	(80,000)
Changes in inventory	-	-	-	4,099
Other expenditure	(641)	-	-	-
Total expenditure	(19,531)	(8,149)	(36,589)	(106,103)
Net loss for the year from operations	(18,893)	(623)	(36,548)	(102,273)
Basic and diluted loss per share (cents)	(4.71)	0.07	(3.45)	(6.32)

Source: Consolidated Companies Financial Statements

Key observations:

- The Company incurred trading losses from FY20 to HY23, with the net losses mainly attributable to the Company recording no sales revenue between FY20 and FY22.
- The significant increase in sales revenue of \$3.7m in HY23 was a result of the Company recording its first commercial sales of Beyondie SOP in July 2022. Despite this, the Company still reported a net loss of \$102.3m in HY23 primarily due an \$80.0m asset impairment during the period (discussed further below).
- Operating expenses increased to \$8.3m in FY22 from nil the period prior, which can be directly related to the Company achieving its first SOP production in October 2021. In HY23, operating expenses of \$13.2m were recorded, primarily in relation to brine supply and evaporation pond assets that were considered installed and ready to use from 1 October 2021.
- In HY23, the Consolidated Entity determined that the carrying amount of a Cash Generating Unit (CGU) exceeded the fair value as at 31 December 2022 by \$80m and it was determined that it was appropriate to make an asset impairment adjustment of \$43.8m to capital work in progress and \$36.1m to mine properties - in production as at 31 December 2022. This worsened the net loss for the year, which would otherwise have been an improvement on FY22 by \$14.3m.

4.3. Summary balance sheet

Set out below is a summary of the consolidated balance sheets for the years ended 30 June 2020, 30 June 2021 and 30 June 2022, and half year ended 31 December 2022.

Consolidated Statement of Financial Position				
	FY20(A)	FY21(A)	FY22(A)	HY23(A)
\$000s	30-Jun-20	30-Jun-21	30-Jun-22	31-Dec-23
Assets				
Current Assets				
Cash and cash equivalents	54,623	34,206	21,513	13,732
Trade and other receivables	1,595	1,034	358	181
Other assets	-	212	2,112	1,139
Inventory and raw materials	-	-	4,525	10,027
Total Current Assets	56,218	35,452	28,508	25,079
Non-Current Assets				
Property, plant and equipment	6,828	15,957	3,373	5,243
Capital work in progress	118,958	258,757	168,065	139,904
Mine properties - in development	14,755	17,024	-	-
Mine properties - in production	-	-	165,027	130,595
Collateral for bank guarantees	-	610	610	685
Right-of-use assets	201	96	50	14
Total Non-Current Assets	140,741	292,444	337,126	276,440
Total Assets	196,959	327,896	365,634	301,519
Liabilities				
Current Liabilities				
Trade and other payables	6,532	8,529	5,590	5,303
Lease liabilities	105	50	-	-
Borrowings	-	6,239	-	-
Provisions	209	338	606	567
Total Current Liabilities	6,846	15,155	6,197	5,870
Non-Current Liabilities				
Borrowings	50,473	159,153	179,080	180,849
Provisions	4,166	13,682	18,056	21,482
Total Non-Current Liabilities	54,639	172,834	197,136	202,331
Total Liabilities	61,485	187,989	203,333	208,201
Net Assets	135,474	139,906	162,301	93,318
Equity				
Contributed equity	179,615	184,671	243,613	276,843
Reserves	8,271	8,271	7,071	7,132
Accumulated losses	(52,412)	(53,036)	(88,383)	(190,656)
Total equity	135,474	139,906	162,301	93,318

Source: Consolidated Companies Financial Statements

Key observations:

- The Companies' cash and cash equivalent declined year on year from \$54.6m (FY20) to \$13.7m (HY23) before declining further to \$3.2m and \$0.3m in June and July 2023 respectively (as per management accounts).
- Inventory consisted of Kainite Type Mixed Salt (KTMS), finished goods and consumables increased from \$4.5m as at 30 June 2022 to \$10.1m as at 31 December 2023 after successfully achieving first SOP production in October 2021.
- Despite the consolidated Companies maintaining a positive working capital balance from 30 June 2020 to 31 December 2023, the working capital balance deteriorated overall during this period. The decline in cash was the

primary driver of the deterioration in working capital, which was partially offset by the increase in inventory post October 2021. The Companies recorded a working capital ratio of 2.01 as at 31 December 2023.

- In FY21, the Companies recorded peak balances in both property, plant and equipment and Capital works in progress as result of large work undertaken on gas and pipeline & power station, purification plant, brine supply and ponds.
- The Companies reported its only current borrowings during the review period of \$6.2m in FY21, comprising of loans with KfW, KfW / Euler Hermes and NAIF. The Companies non-current borrowings have increased year-on-year from FY20 to HY23.
- As at 30 June 2022, the Companies had approximately \$21.5 million cash and \$179.1 million of drawn senior debt facilities with NAIF and KfW. Undrawn debt capacity is \$2.4 million under Facility A, provided by KfW, which is set aside for final commissioning payments.

4.4. Summary – Cash Flow

Set out below is a summary of the consolidated statement of cashflows for the years ended 30 June 2020, 30 June 2021, 30 June 2022 and the half year ending 31 December 2023.

Consolidated Statement of Cash Flows				
	FY20(A)	FY21(A)	FY22(A)	HY23(A)
\$000s	30-Jun-20	30-Jun-21	30-Jun-22	31-Dec-23
Operating activities				
Receipts from customers/others	1,492	133	35	3,524
Interest received	-	65	11	149
Payments to suppliers and employees	(10,319)	(7,608)	(23,195)	(22,159)
Payments to site and exploration expenditure	(7,156)	-	-	-
Payment for mine development	(108,397)	-	-	-
Net cash used in operating activities	(124,381)	(7,409)	(23,150)	(18,485)
Investing activities				
Collateral given for bank guarantee	-	(610)	-	-
Payments for mine development	-	(132,785)	(37,758)	(11,527)
Interest paid	-	-	(5,316)	(4,204)
Interest received	363	-	-	-
Payment for site and exploration expenditure	-	(132)	(787)	(489)
Payments for property, plant and equipment	(1,791)	(431)	(1,914)	(2,521)
Net cash used in investing activities	(1,428)	(133,958)	(45,776)	(18,743)
Financing activities				
Proceeds from issue of shares	133,671	3,046	59,460	34,000
Share issue transaction costs	(7,416)	(79)	(2,350)	(771)
Proceeds from borrowings	49,671	118,645	4,526	-
Transaction costs related to borrowings	(10,898)	(195)	(5,221)	(3,698)
Repayment of borrowings	-	(411)	-	-
Repayment of lease liabilities	(64)	(55)	(50)	-
Collateral for bank guarantee	-	-	-	(75)
Net cash provided by financing activities	164,965	120,950	56,366	29,456
Net decrease in cash and cash equivalents	39,156	(20,417)	(12,560)	(7,772)
Cash and cash equivalents at beginning of the financial year	15,467	54,623	34,206	21,513
Effects of currency translation on cash and cash equivalent	-	-	(134)	(89)
Cash and cash equivalents at the end of the financial year	54,623	34,206	21,513	13,732

Source: Consolidated Companies Financial Statements

Key observations:

- The Companies recorded net cash outflows from FY21 to HY23 as a result of minimal receipts from customers with the company not recording its first sale of SOP until July 2023. Despite this, the decrease net cash declines year-on-year from FY21 to HY23.
- Despite recording net cash outflows from operating and investing activities in FY20, the Companies recorded net cash inflows of \$39.2m primarily driven by a \$133.7m proceeds from the issue of shares.
- FY21's net cash outflow of \$134.0m used in investing activities was primarily a result of payments for mine development of \$132.8m.

5. Report on company activities and property and reasons for failure

This section provides a summary of the report on company activities and property (ROCAP) submitted by the Directors, together with the Director's explanation for failure of the Companies.

Key takeaways		Ref.
1	ROCAP was received from the Directors and lodged with the ASIC.	5.1
2	The Administrators' explanation of the failure of the Company was challenges associated with the development of the Beyondie SOP Project, which resulted in additional costs being incurred.	5.5

5.1. Report on company activities and property

Section 438B of the Act requires directors to give an administrator a ROCAP about the business, property, affairs and financial circumstances for each company under Administration. A summary of the ROCAP received from the Directors for KLL is set out below:

	Director	Received
Kalium Lakes Limited ACN 613 656 643	Cheryl Edwardes	14/08/2023
	Salvatore Lancuba	14/08/2023
	Robert Adam	14/08/2023
	Simon Wandke	14/08/2023
	Brent Smoothy	Not yet received

We did not receive a signed ROCAP from Mr Smoothy, however on balance, if we received one, then the position outlined will be the same and not materially different from the ROCAPs received from the other directors of the Company.

The Administrators have not audited the Company's records or the book values. The ROCAP and Administrators' ERVs should not be used to determine the likely return to creditors as a number of realisable values are based on the Company's records and remain subject to the review of the Administrators and, in particular:

- the Administrators are not in a position to confirm (or otherwise) certain asset values as they are commercially sensitive and are not disclosed in this report.
- the value of creditor claims remains subject to change as further claims may be received and require adjudication.
- the ROCAP and Administrators' ERVs do not provide for possible trading income or expenditure incurred by Receivers and Managers, expenditure incurred by the Administrators in preserving, maintaining and realising the assets of the Company or professional costs associated with the administration process.

Further detail on the estimated return to creditors from the administration is contained in **Section 10**.

5.2. ROCAP

The following table summarises the assets and liabilities disclosed in the Directors' ROCAP for KLL:

Kalium Lakes Limited	Ref	Book Value (\$'000)	ERV Low (\$'000)	ERV High (\$'000)
Assets				
Cash at bank	5.2.1	6	Controlled by R&M	
Bank guarantees	5.2.1	658	-	-
GST refund		443	443	443
Debtors	5.2.2	255,047	Controlled by R&M	
R&D claim	5.2.3	TBC	-	TBC
Interest in subsidiaries	5.2.4	Controlled by R&M	Controlled by R&M	
Total assets		TBC	443	TBC
Liabilities				
Secured creditors	5.2.5	(209,413)	(209,413)	(209,413)
Employees claims	5.2.6	(2.7)	(2.7)	(2.7)
Unsecured creditors	5.2.7	(489)	Unascertained	(521)
Total liabilities		(209,905)	Unascertained	(209,937)
Estimated surplus / deficiency		TBC	Unascertained	TBC

5.2.1 Cash at bank and Bank Guarantees

There are 3 bank accounts held in the name of KLL. On the date of our appointment, the closing balances totalled \$5.3k. The bank guarantees relate to term deposit with the Bank which secures the following:

- A \$610k facility regarding the energy access service contract for the Beyondie SOP Project.
- A \$17.5k facility regarding the lease agreement for the KLL head office.
- A \$30k facility in relation to existing credit cards facilities.

