

15 June 2023



Airdrill Pty Ltd
(Administrators
Appointed)
ACN 109 184 447
("the Company")

Report to creditors – Section 75-225 of the Insolvency Practice
Rules (Corporations) 2016

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1. About this report: a guide for creditors

1.1. Purpose of this report

- We are required to prepare this report under the Corporations Act 2001 and provide creditors with information about the Company's business, property, affairs and financial circumstances.
- This report contains the information we are required by law to include, plus other information considered materially relevant to creditors to enable them to make an informed decision about the Company's future.
- This report and its attachments contain details about the forthcoming second meeting of creditors to be held on Friday, 23 June 2023 and our opinion and recommendation about the future of the Company and what is considered to be in the creditors' interests. Creditors are required to decide whether:
 - the Company should execute a DOCA, or
 - the administration of the Company should end, or
 - the Company should be wound up.
- Alternatively, creditors can vote to adjourn the meeting for up to 45 business days to allow more time to make their decision.
- All details, forms and instructions relating to the meeting have been included with the covering letter and other documents attached to this report.

1.2. Key messages and recommendations

- Hayden White, Ian Francis and Paul Harlond were appointed as Voluntary Administrators of the Company on 22 February 2023.
- A DOCA has been proposed. The DOCA is summarised at page 26.
- **In our opinion it is in the creditors' best interests to accept the DOCA proposed by Schramm II Inc. (Delaware).**
- Pages 4 to 7 summarise the items considered to be the most important for creditors.

1.3. Questions and help

Please contact us on airdrill@fticonsulting.com if you are unsure about any of the matters raised in this report or the impact that any decision about the Company's future may have on you.

FTI Consulting

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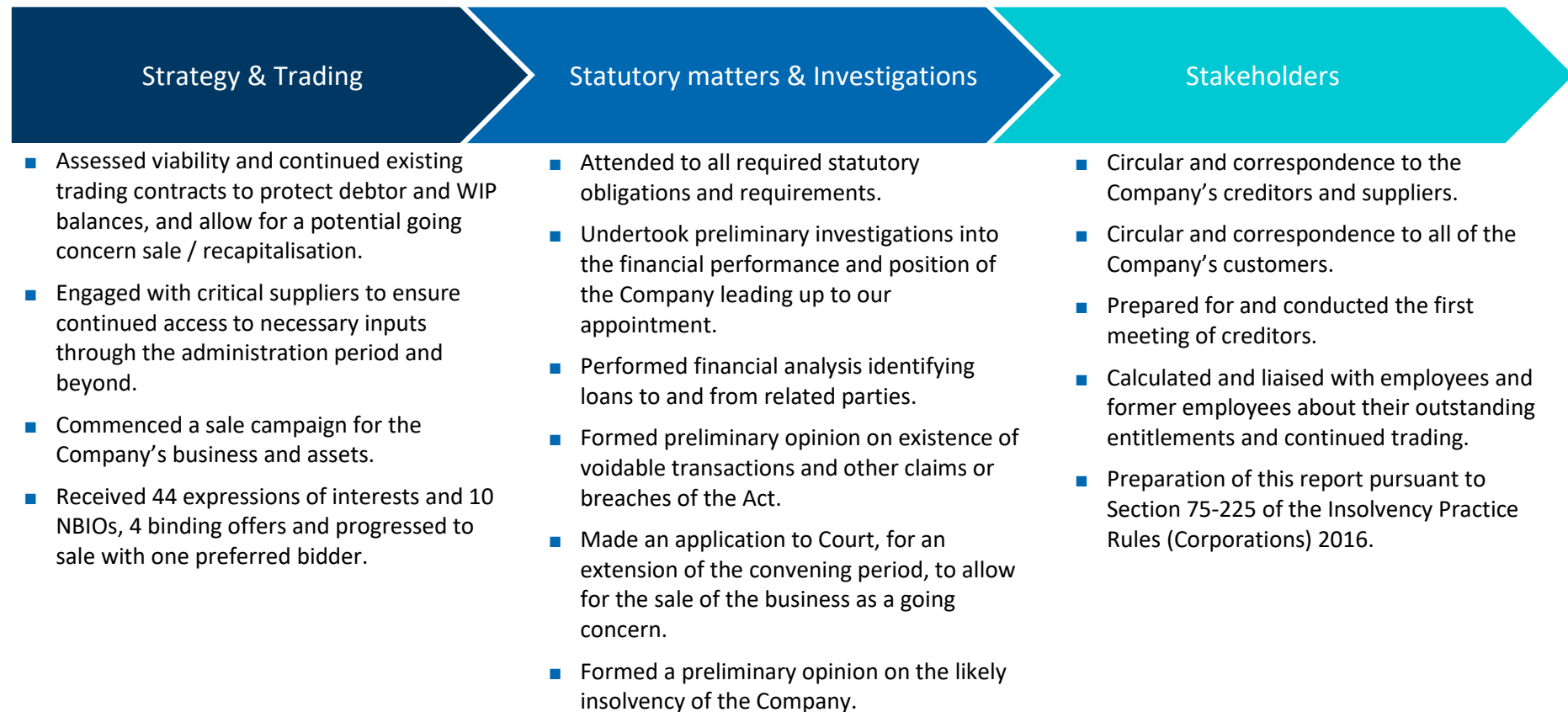
152 – 158 St Georges Terrace

PERTH WA 6000

2. Key messages

2.1. Overview of administration strategy

Administrators' Strategy and Major Actions



Key messages

2.2. Key messages for creditors

Set out below is a summary of the key messages and recommendations that are detailed in this report. Please read this summary in conjunction with the remainder of the report including the terms of reference contained in Appendix 1 and any other attachments.

Key areas	Commentary	Analysis
Explanations for the Company's difficulties	Based on our investigations to date, we consider the following factors contributed to the appointment of Administrators to the Company: ■ The Company is part of a group of companies, the Global Group. The Company, together with related entities both within Australia and globally jointly guaranteed the debt owing to the Global Group's secured creditor. ■ Post Covid-19, the Company experienced supply chain issues, which caused extensive delays in general stock and key component deliveries and, in turn, the completion of several projects. ■ Project delays consequently caused an increase in holding costs and negatively impacted profit margins, which were further affected by exchange rate fluctuations and recent inflationary pressures. ■ With these challenges, the Company was reliant on funding from its related party, H&B, and at risk of insolvency from both its own trading losses and its guarantee obligations.	Section 4.7
Administrators' actions and strategy	Our strategy for the administration has been to: ■ Continue to trade the Company's business throughout the Administration period ■ Conduct a sales process for the business, targeting a going concern sale or recapitalisation	Section 5
Estimated date of insolvency	Our preliminary view is that the Company may have only become insolvent in the months prior to the appointment of Administrators. While the Company showed signs of financial stress for several years, it had the ongoing financial support of its related party, H&B, which allowed the Company to pay its debts. Our preliminary view is that the Company likely became insolvent when its ultimate holding company, Schramm II, initiated a wind down of its business shortly prior to appointment of the Administrators to the Group, and it became evident that Schramm II may default on its loan with its secured lender, Decathlon, and the Company, and H&B, may be required to fulfil their obligations under the guarantee to Decathlon.	Section 6.1.4

Key messages

Key areas	Commentary	Analysis												
Voidable transactions and offences	Based on our preliminary investigations to date, we have not identified any voidable transactions that would likely result in property being recovered for the benefit of creditors should the Company be placed into Liquidation.	Section 6.3												
Offences by Directors	Based on our investigations to date, it does not appear that offences have been committed by the Directors.	Section 6.3												
Liability for insolvent trading	Based on the estimated date of insolvency (being shortly before the date of appointment) there is unlikely to be a claim for insolvent trading.	Section 6.2.4												
Proposal for a deed of company arrangement	A proposal for DOCAs (for each Australian group entity) has been received from Schramm II, being the ultimate holding company of the Group. The DOCA proposal provides for greater certainty of a return to creditors of Airdrill and a simplified distribution process, reducing the length of time creditors of the Group will likely have to wait to receive their dividend distribution.	Section 7												
Estimated outcome for creditors	The estimates shown are based on the information presently available, our view of the Company's estimated realisable value of assets and estimated claims of creditors: <table> <tr> <th></th><th><u>Liquidation</u></th><th><u>DOCA</u></th></tr> <tr> <td>■ Secured creditors</td><td>100 to 100 cents in the dollar</td><td>100 to 100 cents in the dollar</td></tr> <tr> <td>■ Priority employee claims</td><td>100 to 100 cents in the dollar</td><td>100 to 100 cents in the dollar</td></tr> <tr> <td>■ Unsecured creditors</td><td>17 to 25 cents in the dollar</td><td>52 to 73 cents in the dollar</td></tr> </table> The key factor and variable that could impact the estimated return to creditors is the outcome of the WorkSafe investigation currently underway, including corresponding financial penalties that may arise in respect to the ongoing investigation.		<u>Liquidation</u>	<u>DOCA</u>	■ Secured creditors	100 to 100 cents in the dollar	100 to 100 cents in the dollar	■ Priority employee claims	100 to 100 cents in the dollar	100 to 100 cents in the dollar	■ Unsecured creditors	17 to 25 cents in the dollar	52 to 73 cents in the dollar	Section 8
	<u>Liquidation</u>	<u>DOCA</u>												
■ Secured creditors	100 to 100 cents in the dollar	100 to 100 cents in the dollar												
■ Priority employee claims	100 to 100 cents in the dollar	100 to 100 cents in the dollar												
■ Unsecured creditors	17 to 25 cents in the dollar	52 to 73 cents in the dollar												

Key messages

Key areas	Commentary	Analysis
Timing of payment to creditors	Whilst the actual timeframe, through to the distribution of proceeds to unsecured creditors, will depend on a number of variables, we consider that the timeframe under the proposed DOCA could be up to 6 months quicker than under a liquidation scenario. The key factors and variables impacting the estimated timing include the finalisation of all trading accounts and trading matters, including the collection of debtors, and obtaining all necessary tax clearances from the ATO and other statutory bodies prior to payment of the final dividend. Under a liquidation scenario, this would also include the completion of all statutory investigations into the affairs of the Company and its officeholders, including preparing and lodging a report with the ASIC as required. To the extent matters were identified in a liquidation requiring prosecution, the timeframe would be further extended.	Section 7.5
Remuneration	Under s 449E of the Act, the remuneration of the Administrators (and either the Deed Administrators or Liquidators, if appointed) can be fixed at the second meeting of creditors. Details of our proposed remuneration and resolutions are included in our Remuneration Approval Report.	Appendix 7

3. Recommendation on the Company's future

In our opinion it is in the creditors' interests that the Company execute a deed of company arrangement in line with the terms proposed. Details about the estimated return to creditors and other information about what creditors can decide at the meeting are provided at sections 8 and 9 of this report.

Options available to creditors	Option 1: Execute a DOCA	Option 2: Administration end	Option 3: Liquidation
Description	Whether it would be in the creditors' interests for the Company to execute a DOCA	Whether it would be in the creditors' interests for the administration to end	Whether it would be in the creditors' interests for the Company to be wound up
Key factors to considers	- On balance, there appears to be greater certainty under the DOCA proposal compared to a liquidation scenario - It is likely that unsecured creditors will receive a greater return under the DOCA proposal than they would if the Company was immediately wound up and within an earlier timeframe than liquidation	As the business assets of the Company have been sold, there is no business to return to the control of the Directors, with the most appropriate course of action being the distribution of residual funds to creditors and equity holders, in accordance with statutory provisions	The proposed DOCA will likely provide a higher cents in the dollar return for unsecured creditors than they may receive in an immediate winding up
Our opinion	Is in the creditors' interests that the Company execute a DOCA in line with the terms proposed	Not in the creditors' interests that the administration should end	Not in the creditors' interests that the Company be wound up
Recommended option	Recommended	Not recommended	Not recommended
Potential to adjourn the meeting to a future date	It is a matter for creditors to decide if they wish to adjourn the meeting		

4. Background information

4.1. Appointment of Administrators

- On 22 February 2023, Ian Francis, Paul Harlond and I were appointed joint and several Administrators of Airdrill Pty Ltd (Administrators Appointed) in accordance with a resolution passed at a meeting of the Company's Directors pursuant to section 436A of the Act.
- At the same time, we were also appointed Administrators of related entities H&B and SAH.
- In a Voluntary Administration, the Administrators take control of a company and its affairs, superseding the powers of the Directors and Officers to make decisions and perform management functions.
- We also have a duty to investigate the Company's business, property, affairs and financial circumstances.

4.2. Outcome of the first meeting of creditors

- The first meeting of creditors was held on 7 March 2023 to consider the formation of a committee of inspection and whether or not to appoint different persons to be the Administrators of the Company.
- No committee was formed and there were no nominations to replace us as Administrators.

4.3. Administrators' prior involvement and independence

- In accordance with section 436DA of the Act, we provided a DIRRI with our first communication to creditors. This DIRRI included the circumstances that led to our appointment as Administrators.
- A copy of our DIRRI is provided at Appendix 6, as provided with our first circular to creditors and referred to at the first creditors' meeting.
- There has been no change to our assessment regarding our independence or to the information provided in the DIRRI.

4.4. Extension to the Convening Period

- Due to the amount of interest in the sale of the business, and the time required by interested parties to properly complete their due diligence, we applied to the Federal Court of Australia for an extension to the convening period (the time we have to call the second meeting of creditors) by three months, to 23 June 2023.
- On 22 March 2023, the Honourable Justice Banks-Smith heard our application and made orders providing the extension requested.
- While we were granted an extension to 23 June 2023, the order allowed us to call the meeting earlier if we were able to.
- As the sales process has concluded, we are able to call the meeting now, prior to the end of the convening period (as extended).