We do not anticipate that there will be any recoveries for creditors from the cash at bank and term deposits held. If there were credit funds available, these assets are subject to the secured creditors security and will be utilised by the Receivers and Managers in the course of maintaining / trading of the businesses.

5.2.2 Debtors

The Directors recorded 3 debtors totalling c.\$255m for KLL reconciled as follows:

	Amount \$'000
KLI	11,419.3
KLP	243,590.0
Other	37.7
Total	255,047.0

We do not expect the intercompany amounts owed to KLL by KLI and KLP to be recoverable given that KLI and KLP are also in external administration.

Other debtor relates to a disputed claim against a former employee. Any amounts recovered will also be subject to the secured lender's security interest.

5.2.3 R&D Claims

As at the date of our appointment, KLL had two R&D claims outstanding for FY22 and FY23. The Receivers and Managers and KLL's management are currently progressing these claims towards lodgement, the details of which are outlined below:

- FY22: The estimated claim is c.\$12.5m. This claim has been lodged in November 2023 and the recovery is still pending.
- FY23: This claim is in progress and the estimated claim value is currently unknown.

5.2.4 Interests in subsidiaries

KLL's share interests relate to:

- KLP and KLI, both of these entities are the subject of external administration and are controlled by the Receivers and Managers. The estimated realisable value of these share interests is to be determined.
- Carnegie Potash Pty Ltd which owns a 70% interest in Carnegie Unincorporated JV and Magnesium Pty Ltd which is a dormant entity. The realisable value of these share interests is estimated to be minimal or nil.

5.2.5 Secured creditors

Security over all the Group's assets was granted security over their assets in favour of Westpac Administration Pty Ltd on behalf of the syndicated lenders (Northern Australia Infrastructure Facility (NAIF) and KfW IPEX Bank). KLL is the guarantor in regard to secured debt facility, rather than borrower.

These securities are registered on the Personal Property Security Register in relation to each of the Companies. On 3 August 2023, Receivers and Managers were appointed to the Companies pursuant to these securities.

5.2.6 Employee claims

Employee claims represents amounts owed to the Directors (i.e. excluded employees) for the period 1 August 2023 to the date of the appointment of Administrators (3 August 2023). The amounts are minimal and is broken down as follows:

	Amount \$000
Wages or salary owed	2.5
Superannuation owed	0.2
Total	2.7

Employee claims are afforded priority of repayment pursuant to Section 556 of the Act, ahead of any return to unsecured creditors. The Act also provides that excluded employees (including Company directors and their spouses) are each restricted to a total maximum priority claim of \$2,000 for unpaid wages and superannuation entitlements and \$1,500 for leave entitlements. Amounts owed to excluded employees that exceed the statutory limit, and all payments owing in respect of redundancy and payment in lieu of notice will rank as ordinary unsecured claims.

5.2.7 Unsecured creditors

In their ROCAP, the Directors have recorded unsecured creditor claims totalling \$489k. Accounting for proofs of debts received to date and KLL's records, we estimate KLL's liability to unsecured creditors to be approximately \$521k, broken down as follows:

\$000	Book Value	ERV Low Return	ERV High Return
Statutory and compliance	93	93	93
Trade Creditors	396	Unascertained	428
Total	489	Unknown	521

The Administrators are unable to determine the exact quantum of the unsecured debt at this stage as certain proofs of debt are:

- Claimed against a different entity than what is reported in the ROCAP; and
- Insufficient supporting documentation has been received.

For completeness, we note that the amounts above are subject to the adjudication and admission of proofs of debt.

5.3. Omissions from ROCAP

We have not identified any material omissions from the Directors' ROCAP.

5.4. Directors' opinions as to the reasons for failure

The Directors have provided their views on the affairs of the Company and attributed the following reasons to their failure:

- The lenders (Westpac as security trustee for secured lenders NAIF and KfW) to Kalium Lakes Potash Pty Ltd declined to provide the final \$5.0m liquidity facility or any further funding in order to continue with the strategic sale process under control of the Board.
- The Board was then left with no choice but to put the Companies into Administration following which the secured creditors appointed Receivers and Managers on 3 August 2023.

5.5. Administrator's opinions as to the reasons for failure

Our preliminary view is that, in addition to the reasons identified by the Directors, the Company failed as a result of:

1. Challenges associated with the development of the Beyondie SOP Project, which resulted in the Companies not meeting their production targets and consequently resulted in additional costs being incurred. This led to a funding shortfall and therefore a breach of existing debt covenants.
2. The status of current production capacity and challenge from evaporation rate estimation based on long term averages and distant weather stations, with the Companies then being impacted by significant rain events over the past two years, insufficient surge capacity in pond design, etc
3. On 3 August 2023, being the deadline for the receipt of NBIOs elapsing for the sale process, and consequently the date of appointment of the Administrators and Receivers and Managers, the Companies had exhausted the \$5m of liquidity funding advanced by the secured lenders and required additional funding to progress the sale process further. All of the EOIs indicated a DOCA would be involved in the sale execution, so on that basis the secured creditor determined to only provide additionally funding under a process ran by the Receivers and Managers and consequently without further funds being made available to the Companies, the Directors' appointed Voluntary Administrators.
4. The lenders (Westpac as security trustee for secured lenders NAIF and KfW) to Kalium Lakes Potash Pty Ltd declined to provide the final \$5.0m liquidity facility or any further funding in order to continue with the strategic sale process under control of the Board.

Consequently, the Directors resolved to appoint Administrators given that it was likely that the Companies were insolvent or likely to become insolvent in the near future.

For completeness, we note that the above analysis is based upon our preliminary view only, any future appointed Liquidator would need to conduct further investigations to determine the actual causes of failure.

6. The Administration to date and sale of business process

This section provides an overview of the conduct of the Administration, including the trading of the business and the going concern sale process conducted by the Receivers and Managers.

Key takeaways		Ref.
1	The Receivers and Managers are in control of the Companies and their assets. They continued with the marketing and sale process for the restructure or recapitalisation of the Companies previously commenced in June 2023.	6.1
2	The Administrators have undertaken activities limited to their role; including preserving the Company's corporate structure whilst the Receivers and Managers conducted their marketing and sale process.	6.2
3	The outcome of the sale process is that on 16 November 2023 the Receivers and Managers entered into an exclusivity period with Reward Minerals Limited for the purpose of agreeing a SSA for the sale of the Company's subsidiaries, KLP and KLI.	6.2

6.1. The business at commencement of the Administration

Immediately after the appointment of Administrators, Receivers and Managers were appointed and they assumed control of the Company's business. The Receivers and Managers remain in control of the business and assets of the Company as provided under the terms of the security to the secured lender and have provided us with the following trading update:

- Since appointment of the Receivers and Managers, the Company has continued to trade on a business as usual basis.
- Given the limited funds available to conduct the receivership, the Receivers explored third party funding arrangements and ultimately entered into a loan facility for \$14m to ensure adequate funds remained until the anticipated completion of a transaction.
- Operations during the receivership have included ongoing harvesting activities, plant processing of Sulphate of Potash (SOP), completion of process improvement works (such as the commissioning of the R10 heat exchanger to assist with sustained production), continued production and distribution of SOP to customers and other normal operational tasks.
- Approximately 896 tonnes of SOP have been produced throughout the receivership period.
- The Receivers and Managers implemented trading controls and worked with the Companies' employees and major suppliers to keep the business operating. The objective of continued trading was to preserve the business as a going concern whilst the Receivers continued with the marketing and sale process for the restructure or recapitalisation of the Companies previously commenced in June 2023.
- All insurance policies have been maintained throughout the receivership period.

Given the Receiver and Managers' appointment, the Administrators' role has been limited to the following activities:

- liaised with the Receivers and Managers as to the status of the business and sale process;
- fielded enquiries from potential purchasers regarding their intention to submit a DOCA proposal for any (or all) of the Companies;
- obtained copies of the Companies books and records;
- liaised with the Directors and key management personnel as required;
- conducted investigations and sought Court Orders where appropriate in regard to the extension of the convening period;

- corresponded with employees (as applicable) and unsecured creditors including reviewing the claims submitted / creditor proofs of debts;
- communications with shareholders;
- held the first meeting of creditors, preparing this report to creditors and convening the Second Meeting of Creditors to be held on 11 December 2023; and
- Compiled this Report and prepared for the Second Meeting of Creditors.

6.2. The sale of business process

Process conducted by the Directors

A sale of business process was commenced on 20 June 2023 when the Companies engaged Argonaut to explore a sale or recapitalisation of the Companies. Senior lenders had provided a liquidity facility of \$20m, of which \$10m had been drawn by 20 June 2023. The Companies' agreement to commence a sale/recapitalisation process was a condition of lenders allowing a further drawdown of \$5m against the liquidity facility.

Argonaut commenced a campaign to identify and contact parties that might have an interest in a sale or investment. As part of that process, Argonaut engaged with the secured lenders and their advisors to supplement the list of interested parties.

An information memorandum (**IM**) was prepared and distributed to interested parties that executed a non-disclosure agreement. The secured lenders and their advisors also had some input into the content of the IM to ensure that a wide range of potential transactions (including equity injection, asset sale, debt acquisition, share sale effected by way of Deed of Company Arrangement etc) were expressly contemplated in the IM.

Interested parties were also provided access to a data room which contained details of recent and forecast operational and financial performance, key contracts and other information necessary to progress their due diligence enquiries. That process resulted in the following:

- Argonaut identified 116 prospective parties and sought to initiate contact via phone and email.
- Of these, 27 expressed an interest in considering an acquisition or investment in the project and 21 parties executed a non-disclosure agreement to gain access to the IM and data room.
- 19 parties actively engaged in accessing and downloading material from the data room and participated in discussions with Argonaut.
- 9 parties participated in management Q&A sessions.

Following the deadline for receipt of NBIOs elapsing, by 3 August 2023 (being the date that the Administrators and Receivers and Managers were appointed), the following expressions of interest had been received:

- 1 conforming NBIO subject to further due diligence; and
- 4 written expressions of interest or non-conforming offers that were subject to further consideration and due diligence.

At this stage (in July 2023), the Companies had exhausted the \$5m of liquidity funding advanced by the secured lenders and required additional funding to progress the sale process (and to continue to trade).

All the expressions of interest made it clear that the pathway to executing a transaction would likely involve a DOCA and therefore a voluntary administration appointment.

On that basis, the secured lenders determined to provide any further funding seeking to complete a transaction only via a process led by Receivers and Managers rather than a continuation of the company led process. Without further funds being made available by the lenders, the directors appointed voluntary administrators.

Process conducted by the Receivers and Managers

Following the appointment of the Receivers and Managers, they continued with the sale and marketing program, being led by Argonaut seeking binding expressions of interest in the sale of the business.

Details of the sale proceed undertaken by the Receivers and Managers are summarised in Section 6 of the Administrators' reports prepared for KLL's subsidiaries, KLP and KLI , in particular:

- the Voluntary Administrators' Report dated 26 September 2023; and
- the Supplementary Voluntary Administrators' Report dated 29 November 2023.