4.5. Company information and historical performance

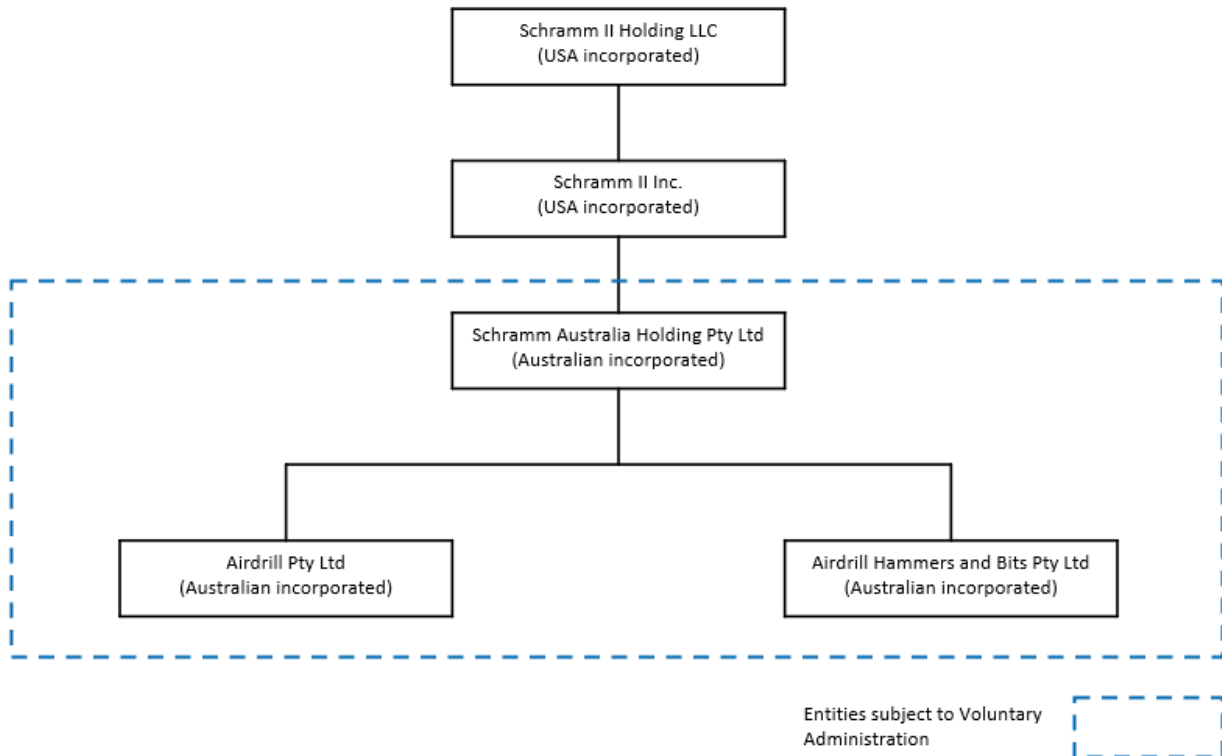
- Appendix 2 includes statutory information about the Company, a summary of the Company's historical performance and our preliminary analysis and comments about the existence and form of financial statements prepared by the Company.
- The Company has been trading at a loss for the last two years, reporting net losses of ~\$1.5m and ~\$3.5m in CY21 and CY22 respectively. While the Company experienced a growth in revenue of ~70% (~\$15.1m) from CY20 to CY22, costs increased by a greater percentage, resulting in a deterioration of gross profit margin from 9.9% in CY20 to 1.8% in CY22.
- The significant cost increases were consistent with the challenges experienced with post Covid-19 supply chain issues and inflationary pressures.
- The trading losses put pressure on the Company's financial position, with the Company operating with a net asset deficiency (i.e. its liabilities are greater than its assets) for at least three years prior to our appointment. With trading losses increasing, the Company's net asset position deteriorated significantly from a deficit of ~\$4.5m in January 2020 to a deficit of ~\$8.9m in January 2023.
- The trading losses were funded by the Company's related entity, H&B, which resulted in a significant increase in the Company's intercompany loan payable to H&B. At 31 January 2023, the Company reported a net amount payable of ~\$12.7m to H&B (CY20: ~\$7.9m).
- The Company's working capital position has also declined over the last three years, with the Company's current and quick ratios as at 31 January 2023 declining to 0.9 and 0.3 respectively, indicating the Company was unable to meet its working capital requirements off its own balance sheet, highlighting the importance of related party funding.

4.6. History of the Company and events leading to our appointment

- The Company was established in 2005 and principally operated in the mining, oil and gas, and water industries, manufacturing and supplying land based mobile, hydraulic drilling rigs in addition to the provision of aftermarket equipment and repair services from operating depots located in Perth, Adelaide and Brisbane.
- The Company formed part of a group of Australian incorporated entities within the wider Global Group. The Australian entities which are subject to the appointment of the Administrators comprises the Company, SAH and H&B. The Group formed a consolidated tax group for Australian tax purposes with SAH acting as the reporting entity.
- The Company's ultimate shareholder and sister trading entity are incorporated in the United States. The longstanding Schramm business within the Global Group was founded in the United States before expanding to Australia with the assistance of its private equity sponsor, GenNx360 Capital Partners.
- The Company was initially the Global Group's exclusive distributor for hydraulic top drive drill rigs in Australia prior to being acquired alongside H&B in November 2013.

Background information

- The Global Group structure as at the date of the appointment of the Administrators is as follows. Each of the relevant shareholdings noted below reflects a 100 percent equity holding with no non-controlling interests:



- Shortly prior to the appointment of the Administrators, the US parent entity, Schramm II entered a managed wind down process of its trading operations. This entity was also the primary counterparty to the Global Group's first ranking secured lender, Decathlon. By virtue of cross collateralised security arrangements across the Group a default or shortfall at the Schramm II level would have necessitated the satisfaction of amounts due to Decathlon from the assets of the Group. It is understood in this regard that, in addition to liquidating its trading assets, Schramm II had taken steps prior to the appointment of the Administrators to monetise its interest in the Group.
- On 14 February 2023, a workplace fatality occurred at the Company's Perth trading premises. This incident is the subject of an ongoing investigation by WorkSafe, a division of Western Australia's Department of Mines, Industry Regulation and Safety.
- Our initial observations of the operations of the Group are as follows:
 - The Company's legacy rig dominant business was supported financially by its market leading H&B segment, which has grown at a 37% CAGR since 2020. This support was reflected in a significant intragroup loan account due to H&B by the Company (~\$12.7m as at 31 January 2023);
 - The nature of the Company's rig manufacturing business which included material customer contracts with protracted supply lead times and associated hold costs required significant working capital investment;
 - Other than debtors, the Company's assets primarily consist of stock on hand, work in progress and property, plant and equipment;

- The Global Group's intellectual property and IT infrastructure was primarily held and controlled by Schramm II; and
- Outside of amounts due to Decathlon, the Company's creditors base as at the date of appointment of the Administrators was comprised primarily of trade suppliers, employees, statutory liabilities and the aforementioned related party loan account arrangements.

4.7. Directors' explanation for the Company's difficulties

The Directors of the Company have indicated to us that the current circumstances faced by the Company are the result of a related party to the Company, domiciled in the USA, which defaulted on a loan which the Company was a guarantor to.

We concur with the Directors comments in this regard.

From our investigations to date, we have also identified the following possible causes for the Company's failure:

- Post Covid-19, the Company experienced supply chain issues which caused extensive delays in general stock and key component deliveries and, in turn, the completion of several projects.
- Project delays consequently caused an increase in holding costs and negatively impacted profit margins, which were further affected by negative foreign exchange rate fluctuations and, more recently, inflationary pressures.

With these challenges, the Company was reliant on funding from its related party, H&B, without which, it was at risk of insolvency from both its own trading losses and its guarantee obligations.

4.8. Opinion about books and records

Section 286(1) of the Act requires a company to keep written financial records that correctly record and explain its transactions and financial position and performance, and would enable true and fair financial statements to be prepared and audited.

In considering compliance with this section, since our appointment we have:

- reviewed various financial reports to help us understand the Company's asset and liability positions;
- reviewed various correspondence files and documents relevant to the Company's financial position and performance of the Company;
- undertaken investigations and reviews incorporating financial records and data;
- discussed with the Company's finance function, processes and record keeping practices with its Directors and management.

In our view, as at the date of our appointment the financial records of the Company appear to have been maintained in accordance with section 286 of the Act.

4.9. Outstanding winding up applications

Based on searches performed at the time of our appointment, no winding up applications appear to have been lodged with a Court against the Company.

5. Strategy and financial position

5.1. Actions and strategy to date

Since our appointment we have stabilised business operations and reviewed the available options for the Company.

Our key strategies and actions during the Administration process allowed us to:

- Continue to operate the business on an “as-usual” basis to assess options available for a sale or recapitalisation of the Company and/or its assets.
- Engage with relevant external stakeholders (i.e. customers and suppliers) to ensure continued ability of the business to trade.
- Prepare and closely manage cash flow forecasting throughout the trading period.
- Identify assets of the Company, stock on hand, intellectual property and plant and equipment.
- Commenced and executed a sale process, culminating in the sale of the Group’s business assets to Epiroc.

Details of the actions undertaken to date can be found in our Remuneration Approval Report at Appendix 7.

5.2. Extended trading of the Company’s business activities

Key actions and strategy in relation to trading the Company’s business:

- Advised all customers of the appointment and confirmed the status of pre-existing trade contracts during the Voluntary Administration process.
- Opened new trading accounts with the Company’s suppliers as required for ongoing trade.
- Established trading protocols and a purchase order system with the Company’s procurement and accounts payable staff.
- Communicated with the Company’s suppliers (and internal procurement staff) concerning ongoing supply of critical goods (including long-lead time goods requiring international shipping by air and/or sea), the position of goods in transit upon appointment and outstanding pre-appointment account balances.
- Advised all customers of the appointment and confirmed the status of pre-existing contracts during the Voluntary Administration process. Key customers were liaised with in respect to major orders and ongoing trade arrangements were established. This involved discussions between key customers and the Administrators in respect of the provision of adequate surety for customer supply requirements, with consideration for the possibility of the cessation of trade of the businesses.
- Obtained preliminary legal advice as to the registration and perfection of security interests over consignment stock held by customers of the Company and inventory held by the Company.
- Prepared and closely monitored cash flow forecasts and estimated statements of position through the Voluntary Administration to date.

- Endeavoured to maintain full employment of staff.
- Arranged a temporary power supply following the destruction of the main electricity board for the Company's leased trading premises in Perth. Initial inquiries indicate the damage arose as a consequence of a lightning strike.
- Liaised with the Company's landlord in respect to the initiation of repairs to the leased property and the recovery of costs incurred by the Administrators to ensure that trading from the site could resume.
- Initiated upgrades to the Company's IT hardware to ensure the maintenance of key IT services in the event of potential power outages.
- Liaised with our insurance broker to undertake a review of existing insurance in place and initiated an WHS audit of the Group's trading operations.
- Engaged with WorkSafe investigators and facilitated additional support to ensure the Company's compliance with information requests and its safe working obligations.

5.3. Sale of Business

Commenced and executed a sale process for the Company in conjunction with the sale of its related party, H&B.

- Investigation into the key assets being, plant and equipment, inventory, intellectual property and goodwill of the 'Schramm' brand.
- Explored the possibility of a sale or recapitalisation of the Company by way of an asset sale agreement or Deed of Company Arrangement.
- Reviewed asset listings, identified the Company's stock on hand, intellectual property and plant and equipment, including the engagement of an independent valuer to undertake a valuation of the Company's assets.
- Worked with Schramm II, the holder of the majority of the intellectual property of the Global Group.
- Shortly after appointment, the Administrators conducted an initial expression of interest campaign, that included:
 - Advertising the businesses of the Group for sale in The West Australian and the Australian Financial Review seeking expressions of interest from parties interested in the sale.
 - Contacting parties who had expressed interest in purchasing the Group companies or assets prior to the Administrators' appointment.
 - Proactively contacting parties identified as potentially having an interest in participating in the sale of business process.
 - Reviewing expressions of interest submitted.
 - Negotiating and entering into confidentiality agreements with interested parties.
 - Responding to initial queries from interested parties.

- The initial indicative timeline of the sale process was as follows:

Timing	Stage
22 February 2023 to 8 March 2023	Expressions of interest to be submitted by interested parties.
From 7 March 2023	Teaser document and process letter provided to interested parties who had entered a confidentiality agreement
12 March 2023	Last day for submission of non-binding indicative offers
From 13 March 2023	Shortlisted parties selected at the discretion of the Administrators, selected parties notified/invited to undertake due diligence with a virtual data room opened thereafter
18 March 2023	Last day for submission of binding offers
22 March 2023	Review of binding offers and selection of the preferred bidder

- To assist the shortlisted parties in preparing a binding offer the Administrators provided the following:
 - Access to a virtual data room containing numerous books and records in relation to the Groups' operations, historical financial performance, current financial position, certain employee information, customers and key supplier information.
 - An option to participate in a question-and-answer process with the Administrators and key management personnel of the Company.
- In order to provide interested parties with additional time for due diligence activities, in order to maximise transaction values, an application to extend the convening period was sought and obtained from the Federal Court of Australia. This resulted in a revised deadline of Sunday, 2 April 2023 for Final Binding Bids, at which time the administrators selected a final preferred bidder to progress final sale terms, which ultimately progressed to documentation and settlement.
- Through the process, we received the following interest in the purchase of the business:

Stage	Number of parties
Expressions of Interest	44
Non-Disclosure Agreements signed	30
Non-Binding Indicative Offers	10
Binding Offers	4

- Based on Final Binding Bid submissions, Epiroc was selected as the preferred bidder. Epiroc Group is a global business that develops and produces equipment for use in surface and underground applications for mining and infrastructure customers globally. Epiroc is based in Stockholm, Sweden, had revenues of SEK 50 billion in 2022, and has around 18,000 employees supporting and collaborating with customers in around 150 countries (Market Capitalisation of SEK 230 billion – over A\$30 billion as at 13/06/23).
- Epiroc was selected as the Preferred Bidder due to:

- Superior deal consideration
 - Limited conditionality
 - Short timeline to completion
 - Ability/capacity to complete (financial and operational)
- Following a period of final negotiations and documentation, sales agreements were executed on 17 May 2023, with Completion of the Business Sales Agreement occurring on Thursday, 1 June 2023. The completion of the BSA triggered mechanisms in the Inventory Sales Agreement, with the majority of deal proceeds received at time of writing of this report.

5.4. Company's financial position at appointment

5.4.1. Report on Company Activities and Property Part A by the Directors

Immediately after appointment, we requested that the Directors of the Company provide a statement about the Company's business, property, affairs and financial circumstances in the form of a ROCAP Part A (Form 507) ("ROCAP Part A").

We received a ROCAP Part A completed on behalf of all of the Company's Directors by Craig Mayman (EVP/Director) on 20 April 2023. A summary of the ROCAP Part A information is shown below.

5.4.2. Summary of the ROCAP Part A and Administrators' ERV as at 22 February 2023

	Note	Directors' ROCAP ERV	Administrators' High ERV	Administrators' Low ERV
Assets				
Cash at Bank	1	1,388,234	1,308,712	1,308,712
Debtors & Receivables	2	3,435,113	3,435,113	2,972,818
Inventory & WIP	3	8,879,809	8,879,809	8,879,809
Plant & Equipment	4	708,867	681,381	681,381
Other Assets	5	645,885	433,669	146,995
Intercompany Loan (Schramm II)	6	1,346,519	-	-
Intercompany Loan (H&B)	7	-	103,467	103,467
Total Assets		16,404,427	14,842,151	14,093,182
Liabilities				
Employee Entitlements	8	1,049,803	1,049,803	1,049,803
Secured Creditors	9	-	10,754,086	10,754,086
Unsecured Creditors	10	24,830,442	6,473,612	10,321,256
Statutory Liabilities	11	382,505	382,505	459,006
Intercompany Loan (H&B)	12	12,764,606	12,764,606	12,764,606
Total Liabilities		39,027,356	31,424,612	35,348,757
Net Assets		(9,858,323)	(16,582,462)	(21,255,575)

5.4.3. ROCAP Part A and Administrators' ERV Notes:

1. There are five bank accounts held in the name of the Company, one of which contains USD. For the purpose of this report the foreign currency account has been converted to AUD at the respective foreign exchange spot rate used by the Directors within their ROCAP workings. All bank accounts were secured by the Administrators upon appointment, all present funds were subsequently realised by the Administrators.
2. Recorded debtors and other receivables have been presented within the Directors' ROCAP at book value. The Administrators ERV is presented as a range between the actual pre-appointment debtors and other receivables receipts and the full book value.
3. Inventory and WIP has been presented within the Directors' ROCAP at book value. The Administrators ERV reflects the full realization of inventory and WIP at book value in the business/inventory sale outcome.
4. The Administrators realisable value of plant and equipment is in adherence to the agreed purchase price of the said items in the business sale outcome. This represents a discount to the book value presentation provided by the Directors in their ROCAP, a variance which the Administrators do not consider material.
5. The Directors' ROCAP included amounts attributable to bonds for its leased premises (\$231k) and deposits/pre-payments held by suppliers (\$414k). Of this latter sum, an amount of \$212k is payable by a supplier that is now in liquidation with limited prospects for a return to unsecured creditors in that instance. Accordingly, this amount has been excluded from the Administrators high ERV assessment. The Administrators low ERV reflects actual recoveries to date.
6. The Directors' ROCAP presents the debt owed by Schramm II to the Company at book value. As at the date of appointment of the Administrators, Schramm II was subject to a managed wind down of its trading operations and was the primary counterparty to the Decathlon secured debt. The Administrators ERV assessment accordingly reflects its expected capacity to satisfy the unsecured related party debt due to the Company at that time.
7. Whilst not present on the ROCAP, management of the Company have prepared indicative workings of the required inter-entity charge of Airdrill to H&B for use of common services (shared staff and warehouse facilities etc.). This amount will in part, offset the larger claim against the Company that is held by H&B.
8. The Administrators' ERV accepts the book value of employee entitlements per the accounting software of the Company as reported within the ROCAP. We note that through the transaction to sell the business assets to Epiroc, all entitlements were preserved and transferred to Epiroc.
9. The secured debt is not present within the ROCAP provided. The Administrators have considered this a relevant debt against the Company due to the facility being cross-collateralised, with the Company listed as a guarantor. The secured debt is recorded per the proof of debt submitted by the secured

creditor. This obligation to the secured creditor has now been satisfied.

10. Unsecured creditors present in the ROCAP refers to outstanding trade creditors and a provision for customer progress payments at appointment. By virtue of the terms of the business sale agreement executed with Epiroc the expected quantum of claims from customers is expected to be materially less than the book value of \$5.9m provisioned for in the Company's records. The Administrators' ERV base case incorporates amounts due to trade creditors with an uplift (20%) applied in the low scenario to reflect the risk of further (or larger than expected) claims being received by the Administrators in the future.
11. The Administrators' ERV of statutory liabilities reflects an uplift to the figure presented within the ROCAP. Expected statutory liabilities are higher due to the subsequent finalisation and lodgement of pre-appointment statutory lodgements, which were in preparation at the time of ROCAP preparation. The ROCAP figures are in line with the best estimates available to the Directors at the time of preparation.
12. The Directors ROCAP presents the debt due to H&B by the Company at book value. The debt arose through the provision of funding support by H&B to Company over the previous years. The funding has been identified as supporting the working capital requirements of the Company over the relevant time period. The Administrators' ERV is consistent with the Company's records. Under the terms of the proposed DOCA this debt will be a non-participating claim.

5.4.4. Report on Company Activities and Property Part B by the Directors

In addition to Part A, we requested that the Directors of the Company completed a questionnaire about the Company's history, operations and books and records in the form of a ROCAP Part B.

We received a ROCAP Part B completed on behalf of all of the Company's Directors by Craig Mayman (EVP/Director) on 20 April 2023.

5.4.5. Other observations and comments

As previously noted, there is an ongoing WorkSafe investigation relating to the workplace incident that occurred prior to the appointment of the Administrators. Depending on the outcome of the investigations, penalties may become payable by the Company. As it is significantly uncertain as to whether any amounts will become payable, the timing thereof, and the corresponding quantum of said contingent liabilities, the Administrators have not included an additional provision in the ERV ranges.

5.4.6. Related party creditors and claims

In addition to information contained in the ROCAP Parts A and B, we reviewed the Company's records (trade creditor listings, financial statements and other available documentation and correspondence) and spoke with Company staff to determine the existence, nature and amount of related party claims.

See above section 5.4.3 and notes 6, 7 and 12 for details of the identified related party claims by, or against the Company.

6. Investigations, offences and voidable transactions

6.1. Overview – voidable transactions and insolvency

6.1.1. Duty to investigate

The law requires us to investigate and specify whether there appear to be any voidable transactions in respect of which money, property or other benefits may be recoverable by a Liquidator under Part 5.7B of the Act.

We have sought to ascertain whether the Company was insolvent at any particular point in time prior to our appointment as Administrators, in order to determine a point in time from which these provisions may apply.

6.1.2. Relevance of insolvency and liquidation

The ability to challenge voidable transactions and recover money/property for creditors is contingent on two elements:

- The Company being placed into liquidation, and
- A Liquidator being able to establish that the Company was insolvent at the time it entered into any particular transaction, or that the Company became insolvent as a consequence of that transaction.

6.1.3. Work performed

We have made enquiries into the financial affairs of the Company. In this section, we set out our preliminary views and findings about:

- Offences that may have been committed.
- The solvency position of the Company.
- Existence of voidable transactions – including unfair preferences/loans, uncommercial transactions, arrangements to avoid employee entitlements, and unreasonable director related transactions.
- Charges that may be voidable.
- Whether there is the prospect of a claim for insolvent trading.

Please note the investigations we have undertaken are only preliminary, and our findings are only indicative. Should the creditors resolve to place the Company into liquidation (which we do not recommend), a further, more fulsome investigation would be undertaken.

6.1.4. Date of insolvency

Our key workings and other analysis are contained in Appendix 4.

In the appendix we have also included some general comments and information about recoveries via voidable transactions, insolvent trading and common factors that indicate insolvency.

The summary of our findings and views on the Company's solvency position are on the following pages.

6.1.5. Creditors' information sheet and other explanations

Provided at Appendix 5 is an information sheet to assist creditors in understanding potential offences under the Act, recoverable transactions and insolvent trading.

Creditors should read this information in conjunction with our comments in this section of the report.

6.1.6. Relevance of liquidation versus DOCA

Voidable transactions and other actions that a Liquidator can take are not available if the Company executes a DOCA.

As a result, creditors have to assess the advantages to them of a DOCA (and any benefits that may be available to them in this scenario), compared to the likely return in a liquidation (and any recoveries that may be available where a Liquidator is appointed).

To help creditors, where a DOCA is proposed, the Estimated Return to Creditors section of this report will include a comparison between liquidation and any DOCA, highlighting the differences in estimated recoveries and outcomes. There may also be timing differences and these too are discussed as applicable.

6.2. Insolvency and liability for insolvent trading

6.2.1. Summary of findings

We summarise the key findings from our investigations into the Company's solvency position as follows:

- The Company traded at a loss in the two years prior to our appointment. While the Company generated a small profit of ~\$54k in CY20, this was driven by ~\$964k in other income, rather than trading activities.
- The Company was reliant on funding from its related party, H&B, and the sale of surplus assets to fund its trading losses and discharge liabilities.
- As a result, the Company reported a net asset deficiency (i.e. assets were insufficient to cover liabilities) each month in the three years prior to our appointment. This deficit increased from ~\$4.4m in January 2020 to ~\$8.9m in January 2023. A net asset deficiency can be indicative of insolvency as it suggests that a company does not have sufficient assets to discharge its liabilities.
- The Company also consistently reported a negative working capital position, with its current and quick ratios averaging 1.1 and 0.4 respectively in the three years prior to our appointment. Ratios less than 1 are indicative that a company does not have sufficient funds to pay its debts as and when they fall due.
- While the above are all indicia of insolvency, they do not take in to account the ongoing financial support the Company was receiving from its related entity, H&B.
- The Company's most significant liability is a ~\$12.7m loan from H&B. This balance is net of amounts owing from H&B to Airdrill for shared services provided (management and finance staff costs and rent for storage of inventory at Airdrill's Welshpool premises). Excluding this loan, the Company reports a positive net asset balance.

- While H&B's ongoing financial support remained and the loan amount remained uncalled, it is unlikely that Airdrill would be considered insolvent as the loan amount was not due and payable and the funding provided enabled Airdrill to pay its other debts as they fell due.
- We consider the Company likely became insolvent in the months prior to our appointment, when it became evident that Schramm II may default on its loan with Decathlon and the Company, and H&B, may be required to fulfil their obligations under the guarantee to Decathlon.
- The Company did not have funds to support payments under the guarantee, and it was unlikely that H&B could both continue to support Airdrill and make payments under the guarantee.
- While the Company had come to an in-principle agreement with a third party lender and the Global Group's secured creditor for a debt factoring facility, this would be insufficient to fund payments required under the guarantee.
- In late January 2023 and early February 2023, the Company proposed payment plans with several creditors to pay down outstanding debt over a longer period, and was placed on cash on delivery terms with a number of suppliers. We are not aware of other alternate payment arrangements being entered into prior to January 2023.

6.2.2. Solvency review – indicators of insolvency

Indicia of insolvency

Indicator	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22	Jan-23
Trading losses	✓	✗	✓	✓	✓	✗
Net asset deficit	✓	✓	✓	✓	✓	✓
Insufficient cash flow	?	?	?	?	?	?
Difficulties in selling stock or collecting debts	?	?	?	?	✓	✓
Creditors paid outside terms / special arrangements	?	?	?	?	?	✓
Arrears of statutory liabilities	✗	✗	✗	✗	✗	✗
Cheques are being returned dishonoured / payments dishonoured	✗	✗	✗	✗	✗	✗
Legal action threatened or commenced	✗	✗	✗	✗	✗	✗
Inability to obtain new or alternative funding	✗	✗	✗	✗	✗	✗
Inability to produce accurate financial information	✗	✗	✗	✗	✗	✗
Resignation of Directors or other senior management	✗	✗	✗	✗	✗	✗
Qualified audit opinion	✗	✗	✗	✗	✗	✗
The Company has defaulted, or is likely to default, on its agreements with its financier	✗	✗	✗	✗	✗	✓
Finance staff raise solvency concerns	✗	✗	✗	✗	✗	✗
Inability to sell surplus assets	✗	✗	✗	✗	✗	✗
Issuing post-dated cheques	✗	✗	✗	✗	✗	✗

Key

Item	Symbol
Indicator present	✓
Further investigation required	?
Indicator not considered present	✗

6.2.3. Estimated date of insolvency

Our preliminary view is that the Company may have only become insolvent in the months prior to the appointment of Administrators.

The primary reasons for our views are set out below:

- While the Company showed signs of financial stress, it had the ongoing financial support of its related party, H&B, which allowed the Company to pay its debts.
- The Company was also able to sell surplus assets to meet cash flow shortfalls and had sourced external funding through a debt factoring provider.
- Given the Company was reliant on H&B for its support, we consider the Company likely became insolvent when Schramm II initiated a wind down of its business shortly prior to the appointment of the Administrators to the Group, and it became evident that Schramm II may default on its loan with Decathlon and the Company, and H&B, may be required to fulfil their obligations under the guarantee to Decathlon.

6.2.4. Preliminary view on liability for insolvent trading

Based on our estimated date of insolvency, the potential claim for insolvent trading is likely to be negligible.

If the Company was wound up and a Liquidator appointed, further work would be performed on the solvency position of the Company to determine whether there is a benefit to creditors in pursuing the Directors for insolvent trading.

Creditors should refer to Appendix 4 and 5 for additional information on insolvency and pursuing insolvent trading claims generally.

6.2.5. Directors' capacity to pay claims by a Liquidator

Assessment of the Directors' capacity to pay claims by a Liquidator has not been assessed as no potential claims against the Directors have been identified through our preliminary investigations into the affairs of the Company.

6.3. Voidable transactions

We set out below our preliminary findings in relation to potential recoveries from voidable transactions in a liquidation scenario including our view on the likelihood of there being substantiated and supportable claims. Where applicable, we have included our estimate of possible recoveries along with any other pertinent information.

For general information explaining these matters, including a list of applicable offences, please refer to Appendix 5.

Area	Our view	Comments
Unfair preferences	No claims	- We have reviewed the payments made by the Company during the period leading up to appointment, taking into account the potential date of insolvency of the Company. - Based on our investigations to date, we do not consider there are any preferential payments that would likely result in property being recovered for the benefit of creditors.
Uncommercial transactions	No claims	We are not aware of any potential uncommercial transactions that would likely result in property being recovered for the benefit of creditors.
Unfair loans	No claims	We are not aware of any potential unfair loans that would likely result in property being recovered for the benefit of creditors.
Unreasonable payments to Directors	No claims	Our investigations to date have not found any evidence of unreasonable payments to Directors.
Related entity benefit	No claims	Our investigations to date have not revealed any transactions with related entities that would likely result in property being recovered for the benefit of creditors.
Arrangements to avoid employee entitlements	No claims	Our investigations to date have not revealed the existence of any such arrangements.
Voidable charges	None	Our investigations have not revealed any charges or registered security interests that would be void against a Liquidator.
Offences by Directors	None	Based on our investigations to date, it does not appear that offences have been committed by the Directors.

6.4. Disclosures: effect on employees

6.4.1. Effect on employees – liquidation

Position as priority creditors

Employees are afforded a priority in the winding up of a company compared to ordinary unsecured creditors. The order of priority for typical employee claims is as follows:

- Amounts due in respect of wages, superannuation and superannuation guarantee charge outstanding as at the date of the appointment of Administrators, followed by
- Amounts due in respect of leave of absence and other amounts due under the terms of an industrial instrument, followed by
- Retrenchment payments.

As the Company's business has been transferred to Epiroc under the sale agreement, there are no known claims by employees for outstanding entitlements, that may be considered as priority creditors.

Return to employees if the Company is wound up

Section 8 includes details about the estimated return to creditors if the Company is wound up and a Liquidator appointed.

Government assistance available if the Company is wound up

If there are insufficient funds available to employees from the Company's property, eligible employees may be entitled to lodge a claim for their unpaid entitlements under the Federal Government's FEG Scheme.

6.4.2. Effect on employees – DOCA

Employees should note that the FEG Scheme is not available to employees in the event that the Company executes a DOCA.

7. Proposal for a deed of company arrangement

7.1. What is a DOCA?

A DOCA is a formal agreement between a company, its creditors and the proponents of the DOCA.

The proponents is the interested party who wishes the creditors to consider their proposal – usually involving a compromise of creditors' claims as opposed to either winding up the company (i.e., liquidation) or returning the company to its Directors.

A DOCA may involve:

- Maximising the chance of the company continuing in existence; and/or
- Result in a better return for the company's creditors than in a winding up.

7.2. Proposal for a DOCA

A proposal for a DOCA has been received from Schramm II Inc. (Delaware).

A copy of the DOCA Term sheet is attached at Appendix 8. Creditors should read the proposal and ask us before the meeting if they have any specific queries that are not addressed in this report.

The proposal has not yet been drafted into a deed format. As a result, to help creditors we have highlighted the key features and provided our comments on the operational aspects of the DOCA proposal.

7.3. Key features of the proposal

The DOCA proposal, forms part of an overall distribution strategy across the Group, put forward by Schramm II.

The overarching purpose of the proposal is to facilitate an increased return to Group creditors, and to expedite the timeframe in which the funds are disbursed to creditors and equity holders (where applicable).

In order to increase the overall return to creditors, it is proposed that H&B will not participate in the Airdrill dividend in respect of its claim against Airdrill (i.e., H&B will be a non-participating creditor in that deed).