On 16 November 2023, the Receivers and Managers announced that they have entered into an exclusivity deed with Reward Mineral Limited (ASX: RWD) to negotiate the terms of sale agreement (and any associated documents) required to give effect to the sale of the Beyondie SOP Project. At the time of writing, the sale agreement is still being negotiated and has not been formally executed. Under the terms of the sale that is being negotiated:

- KLL will sell its share interest in KLP and KLI to Reward; and
- DOCAs are also being proposed by Reward for KLP and KLI with completion of the transaction anticipated in January 2024.

7. Proposal for DOCA

During the course of the Administration, we have been approached by interested parties who expressed an interest in proposing a DOCA for the Company. These interested parties require further time to put forward a more formal (and detailed) proposal.

Should the Second Meeting be adjourned and a DOCA is proposed we will outline the relevant terms for creditors prior to reconvening the adjourned meeting.

For completeness, we note that a DOCA proposal has been received for KLL's subsidiaries, KLP and KLI. For details on the DOCA being proposed, please refer to Section 7 of the Supplementary Voluntary Administrators' Report to Creditors dated 29 November 2023 for KLP and KLI for details of that proposal. A copy of the report is available on the KPMG website.

8. Statutory investigations

This section provides creditors with information on the preliminary investigations undertaken by the Administrators to date, and whether there have been any potential actions identified that may be pursued by a liquidator, if appointed.

Key takeaways		Ref.
1	The Company was not insolvent for any material time prior to our appointment on 3 August 2023.	8.4
2	The Company's books and records were maintained in accordance with Section 286 of the Act.	8.6

8.1. Nature and scope of review

The Act requires an administrator to carry out preliminary investigations into a company's business, property, affairs and financial circumstances.

Generally, investigations centre on transactions entered into by an individual company that a liquidator might seek to have declared void (together with orders for repayment or compensation) if the Company is wound up. Investigations allow an administrator to advise creditors what funds might become available to a liquidator such that creditors can properly assess whether to accept a DOCA proposal or resolve to wind up the Company. We investigated matters to the extent possible in the time available.

A liquidator may recover funds from certain voidable transactions or through other avenues; for example, through action seeking compensation for insolvent trading or breach of director duties. Funds recovered would be available to the general body of unsecured creditors including secured creditors but only to the extent of any shortfall incurred after realising their security.

A deed administrator does not have recourse in relation to voidable transactions.

The Administrators' knowledge of the Company's affairs comes principally from the following sources:

- discussions with the Directors, their advisors and key staff members
- the Directors' ROCAP (submitted for each separate entity)
- management accounts, books and records, board reports and financial statements
- the Companies' internal accounting system
- correspondence and discussions with the Company's creditors
- searches obtained from relevant statutory authorities
- records maintained by the ATO
- publicly available information

8.2. Directors' and officers' responsibilities

Sections 180 to 184 of the Act set out the duties, obligations and responsibilities imposed on Directors which are designed to promote good governance and ensure that Directors act in the interests of the Companies. These duties include:

- duty of care and diligence;
- duty of good faith;
- duty not to make improper use of position; and
- duty not to make improper use of information.

Based on our investigations to date, we have not identified any offences the directors may have committed under the provisions of the Act. Although we note that our investigations at this stage with respect of any breaches committed by the directors are preliminary in nature.

8.3. The Company's solvency

Some actions available to a liquidator to recover funds through the voiding of certain transactions or through other legal action, such as seeking compensation from directors for insolvent trading, require the Company's insolvency to be established at the relevant time.

There are two primary tests used in determining a company's solvency, at a particular date, namely:

- balance sheet test; and
- cash flow or commercial test.

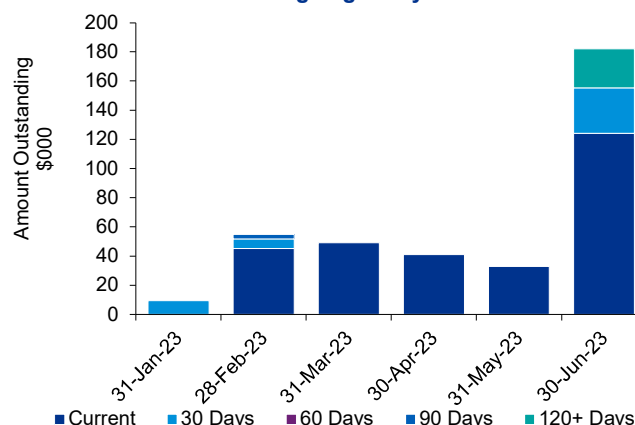
The Courts have widely used the cash flow or commercial test in determining a company's solvency at a particular date along with several other indicators.

In relation to the Companies, we note that their affairs were closely linked and the accounts were prepared on a consolidated basis. The following table summarising the key insolvency indicators and our comments on those indicators where relevant to each individual company:

Insolvency indicator	Present	Date relevant to insolvency	Administrators' comments												
Endemic shortage of working capital - balance sheet test															
			Based on the Audited Financial Accounts, the Companies' working capital ratios are summarised in the table below:												
			<table> <tr> <th>FY20</th><th>FY21</th><th>FY22</th><th>HY23</th></tr> <tr> <td>\$49.4m</td><td>\$20.3m</td><td>\$22.3m</td><td>\$8.5m</td></tr> <tr> <td>8.21x</td><td>2.34x</td><td>4.60x</td><td>2.01x</td></tr> </table>	FY20	FY21	FY22	HY23	\$49.4m	\$20.3m	\$22.3m	\$8.5m	8.21x	2.34x	4.60x	2.01x
FY20	FY21	FY22	HY23												
\$49.4m	\$20.3m	\$22.3m	\$8.5m												
8.21x	2.34x	4.60x	2.01x												
Working capital deficiency	x	N/A	<p>The consolidated Companies recorded a positive working capital balance from \$49.4m as at 30 June 2020 to \$8.5m as at 31 December 2023.</p> <p>The Companies recorded a working capital ratio of 2.01 as at 31 December 2023.</p> <p>The consolidated financial accounts for the Companies show a working capital ratio above 1 for all periods reviewed. Working capital deficiency is not an indicator for KLL.</p>												
			Based on the Audited Financial Accounts, the Companies recorded the following net asset position:												
			<table> <tr> <th>FY20</th><th>FY21</th><th>FY22</th><th>HY23</th></tr> <tr> <td>\$135.5m</td><td>\$139.9m</td><td>\$162.3m</td><td>\$60.1m</td></tr> </table>	FY20	FY21	FY22	HY23	\$135.5m	\$139.9m	\$162.3m	\$60.1m				
FY20	FY21	FY22	HY23												
\$135.5m	\$139.9m	\$162.3m	\$60.1m												
Net asset deficiency	x	N/A	<p>The Companies had a positive net asset position from at least FY20 onwards. Therefore, we do not consider net asset deficiency as an indicator of insolvency.</p>												
			We have analysed the aged creditor position for KLL as at month end from January 2023 to June 2023, however, the analysis does not present any clear indications of insolvency.												
Ageing of creditors	x	N/A	<p>Our preliminary of aged payables over the period analysed is shown in the chart below:</p>												

Insolvency indicator	Present	Date relevant to insolvency	Administrators' comments
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Creditor Ageing Analysis



Overall, KLL maintained a low creditor balance, as would be expected with an ASX listed holding company. From January 2023 to May 2023, there was a trend of decreasing aged payables and payables were maintained within payment terms.

Only in June 2023, the aged payables balance increased significantly on the prior months, including certain invoices which remained outstanding for greater than 120 days. We have not queried with management why the creditors outstanding for greater than 120 days were not included in prior months, as it is considered immaterial.

In summary, we do not consider that there is a clear indication that KLL was insolvent having regard to the aging of its creditor book.

Inability to extend
finance facilities and
breaches of
covenants

✓

August
2023

The secured lenders (Westpac as security trustee for secured lenders NAIF and KfW) to Kalium Lakes Potash Pty Ltd, had provided a liquidity facility of \$20m, of which \$10m had been drawn by 20 June 2023.

Given its precarious position, from time to time, cashflow forecasts prepared on a weekly basis indicates that KLP may not meet the financial covenants minimum cash balance requirement as set out in the special conditions to drawdown of the liquidity facility agreement, which constituted an event of default under the suspension of rights clauses. This was communicated to the secured lenders and from time to time, waivers of the relevant covenants were sought and obtained.

On or around June 2023, the secured lenders allowed a further \$5m drawdown against the facility as a condition of the Companies' agreement to commence a sale / recapitalisation process.

The deadline for receipt of NBIOs was 3 August 2023, at this stage the Companies had exhausted the additional \$5m of

Insolvency indicator	Present	Date relevant to insolvency	Administrators' comments								
			<p>liquidity funding advanced by the secured lenders and required additional funding to progress the sale process.</p> <p>On this date (3 August 2023) the secured lenders effectively declined to provide the final \$5.0m liquidity facility or any further funding in order to continue with the strategic sale process under control of the Board, and as there were no further funds made available to the company, the directors appointed Voluntary Administrators.</p> <p>Aside from the above, we are not aware of any other default notice being issued to the Companies.</p>								
Inability to meet other financial commitments / default on finance agreements			We are not aware of any other inability to meet other financial commitments.								
Availability of other cash resources – cash flow test											
Profitability / trading losses	✓	Unknown	<p>Based on the financial and management accounts, the Companies recorded the below net losses before income tax:</p> <table border="1"> <thead> <tr> <th>FY20</th><th>FY21</th><th>FY22</th><th>HY23</th></tr> </thead> <tbody> <tr> <td>(\$18.9m)</td><td>(\$0.6m)</td><td>(\$36.5m)</td><td>(\$102.3m)</td></tr> </tbody> </table> <p>The Company incurred trading losses from FY20 to HY23, with the net losses mainly attributable to the Company recording no sales revenue between FY20 and FY22.</p> <p>Despite recording the Company's first commercial sales in July 2022, the Company still reported a net loss of \$102.3m.</p>	FY20	FY21	FY22	HY23	(\$18.9m)	(\$0.6m)	(\$36.5m)	(\$102.3m)
FY20	FY21	FY22	HY23								
(\$18.9m)	(\$0.6m)	(\$36.5m)	(\$102.3m)								
Cash flow difficulties	✓	Unknown	<p>The Company recorded positive cash flows of \$39.2m in FY20, primarily driven by proceeds from the issue of shares of \$133.7m.</p> <p>The Company first recorded negative flows between FY21 and HY23, primarily driven by payments for mine development.</p> <p>The Companies sought further funding from NAIF and KfW (the secured lenders), however, the secured lenders effectively declined the second \$5m drawdown of the Liquidity Facility on the morning of 3 August 2023.</p>								
Access to alternative sources of finance (including equity capital)	✗	N/A	<p>The Companies have undertaken a number of successful equity raises over recent years, including:</p> <ul style="list-style-type: none"> – 2021 Successful Completion of \$50m Capital Raising – 2022 Successful Completion of Debt Restructure and \$34m Capital Raising <p>We therefore note that shareholders were willing to continue to contribute to the Companies and appear to have had the financial capacity to do so.</p>								