The key terms of the proposed DOCAs are as follows:

Key Elements	Proposal	
DOCA Proponent	Schramm II Inc. (Delaware)	
Deed Administrators	The Deed Administrators are to be Hayden White, Ian Francis and Paul Harlond of FTI Consulting, who will have powers to administer the DOCA	
Companies bound by the DOCAs	Company	ACN
	Schramm Australia Holding Pty Limited (Administrators Appointed) (HoldCo DOCA)	164 654 200
	Airdrill Pty Ltd (Administrators Appointed) (Airdrill DOCA)	109 184 447
	Airdrill Hammers and Bits Pty Ltd (Administrators Appointed) (H&B DOCA)	121 610 786
	Each of the above companies shall enter into a separate DOCA, however the DOCAs will be co-dependent and the coming into operation of each DOCA is conditional upon the execution of all DOCAs	
Purpose	■ Provide creditors of the Group with a better or equal return than they would otherwise be expected to receive if the companies were placed into liquidation ■ Minimise the holding costs and ongoing expenses in relation to the administration of the Group, including further fees and other costs associated with a liquidation ■ Discharge the claims of all creditors, through the payment of admitted claims ■ Allow for an efficient and expeditious Deed Administration process, to allow for the distribution to creditors and equity holders in the shortest possible timeframe ■ Facilitate the ultimate liquidation and deregistration of the Company (and the other Australia entities) following the completion of the DOCA	
Conditions Precedent	■ Completion occurs under the Business Sale Agreement in accordance with its terms. We note that this condition has now been met, meaning that the only remaining condition is the passing of a resolution by creditors to approve the Company entering into the DOCA	

Key Elements	Proposal
Deed Fund	The funds and property available for distribution from the Deed Fund will comprise all funds (and assets yet to be liquidated) held by the Administrators/Deed Administrators of the companies, including: ■ Cash at bank ■ Proceeds of the BSA and ISA ■ Accounts Receivable ■ All other amounts recoverable by the Administrators in their role as Administrators of the respective Companies (tax, insurance refunds etc)
Termination of DOCAs	■ As soon as practicable after the Deed Fund has been disbursed in full: — Deed Administrators to certify the effectuation of the DOCAs in writing — Pursuant to section 446AA(1)(b) of the Act, the companies are to be wound up by way of a special resolution under section 491 of the Act to wind up the companies voluntarily — Once the voluntary winding up of the companies has occurred, the Liquidators will apply for voluntary deregistration of the companies pursuant to section 601AA(1)(c) of the Act
Determination of Claims	■ To facilitate the admission to proof and determination of admitted claims, Regulations 5.6.48, 5.6.51 and 5.6.63 to 5.6.56 will be incorporated into the DOCAs, as if the Group companies were in liquidation
Distribution of Deed Fund	■ The Deed Funds will be available for distribution in the following order: — First, the trading costs and liabilities for the Administration period (to the extent not already paid) — Second, the Administrators' costs and remuneration, and the Deed administrators' costs and remuneration — Third, payment of any employee entitlements in full (if any) — Fourth, payment of admitted participating claims of unsecured creditors on a <i>pari passu</i> basis ■ The Deed Funds will be distributed from time to time by the Deed Administrators following the determination of claims ■ Non-Participating Creditors are not entitled to participate in, or receive any distribution from the Deed Fund, but each of the Non-Participating Creditors retains their voting rights in respect of the DOCAs ■ Subject to section 444D of the Act, the DOCA may be pleaded by the Group or Deed Administrators against any person having a claim against the Group as an absolute bar and defence to any legal proceedings brought or made at any time in respect of that claim

Key Elements	Proposal
Secured Creditors	Nothing in the DOCAs restricts or otherwise affects any right of a secured creditor to realise or otherwise deal with its security to the extent permitted by section 444D(2) of the Act
Remuneration	The Administrators and Deed Administrators will be remunerated out of the assets of the Group and the Deed Fund as permitted under the DOCAs for their work performed at FTI's usual hourly rates for matters of this type

7.4. Our comments on the proposal

The DOCA offers an estimated return to unsecured creditors between 52 and 73 cents in the dollar.

Our estimate of the return to the creditors of the Company is discussed separately at Section 8. In reviewing this information, creditors should review the detailed statement, our estimate of costs and the anticipated return compared to a liquidation scenario.

There is no alternate DOCA proposal. Accordingly, the only other realistic option for the Company, if the present DOCA is not accepted by creditors, would be for the Company to be placed into liquidation.

In forming their own views as to whether or not the DOCA proposal is in their interests, creditors should consider the following items when comparing the DOCA proposal to liquidation:

- The DOCA proposal provides for a higher return to creditors of the Company and an equal or higher return to creditors of all companies within the Group. Airdrill creditors are expected to receive a dividend between 52c/\$ and 73c/\$ in the proposed DOCA scenario and between 17c/\$ and 25c/\$ in the liquidation scenario. The proposed DOCA provides for a greater return to the creditors of Airdrill as H&B is to be a non-participating creditor, therefore not receiving a dividend from Airdrill for the outstanding intercompany loan.
- Employees of the Group under the DOCA proposal are to receive 100c/\$ for any admitted outstanding pre-appointment debts against each of the companies within the Group individually. The operation of the DOCA proposal negates the requirement of any affected employees to participate in the FEG scheme.
- Under the DOCA, the various investigations and statutory reports required to be completed, and lodged in a liquidation scenario will not be required, therefore reducing costs, and expediting the timeframe in which funds can flow to creditors and equity holders.
- We note the comments at Section 6.3, in which we consider, that based upon our preliminary investigations, no uncommercial transactions have occurred, which may give rise to additional recoveries in a liquidation scenario.

7.5. Expected timeline of events

If the proposed DOCA is approved by creditors at the forthcoming meeting, the following key events (in sequence) can be expected to occur:

- The DOCA will be executed by the parties subject to the individual deeds. This is expected to occur shortly after the forthcoming meeting of creditors. At law, there is a maximum time period of 15 business days after the meeting for the DOCA to be executed.
- Once all costs and expenses of the Administrators and Deed Administrators are settled, a dividend process (conducted in a manner consistent with the provisions of the Act and the DOCA) would be undertaken. This would involve creditors submitting a proof of debt form to the Deed Administrators to substantiate their claim and the Deed Administrators adjudicating on these claims. As the DOCA provides for a return to unsecured creditors the Deed Administrators are required to receive tax clearance from the ATO prior to payment of the final dividend.
- Once all obligations under the DOCA are satisfied, the Company will be liquidated, and ultimately deregistered through a voluntary liquidation process.

8. Estimated return to creditors

8.1. Administrators' estimated statement of position

	Notes	DOCA Low return	DOCA High return	Liquidation Low return	Liquidation High return
Assets					
Cash at Bank	1	7,324,822	7,324,822	7,324,822	7,324,822
Trade and other receivables	2	1,005,846	1,448,728	1,005,846	1,448,728
Sale proceeds to be received	3	657,245	876,327	657,245	876,327
Liquidator Claims					
Voidable Recoveries	4	N/A	N/A	0	Unknown
Insolvent Trading Actions	5	N/A	N/A	0	Unknown
Available Funds Before Costs		8,987,913	9,649,877	8,987,913	9,649,877
Costs					
Outstanding payables	6	2,795,260	2,795,260	2,795,260	2,795,260
Legal Fees	7	400,000	400,000	400,000	400,000
Administrators' Fees	8	1,341,025	1,341,025	1,341,025	1,341,025
Deed Administrators' Fees	8	150,000	112,500	N/A	N/A
Liquidators' Fees	8	N/A	N/A	350,000	262,500
Estimated Costs		4,686,285	4,648,785	4,886,285	4,798,785
Funds Available to Creditors		4,301,628	5,001,092	4,101,628	4,851,092
Creditor Claims					
Priority Creditors	9	0	0	0	0
Unsecured Creditor Claims	10	8,259,477	6,882,897	23,544,868	19,620,723
Return to Creditors					
Priority Creditors		N/A	N/A	N/A	N/A
Unsecured Creditor Claims (c/\$)		52.0	73.0	17.0	25.0

8.2. Notes

1. Cash at bank reflects current (as at 15 June 2023) cash held in bank accounts in the name of the Company controlled by the Administrators. Funds are held in both AUD and USD, for the purpose of this report funds held in USD have been displayed at the foreign exchange spot rate as at 15 June 2023. Funds present within the bank accounts are made up of funds held by the Company at appointment, the outcome of trading receipts and payments throughout the Voluntary Administration period and the receipt of funds relating to the BSA and ISA.
2. Trade and other receivables comprises of the residual trading period, and pre-appointment sales yet to be collected by the Administrators. Recoverability of the debtors has been discounted in the low scenario with consideration for the aging of certain debtors, and the presence of international

customers for whom there are limited recourse opportunities.

3. All amounts due to the Company under the BSA have been received as at the date of this report. An amount of \$876k remains outstanding under the ISA.
4. Please see section 6.3 of this Report for further information regarding the potential recovery of voidable transactions by a Liquidator.
5. Please see section 6.2 of this Report for further information regarding the potential insolvent trading actions available to a Liquidator.
6. The remaining liability reflects a current estimate of outstanding trade creditor invoices and not yet invoiced purchase orders unable to be transferred to Epiroc. This amount further includes outstanding GST and PAYGW payable amounts.
7. Legal fees as per those incurred to 15 June 2023 and those expected to be incurred for future required legal services.
8. Fees relevant to the Administrators, future Deed Administrators or the future Liquidators. Please see the Company's Remuneration Approval Report at Appendix 7.
9. There remain no outstanding priority creditor entitlements. All employees had their employment transferred to Epiroc including all outstanding employee entitlements.
10. Unsecured creditors are represented on a consolidated basis to include trade creditors, unsecured statutory creditors and related party debts. The DOCA scenarios exclude amounts due to H&B as per the terms of the proposed DOCA. The Administrators' ERV reflects an uplift (20%) applied to the base case in the low scenario to reflect the risk of further (or larger than expected) claims being received by the Administrators in the future.

8.3. Summary of estimated returns

Below is a summary of the estimated returns to priority creditors and unsecured creditors in both a DOCA and Liquidation scenario. Estimated returns are presented on a cents in the dollar basis.

	DOCA Low Return	DOCA High Return	Liquidation Low Return	Liquidation High return
Priority Creditors: Wages & Superannuation	N/A	N/A	N/A	N/A
Priority Creditors: Leave Entitlements	N/A	N/A	N/A	N/A
Priority Creditors: Redundancy & PILN	N/A	N/A	N/A	N/A
Unsecured Creditors (c/\$)	52	73	17	25

- As previously noted the key factor and variable impacting the estimated return to creditors is the outcome of the WorkSafe investigation currently underway, including corresponding financial penalties that may arise, which the Administrators are presently unable to quantify.

8.4. Administrators' receipts and payments

A summary of receipts and payments since the date of our appointment to 15 June 2023 is present within the Airdrill Remuneration Approval Request attached at Appendix 7.

8.5. Impact of related entity claims on dividend prospects

- A related party claim is present in Airdrill, which is held by H&B to the extent of \$12.7m. The proposed DOCA states that the related party claim of H&B in Airdrill is to be a non-participating claim in the eventual dividend paid by Airdrill. Please see section 7 of this report for further details of the proposed DOCA. Based on the quantum of the related party claim, its exclusion from the DOCA creditor pool has a significant impact on the dividend value to unsecured creditors in the DOCA scenario relevant to the outcome in a Liquidation scenario.
- Airdrill holds a related party claim against Schramm II to the extent of \$1.3m. As the proponent of the DOCA the loan due from Schramm II will be excluded from the deed fund. Whilst the recovery of this potential claim would provide a greater return to unsecured creditors in a liquidation scenario only, we consider recovery prospects in a liquidation scenario to be remote.

9. Administrators' opinion and recommendation

9.1. Opinion and recommendation to creditors

9.1.1. What creditors can decide at the meeting

At the second meeting of creditors, creditors are required to decide whether:

- The Company should execute a DOCA
- The administration of the Company should end, or
- The Company should be wound up.

In accordance with the requirements of Section 75-225 of the Insolvency Practice Rules (Corporations) 2016, the Administrators must provide an opinion on each of the above options, and whether the option is in the creditors' interests.

9.1.2. Administrators' opinions on the options available to creditors

Execution of a deed of company arrangement

We consider that it would be in the creditors' interests for the Company to execute a DOCA on the terms proposed. This is because, on balance, there appears to be less uncertainty under the DOCA proposal compared to a liquidation scenario and it is likely that creditors will potentially receive a greater return under the DOCA proposal than they would if the Company was immediately wound up.

The Administration comes to an end

If the creditors vote for this alternative, control of the Company would revert to the Directors following the forthcoming meeting of creditors.

As the business assets of the Company (and related entities) have been sold, the distribution of proceeds remains the key objective of the administration moving forward, which is best served through a formal distribution process pursuant to the provisions of the Corporations Act, as would be achieved through either the DOCA proposal, or a liquidation process.

The Company is also insolvent with no cash to pay the Company's debts and no confirmed prospects of obtaining external funding. Therefore, we do not consider that it would be in the creditors' interests for the administration to end.

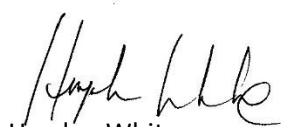
The Company is wound up

We do not consider it would be in the creditors' interests for the Company to be wound up as the proposed DOCA will likely provide a higher cents in the dollar return for creditors than they may receive in a winding up.

9.1.3. Administrators' opinion on voidable transactions

It is the opinion of the Administrators that there do not appear to be transactions that may be voidable transactions as outlined in Section 75-225 of the Insolvency Practice Rules (Corporations) 2016.

Dated 15 June 2023



Hayden White

Joint and Several Administrator


Hayden White

Senior Managing Director


Ian Francis

Senior Managing Director


Paul Harlond

Senior Managing Director

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10. Appendix 1 – Glossary and terms of reference

Item	Definition
Act	<i>Corporations Act 2001</i> (Cth)
Administrators	Hayden White, Ian Francis and Paul Harlond in their capacity as joint and several Voluntary Administrators of the Company
Airdrill Company	Airdrill Pty Ltd (Administrators Appointed) ACN 109 184 447 trading as Schramm Australia
Airdrill DOCA	The proposed DOCA for Airdrill
ASIC	Australian Securities and Investments Commission
ATO	Australian Taxation Office (incorporating the Deputy Commissioner of Taxation, as applicable)
BSA	Business Sale Agreement
CAGR	Compound annual growth rate
H&B	Airdrill Hammers and Bits Pty Ltd (Administrators Appointed) ACN 121 610 786, trading as Schramm Hammers and Bits
Current Ratio	A measure of a company's short-term liquidity, calculated by dividing current assets by current liabilities
CY20, CY21, CY22	Calendar years ending, respectively, 31 December 2020, 31 December 2021 and 31 December 2022
Decathlon	Decathlon Alpha IV, L.P
DIRRI	Declaration of independence, relevant relationships and indemnities
DOCA	Deed of company arrangement
DOCAs	Collectively the Airdrill DOCA, H&B DOCA and HoldCo DOCA
EBIT	Earnings before interest and tax
EBITDA	Earnings before interest, tax, depreciation and amortisation
EOI	Expression of interest
Epiroc	Epiroc Group, including Epiroc AB and Epiroc Australia Pty Limited
ERV	Estimated realisable value
FEG Scheme	Commonwealth Government Fair Entitlements Guarantee Scheme

Item	Definition
Global Group	Collectively, the Group and Schramm II Inc. (Delaware)
Group	Collectively: Airdrill Hammers and Bits Pty Ltd (Administrators Appointed) Airdrill Pty Ltd (Administrators Appointed) Schramm Australia Holding Pty Limited (ACN 164 654 200)
GST	Goods and Services Tax, as applicable in Australia
H&B DOCA	The proposed DOCA for H&B
HoldCo DOCA	The proposed DOCA for SAH
ISA	Inventory Sale Agreement
Management	The senior officers, employees and advisors of the Company
NBIO	Non-binding indicative offer
NPAT	Net profit after tax
PPSR	Personal Property Securities Register as established by the <i>Personal Property Securities Act 2009</i> (Cth)
Quick Ratio	A measure of a company's short-term liquidity, calculated by dividing cash and cash equivalents and accounts receivable by short term debt, accounts payable and accrued liabilities and other debts
ROCAP	Report on Company Activities and Property
SAH	Schramm Australia Holding Pty Limited (Administrators Appointed) ACN 164 654 200
Schramm II the Proponent	Schramm II Inc. (Delaware)
WHS	Workplace Health and Safety
YTD	Year to date

10.1. Terms of reference

This report has been prepared for the creditors of Company to assist them in evaluating their position as creditors and in deciding on the Company's future. None of the Administrators, FTI Consulting and its staff shall assume any responsibility to any third party to which this report is disclosed or otherwise made available.

This report is based on information obtained from the Company's records, the Directors and management of the Company and from our own enquiries. While we have no reason to doubt the veracity of information contained in this report, unless otherwise stated we have proceeded on the basis that the information provided and representations made to us are materially accurate, complete and reliable. We have not carried out anything in the nature of an audit, review or compilation.

This report may contain prospective financial information, including estimated outcomes for creditors, and other forward looking information. As events and circumstances frequently do not occur as expected, there may be material differences between estimated and actual results. We take no responsibility for the achievement of any projected outcomes or events.

We reserve the right to alter any conclusions reached on the basis of any changed or additional information which may become available to us between the date of this report and the forthcoming meeting of creditors.

Creditors should seek their own advice if they are unsure how any matter in this report affects them.

11. Appendix 2 – Company information

11.1. Statutory Information

Item	Description
Incorporation Date	21 May 2004
Registered Address	BDO, Mia Yellagonga Tower 2, Level 9, 5 Spring Steet, Perth WA 6000
Principal Place of Business	52-54 Banksia Road, Welshpool WA 6106
Directors and Officers	Craig Anthony Mayman (Director), Appointed 12 October 2018 Charles Castine (Director), appointed 6 December 2019 George Lloyd Trotter (Director), appointed 6 December 2019 Otis Spencer (Director), appointed 6 December 2019 David Charles Shinner (Company Secretary), appointed 29 August 2018 (also a Director from 6 December 2019 to 31 March 2022)
Shareholders	The Company has \$861,538 in paid up capital and 861,538 shares on issue. The Company is fully owned by Schramm Australia Holding Pty Limited (Administrators Appointed) (“SAH”). That is, SAH owns all 861,538 (100%) of the Company’s shares. One “SUBS” Shelf Company Subscriber Class share, \$1, however, no current member listed.
Related entities	Schramm II Inc. US incorporated company and 100% shareholder of Schramm Australia Holding Pty Limited. The company is ultimately controlled by entities associated with GenNx360 Capital Partners. Schramm Australia Holding Pty Limited (ACN 164 654 200) Australian incorporated holding company and 100% shareholder of Airdrill Pty Ltd and Airdrill Hammers and Bits Pty Ltd. Airdrill Hammers and Bits Pty Ltd (ACN 121 610 786) Australian trading entity and wholly owned subsidiary of Schramm Australia Holding Pty Limited.

Description of trading activities

The Company manufactures and supplies land based, mobile, hydraulic drilling rigs, including aftermarket equipment and maintenance/repair services, principally in the mining, oil and gas and water industries.

11.2. Details of security interests and charges

A summary of the security interests registered on the PPSR, plus any other prima facie valid charges that the Administrators are aware of, is provided below. Details of the security interests registered are provided in Appendix 3.

Security type	Number
ALIPAAP, with exceptions	1
PMSI	69
Other	15
Total	85

11.3. Historical financial information

11.3.1. Balance Sheet Summary

Set out below is a summary of the Company's Balance Sheet for the years ended 31 December 2020, 31 December 2021 and 31 December 2022. The figures presented are per the Company's internal management accounts (unaudited).

	Notes	CY 20	CY 21	CY 22
Current Assets				
Cash at Bank		631,019	666,623	1,008,141
Debtors & Receivables	1	2,773,439	3,025,166	3,138,170
Inventory	2	4,525,569	7,266,944	10,106,521
Other Current Assets		220,253	220,478	257,354
Total Current Assets		8,150,279	11,179,211	14,510,186
Non-current Assets				
Plant & Equipment	3	328,911	499,094	697,658
Right of Use Asset	4	3,326,438	3,148,810	2,470,078
Intercompany Loan – Schramm II	5	409,976	854,707	2,302,842
Deferred Tax Asset		1,731,283	1,748,282	1,748,282
Other Non-current Assets		371,705	2,528,324	1,181,093
Total Non-current Assets		6,168,313	8,779,218	8,399,953
Total Assets		14,318,592	19,958,428	22,910,139
Current Liabilities				
Trade Creditors	6	2,266,298	5,126,414	5,778,442
Progress payments	7	1,890,151	4,942,756	6,649,272
Employee Entitlements	8	1,062,944	996,122	1,269,599
Statutory Liabilities	9	446,022	48,017	219,973
Intercompany loan – Schramm II	5	118,432	768,420	1,424,703
Other Current Liabilities		163,219	102,336	155,180
Total Current Liabilities		5,947,067	11,984,065	15,497,169
Non-current Liabilities				
Lease Liability		3,520,121	3,466,702	2,850,623
Intercompany Loan – H&B	5	7,868,449	8,993,971	12,447,424
Deferred Tax Liability		1,269,294	1,273,949	1,339,881
Total Non-current Liabilities		12,657,863	13,734,621	16,637,928
Total Liabilities		18,604,930	25,718,686	32,135,097
Net Assets		(4,286,338)	(5,760,258)	(9,224,959)

11.3.2. Balance Sheet Notes

1. Debtors and Receivables is comprised of amounts outstanding from various trade debtors. At the date of our appointment, \$2.8m AUD was outstanding from 52 trade debtors and \$410k USD from 18 trade debtors.
2. Inventory primarily represents raw materials used in production and work in progress.
3. Plant and Equipment comprises production machinery and equipment, computer hardware, office furniture and equipment, motor vehicles and building improvements.
4. Airdrill reports a right of use asset relating to its right to use the Company's leased premises.
5. Airdrill reports the following intercompany loans at the end of CY22.

Intercompany Loans – Airdrill	
Description	Amount (\$)
Schramm II	
Loans to Schramm II	2,302,842
Loans from Schramm II	(1,424,703)
Net Position – Schramm II	878,139
H&B	
Loans to H&B	3,568,859
Loans from H&B	(16,016,283)
Net Position – H&B	(12,447,424)

6. Trade Creditors is comprised of amounts outstanding to various suppliers, including operational, raw material and exported products used in production.
7. Progress payments represent amounts received from customers for rigs under construction.
8. The Company recorded the following payroll liabilities and provisions for employee entitlements as at end of CY22.

Provision for employee entitlements	
Entitlement	Amount (\$)
Superannuation payable	111,372
Accrued leave	1,114,221
Salary Sacrifice	41,203
Child Support	2,803
Total	1,269,599

9. Statutory Liabilities are comprised of the following as at end of CY22.

Statutory Liabilities	
Liability	Amount (\$)
GST Payable	171,148
PAYG Accrued	48,825
Total	219,973

11.3.3. Profit and Loss Summary

Set out below is a summary of the Company's Profit and Loss Statement for the years ended 31 December 2020, 31 December 2021 and 31 December 2022. The figures presented are per the Company's internal management accounts (unaudited).

	Notes	CY 20	CY 21	CY 22
Revenue				
Rig Sales	1	6,868,879	11,884,184	19,591,218
Other sales	2	10,039,772	10,104,205	15,843,453
Other Income	3	4,775,598	2,856,762	1,388,811
Total Revenue		21,684,249	24,845,151	36,823,481
Expenses				
Cost Of Goods Sold – Rig sales	4	6,225,548	10,206,657	19,631,018
Cost of Goods Sold – Other	4	12,442,650	12,556,090	16,495,187
Employee Expenses		904,121	1,482,428	1,802,276
Admin And Other Expenses		429,238	515,620	699,223
Motor Vehicle Expenses		27,388	59,550	64,213
Rent		138,572	161,698	237,177
Depreciation		752,299	757,264	809,220
Interest		439,660	306,604	246,552
Marketing expenses		270,753	273,159	303,317
Total Expenses		21,630,228	26,319,070	40,288,182
Net Profit/Loss		54,020	(1,473,919)	(3,464,701)

11.3.1. Profit and Loss Notes

1. Rig sales is comprised of amounts received from customers for the rig builds.
2. Other sales is comprised of service income and amounts received from customer for the sale of spares and parts and other stock.
3. Other income includes sale of assets, interest income and the sale of scrap metal.
4. Cost of Goods Sold consists of the cost to obtain raw materials, warranty claims, repairs and maintenance, and applied labour.

12. Appendix 3 – PPS Registrations

12.1. Details of security interests and charges

Below are details the security interests registered on the PPSR, plus any other prima facie valid charges that the Administrators are aware of.

Registration Number	Secured Party	Date Registered	Collateral Class
201808130007838	A.A.P. INDUSTRIES PTY LTD	13-Aug-18	Other Goods
201409050009916	ABFI STEEL GROUP PTY LTD	5-Sep-14	Other Goods
201312040012560	ADAPT-A-LIFT GROUP PTY LTD	4-Dec-13	Motor Vehicle
201609120000612	ADAPT-A-LIFT GROUP PTY LTD	12-Sep-16	Other Goods
201712140048494	ADAPT-A-LIFT GROUP PTY LTD	14-Dec-17	Motor Vehicle
202106080035220	ADAPT-A-LIFT GROUP PTY LTD	8-Jun-21	Motor Vehicle
202106250001197	ADAPT-A-LIFT GROUP PTY LTD	25-Jun-21	Motor Vehicle
202108100030061	ALLSHELTER PTY LTD	10-Aug-21	Other Goods
201901240038503	ANTEC GROUP PTY LIMITED	24-Jan-19	Other Goods
201204190096539	APPLIED INDUSTRIAL TECHNOLOGIES PTY LTD	19-Apr-12	Other Goods
202008170041770	AQUA TERRA OIL AND MINERAL SERVICE AND SUPPLY COMPANY PTY. LTD.; ACN 118879806 ATOM SUPPLY GROUP PTY LIMITED	17-Aug-20	Other Goods
202012010023525	AUTO ELECTRICAL IMPORTS PTY. LTD.	1-Dec-20	Other Goods

Appendix 3 – PPS Registrations

Registration Number	Secured Party	Date Registered	Collateral Class
202107150020122	BAXTER ENTERPRISES PTY LTD	15-Jul-21	Other Goods
201806110000742	BEARING DYNAMICS PTY LTD; ACN 004112887 BEARING SERVICE PROPRIETARY LIMITED; ACN 154303152 B.J. BEARINGS PTY LTD; ACN 000143608 CBC AUSTRALIA PTY LIMITED; ACN 001560443 CIRCLIPS (AUSTRALIA) PTY LTD; ACN 099707829 FASTENERS AUSTRALIA PTY LIMITED; ACN 104459216 GLADE MANUFACTURING & SALES PTY LIMITED; ACN 099707856 HS COMPANY PTY LIMITED; ACN 007595977 MOTION ASIA PACIFIC PTY LTD; ACN 000191257 INENCO WHOLESALE PTY LTD; ACN 139891820 PHOENIX TRADERS PTY LIMITED; ACN 009734785 SEAL IMPORTS PTY LIMITED; ACN 004483256 SEAL INNOVATIONS PTY LTD; ACN 158063953 SPECIALISED WHOLESALE PTY LTD; ACN 151965641 SPECIALTY FASTENERS PTY LTD; ACN 000332838 WEBSTER BEARINGS & ENGINEERING SUPPLIES PTY LTD; ACN 008755342 W.W. INDUSTRIAL PTY LTD; ACN 000936667 NTN-CBC (AUSTRALIA) PTY LTD	11-Jun-18	Other Goods
201203210112140	BLUESCOPE DISTRIBUTION PTY LTD	21-Mar-12	Other Goods
201912170062267	BOC LIMITED	17-Dec-19	Other Goods
201712120048725	BOSCH REXROTH PTY LTD	12-Dec-17	Other Goods
201510150079068	BTP EQUIPMENT PTY LTD; ACN 096533283 BTP PARTS PTY LTD	15-Oct-15	Motor Vehicle
201510150079338	BTP EQUIPMENT PTY LTD; ACN 096533283 BTP PARTS PTY LTD	15-Oct-15	Other Goods
201401310217769	CAPS AUSTRALIA PTY LTD	31-Jan-14	Other Goods
202201110071328	CAVPOWER PTY LTD	11-Jan-22	Other Goods
201701300006197	COVENTRY GROUP LIMITED	30-Jan-17	Other Goods
202107150066087	DE LAGE LANDEN PTY LIMITED	15-Jul-21	Motor Vehicle
202107290080846	DE LAGE LANDEN PTY LIMITED	29-Jul-21	Motor Vehicle
202203010025832	Decathlon Alpha IV, L.P.	1-Mar-22	AllPapWithExcept

Appendix 3 – PPS Registrations

Registration Number	Secured Party	Date Registered	Collateral Class
201902260062618	DIANA HOLDINGS PTY LTD; ABN 29514984379 THE TRUSTEE FOR BUNBURY BORING CO UNIT TRUST	26-Feb-19	Other Goods
201902260062625	DIANA HOLDINGS PTY LTD; ABN 29514984379 THE TRUSTEE FOR BUNBURY BORING CO UNIT TRUST	26-Feb-19	Other Goods
201902260062639	DIANA HOLDINGS PTY LTD; ABN 29514984379 THE TRUSTEE FOR BUNBURY BORING CO UNIT TRUST	26-Feb-19	Motor Vehicle
201902260062641	DIANA HOLDINGS PTY LTD; ABN 29514984379 THE TRUSTEE FOR BUNBURY BORING CO UNIT TRUST	26-Feb-19	Motor Vehicle
202004210026246	DIANA HOLDINGS PTY LTD; ABN 29514984379 THE TRUSTEE FOR BUNBURY BORING CO UNIT TRUST	21-Apr-20	Motor Vehicle
202004210026251	DIANA HOLDINGS PTY LTD; ABN 29514984379 THE TRUSTEE FOR BUNBURY BORING CO UNIT TRUST	21-Apr-20	Motor Vehicle
202004210026267	DIANA HOLDINGS PTY LTD; ABN 29514984379 THE TRUSTEE FOR BUNBURY BORING CO UNIT TRUST	21-Apr-20	Other Goods
202004210026279	DIANA HOLDINGS PTY LTD; ABN 29514984379 THE TRUSTEE FOR BUNBURY BORING CO UNIT TRUST	21-Apr-20	Other Goods
202008280054901	ENERGY DRILLING AUSTRALIA PTY LIMITED	28-Aug-20	Other Goods
202008280054917	ENERGY DRILLING AUSTRALIA PTY LIMITED	28-Aug-20	Motor Vehicle
201901250058569	ENERGY POWER SYSTEMS AUSTRALIA PTY. LIMITED.	25-Jan-19	Motor Vehicle
201901250058576	ENERGY POWER SYSTEMS AUSTRALIA PTY. LIMITED.	25-Jan-19	Other Goods
201905130043406	ERS AUSTRALIA PTY LIMITED	13-May-19	Other Goods
201909230090055	ERS AUSTRALIA PTY LIMITED	23-Sep-19	Other Goods
202007210031401	FREO GROUP PTY LTD	21-Jul-20	Other Goods
202007210031396	FREO GROUP PTY LTD	21-Jul-20	Motor Vehicle
201202100105437	HASTINGS DEERING (AUSTRALIA) LIMITED	10-Feb-12	Other Goods
201202100105779	HASTINGS DEERING (AUSTRALIA) LIMITED	10-Feb-12	Motor Vehicle
202107080056395	INFRABUILD TRADING PTY LTD; ACN 004148289 INFRABUILD CONSTRUCTION SOLUTIONS PTY LTD; ACN 002707262 ONESTEEL RECYCLING PTY LIMITED; ACN 069426955 THE AUSTRALIAN STEEL COMPANY (OPERATIONS) PTY LTD; ACN 000010873 INFRABUILD WIRE PTY LIMITED; ACN	8-Jul-21	Other Goods