Insolvency indicator	Present	Date relevant to insolvency	Administrators' comments
Inability to dispose non-core assets	x	N/A	There is no indication that the Companies could have disposed of any non-core assets to free up working capital, as we do not believe there were any none-core assets to dispose of.
Dishonoured payments	x	N/A	There is no evidence reviewed to date that indicates any dishonoured payments were made to creditors.
Overdue Commonwealth and State taxes	x	N/A	<p>There are no amount outstanding to the ATO, as the Companies were trading losses and have yet to incur income tax and all PAYG and GST amounts payable are up to date.</p> <p>There was no payment arrangement in place between the Companies and the ATO.</p> <p>We are yet to receive evidence that PAYG, GST or are outstanding as at the date of our appointment.</p> <p>Payroll tax outstanding to the office of state revenue is estimated to be \$778k as at the date of our appointment, however, we note that this amount pertains to period from 1 July 2021 to 30 June 2023 and is not yet due and payable.</p>
No forbearance from creditors / legal action threatened or commenced by creditors	x	N/A	<p>Westpac as the security trustee for the secured lenders NAIF and KfW enforced a notice of default, secured monies due and payable and appointed Receivers and Managers on 3 August 2023 over secured entities KLP, KLI and KL, following the appointment of Administrators.</p> <p>We are not aware of any outstanding winding up applications against KLL as at the date of our appointment.</p> <p>We have no other evidence that indicates forbearance from creditors.</p>

8.4. Preliminary conclusion as to solvency

Having regard to the above analysis, **it is our preliminary view that KLL was not insolvent for any material time prior to our appointment on 3 August 2023.**

A liquidator, if appointed, would need to conduct further investigations, and possibly conduct a public examination of relevant parties, to ultimately determine whether or not the Company became insolvent at that time or earlier.

8.5. Potential liquidator recoveries – insolvent trading

Falsification of books

Pursuant to Section 1307(1) of the Act, it is an offence for a person to engage in conduct that results in the concealment, destruction, mutilation or falsification of any securities of or belonging to the company or any books affecting or relating to affairs of the company.

If an offence is proven, there are criminal penalties only. However, similar or related conduct also could give rise to a contravention of Section 1307(2) of the Act and that contravention could give rise to a claim for damages. Further, conduct falling within either Section 1307(1) or Section 1307(2) may amount to breaches of directors' statutory and/or general law duties and/or provisions proscribing misleading conduct which could give rise to a recovery of funds.

The Administrators' preliminary investigations do not reveal any evidence of falsification of books.

Directors' liability

Section 588G of the Act imposes a positive duty upon company directors to prevent insolvent trading. If a director is found to have committed an offence under Section 588G, the Court may order him or her to pay compensation to the company equal to the amount of loss or damage suffered by its creditors.

The Court may also impose upon the directors one of two types of civil penalty orders, the first can include a fine or an order prohibiting the directors from participating in the management of a company. The second, where there is criminal intent and conviction, exposes a director to imprisonment for up to five years and/or a fine.

This action is not a right that is available to an administrator or a deed administrator. Applications for compensation payable to the company are usually made by a liquidator, or in specified circumstances, a creditor.

The substantive elements of Section 588G are:

- a person is a director of a company at the time when the company incurs a debt;
- the company is insolvent at that time, or becomes insolvent by incurring that debt (or by incurring, at that time, debts including that debt); and
- at that time, there are reasonable grounds for suspecting that the company is insolvent or would so become insolvent (as the case may be).

Directors' defences

Section 588H defences

The defences available to directors contained in Section 588H are:

- at the time when the debt was incurred, the person had reasonable grounds to expect, and did expect, that the company was solvent and would remain solvent even if it incurred that debt or any other debts that it incurred at that time;
- at the time that the debt was incurred, the person had reasonable grounds to believe, and did believe, that a competent and reliable person (the **other person**) was responsible for providing to the first-mentioned person adequate information about whether the company was solvent, and that the other person was fulfilling that responsibility, and expected, on the basis of information provided to the first-mentioned person by the other person, that the company was solvent at that time and would remain solvent even if it incurred that debt and any other debts that it incurred at that time;
- because of illness or for some other good reason, the person did not take part in the management of the company;
- the person took all reasonable steps to prevent the company from incurring the debt.

Safe harbour defences

Section 588GA gives directors a safe harbour from the insolvent trading provisions contained in Section 588G whilst attempting to restructure or turnaround the business.

Safe harbour provisions apply if (and subject to certain conditions being met) after the person starts to suspect the company may become or is insolvent, the person starts developing one or more courses of action that are reasonably likely to lead to a better outcome for the company.

The period of safe harbour continues from the time at which the person starts developing the course of action and ends at the earliest of any of the following times:

- if the person fails to take any such course of action within a reasonable period after that time – the end of that reasonable period;
- when the person ceases to take any such course of action;
- when any such course of action ceases to be reasonably likely to lead to a better outcome for the company; or
- the appointment of an administrator or liquidator to the company.

During the period of safe harbour, the following conditions must be met:

- the debt must be incurred directly or indirectly in connection with the course of action reasonably likely to lead to a better outcome for the company;
- the company must continue to pay all employee entitlements (including superannuation) by the time they fall due; and
- the company must continue to comply with all tax reporting obligations.

The Board held meetings to discuss (amongst other matters) the solvency of the Companies and the establishment of a Safe Harbour Committee. On 27 March 2023 the Board engaged Peloton Legal and shortly thereafter on 29 March 2023, Cor Cordis were engaged to provide advice and track the Safe Harbour process.

A summary of the Safe Harbour Committee meetings, including dates held and the advisors present is set out below:

Safe Harbour Committee Meetings		Advisors Present			
Meeting	Date	Cor Cordis	Peloton Legal	Thomson Geer	Argonaut
Board Meeting	Thursday, 23 March 2023				
SHC Meeting 1	Wednesday, 5 April 2023	✓	✓	✓	
SHC Meeting 2	Wednesday, 12 April 2023	✓	✓	✓	
SHC Meeting 3	Thursday, 20 April 2023	✓	✓	✓	
SHC Meeting 4	Wednesday, 3 May 2023	✓	✓	✓	
SHC Meeting 5	Wednesday, 10 May 2023	✓	✓	✓	
SHC Meeting 6	Thursday, 18 May 2023	✓	✓	✓	
SHC Meeting 7	Thursday, 1 June 2023	✓	✓	✓	
SHC Meeting 8	Wednesday, 14 June 2023	✓			
SHC Meeting 9	Wednesday, 21 June 2023	✓			
SHC Meeting 10	Thursday, 29 June 2023	✓	✓		✓
SHC Meeting 11	Thursday, 6 July 2023	✓	✓		✓
SHC Meeting 12	Thursday, 13 July 2023	✓	✓		✓
SHC Meeting 13	Thursday, 20 July 2023	✓	✓		✓
SHC Meeting 14	Thursday, 27 July 2023	✓	✓		✓
SHC Meeting 15	Thursday, 3 August 2023	✓	✓		

Based on our preliminary investigations, we are of the view that the Directors will likely rely on the safe harbour defence up to the date of our appointment, should an insolvent trading claim be considered.

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 costs of litigation and the uncertainty of success inherent in any complex litigation; and
- the Director's/Formal Director's capacity to meet a claim for compensation.

The Administrators do not believe that there is a claim against the directors for insolvent trading as the Companies were not insolvent for a substantial period prior to our appointment.

Holding company liability

Section 588V of the Act provides that a holding company may be held liable for the debts of a subsidiary in certain circumstances.

The substantive elements of Section 588V are:

- the corporation is the holding company of the subsidiary at the time when the company incurs a debt;
- the subsidiary is insolvent at that time, or becomes insolvent by incurring that debt;
- at the time, there are reasonable grounds for suspecting that the subsidiary is insolvent, or would so become insolvent (as the case may be);
- one or both of the following subparagraphs applies:
 - the holding company, or one or more of its directors, is or are aware at that time that there are grounds for suspecting the subsidiary is insolvent; or
 - having regard to the nature and extent of the holding company's control over the subsidiary's affairs, and to any other relevant circumstances, it is reasonable to expect that:
 - a holding company in the corporation's position would be so aware; or
 - one or more of such a holding company's directors would be so aware.

The defences the holding company may rely upon are set out in Section 588X and are essentially the same as those a director may rely upon under Section 588H.

Furthermore, the Courts have held that, as a defence to such proceedings, a holding company can off-set any claim by a liquidator under Section 588W against monies owing under an intercompany loan account. In this regard, we note from the records of the Companies as at the date of our appointment that KLL is owed \$243.6m from KLP and \$11.4m from KLI, so any potential claims against KLL by KLP or KLI will need to take this into consideration.

Any future appointed liquidator would need to complete their further investigations to quantify any potential claim.

8.6. Adequacy of books and records

Section 286 of the Act requires a company to keep written financial records that correctly record and explain the company's transactions, financial position and performance and would enable true and fair financial statements to be prepared. The financial records must be retained for a period of seven years after the transactions covered by the records are completed.

The failure to maintain books and records in accordance with Section 286 provides a rebuttable presumption of insolvency which might be relied upon by a liquidator in an application for compensation for insolvent trading.

Based on my review of the books and records received, we are of the opinion that the Company's books and records were maintained in accordance with Section 286 of the Act to 3 August 2023.

8.7. Other matters arising from investigations

False or misleading statements

Pursuant to Section 1308 of the Act, a company must not advertise or publish a misleading statement regarding the amount of its capital. It is an offence for a person to make or authorise a statement that, to the person's knowledge is false or misleading in a material particular.

The Administrators' preliminary investigations do not reveal any evidence of any false or misleading statements.

False information

Pursuant to Section 1309 of the Act, it is an offence for an officer or employee to make available or give information to a director, auditor, member, debenture holder, or trustee for debenture holders of the company that to the knowledge of the officer or employee:

- is false or misleading in a material particular; or
- has omitted from it a matter or thing the omission of which renders the information misleading in a material respect.

The Administrators' preliminary investigations do not reveal any evidence of any false information.

9. Voidable transactions

This section informs creditors about potential voidable transactions that occurred prior to the appointment of the Administrators, and where the property of the Company was disposed of or dealt with, may be recovered by a liquidator.

Key takeaways		Ref.
1	We have not identified any potential voidable transactions for KLL.	9.1 to 9.7
2	We identified a number of related party transactions between director related entities of Brent Smoothy and the Companies. However, we do not believe the related party transactions identified constitute unreasonable director-related transactions to be recoverable by a liquidator.	9.5

A liquidator has the power to take steps to have declared void certain transactions which are either not beneficial, or are detrimental, to a company. An administrator must identify any transactions that appear to be voidable by a liquidator. Apart from seeking to have a voidable transaction declared void, a liquidator may seek related orders, including the payment of compensation.