Appendix 3 – PPS Registrations

Registration Number	Secured Party	Date Registered	Collateral Class
	003312892 INFRABUILD NSW PTY LTD; ACN 123666679 AUSTUBE MILLS PTY LTD; ACN 008742014 XMS HOLDINGS PTY LIMITED; ACN 010469977 P & T TUBE MILLS PTY LTD; ACN 623194070 INFRABUILD (MANUFACTURING) PTY LTD; ACN 623285718 INFRABUILD (NEWCASTLE) PTY LTD; InfraBuild NZ Limited; ACN 631112108 LIBERTY INFRABUILD LTD; ACN 631112457 INFRABUILD AUSTRALIA PTY LTD; OneSteel Recycling Hong Kong Limited; ACN 083090831 SSX SERVICES PTY LIMITED; ACN 120736638 STEELFORCE HOLDINGS PTY LTD; ACN 093284078 STEELFORCE AUSTRALIA PTY LIMITED; ACN 110268829 STEELFORCE SYDNEY PTY LIMITED; ACN 110146515 AUSTEEL TRADING PTY LTD; ACN 114786337 STEELFORCE CHINA PTY LTD; Dalian Steelforce Hi-Tech Co Ltd; Dalian Austeel Trading Pty Ltd		
201307080056340	INTEGRATED INDUSTRIAL PTY LTD	8-Jul-13	Other Goods
202105040026557	INTEGRATED INDUSTRIAL PTY LTD	4-May-21	Other Goods
202012090037060	J. BLACKWOOD & SON PTY LTD	9-Dec-20	Other Goods
201205210041180	MM PLASTICS PTY LIMITED	21-May-12	Other Goods
201805240075156	MM PLASTICS PTY LIMITED	24-May-18	Other Goods
201310300071476	MURPHYS SPRAY AND BLAST EQUIPMENT PTY LTD	30-Oct-13	Other Goods
202107230031024	ONESTEEL MANUFACTURING PTY LIMITED; ACN 631112573 LIBERTY PRIMARY METALS AUSTRALIA PTY LTD; ACN 153225364 WHYALLA PORTS PTY LTD; ACN 076663968 TAHMOOR COAL PTY LTD; ACN 000970276 BARGO COLLIERIES PTY LTD; Arrium Mining Services Asia Limited	23-Jul-21	Other Goods
201912190027589	OX ENGINEERING PTY LTD	19-Dec-19	Other Goods
201202200084367	PENSKE POWER SYSTEMS PTY LTD	20-Feb-12	Other Goods
202212070061414	POWELL INDUSTRIAL PTY LTD	7-Dec-22	Other Goods
202005090007288	PPG INDUSTRIES AUSTRALIA PTY LIMITED	9-May-20	Other Goods
201908280055059	PYROTEK PTY LTD	28-Aug-19	Other Goods

Appendix 3 – PPS Registrations

Registration Number	Secured Party	Date Registered	Collateral Class
202101150002109	RICOH AUSTRALIA PTY LTD	15-Jan-21	Other Goods
201801170010578	RICOH AUSTRALIA PTY LTD	17-Jan-18	Other Goods
201808140053535	RPC SURFACE TREATMENT PTY LTD; ACN 097438269 THE LIFTING COMPANY PTY LTD; ACN 627335755 TLC DISTRIBUTION PTY LTD	14-Aug-18	Other Goods
201910250048823	RPC SURFACE TREATMENT PTY LTD; ACN 097438269 THE LIFTING COMPANY PTY LTD; ACN 627335755 TLC DISTRIBUTION PTY LTD	25-Oct-19	Other Goods
202301100040897	S.C.F GROUP PTY LTD	10-Jan-23	Other Goods
201208230038802	SANDVIK MINING AND CONSTRUCTION AUSTRALIA PTY LTD	23-Aug-12	Other Goods
201208230039194	SANDVIK MINING AND CONSTRUCTION AUSTRALIA PTY LTD	23-Aug-12	Other Goods
201909120015330	SOUTH PACIFIC WELDING GROUP PTY LIMITED	12-Sep-19	Other Goods
201207250040913	SOUTHCOTT PTY. LIMITED	25-Jul-12	Other Goods
201907050035365	STRIKE DRILLING PTY LTD	5-Jul-19	Other Goods
201907050035377	STRIKE DRILLING PTY LTD	5-Jul-19	Motor Vehicle
201907050062301	STRIKE DRILLING PTY LTD	5-Jul-19	Motor Vehicle
202004080024676	STRIKE DRILLING PTY LTD	8-Apr-20	Motor Vehicle
202004080024682	STRIKE DRILLING PTY LTD	8-Apr-20	Other Goods
202004080024695	STRIKE DRILLING PTY LTD	8-Apr-20	Chattel Paper
202004080024757	STRIKE DRILLING PTY LTD	8-Apr-20	Motor Vehicle
202004080024761	STRIKE DRILLING PTY LTD	8-Apr-20	Other Goods
202004080024774	STRIKE DRILLING PTY LTD	8-Apr-20	Chattel Paper

Appendix 3 – PPS Registrations

Registration Number	Secured Party	Date Registered	Collateral Class
201401290252070	The trustee for CQE Trading Trust; ACN 116132435 CUSTOM QUIP ENGINEERING PTY LTD	29-Jan-14	Other Goods
202001070024901	THE TRUSTEE FOR PORTZANE COMMERCIAL PROPERTY NO 1 TRUST	7-Jan-20	Other Goods
202001070024917	THE TRUSTEE FOR PORTZANE COMMERCIAL PROPERTY NO 1 TRUST	7-Jan-20	Other Goods
202210110050414	The Trustee for THE ADAPTIVE TRUST	11-Oct-22	Other Goods
201808170016144	TOYOTA FINANCE AUSTRALIA LTD	17-Aug-18	Other Goods
201808170016137	TOYOTA FINANCE AUSTRALIA LTD	17-Aug-18	Motor Vehicle
201508270041943	UNITED STEEL PTY LTD	27-Aug-15	Other Goods
202301180040868	VELOCITY VEHICLE GROUP AUSTRALIA PTY LTD	18-Jan-23	Other Goods
201609120055804	W.A. TRUCK AND MACHINERY REPAIRS PTY LTD	12-Sep-16	Other Goods
201609120056081	W.A. TRUCK AND MACHINERY REPAIRS PTY LTD	12-Sep-16	Motor Vehicle
201711290049200	WESTRAC PTY LTD	29-Nov-17	Other Goods

13. Appendix 4 – Investigations – analysis and information

13.1. General information and considerations

13.1.1. Date of insolvency

In order to ascertain if there were any insolvent transactions entered into by a company, it is first necessary to determine the date a company became insolvent.

Proving the date on which a company became insolvent is an essential element of recovery actions with respect to unfair preferences, uncommercial transactions and insolvent trading.

Recovery actions require the Liquidator to prove that the particular company was insolvent at the time of the transaction, or in the case of an insolvent trading action, when the debt was incurred.

13.1.2. What is insolvency?

Solvency is defined in s 95A of the Act as when a company is able to pay all its debts as and when they become due and payable. A company that is not solvent is insolvent.

Whether a company is able to meet its debts as they become due is essentially a “cash flow” test rather than a “balance sheet” test (although the company’s balance sheet position is still relevant).

Consideration of the entire financial position of a company is required to establish if it is insolvent at a particular date. This includes factors such as the value of the company’s assets relative to its liabilities and the nature of these assets and liabilities. Also, the extent to which cash is expected to be generated from future trading activities, or available from alternative sources is relevant to considering a company’s solvency position.

13.1.3. General and commercial considerations

Proving insolvency is often a complex exercise and usually involves considerable time and expense in thoroughly investigating all aspects of claims. Legal advice on the merits of claims is generally required.

Typically, insolvent trading claims are defended and Directors may seek to rely on the statutory defences available to them.

Legal proceedings are often necessary for Liquidators to pursue claims. This adds to the time and costs involved in pursuing claims. There is also inherent uncertainty involved with any litigation. As a result, commercial considerations are relevant, including whether the amount of the claim is large enough to pursue on a cost and risk/benefit basis.

The capacity of a party to pay any successful claim to a Liquidator is also a relevant consideration in determining whether or not pursuing an action is likely to be in the interest of creditors.

Liquidators may not have funds to pursue actions. At other times, the Liquidator may view the risks/benefits of pursuing an action not to be in the interest of creditors (for example, in cases where pursuing an action

would use up the available cash/assets when otherwise a small dividend to creditors could be paid). In these circumstances, it is possible that a creditor or a litigation funder may wish to fund an action to pursue a claim. This typically occurs only when there is a very strong case and high prospect of success.

13.2. Indicators of potential insolvency

13.2.1. Factors to take into account

The company has a history of continuing trading losses.

The company is experiencing cash flow difficulties.

The company is experiencing difficulties selling its stock, or collecting debts owed to it.

Creditors are not being paid on agreed trading terms and/or are either placing the company on cash-on-delivery terms or requiring special payments on existing debts before they will supply further goods and services.

The company is not paying its Commonwealth and state taxes when due (e.g. pay-as-you-go instalments are outstanding, goods and services tax (GST) is payable, or superannuation guarantee contributions are payable).

Cheques are being returned dishonoured.

Legal action is being threatened or has commenced against the company, or judgements are entered against the company, in relation to outstanding debts.

The company has reached the limits of its funding facilities and is unable to obtain appropriate further finance to fund operations—for example, through:

- negotiating a new limit with its current financier; or
- refinancing or raising money from another party.

The company is unable to produce accurate financial information on a timely basis that shows the company's trading performance and financial position or that can be used to prepare reliable financial forecasts.

Company directors have resigned, citing concerns about the financial position of the company or its ability to produce accurate financial information on the company's affairs.

The company auditor has qualified their audit opinion on the grounds there is uncertainty that the company can continue as a going concern.

The company has defaulted, or is likely to default, on its agreements with its financier.

Employees, or the company's bookkeeper, accountant or financial controller, have raised concerns about the company's ability to meet, and continue to meet, its financial obligations.

It is not certain that there are assets that can be sold in a relatively short period of time to provide funds to help meet debts owed, without affecting the company's ongoing ability to continue to trade profitably.

The company is holding back cheques for payment or issuing post-dated cheques.

Source: ASIC Regulatory Guide 217 - Duty to prevent insolvent trading: Guide for directors

ASIC's view is that these are some of the factors that a reasonable person would take into account when determining whether a company is insolvent. The list of factors is not intended to be exhaustive. There may be other factors that would indicate to a reasonable person that a company may be insolvent.

13.3. Date of insolvency

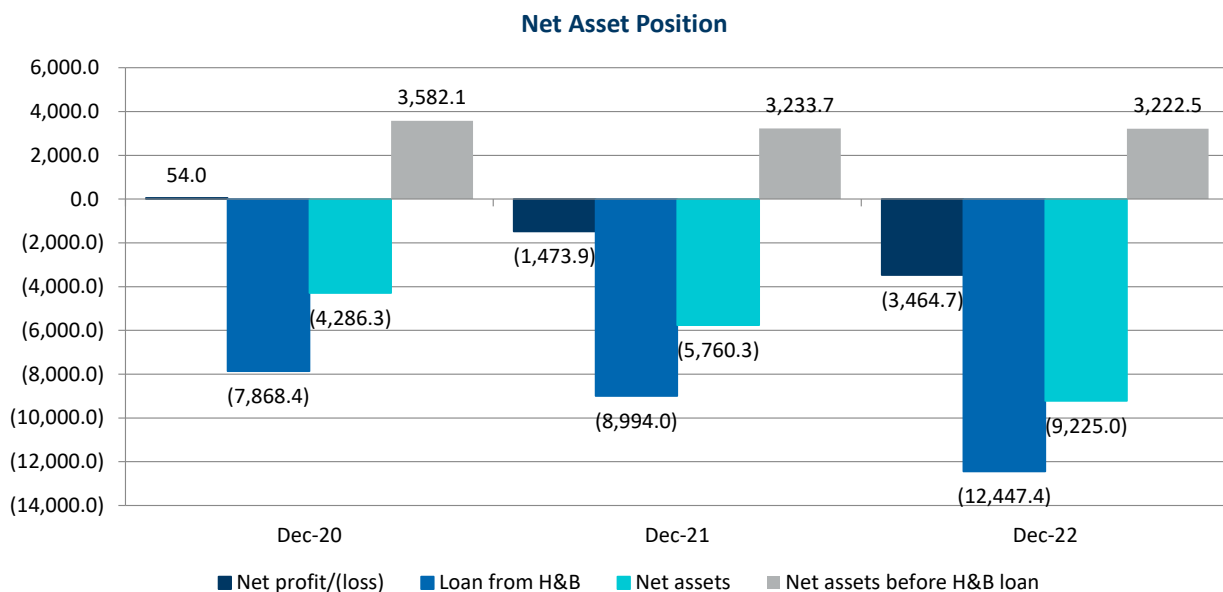
13.3.1. Solvency review – balance sheet test

Our review of the Company's historical net asset and working capital position is set out below:

	CY 20	CY 21	CY 22
Current Assets	8,150,279	11,179,211	14,510,186
Current Liabilities	5,947,067	11,984,065	15,497,169
Working Capital	2,203,212	(804,854)	(986,983)
Non-current Assets	6,168,313	8,779,218	8,399,953
Non-current Liabilities	12,657,863	13,734,621	16,637,928
Net Assets	(4,286,338)	(5,760,258)	(9,224,959)
Ratio Analysis			
Current Ratio	1.4	1.0	0.9
Quick Ratio	0.7	0.3	0.3
Intercompany Loan – H&B / Liabilities	42%	35%	39%
Net assets before loan from H&B	3,582,111	3,233,713	3,222,465

Net asset position

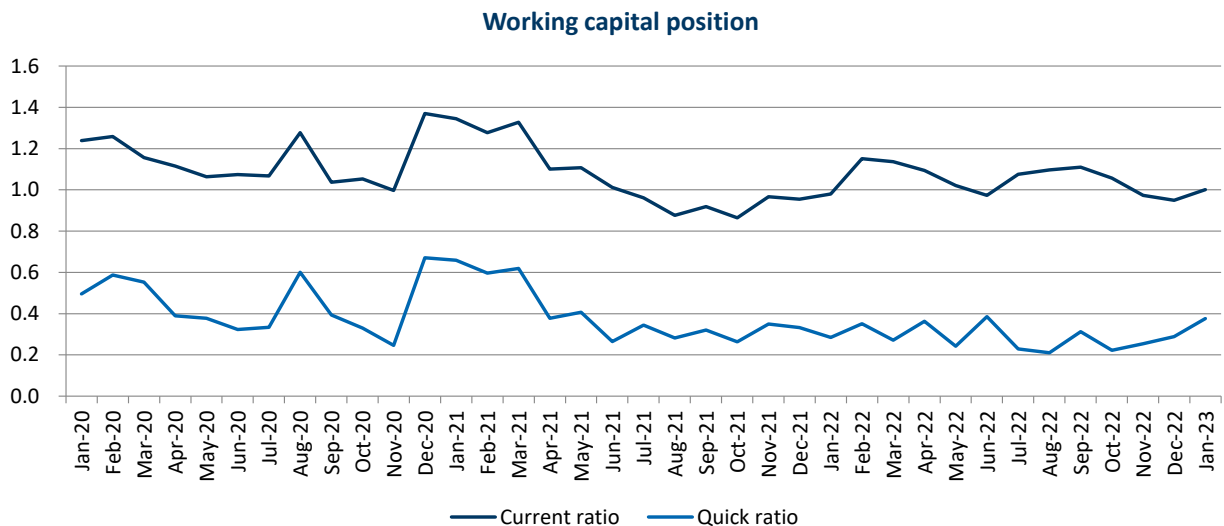
- A summary of the Company's net asset position and its related party loan from H&B is set out below.



- The Company operated with a negative net asset position (i.e. its liabilities were greater than its assets) for at least three years prior to our appointment.
- The Company's net asset deficit increased from ~\$4.3m in December 2020 to ~\$9.2m in December 2022 as a result of trading losses incurred in 2021 and 2022.
- The Company was reliant on its related party, H&B, for ongoing support to fund these trading losses, with its loan from H&B, net of amounts owing from H&B, increasing from ~\$7.8m in December 2020 to ~\$12.5m in December 2022.
- Generally, a net asset deficiency is indicative of insolvency as it suggests the company does not have sufficient assets to discharge its liabilities. This test does not, however, consider whether the liabilities reported on the balance sheet are due and payable.
- In this instance, the Company's net loan amount from H&B makes up approximately 40% of the Company's total liabilities. Excluding this liability, the Company reports a positive net asset position. This suggests that, while the Company's net asset position is indicative of insolvency, the Company may have had sufficient assets to cover its liabilities as they fell due, provided it continued to receive support from H&B (i.e. while H&B did not call upon the Company for payment of the loan).

Working capital position

- A company's working capital position can be reviewed using current and quick ratios, which compare the value of a company's current and liquid assets to its current liabilities. It is generally accepted that ratios below 1.0 are indicative of being insolvent. A ratio below one indicates that for every \$1 of current liabilities, the company has less than \$1 of current or liquid assets and, therefore, it may not be able to pay all of its debts in the short term.
- A summary of the Company's current and quick ratios for the two years prior to our appointment is provided below.



- The Company's current ratio averaged 1.1 over the period and only dipped below 1.0 for four months in the three year period.
- The Company's quick ratio averaged 0.4 over the period and was consistently below 1.0. The quick ratio is significantly lower than the current ratio as inventory and work in progress amounts are not included in the calculation.

- Our preliminary view is that, while H&B was providing support to the Company, it is unlikely that the Company was insolvent, as H&B's support allowed the Company to pay its debts and H&B did not call upon the Company to repay the loan.

13.3.2. Solvency review – cash flow test

The cash flow test involves assessing the Company's ability to meet its obligations as and when they fall due. There are many elements to consider and we have considered the following:

- trade creditor ledgers and information – i.e. to assess whether the Company had been meeting its payments on time
- statutory liability position - i.e. whether the Company had been meeting its statutory liabilities
- liquidity ratios and levels of working capital to assess – i.e. whether the Company had sufficient liquidity to meet its liabilities in the short term
- EBITDA and profit and loss position – i.e. to assess the Company's ability to generate sufficient cash to meet its obligations
- sources of funding and support by financiers or related entities – i.e. to assess whether the Company had any alternative sources of funding
- the existence of other indicia of insolvency

While our review of the above factors identified signs of financial stress over the period, our preliminary view is that, while the Company was supported by H&B, it was able to pay its debts as and when they fell due. A summary of our findings is set out below.

Factor	Findings
Trade creditor pressure	The Company proposed payment arrangements to reduce outstanding debts for five creditors in early February 2023. The Company was also put on cash on delivery terms by a number of creditors in late January 2023 / early February 2023 due to outstanding debts. We are not aware of alternate payment arrangements being entered into prior to January 2023.
Statutory liability position	Our review of the Company's lodgement and payment history for its statutory lodgements indicates that the Company typically made lodgements and paid statutory debts on time. At the time of appointment, statutory payments were up to date.
Liquidity ratios	As noted in our balance sheet test, the Company's ratios indicated financial stress; however, while the Company had the support of its related entity, H&B, it is likely the Company was able to pay its debts as and when they fell due.
EBITDA and profit and loss position	The Company was unable to generate cash from trading, having incurred trading losses in the three years prior to our appointment. While the Company reported a small profit of ~\$54k in CY 20, this was driven by other

Factor	Findings
Alternative sources of funding	income of ~\$964k. The Company relied on the support of H&B to fund these trading losses. The Company had the support of its related entity, H&B, which enabled the Company to pay its external debts. Shortly prior to our appointment, the Company had also reached an in-principle agreement for a debt factoring arrangement with a third party lender; however, this would have been insufficient to meet obligations under its guarantee to Decathlon.

13.3.3. Date of Insolvency

Our preliminary view is that the Company may have become insolvent in the months prior to the appointment of Administrators.

The primary reasons for our views are set out below:

- While the Company showed signs of financial stress, it had the ongoing financial support of its related party, H&B, which allowed the Company to pay its debts.
- The Company was also able to sell surplus assets to meet cash flow shortfalls and had sourced external funding through a debt factoring provider.
- Given the Company was reliant on H&B for its support, we consider the Company likely became insolvent when Schramm II initiated a wind down of its business shortly prior to appointment of the Administrators to the Group, and it became evident that Schramm II may default on its loan with Decathlon and the Company, and H&B, may be required to fulfil their obligations under the guarantee to Decathlon.

14. Appendix 5 – 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 company'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.

Right to give directions to voluntary administrator

Creditors, by resolution, may give a voluntary administrator directions in relation to a voluntary administration. A voluntary administrator must have regard to these directions, but they are not required to comply with the directions.

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

An individual creditor cannot provide a direction to a voluntary administrator.

Right to appoint a reviewing liquidator

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

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

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

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

Right to replace voluntary administrator

At the first meeting, creditors have the right to remove a voluntary administrator and appoint another registered liquidator to act as voluntary administrator.

A creditor must ensure that they have a consent from another registered liquidator prior to the first meeting if they wish to seek the removal and replacement of a voluntary administrator.

Creditors also have the opportunity to replace a voluntary administrator at the second meeting of creditors:

- If creditors vote to accept a proposed deed of company arrangement, they can appoint a different registered liquidator as the deed administrator.
- If creditors vote to place the company into liquidation, they can appoint a different registered liquidator as the liquidator.

It is however usual for the voluntary administrator to act as deed administrator or liquidator. It would be expected that additional costs would be incurred by an alternate deed administrator or liquidator to gain the level of knowledge of the voluntary administrator.

Like with the first meeting, a creditor must ensure that they have a consent from another registered liquidator prior to the second meeting if they wish to seek to appoint an alternative registered liquidator as deed administrator or liquidator.

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

Voluntary Administration

Creditor Information Sheet

Offences, Recoverable Transactions and Insolvent Trading



Offences

A summary of offences under the Corporations Act that may be identified by the administrator:

180	Failure by company officers to exercise a reasonable degree of care and diligence in the exercise of their powers and the discharge of their duties.
181	Failure to act in good faith.
182	Making improper use of their position as an officer or employee, to gain, directly or indirectly, an advantage.
183	Making improper use of information acquired by virtue of the officer's position.
184	Reckless or intentional dishonesty in failing to exercise duties in good faith for a proper purpose. Use of position or information dishonestly to gain advantage or cause detriment. This can be a criminal offence.
198G	Performing or exercising a function or power as an officer while a company is under administration.
206A	Contravening a court order against taking part in the management of a corporation.
206A, B	Taking part in the management of corporation while being an insolvent, for example, while bankrupt.
206A, B	Acting as a director or promoter or taking part in the management of a company within five years after conviction or imprisonment for various offences.
209(3)	Dishonest failure to observe requirements on making loans to directors or related companies.
254T	Paying dividends except out of profits.
286	Failure to keep proper accounting records.
312	Obstruction of an auditor.
314-7	Failure to comply with requirements for the preparation of financial statements.
437D(5)	Unauthorised dealing with company's property during administration.
438B(4)	Failure by directors to assist administrator, deliver records and provide information.
438C(5)	Failure to deliver up books and records to the administrator.
588G	Incurring liabilities while insolvent
588GAB	Officer's duty to prevent creditor-defeating disposition
588GAC	A person must not procure a company to make a creditor-defeating disposition
590	Failure to disclose property, concealed or removed property, concealed a debt due to the company, altered books of the company, fraudulently obtained credit on behalf of the company, material omission from Report as to Affairs or false representation to creditors.
596AB	Entering into an agreement or transaction to avoid employee entitlements.

Recoverable Transactions

Preferences

A preference is a transaction, such as a payment by the company to a creditor, in which the creditor receiving the payment is preferred over the general body of creditors. The relevant period for the payment commences six months before the commencement of the liquidation. The company must have been insolvent at the time of the transaction, or become insolvent because of the transaction.

Where a creditor receives a preference, the payment is voidable as against a liquidator and is liable to be paid back to the liquidator subject to the creditor being able to successfully maintain any of the defences available to the creditor under the Corporations Act.

Creditor-defeating disposition

Creditor-defeating dispositions are the transfer of company assets for less than market value (or the best price reasonably obtainable) that prevents, hinders or significantly delay creditors' access to the company's assets in liquidation. Creditor-defeating dispositions are voidable by a liquidator.

Uncommercial Transaction

An uncommercial transaction is one that it may be expected that a reasonable person in the company's circumstances would not have entered into, having regard to the benefit or detriment to the company; the respective benefits to other parties; and any other relevant matter.

To be voidable, an uncommercial transaction must have occurred during the two years before the liquidation. However, if a related entity is a party to the transaction, the period is four years and if the intention of the transaction is to defeat creditors, the period is ten years. The company must have been insolvent at the time of the transaction, or become insolvent because of the transaction.

Unfair Loan

A loan is unfair if and only if the interest was extortionate when the loan was made or has since become extortionate. There is no time limit on unfair loans – they only must be entered into before the winding up began.

Arrangements to avoid employee entitlements

If an employee suffers loss because a person (including a director) enters into an arrangement or transaction to avoid the payment of employee entitlements, the liquidator or the employee may seek to recover compensation from that person or from members of a corporate group (Contribution Order).

Unreasonable payments to directors

Liquidators have the power to reclaim '*unreasonable payments*' made to directors by companies prior to liquidation. The provision relates to payments made to or on behalf of a director or close associate of a director. The transaction must have been unreasonable, and have been entered into during the 4 years leading up to a company's liquidation, regardless of its solvency at the time the transaction occurred.

Voidable charges

Certain charges over company property are voidable by a liquidator:

- circulating security interest created within six months of the liquidation, unless it secures a subsequent advance;
- unregistered security interests;
- security interests in favour of related parties who attempt to enforce the security within six months of its creation.

Insolvent trading

In the following circumstances, directors may be personally liable for insolvent trading by the company:

- a person is a director at the time a company incurs a debt;
- the company is insolvent at the time of incurring the debt or becomes insolvent because of incurring the debt;
- at the time the debt was incurred, there were reasonable grounds to suspect that the company was insolvent;
- the director was aware such grounds for suspicion existed; and
- a reasonable person in a like position would have been so aware.

The law provides that the liquidator, and in certain circumstances the creditor who suffered the loss, may recover from the director, an amount equal to the loss or damage suffered. Similar provisions exist to pursue holding companies for debts incurred by their subsidiaries.

A defence is available under the law where the director can establish:

- there were reasonable grounds to expect that the company was solvent and they did so expect;
- they did not take part in management for illness or some other good reason; or
- they took all reasonable steps to prevent the company incurring the debt.

The proceeds of any recovery for insolvent trading by a liquidator are available for distribution to the unsecured creditors before the secured creditors.

Important note: This information sheet contains a summary of basic information on the topic. It is not a substitute for legal advice. Some provisions of the law referred to may have important exceptions or qualifications. This document may not contain all of the information about the law or the exceptions and qualifications that are relevant to your circumstances.

Queries about the voluntary administration should be directed to the administrator's office.

15. Appendix 6 – DIRRI

DECLARATION OF INDEPENDENCE, RELEVANT RELATIONSHIPS AND INDEMNITIES

AIRDRILL PTY LTD (ADMINISTRATORS APPOINTED) ACN 109 184 447

(“THE COMPANY”)

The purpose of this document is to assist creditors with understanding any relevant relationships that we have with parties who are closely connected to the Company and any indemnities or upfront payments that have been provided to us. None of the relationships disclosed in this document are such that our independence is affected.

This information is provided so you have trust and confidence in our independence and, if not, you can ask for further explanation or information and can act to remove and replace us if you wish.

This declaration is made in respect of ourselves, our fellow Senior Managing Directors/Managing Directors, FTI Consulting (Australia) Pty Ltd (FTI Consulting or Firm) and associated entities, as detailed in **Annexure A**.

We are Professional Members of the Australian Restructuring Insolvency and Turnaround Association (ARITA). We acknowledge that we are bound by the ARITA Code of Professional Practice.

Independence

We have assessed our independence and we are not aware of any reasons that would prevent us from accepting this appointment.

There are no other known relevant relationships, including personal, business and professional relationships that should be disclosed beyond those we have disclosed in this document.

Circumstances of appointment

How we were referred this appointment

This appointment was referred to FTI Consulting by Gilbert + Tobin, who is the external legal counsel for the Company and the Company’s private equity sponsor, GenNx360 Capital Partners. The Company forms part of a group of entities collectively referred to herein as the Schramm Group and is comprised as follows:

Associated Company	Nature of relationship
Schramm II Inc.	US incorporated company and 100% shareholder of Schramm Australia Holding Pty Limited. The company is ultimately controlled by entities associated with GenNx360 Capital Partners.