Enclosed at **Annexure B** is a creditor information sheet published by ARITA. This information sheet details the types of transactions which a liquidator can seek to have declared void, which include:

- unfair preference payments;
- uncommercial transactions;
- unfair loans;
- unreasonable director-related transactions;
- inappropriate related party transactions;
- creation of circulating security interests within 6 months of commencement of liquidation; and
- transactions for the purpose of defeating creditors

For the purposes of examining voidable transactions, the Liquidator would review transactions that occurred during the relevant time period (as prescribed under the Act), taking into consideration the “relation back day”.

The relation back day for the Company is 3 August 2023 being the date the directors resolved to appoint the Voluntary Administrators as determined by Section 91 of the Act.

9.1. Summary of potential antecedent transactions

At this stage, the Administrators do not consider that there will be any potential recoveries by a liquidator in the event that the Company be wound up. Set out below is a summary of transactions that a liquidator would be very likely to investigate further if KLL is placed into liquidation.

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

9.2. Unfair preferences – section 588FA

An unfair preference payment is a transaction, generally occurring in the six months prior to the relation back day, between the company and a creditor, resulting in the creditor receiving from the company, in respect of an unsecured debt that the company owes to the creditor, more than the creditor would receive from the company in respect of the debt if the transaction were set aside and the creditor were to prove for the debt in a winding up of the company. This period is extended up to four years for transactions entered into with a related entity.

A transaction can only be considered an unfair preference if the company was insolvent at the time the transaction took place, or the company became insolvent as a result of the transaction.

Unfair preference payments are voidable against a liquidator, and further investigations will be undertaken in the liquidation to determine the likelihood of action for the recovery of unfair preference payments being successful. We note that successful action for unfair preference payments includes establishing the date of insolvency, and the costs of pursuing an unfair preference payment can sometimes outweigh the potential returns.

There are various defences under the Act that may be available to a party that may have received the benefit off a voidable transaction.

Unfair preferences – defences

The creditor may defend an unfair preference claim brought by a liquidator if it proves that it became a party to the transaction in good faith and, at the time when the person became a party to the transaction:

- the creditor had no reasonable grounds for suspecting that the company was insolvent at that time or would become insolvent because of entering into the transaction or a person doing an, or making an omission, for the purpose of giving effect to the transaction; and
- a reasonable person in the creditor's circumstances would have had no such grounds for so suspecting,

and the creditor provided valuable consideration under the transaction or has changed his, her or its position in reliance on the transaction.

9.3. Uncommercial transactions – section 588FB

An uncommercial transaction is a transaction which a reasonable person in the company's circumstances would not have entered into, having regard to:

- the benefits (if any) to the company entering into the transaction
- the detriment to the company of entering into the transactions
- the respective benefits to other parties to the transaction of entering into it
- any other relevant matters

A liquidator will investigate transactions to determine if they are uncommercial, where those transactions have occurred in the period two years prior to the date of liquidation.

Based on the books and records in our possession we have not identified any transactions which would constitute uncommercial transactions.

9.4. Unfair loans – section 588FD

A liquidator will investigate any loans to the company which may be considered unfair due to extortionate interest rates or charges.

Based on the books and records in our possession we have not identified any transactions which would constitute unfair loans to the Company.

9.5. Unreasonable director-related transactions – section 588FDA

Section 588FDA of the Act refers to “unreasonable director-related transactions” and requires the liquidator to investigate such transactions, having regard to the detriment to the Company (if any) suffered as a consequence of the transaction.

The transaction must satisfy the criteria set out in section 588FDA, and have been entered into, or an act was done for the purpose of giving effect to it, during the four years prior to the relation back day, regardless of the solvency at the time the transaction occurred. Unreasonable director-related transactions can potentially include payments by the company to, dispositions of property by the company to, issuances of securities by the company to and incurrence of obligations by the company in favour of:

- a director of the company;
- a close associate of a director of the company; or
- a person on behalf of, or for the benefit of, a director of the company or a close associate of a director of the company.

An unreasonable director related transaction must be a transaction which a reasonable person in the company's circumstances would not have entered into, having regard to:

- the benefits (if any) to the company of entering into the transaction;
- the detriment to the company of entering into the transaction;
- the respective benefits to other parties to the transaction of entering into it; and
- any other relevant matter.

We have identified a number of related party transactions (from the Companies' Annual Reports) between director-related entities of Brent Smoothy and the Companies over the past five years, summarised below.

\$000s					
Related party	2019	2020	2021	2022	2023
K19 Mining Pty Ltd	-	727	4,465	8,090	6,618
Smoothy Cattle Co Pty Ltd	509	2,964	87	-	-
Firm Construction Pty Ltd	-	4,351	-	-	-
Total related party amounts	509	8,042	4,552	8,090	6,618

- Between 21 October 2020 and 3 August 2023, payments totalling \$19.9m for services provided on site by K19 Mining Pty Ltd, being haulage of waste salt and plant feed, harvesting activities, road maintenance, waste ponds activities, ROM pad activities, maintenance of equipment, dayworks.
- Payments made from 8 August 2019 and 18 August 2021 to Smoothy Cattle Co Pty Ltd for services provided on site including infrastructural earthworks, road maintenance, equipment hire and operators, helicopter hire for environmental surveys, to a total of \$3.6m.
- Payment of \$4.4m for the pioneering and general earthworks and pond earthworks services provided on site by Firm Construction Pty Ltd, between 19 August 2019 and 29 May 2020.

The total amount for related party transactions identified between the Companies over the past four years is \$27.8m. We note that the above related party transactions were reported in the consolidated annual reports for KLL and we believe them to be arm's length transactions.

Therefore, based on the investigations undertaken to date and information available to us, we do not believe the related party transactions identified constitute unreasonable director-related transactions which would be recoverable by a liquidator.

A liquidator, if appointed, would need to undertake further investigations in order to confirm whether any related-party transactions were unreasonable and if there were any recoveries available from pursuing any such claim.

9.6. Voidable charges

A circulating security interest is void, as against the company's liquidator, if the security interest was created during the six months ending on the relation back day except so far as it secures:

- an advance paid to the company, or at its direction, at or after the it was created and as consideration for the creation of the circulating security interest;
- interest on such an advance;
- the amount of a liability under a guarantee or other obligation undertaken at or after that time on behalf of, or for the benefit of, the company;
- an amount payable for property or services supplied to the company undertaken at or after that time on behalf of, or for the benefit of, the company; or
- interest on an amount so payable.

Based on our PPSR search and the proof of debts received to date, we have not identified any potential voidable security interests.

9.7. Arrangements to avoid employee entitlements

Part 5.8A of the Act aims to protect the entitlements of a company's employees from agreements that deliberately defeat the recovery of those entitlements upon insolvency. Under Section 596AB(1) of the Act, it is an offence for a person to enter into a transaction or relevant agreement with the intention of, or with intentions that include the intention of:

- avoiding or preventing the recovery the entitlements of employees of a company; or
- significantly reducing the entitlements of employees of a company that can be recovered.

Based on the books and records in our possession, we have not identified any arrangements to avoid employee entitlements.

9.8. Directors' ability to pay a liquidator's claims

Given the Administrators do not consider there will be any potential recoveries from the Directors by a liquidator, we have not made any assessment as to the financial capacity of the Directors to meet any potential liquidator action.

A future appointed liquidator would likely conduct further investigations into this matter.

9.9. Reports to the ASIC

Section 438D of the Act requires an administrator of a company to lodge a report with ASIC (and give ASIC such information, and access to and facilities for inspecting and taking copies of documents, as ASIC requires) should it appear to the administrator that:

- a past or present officer or employee, or a member, of the company may have been guilty of an offence in relation to the company; or
- a person who has taken part in the formation, promotion, administration, management or winding up of the company:
 - may have misapplied or retained, or may have become liable or accountable for, money or property (in Australia or elsewhere) of the company; or
 - may have been guilty of negligence, default, breach of duty or breach of trust in relation to the company.

We have not identified any offences that require reporting to the ASIC pursuant to Section 438D of the Act.

Creditors should be aware that any report lodged pursuant to Section 438D (or an investigative report lodged by a liquidator pursuant to Section 533 of the Act) is not available to the public.

10. Return to creditors

This section provides creditors with information on the estimated financial outcome to creditors together with the anticipated timing of any dividend.

Key takeaway		Ref.
1	As there is no DOCA proposed at this stage, we are only able to present a liquidation scenario for the Company. In a Liquidation, it is anticipated that there will be no returns to unsecured creditors.	10.1

10.1. Return to creditors

Based upon the information in this report, particularly as detailed in **Section 5** of the Report, in the event that the Company is wound up, we are unable to determine with certainty whether a dividend will be payable to creditors, other than note that there will be a return to the secured lender from the sale of the Beyondie SOP Project.

The estimated returns for each class of creditors in a Liquidation are below:

Estimated Returns	Low Return c/\$	High Return c/\$
Liquidation		
Excluded employee creditors	Nil	Nil
Unsecured creditors	Nil	Nil

Winding up of KLL

For illustrative purposes, the tables below outline the estimated return in a liquidation scenario under a low and high case for KLL:

Kalium Lakes Ltd (KLL)	Liquidation	
	Low Return	High Return
Estimated Return	\$	\$
Assets subject to Non-Circulating Charge		
Share interest in subsidiaries	Commercially sensitive	
R&D claim	TBC	TBC
<i>Less: Amount owed to Secured Creditor</i>	(210,000,000)	(209,412,703)
Amounts available to unsecured creditors	Nil	Unknown
Add: Potential returns from antecedent transactions		
Insolvent trading / holding company liability	Nil	Unknown
Unfair preference payments (if any)	Nil	Unknown
<i>Less: Litigation funding (40% fee)</i>	Nil	Unknown
<i>Less: Legal fees related to recoveries</i>	Nil	Unknown
Total Estimated Recoveries	Nil	Unknown
Administrators' fees to 23/11/2023	(90,711)	(90,711)
Estimated Administrators fees to Second Meeting	(30,000)	(30,000)
Administrators' disbursements and legal fees	(10,000)	(3,500)
Estimated Liquidators' fees and costs	(200,000)	(150,000)
Total Priority Payments	(330,711)	(274,211)
Balance Available for Priority Creditors	Nil	Unknown
Estimated employee entitlements	(2,700)	(2,700)
Total owed to employees	(2,700)	(2,700)
Balance Available for Unsecured Creditors	Nil	Unknown
Liquidation Returns		
KLL Unsecured creditors	(700,000)	(521,103)
KLL Secured Creditor residual claim	TBD	TBD
Total Unsecured Claims	TBD	TBD
Dividend c/\$	Nil	Nil
Dividend available to KLL	Nil	Nil
Estimated surplus / deficiency	TBD	TBD

For completeness, we do not expect any claims from employees as they were all employed in the subsidiary KLP, however if the Company is placed into liquidation, employees (other than excluded employees) may be eligible for payment of their outstanding employee entitlements (excluding unpaid superannuation) under FEG, a scheme operated by the Department of Employment. Employees can obtain further information on the eligibility requirements of FEG at <https://docs.jobs.gov.au/documents/eligibility-feg-assistance-fact-sheet>.

10.2. Timing of dividend

A dividend to unsecured creditors under a liquidation scenario will be dependent upon the successful recoveries from any insolvent trading claims or antecedent transactions. As discussed previously in this Report, the likelihood of recoveries is nil or unknown.

11. Statement by Administrators

The Administrators consider it would be in the creditors' best interest to resolve to adjourn the Second Meeting for a period not exceeding forty-five (45) days business days to allow further time for interested parties to formulate and put forward a DOCA proposal to creditors.

Pursuant to IPR 75-225(3)(b), we are required to provide creditors with a statement setting out our opinion on whether it is in creditors' interests for the:

- administration to end;
- company to be wound up;
- company to execute a DOCA; or
- Second Meeting of creditors to be adjourned for a period not exceeding forty-five (45) business days.

Each of these options is considered below. In forming our opinion, it is necessary to consider an estimate of the dividend creditors might expect and the likely costs under each option however in the current circumstances such estimates are not available or may be difficult to predict with accuracy.

11.1. Administration to end

Creditors may resolve that the administration should end if it appears a company is solvent, or for some other reason, control of a company should revert to its directors.

From our preliminary investigations and analysis of the individual companies' financial position, the Company is insolvent and unable to pay its debts as and when they fall due.

If the administration were to end, there is no mechanism controlling an orderly realisation of assets and distribution to creditors. In those circumstances, we are unable to say what the Company may ultimately pay creditors or what costs it might incur.

Accordingly, returning control of the Company to its directors would be inappropriate and is not recommended.

11.2. DOCA

During the course of the Administration, we have been approached by interested parties who expressed an interest in proposing a DOCA but required further time to put forward a more formal (and detailed) proposal.

As no DOCA has been proposed at this point in time, this option is not currently available to creditors.

11.3. Winding up of the Company

In the absence of a DOCA proposal, the Company will be placed into liquidation.

We also do not expect that there will be any recoveries from the voidable and other transaction referred to in **Sections 8 and 9** of this Report. A future appointed liquidator will need to conduct further detailed investigations to ascertain if there are any potential recoveries to pursue and with any potential legal issues, these recoveries are uncertain and it may not be commercial to pursue.

Further, the Company's main assets are:

- its interest in subsidiaries (via its shareholding and intercompany loan) KLP and KLI who own and operate the Beyondie SOP Project; and
- a claim for R&D refunds from the ATO

which are both subject to the security of secured creditor.

Accordingly, any funds from the sale of these assets will be applied to the secured creditor debt (c.\$209.4m). It is expected there will be a significant shortfall to secured creditor from the sale and therefore we do not anticipate any funds available for unsecured creditors from these realisations.

A liquidator would be in a position to conduct detailed investigations into the conduct of directors and the financial affairs of the Company. A liquidator will also be empowered to:

- complete the sale of assets in an orderly manner (subject to the Receiver and Managers' appointment);
- assist employees in applying for FEG for the payment of certain employee entitlements that cannot otherwise be funded by the Company;
- pursue various potential recoveries under the Act;
- distribute recoveries made in accordance with the priority provisions of the Act; and
- report to the ASIC on the results of investigations into the Company's affairs.

11.4. Adjournment of the Second Concurrent Meeting

As noted previously, interested parties have expressed their intention to formulate and propose a DOCA for the benefit of all stakeholders of the company. However, at this stage, their proposals are not sufficiently progressed to a form that may be considered by creditors.

In accordance with the requirement IPR 75-225(3)(b) and in the absence of a DOCA proposal, the Administrators do not recommend an immediate winding up of the Company or that the administration end and control of the Company be returned to the Directors.

At the date of this report and in view of our comments in section 11.1, 11.2 and 11.3 above, we consider it would be in creditors' best interests for each of the Companies, less ASLP and PP, to **resolve to adjourn the Second Meeting for a period not exceeding forty-five (45) business days** as it can, amongst other things:

- Allow further time for interested parties to formulate and put forward a DOCA proposal to creditors and to allow the Administrators further time to progress the potential restructure of the Company; and
- Report back to creditors with sufficient information (post the effectuation of the KLP and KLI DOCAs (should the DOCAs be accepted) to accurately determine whether entering into a DOCA (if one is proposed) provides a better return to creditors as compared to an immediate winding-up of each of the Company.

We also note that there is no certainty that a DOCA proposal will be received from interested parties. That said, in our opinion, while there are costs associated with adjourning the Second Meeting and the risk that a proposal will not ultimately be received, there is potentially a substantial benefit to creditors from a DOCA proposal that will only be possible if the meeting is adjourned for a period not to exceed 45 business days.

An adjournment at this time would be consistent with the "spirit" and objectives the Voluntary Administration process, which provides that the Administration facilitates a process whereby a company's affairs be managed in a way that:

- Maximises the chances that a company, or as much as possible of its business continuing in existence; or
- If it is not possible for a company or its business to continue in existence – results in a better return for the company's creditors and members that would result from an immediate winding up of the company.

In the event that creditors adopt that course, the Administrators will continue their interrogation of the Company's records with a view to a restructure of the Company's balance sheet, work together with the interested parties with a view developing a DOCA proposal and compile a supplementary report to creditors.

This would be done so that we may better inform creditors (and provide more certainly as to the assets values and potential recoveries which would lead to quantification as to the likely returns from the alternatives available). **The reconvened Second Meeting of creditors would then be held on or before Friday, 16 February 2024.**

It is difficult to estimate the cost of adjourning the meeting of creditors. During the period of the adjournment, some costs will be incurred in continuing investigations that would otherwise be undertaken in a liquidation, while other costs will relate more specifically reporting to creditors on the outcome of the investigation and to re-convening the second meeting of creditors. That said, our estimate of the marginal costs for the adjournment of the Second Meeting is approximately \$30,000 - \$50,000 (plus GST).

12. Further information and enquiries

ASIC has released several insolvency information sheets to assist creditors, employees and shareholders with their understanding of the insolvency process. You can access the relevant ASIC information sheets at www.asic.gov.au.

We will advise creditors in writing of any additional matter that comes to our attention after the release of this Report, which in our view is material to creditors' consideration.

Should you have any enquiries, please contact us on +61 (08) 9263 7297 or by email at kaliumlakes@kpmg.com.au.

Dated this 1st day of December 2023.



Martin Jones
Joint and Several Administrator

Annexures

Annexure A – Notice of meeting of creditors

Notice of Second Meeting of Creditors

Insolvency Practice Rules (Corporations) 2016 (IPR), Section 75-15

Kalium Lakes Ltd (Administrators Appointed) (Receivers and Managers Appointed) ACN 613 656 643 (the Company)

NOTICE is given that a meeting of creditors of the Company will be held at KPMG, Level 8, 235 St Georges Terrace, Perth WA 6000 on Monday, 11 December 2023 at 10:00am (AWST).

Agenda

1. To consider a statement by the Directors about the Company's business, property, affairs and financial circumstances.
2. To consider the circumstances leading to the appointment of the Administrators to the Company and the various options available to creditors.
3. To consider the report of the Administrators.
4. To fix the remuneration of the Administrators.
5. To resolve that the Company be wound up.
6. To resolve for the Administration to end.
7. If it is resolved that the Company be wound up, and an alternate Liquidator is proposed, consider whether creditors wish to appoint the alternate Liquidator.
8. If it is resolved that the Company be wound up, consider whether a Committee of Inspection is to be appointed, and if so, the members of that Committee.
9. If it is resolved that the Company be wound up, to fix the remuneration of the Liquidators.
10. Any other business that may be lawfully brought forward.

Creditors wishing to vote at the meeting, who will not be attending in person or are a company, must complete and return a Proxy Form (and lodge a Proof of Debt form electronically via the Creditors' Portal if one has not already been lodged) by no later than 4:00pm on the last business day prior to the meeting by email to kaliumlakes@kpmg.com.au, by post to GPO Box A29, PERTH WA 6837 or by facsimile to +61 8 9263 7129. A Proxy Form is enclosed.

For creditors who are unable to attend the meeting, a conference call facility will be available.

If you wish to vote or participate, you must attend in person or by proxy. Creditors are not entitled to vote at the meeting unless they lodge particulars of the debt or claim via the Creditors' Portal before the meeting.

Should you wish to attend the meeting via teleconference facilities, please contact KPMG by email at kaliumlakes@kpmg.com.au or by telephone to 08 9263 7297 at least one (1) business day prior to the meeting to advise that you will be using the conference facilities and to be provided with the conference call code.

Dated this 1st day of December 2023.



Martin Jones
Joint and Several Administrator

KPMG

Tel: +61 8 9263 7297

Fax: +61 8 9263 7129

Email: kaliumlakes@kpmg.com.au

Note: In accordance with IPR Section 75-15(1)(c) please see effect of IPR Section 75-85 Entitlement to vote at meetings of creditors on the following page.

Annexure B – ARITA creditor information sheet

Creditor Rights in Voluntary Administrations

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



Right to request information

Information is communicated to creditors in a voluntary administration through reports and meetings.

In a voluntary administration, two meetings of creditors are automatically held. You should expect to receive reports and notice of these meetings:

- The first meeting is held within 8 business days of the voluntary administrator's appointment. A notice of meeting and other information for this meeting will be issued to all known creditors.
- The second, or decision, meeting is usually held within 6 weeks of the appointment, unless an extension is granted. At this meeting, creditors will get to make a decision about the Companies's future. Prior to this meeting the voluntary administrator will provide creditors with a notice of the meeting and a detailed report to assist in making your decision.

Important information will be communicated to creditors prior to and during these meetings. Creditors are unable to request additional meetings in a voluntary administration.

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

A voluntary administrator 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 voluntary administrator 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:

- (a) complying with the request would prejudice the interests of one or more creditors or a third party
- (b) the information requested would be privileged from production in legal proceedings
- (c) disclosure would found an action for breach of confidence
- (d) there is not sufficient available property to comply with the request
- (e) the information has already been provided
- (f) the information is required to be provided under law within 20 business days of the request
- (g) the request is vexatious

If a request is not reasonable due to (d), (e) or (f) above, the voluntary administrator must comply if the creditor meets the cost of complying with the request. Otherwise, a voluntary administrator must inform a creditor if their information request is not reasonable and the reason why.

Annexure C – 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 Companies.

Please note, the email registered on the Creditors' Portal will receive all notifications including circulars and reports issued by the Administrators.

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.

Step 7: Appoint a proxy (required for company creditors, optional for individuals)



- If you are a company creditor or individual that is appointing the Chairperson or an alternative person to vote (alternate email to the email registered initially) please complete a proxy form attached to the report to creditors and submit **via email** to the External Administrators.
- The External Administrators will provide the nominated proxy holder with a unique creditor code prior to the meeting for voting purposes only.
- The nominated proxy holder will need to register on the Portal (**Step 1 to Step 3**) to be provided with access to vote at the online meeting on behalf of the creditor.

Step 8: Voting at the online meeting



- You will only be able to vote from the time the online meeting commences (one hour before).
- Log into the Portal and click on “*Open for voting*” on the landing page or the “*Debtors*” tab and “*My debtors*” and click on the relevant company.
- You will be able to view the online meeting under the “*Polls*” tab.
- You will be able to view the resolutions on the screen with the option to vote “*in favour, against or abstain*”.
- If you are a nominated proxy holder, you will be able to view the resolutions and the creditor that you are acting on behalf of.
- The chairperson will read the resolutions, allow you to vote prior to locking the resolutions.
- Please ensure you click “*Submit*” after placing your votes.

D – Remuneration approval request

Schedule 2 to the Corporations Act 2001, Section 70-50
Insolvency Practice Rules (Corporations) 2016, Section 70-45

Kalium Lakes Limited (Administrators Appointed) (Receivers and Managers Appointed)
ACN 613 656 643 (the Company or KLL)

1 Summary

We are asking creditors to approve the following remuneration:

	Remuneration \$(ex GST)
Voluntary administration – work completed to 24 November 2023 (retrospective)	\$90,710.50
Voluntary administration – 25 November 2023 to the Second Meeting of Creditors	30,000.00
If company is placed into liquidation – from commencement to completion of liquidation	150,000.00

Details of remuneration can be found in sections 3 of this report.

- Please review the contents of this report, which sets out the resolutions to be approved by creditors at the meeting of creditors on 11 December 2023.
- Refer to section 2 of the report to creditors dated 1 December 2023 for details as to how you can attend the meeting of creditors in person or by proxy in order to vote on the resolutions contained in this report.

We estimate that the total combined cost of the administration for KLL, KLP and KLI will be approximately \$730,966 (excluding GST). This differs from the cost estimate provided to creditors in the Initial Circular to Creditors dated 4 August 2023, which estimated a combined cost to completion of the administration of between \$200,000 and \$250,000 (excluding GST).

The reason for our current total cost estimate being greater than the amount previously advised to creditors is due to:

- the extension of the administration period, which was done via application to the Supreme Court of WA for an extension of the convening period by three (3) months, ending on 1 December 2023. The extension was necessary to enable the Receivers and Managers to progress their sale and marketing process for the Companies' business and assets.
- In addition, time costs associated with preparing further supplementary report for KLP and KLI and reconvening the Second Meeting for those entities has also added additional costs to the external administration.

2 Declaration

We, Martin Jones, Matthew Woods and Clint Joseph of KPMG, have undertaken an assessment of this remuneration claim for our appointment as Administrators of the Company in accordance with the law and applicable professional standards. We are satisfied that the remuneration claimed is necessary and proper.

We have reviewed the work in progress report for the administration to ensure that remuneration is only being claimed for necessary and proper work performed.

3 Remuneration sought

The remuneration we are asking creditors to approve is as follows. We will only seek approval of the resolution for the liquidation if creditors vote to place the Company into liquidation.

For	Period	Amount (ex GST) \$	Rates to apply	When it will be drawn
Work already completed	3 August 2023 to 24 November 2023	90,710.50	Please refer to the Initial Remuneration Notice (IRN) sent to creditors on 4 August 2023	When funds are available
Work to be completed	25 November 2023 to 11 December 2023	30,000.00		
Voluntary administration total		\$120,710.50		
Future work – liquidation	Commencement to completion of liquidation	150,000.00	Please refer to IRN sent to creditors on 4 August 2023	When funds are available
Liquidation total		\$150,000.00		

Details of the work already completed and work to be completed in the future are included at **Schedule A**.

Schedule B includes a breakdown of time spent by staff members on each major task for work we have already completed.

Actual resolutions to be put to the meeting are set out at **Schedule C** for your information. These resolutions also appear in the proxy form for the meeting that have been provided to you.

4 Likely impact on dividends

The Corporations Act sets the order for payment of claims against the Company and it provides for remuneration of the Administrators to be paid in priority to other claims. This ensures that when there are sufficient funds, the Administrators receives payment for the work done to recover assets, investigate the company's affairs, report to creditors and ASIC and distribute any available funds. Even if creditors approve our remuneration, this does not guarantee that we will be paid, as we are only paid if sufficient assets are recovered.

Any dividend to creditors will also be impacted by the amount of assets that we are able to recover and the amount of creditor claims that are admitted to participate in any dividend, including any claims by priority creditors such as employees.

We are unable to provide a dividend estimate of any certainty at this stage. If we do declare a dividend, any creditor whose claim has not yet been admitted will be contacted and asked to submit a proof of debt.

5 Report on progress of administration

This Remuneration Approval Request must be read in conjunction with the report to creditors dated 1 December 2023 which outlines the progress of the administration.

6 Summary of receipts and payments

There were no receipts and payments for the Company during the administration period as the Company did not have any funds. In addition, the control of assets vests with the Receivers and Managers.

7 Approval of remuneration

For information about how approval of the resolutions for remuneration will be sought, refer to Section 2 of the report to creditors dated 1 December 2023.

8 Questions

If you require further information in relation to the information in this report, please contact Lachlan Wharton of this office on 08 9263 7297.

You can also access information which may assist you on the following websites:

- ARITA at www.arita.com.au/creditors
- ASIC at www.asic.gov.au (search for INFO 85)

Dated this 1st day of December 2023.



Martin Jones
Administrator

Attachments:

Schedule A – Details of work
Schedule B – Time spent by staff on each major task already completed
Schedule C – Resolutions

Schedule A – Details of work

The below table contains more detailed descriptions of the tasks performed within each task area by the Administrators and their staff, which is referred to in Part 3 and supports remuneration Resolutions 3 to 5 set out in **Schedule C**.

		Tasks		
		Work already done	Work to be completed	If coy wound up
				Liquidation work
Period		4 August 2023 to 24 November 2023	25 November 2023 to second meeting of creditors	Commencement to finalisation of liquidation
Amount (ex GST)		\$90,710.50	\$30,000.00	\$ 150,000.00
Task Area	General Description			
Assets		6.2 hours \$4,421.50	8.0 hours \$5,154.01	
	Sale of business as a going concern	<ul style="list-style-type: none"> – Review correspondence on sale process – Liaising with Receivers and Managers regarding ongoing sale process – 	<ul style="list-style-type: none"> – Liaising with Receivers and Managers regarding ongoing sale process – Updating estimated statement of position 	
Creditors		33.5 hours \$21,812.00	25.0 hours \$16,106.27	43.0 hours \$27,702.78
	Creditor enquiries, requests and directions	<ul style="list-style-type: none"> – General updates and responses to creditor enquiries 	<ul style="list-style-type: none"> – General updates and responses to creditor enquiries 	<ul style="list-style-type: none"> – General updates and responses to creditor enquiries
	Security interest claims	<ul style="list-style-type: none"> – Search the PPSR register – Notify PMSI creditors identified from PPSR register – Receive initial notification of creditors' intention to claim 		
	Secured creditor	<ul style="list-style-type: none"> – Consideration of DOCA and/or recap options 	<ul style="list-style-type: none"> – Consideration of DOCA and/or recap options 	
	Reports to creditors	<ul style="list-style-type: none"> – Prepare initial circular to creditors dated 4 August 2023 	<ul style="list-style-type: none"> – Prepare correspondence to creditors – Prepare Voluntary Administrators' supplementary report to creditors 	<ul style="list-style-type: none"> – Prepare correspondence to creditors – Prepare statutory report to creditors

		Tasks		
		Work already done	Work to be completed	If coy wound up
				Liquidation work
	Dealing with proofs of debt (POD)	– Receipting and filing POD when not related to a dividend	– Receipting and filing POD when not related to a dividend	– Receipting and filing POD when not related to a dividend
	Meeting of creditors	<ul style="list-style-type: none"> – Preparation of meeting notices, proxies and advertisements – Forward notice of meeting to all known creditors – Preparation of meeting file – Preparation and lodgement of minutes of meetings with ASIC 	<ul style="list-style-type: none"> – Preparation of meeting notices, proxies and advertisements – Forward notice of meeting to all known creditors – Preparation of meeting file – Preparation and lodgement of minutes of meetings with ASIC Tasks associated with organising eligible employees meeting	<ul style="list-style-type: none"> – Preparation of meeting notices, proxies and advertisements – Forward notice of meeting to all known creditors – Preparation of meeting file – Preparation and lodgement of minutes of meetings with ASIC
Employees		0.2 hours \$135.00	5.0 hours \$3,221.25	30.0 hours \$19,327.52
	Employee enquiries	–	– Attend to employee enquiries	– Attend to employee enquiries
	Fair Entitlements Guarantee (FEG)			<ul style="list-style-type: none"> – Correspondence with FEG – Preparing notification spreadsheet – Preparing FEG quotations – Preparing FEG verifications – Completing FEG questionnaires
	Calculation of entitlements	<ul style="list-style-type: none"> – Review employee entitlements of Directors – Liaising with management regarding entitlements 	– Review employee entitlements as sent by the Receivers in regard to employees who have been terminated	
Trade on		0.5 hours \$445.00.00		
	Trade on management	– Liaising with Receivers and Managers on status		
Investigation		18.8 hours \$12,583.00	2.0 hours \$1,288.50	30.00 hours \$19,327.52
	Conducting investigation	<ul style="list-style-type: none"> – Collection and review of Company books and records – Review and preparation of Company nature and history 	– Finalisation of Administrators investigations for the purpose of the Voluntary Administrators' supplementary report to creditors	<ul style="list-style-type: none"> – Collection and review of Company books and records – Review and preparation of Company nature and history

		Tasks		
		Work already done	Work to be completed	If coy wound up
				Liquidation work
		<ul style="list-style-type: none"> Conducting and summarising statutory searches Preparation of comparative financial statements Review of specific transactions and liaising with directors regarding certain transactions 		<ul style="list-style-type: none"> Conducting and summarising statutory searches Preparation of comparative financial statements Review of specific transactions and liaising with directors regarding certain transactions Lodgement of investigation with ASIC Preparation and lodgement of supplementary report if required
Administration		26.2 hours \$16,639.00	7.0 hours \$4,509.75	130.00 hours \$83,752.59
	Correspondence	<ul style="list-style-type: none"> General correspondence 	<ul style="list-style-type: none"> General correspondence 	<ul style="list-style-type: none"> General correspondence
	Document maintenance, file review, checklist	<ul style="list-style-type: none"> Administration reviews Filing of documents File reviews Updating checklists 	<ul style="list-style-type: none"> Administration reviews Filing of documents File reviews Updating checklists 	<ul style="list-style-type: none"> Administration reviews Filing of documents File reviews Updating checklists
	Bank account administration	<ul style="list-style-type: none"> Preparing correspondence opening and closing accounts Bank account reconciliations 	<ul style="list-style-type: none"> Preparing correspondence opening and closing accounts Bank account reconciliations 	<ul style="list-style-type: none"> Preparing correspondence opening and closing accounts Bank account reconciliations
	ASIC forms and lodgements	<ul style="list-style-type: none"> Preparing and lodging ASIC forms 	<ul style="list-style-type: none"> Preparing and lodging ASIC forms 	<ul style="list-style-type: none"> Preparing and lodging ASIC forms
	ATO and other statutory reporting	<ul style="list-style-type: none"> Notification of appointment 	<ul style="list-style-type: none"> Preparing BASs 	<ul style="list-style-type: none"> Notification of appointment Preparing BASs
	Finalisation			<ul style="list-style-type: none"> Notifying ATO Completing checklists
	Planning / Review	<ul style="list-style-type: none"> Discussions regarding status / strategy of administration 	<ul style="list-style-type: none"> Discussions regarding status / strategy of administration 	<ul style="list-style-type: none"> Discussions regarding status / strategy of administration

Schedule B: Time spent by staff on each major task already completed

The below table sets out time charged to each major task area performed by the Administrators and their staff for the period 3 August 2023 to 24 November 2023, which is the basis of the Resolution 3 claim referred to in **Schedule C**. Please refer to **Schedule A** for further details with respect to the tasks performed.

KPMG WIP (03/08/23 to 24/11/2023)																
Employee	Title	Rate \$ / hour (excl GST)	Total actual hours	Amount (\$) (excl GST)												
					Creditors		Assets		Employee		Admin		Investigation		Trade	
					Hours	Amount (\$)	Hours	Amount (\$)	Hours	Amount (\$)	Hours	Amount (\$)	Hours	Amount (\$)	Hours	Amount (\$)
Martin Jones	Partner	890	13.0	11,570	2.6	2,314.00	1.1	979.00	-	-	0.7	623.00	8.1	7,209.00	0.5	445.00
Clint Joseph	Director (Appointee)	830	4.3	3,569	3.6	2,988.00	-	-	-	-	0.7	581.00	-	-	-	-
Lauren McCann	Director	780	4.2	3,276	0.6	468.00	-	-	-	-	3.6	2,808.00	-	-	-	-
Kieran Chu	Associate Director	675	46.4	31,320	27.5	18,562.50	5.1	3,442.50	0.2	135.00	13.6	9,180.00	-	-	-	-
Yvonne Liew	Associate Director	675	12.0	8,100	12	8,100.00	-	-	-	-	-	-	-	-	-	-
Michael Flower	Associate Director	675	20.3	13,703	20.3	13,702.50	-	-	-	-	-	-	-	-	-	-
Veronica Del Borrello	Manager	620	6.8	4,216	1.4	868.00	-	-	-	-	0.2	124.00	5.2	3,224.00	-	-
Hendrik De Wet	Executive	525	3.4	1,785	-	-	-	-	-	-	3.4	1,785.00	-	-	-	-
Lachlan Wharton	Analyst	440	28.7	12,628	18.4	8,096.00	-	-	-	-	4.2	1,848.00	6.1	2,684.00	-	-
Lisa Brandt	Team Administrator	320	1.7	544	-	-	-	-	-	-	1.7	544.00	-	-	-	-
Total (\$) (excl GST)			140.8	90,710.50	86.4	55,099.00	6.2	4,421.50	0.2	135.00	28.1	17,493.00	19.4	13,117.00	0.5	445.00
GST (\$)				9,071.05		5,509.90		442.15		13.50		1,749.30		1,311.70		44.50
Total (\$) (incl GST)				99,781.55		60,608.90		4,863.65		148.50		19,242.30		14,428.70		489.50
Average hourly rate				644.25		638		713		675		623		676		890

Schedule C – Resolutions

Remuneration

Resolution 4 – for work already completed:

"That the remuneration of the Administrators, as set out in the Remuneration Approval Request dated 1 December 2023, for the period from 3 August 2023 to 24 November 2023 be fixed in the amount of \$90,710.50, plus any applicable GST, and may be paid."

Resolution 5 – for work to be completed up to the date of the meeting:

"That the further remuneration of the Administrators, as set out in the Remuneration Approval Request dated 1 December 2023, for the period from 25 November 2023 to 11 December 2023 be fixed up to a maximum amount of \$30,000.00, plus any applicable GST, but subject to upward revision by resolution of creditors or the Committee of Inspection, and that the Administrators be authorised to make periodic payments on account of such accruing remuneration as incurred."

Resolution 6 – for work to be completed during the liquidation (if applicable):

"That the remuneration of the Liquidators, as set out in the Remuneration Approval Request dated 1 December 2023, for the period from commencement to completion of the liquidation be fixed up to a maximum amount of \$150,000.00, plus any applicable GST, but subject to upward revision by resolution of creditors or the Committee of Inspection, and that the Liquidators be authorised to make periodic payments on account of such accruing remuneration as incurred."

E – Appointment of Proxy Form

Form 532 - Appointment of Proxy
Insolvency Practice Rules (Corporations) 2016, Section 75-25

Return no later than 4pm, 8 December 2023 to:
KPMG GPO Box A29, PERTH WA 6837
Tel: +61 8 9263 7297
Fax: +61 8 9263 7129
Email: kaliumlakes@kpmg.com.au

Indebted Company: Kalium Lakes Limited (Administrators Appointed) (Receivers and Managers Appointed)
ACN 613 656 643 (the Company)
Date of Appointment: 3/08/2023

A. Name and Contact Details of Person or Entity Entitled to Attend Meeting

¹

(if entitled in a personal capacity, given name and surname; if a corporate entity, full name of company, etc)

² of

(address)

³ Tel:

⁴ Email:

B. Appointment of Person to Act as Proxy

Note: You may nominate "the Chairperson of the meeting" as your proxy (or your alternate proxy in the event that the first-named proxy is not in attendance).

¹ I/We, as named in Section A above, a creditor/employee/contributory/member of the Company, appoint

²

(name of person appointed as proxy)

³

⁴ or in his / her absence

(address of person appointed as proxy)

⁵

(name of person appointed as alternate proxy)

⁶

⁷ as *my / *our proxy

(address of person appointed as alternate proxy)

to vote at the meeting of creditors to be held on 11 December 2023 at 10:00AM (AWST) at KPMG, Level 8, 235 St Georges Terrace, Perth WA 6000 or at any adjournment of that meeting in accordance with the instructions in Section C below.

C. Voting Instructions

¹ *My / *Our proxy, as named in Section B above, is entitled to act as *my / *our :

☐

² **general proxy**, to vote on *my / *our behalf **and / or**

☐

³ **special proxy**, to vote on *my / *our behalf specifically as follows:

Resolution	For	Against	Abstain
¹ That the meeting be adjourned for up to forty-five (45) business days.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
² That Kalium Lakes Limited be wound up and that Matthew Woods, Martin Jones and Clint Joseph be appointed as Joint and Several Liquidators of the Company.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
³ That the administration of Kalium Lakes Limited should end.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
⁴ That the remuneration of the Administrators, as set out in the Remuneration Approval Request dated 1 December 2023, for the period from 3 August 2023 to 24 November 2023 be fixed in the amount of \$90,710.50, plus any applicable GST, and may be paid.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

5	That the further remuneration of the Administrators, as set out in the Remuneration Approval Request dated 1 December 2023, for the period from 25 November 2023 to 11 December 2023 be fixed up to a maximum amount of \$30,000.00, plus any applicable GST, but subject to upward revision by resolution of creditors or the Committee of Inspection, and that the Administrators be authorised to make periodic payments on account of such accruing remuneration as incurred.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6	That the remuneration of the Liquidators, as set out in the Remuneration Approval Request dated 1 December 2023, for the period from commencement to completion of the liquidation be fixed up to a maximum amount of \$150,000.00, plus any applicable GST, but subject to upward revision by resolution of creditors or the Committee of Inspection, and that the Liquidators be authorised to make periodic payments on account of such accruing remuneration as incurred.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

D. Signature

¹ Dated:

² Signature:

³ Name / Capacity:

Creditor Assistance Sheet: Completing a Proxy Form

Section A – Name and Contact Details of Person or Entity Entitled to Attend Meeting

1. Insert the full name of the employee, individual, sole trader, partnership or company that the debt is owed to.
2. Insert the address of the employee, individual, sole trader, partnership or company that the debt is owed to.
3. Insert the telephone number of the employee, individual, sole trader, partnership or company that the debt is owed to.
4. Insert the email address of the employee, individual, sole trader, partnership or company that the debt is owed to.

Section B – Appointment of Person to Act as Proxy

1. Cross out any wording that is **not** applicable. For example, if the employee/individual/sole trader/partnership/company is a creditor, cross out '*eligible employee creditor', '*contributory', '*debenture holder' and '*member'.
2. Insert the name of the person who will be exercising the creditor's vote at the meeting. If someone is attending the meeting in person, that person's name should be inserted. Alternatively, if someone is unable to attend, but you still want to cast a vote at the meeting, then you can appoint the Chairperson of the meeting to vote on your behalf by inserting the words 'the Chairperson' here.
3. Insert the address of the person nominated at (2) that will be attending the meeting as proxy. If you have elected 'the Chairperson' because no one is attending in person, leave this row blank.
4. Cross out any wording that is **not** applicable.
5. If the person you have elected to attend is unavailable on the day, you may nominate a second person to attend in their absence. Alternatively, you can appoint the Chairperson of the meeting to vote on your behalf by inserting 'the Chairperson'.
6. Insert the address of the second person here. If you have elected 'the Chairperson', leave this row blank.
7. Cross out any wording that is not applicable.

Section C – Voting Instructions

1. Cross out any wording that is not applicable.
2. Insert an 'X' in this box if you want the person who is attending the meeting to vote as they see fit on each of the resolutions in the 'Resolution' table. If you select this option, proceed to Section D, **unless** you wish to vote specifically on certain resolutions, in which case you also insert an 'X' in the special proxy box and select 'For', 'Against' or 'Abstain' on the resolutions. The person voting at the meeting will have discretion to vote as they see fit on any resolutions where you have **not** selected 'For', 'Against' or 'Abstain'.
3. Insert an 'X' in this box if you want the person who is attending the meeting, to vote exactly in accordance with your instructions. If you select this option, you must select 'For', 'Against' or 'Abstain' for each of the resolutions in the 'Resolution' table. Do not tick more than one box for each resolution.

Section D – Signature Instructions

1. Insert the date that the proxy form is being signed.
2. The form should be signed by **one** of the following persons:
 - If the debt is owed to an employee/individual, then the individual that the debt is owed to; or
 - If the debt is owed to a sole trader, then the sole trader that the debt is owed to; or
 - If the debt is owed to a partnership, then one of the partners of the partnership; or
 - If the debt is owed to a company, then a duly authorised office of the company (normally a director or secretary of the company).
3. Insert the name of the person signing the form, and note their capacity (that is, their role):
 - If the debt is owed to a sole trader, note their capacity as proprietor, eg: "[Full name], proprietor"; or
 - If the debt is owed to a partnership, note their capacity as partner, eg: "[Full name], partner of the firm named in Section A above"; or
 - If the debt is owed to a company, note their capacity as director or secretary, eg: "[Full name], director/secretary of the company named in Section A above"]