Schramm Australia Holding Pty Limited (ACN 164 654 200)	Australian incorporated holding company and 100% shareholder of Airdrill Pty Ltd and Airdrill Hammers and Bits Pty Ltd.
Airdrill Pty Ltd (ACN 109 184 447)	Australian trading entity and wholly owned subsidiary of Schramm Australia Holding Pty Limited.
Airdrill Hammers and Bits Pty Ltd (ACN 121 610 786)	Australian trading entity and wholly owned subsidiary of Schramm Australia Holding Pty Limited.

Hayden Leigh White, Paul Stuart Harlond, Ian Charles Francis (“the Administrators”) have been appointed as voluntary administrators of the Australian incorporated entities within the Schramm Group only. This comprises Schramm Australia Holding Pty Limited, Airdrill Pty Ltd and Airdrill Hammers and Bits Pty Ltd (collectively referred to as “the Companies”).

We believe that this referral does not result in us having a conflict of interest or duty because:

- Gilbert + Tobin refers work to FTI Consulting from time to time. Neither the Administrators nor FTI Consulting have any formal or informal referral arrangements with Gilbert + Tobin, and to our knowledge they do not exclusively refer such work to us or FTI Consulting.
- FTI Consulting is not reliant upon referrals from Gilbert + Tobin, who are one of a considerable number of firms, organisations and persons who refer work to, or seek advice from, FTI Consulting. This engagement is not financially significant to FTI Consulting and the receiving or otherwise of other referrals from Gilbert + Tobin is not material to FTI Consulting.
- Work referrals arising from networks of business professionals, advisors and other persons are normal and accepted arrangements, and do not inherently impact on us discharging our statutory duties and obligations with independence and impartiality.
- There is no expectation, agreement or understanding between the Administrators and the referrer about the conduct of this administration and we are free to act independently and in accordance with the law and the requirements of the ARITA Code of Professional Practice.

Did we meet with the Company, its directors or their advisers before we were appointed?

☒ Yes ☐ No

We had the following pre-appointment meetings involving either the Company, its director and its advisors during the period between 12 February 2023 and 21 February 2023:

- On 12 February 2023, John Batchelor of FTI Consulting received a telephone call from Anna Schwartz, of Gilbert + Tobin, the Company’s legal counsel and GenNX360 Capital Partners. The purpose of the telephone call was to discuss possible restructuring alternatives generally for the Company and the wider Schramm Group.
- On 15 February 2023, Hayden White and William Grassick of FTI Consulting attended a meeting with Craig Mayman and David Shinner of the Company. The purpose of the meeting was to obtain sufficient information about the Company to determine its financial position, its current trading activities and to explain the various forms of insolvency processes available.

- On 16 February 2023, John Batchelor of FTI Consulting received a telephone call from Anna Schwartz, of Gilbert + Tobin, the Company's legal counsel and GenNX360 Capital Partners. The purpose of the telephone call was to discuss possible restructuring alternatives generally for the Company and the wider Schramm Group.
- On 21 February 2023, Hayden White and Patrick O'Brien of FTI Consulting attended two teleconferences with Craig Mayman and David Shinner of the Company in order to finalize the logistics of any appointment of Voluntary Administrators to the Company and the Australian incorporated entities within the Schramm Group, and if an appointment was to occur any arrangements for attending the respective sites.

In all the meetings above, the purposes of the meetings were to:

- obtain sufficient information about the Company to enable discussion around the financial position of the Company;
- explain the various forms of insolvency appointments, the options available, and the consequences of an insolvency appointment;
- outline the process following an insolvency appointment; and
- provide a Consent to Act.

We received no remuneration for these meetings.

In our opinion, these meetings do not affect our independence for the following reasons:

- The Courts and relevant professional bodies recognise the need for practitioners to provide advice on the insolvency process and the options available and do not consider that such advice results in a conflict or is an impediment to accepting the appointment.
- The nature of the advice provided to the Company is such that it would not be subject to review and challenge during the course of our appointment.
- No advice has been given to the director in his capacity as director of the Company, or in relation to his personal circumstances.
- The pre-appointment advice will not influence our ability to be able to fully comply with the statutory and fiduciary obligations associated with the appointment as Administrators of the Company in an objective and impartial manner.

We have provided no other information or advice to the Company, its director, or its advisors prior to our appointment beyond that outlined in this DIRRI.

Declaration of Relationships

Within the previous 2 years we or our firm have had a relationship with:

The Company	☐ Yes	☒ No
The director	☐ Yes	☒ No
Any associates of the Company?	☒ Yes	☐ No
See note 1 below.		
A former insolvency practitioner appointed to the Company?	☐ Yes	☒ No
A secured creditor entitled to enforce a security over the whole or substantially the whole of the Company's property?	☐ Yes	☒ No

Note 1:

The Administrators were appointed as voluntary administrators of the Companies only.

We are aware that there are inter-company transactions between the Companies in the Schramm Group but at this time are not aware of any potential conflicts of interest arising from our appointments over the Companies. If it becomes apparent that pre-appointment dealings between the various entities in the Schramm Group may give rise to a conflict which may impact the outcome for creditors of the Companies in the Schramm Group, we undertake to disclose any such conflicts to the creditors and as appropriate, seek Court directions as to the means of resolving the potential conflict.

We have obligations in respect of each of the Companies individually (as defined in Section 435A of the Corporations Act 2001 and not to the Schramm Group as a whole. As such, it is acknowledged that potential conflicts could possibly arise in the course of carrying out our duties in respect to each Companies in the Schramm Group.

We are of the view that the appointment to the Companies within the Schramm Group will have significant benefits to the conduct of the Voluntary Administrations, particularly as this will offer cost savings and will facilitate a comprehensive and accurate understanding of the activities and financial position of Schramm Group as a whole.

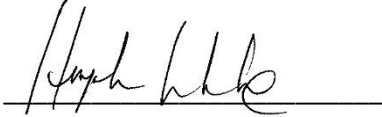
Do we have any other relationships that we consider are relevant to creditors assessing our independence?

☐ Yes ☒ No

Indemnities and up-front payments

We have not received any up-front payments or indemnities for this appointment. This does not include any indemnities the Administrators may be entitled to under the law.

Dated 23 February 2023



Hayden Leigh White



Ian Charles Francis



Paul Stuart Harlond

Notes:

1. *The assessment of independence has been made based on an evaluation of the significance of any threats to independence and in accordance with the requirements of the relevant legislation and professional Standards.*
2. *If circumstances change, or new information is identified, we are required under the Corporations Act 2001 or Bankruptcy Act and ARITA's Code of Professional Practice to update this Declaration and provide a copy to creditors with our next communication as well as table a copy of any replacement declaration at the next meeting of the insolvent's creditors. For creditors' voluntary liquidations and voluntary administrations, this document and any updated versions of this document are required to be lodged with ASIC.*

ANNEXURE A

FTI Consulting (Australia) Pty Ltd and associated entities

FTI Consulting Inc (ultimate holding entity)

FTI Consulting – FD Australia Holdings Pty Ltd

FTI Consulting (Australia) Pty Ltd

FTI Technology (Sydney) Pty Ltd

FTI Consulting (Perth) Pty Ltd

FTI Consulting (Sydney) Pty Ltd

FTI Capital Advisors (Australia) Pty Ltd

FTI Consulting Australia Nominees Pty Ltd

16. Appendix 7 – Remuneration Approval Report

15 June 2023



Remuneration Approval Report

Airdrill Pty Ltd
(Administrators Appointed)
ACN 109 184 447

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Summary

This remuneration approval report provides you with the information that the *Corporations Act 2001* (the Act) and the *Code of Professional Practice* published by the Australian Restructuring Insolvency and Turnaround Association (ARITA) requires creditors to receive to make an informed decision regarding the approval of our remuneration for undertaking the Voluntary Administration of Airdrill Pty Ltd (Administrators Appointed) ACN 109 184 447 (the Company).

We are asking creditors to approve the following remuneration and disbursements:

Appointment type	Period	Remuneration (\$) (excl GST)
Voluntary Administration	22 February 2023 to 9 June 2023	1,116,024.50
Voluntary Administration	10 June 2023 to 23 June 2023	150,000.00
Voluntary Administration	23 June 2023 to execution of the Deed of Company Arrangement	75,000.00
Voluntary Administration Total		1,341,024.50
Deed Administration	Commencement to conclusion of the Deed Administration	150,000.00
Deed Administration Total (If creditors resolve that the Company execute a Deed of Company Arrangement)		150,000.00
Liquidation	23 June 2023 to conclusion of the liquidation	350,000.00
Liquidation Total (If creditors resolve that the Company be wound up in liquidation)		350,000.00

No remuneration has been previously approved in the Voluntary Administration and no fees have been paid to the Administrators for work undertaken to date.

We estimate that the total cost of this Voluntary administration will be \$1,341,024.50, exclusive of GST. This has increased from our previous estimate of \$400,000 to \$500,000 (excluding GST) provided to creditors in our initial notice to creditors dated 24 February 2023 due to, namely, the following factors:

- The need to obtain an extension of the convening period, which had the effect of doubling the period in which the Company remained in Administration;
- Unforeseen matters, including working with various stakeholders with respect to the ongoing Worksafe investigation, working with customers to secure ongoing funding for rig builds, securing alternative

power supply arrangements, following the lightning strike and subsequent negotiations with the landlord re same;

- The significant level of interest and volume of enquiries received for the business and assets of the Company; and
- Undertaking a protracted and complex transaction for the sale of the business assets to Epiroc, including working closely with Schramm II Inc and their advisors for the sale of business-related IP.

Declaration

We, Paul Harlond, Ian Francis and Hayden White, of FTI Consulting, have undertaken a proper assessment of the claims for remuneration for the appointment as Voluntary Administrators of the Company in accordance with the law and applicable professional standards. We are satisfied that the remuneration claimed is in respect of necessary work, properly performed, or to be properly performed, in the conduct of this appointment and further, that the disbursements that have been incurred in the conduct of the external administration are necessary and proper.

Remuneration sought

We will only seek approval of resolutions for the Deed of Company Arrangement (DOCA) if creditors agree to the proposal offered. Similarly, we will only seek approval of the resolution for the liquidation if creditors vote to place the Company into liquidation.

For	Period	Amount \$ (Excl GST)	Applicable rates	Timing of payment
Work already completed	22 February 2023 to 9 June 2023	1,116,024.50	As per the attached hourly rates	Immediately or when funds become available
Future work to the second meeting of creditors	10 June 2023 to 23 June 2023	150,000.00	As per the attached hourly rates	Immediately or when funds become available
Future work from the second meeting of creditors to the execution of the DOCA	23 June 2023 to execution of the Deed of Company Arrangement	75,000.00	As per the attached hourly rates	As and when costs are incurred, and funds are available
Voluntary Administration Total		1,341,024.50		

Future work to the effectuation of the DOCA	From commencement to conclusion of the Deed Administration	150,000.00	As per the attached hourly rates	As and when costs are incurred, and funds are available
DOCA Total		150,000.00		
Future work to the end of the liquidation	23 June 2023 to conclusion of the liquidation	350,000.00	As per the attached hourly rates	As and when costs are incurred, and funds are available
Liquidation Total		350,000.00		

Details of the work already done and future work that we intend to do are **enclosed** at **Schedule A**.

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

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

Disbursements

We are not required to seek creditor approval for costs paid to third parties or where we are recovering a cost incurred on behalf of the administration, but we must provide details to creditors. Details of these amounts are included in the attached Receipts and Payments.

We are required to obtain creditors' consent for the payment of a disbursement where we, or a related entity, may directly or indirectly obtain a profit.

For more information about disbursements, please refer to the Initial Remuneration Notice sent to you on 24 February 2023.

We are not currently seeking approval for disbursements.

Likely impact on dividends

The 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.

Please refer to the Administrators report pursuant to Insolvency Practice Rules 75-225 for information on the likelihood of a dividend to creditors, which incorporates remuneration approval sought from creditors in this remuneration report.

Summary of receipts and payments

A summary of the receipts and payments for the administration as at 12 June 2023 is **enclosed** at Schedule D to this report.

Queries

Further supporting documentation for our remuneration claim can be provided to creditors on request.

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)

If you have any queries in relation to the information in this report, please contact the Administrators' office on (08) 9321 8533 or by email at airdrill@fticonsulting.com.



Hayden White

Joint and Several Voluntary Administrator

Attachments:

Schedule A – Details of work

Schedule B – Time spent by staff on each major task (work already done)

Schedule C – Resolutions

Schedule D – Summary of receipts and payments

Schedule E – FTI Consulting schedule of rates effective 1 July 2022

Schedule A – Details of work

Task area/General description	Work already done	Future work to meeting date	Future work from meeting to ex of DOCA	DOCA work	Liquidation work
Period	22 February 2023 to 9 June 2023	10 June 2023 to 23 June 2023	23 June 2023 to the execution of DOCA	Execution of DOCA to finalisation of DOCA	23 June 2023 to finalisation of liquidation
Amount \$ (excl GST)	1,116,024.50	\$150,000.00	\$75,000.00	\$150,000.00	\$350,000.00
Assets	820.0 hours \$439,025.00	\$30,000.00	\$15,000.00	\$30,000.00	\$140,000.00
Sale of business as a going concern	■ Conduct an urgent marketing campaign for the sale of the Company's business ■ Preparing an information memorandum ■ Preparing an advertisement for the sale of business ■ Liaising with key stakeholders including Decathlon and the Company's landlords in relation to the sale campaign ■ Liaising with solicitors in relation to the preparation of an asset sale agreement ■ Review non-binding offers received and	■ Liaising with the purchaser and solicitors with respect to the satisfaction of the Company's obligations under the business sale agreement and all aspects associated with transitioning the business and assets ■ Internal meetings to discuss and action post sale completion matters	■ Liaising with the purchaser and solicitors with respect to the satisfaction of the Company's obligations under the business sale agreement and all aspects associated with transitioning the business and assets ■ Internal meetings to discuss and action post sale completion matters	■ Liaising with the purchaser and solicitors with respect to the satisfaction of the Company's obligations under the business sale agreement and all aspects associated with transitioning the business and assets ■ Internal meetings to discuss and action post sale completion matters	■ Liaising with the purchaser and solicitors with respect to the satisfaction of the Company's obligations under the business sale agreement and all aspects associated with transitioning the business and assets ■ Internal meetings to discuss and action post sale completion matters

Task area/General description	Work already done	Future work to meeting date	Future work from meeting to ex of DOCA	DOCA work	Liquidation work
	selecting preferred bidder ■ Liaising with interested parties, including responding to due diligence enquiries, site visits and non-binding offers received ■ Internal meetings to discuss/review offers received ■ Liaising with purchaser and solicitors in relation to completion and execution of the business sale agreement ■ Liaising with the purchaser and solicitors with respect to the satisfaction of the Company's obligations under the business sale agreement and all aspects associated with transitioning the business and assets				
Plant & equipment	■ Liaising with valuers, auctioneers and interested parties ■ Reviewing asset listings				
Real property lease	■ Review of leases for the Company's three leased premises ■ Dealing with leased premises during the	■ Liaising with purchaser and solicitors in relation to surrender of lease arrangements for the Company's	■ Liaising with purchaser and solicitors in relation to surrender of lease arrangements for the Company's	■ Liaising with purchaser and solicitors in relation to surrender of lease arrangements for	

Task area/General description	Work already done	Future work to meeting date	Future work from meeting to ex of DOCA	DOCA work	Liquidation work
	administration including landlord engagement in respect to required repairs and obligations to the tenant Discussions with the various landlords and their agents regarding the lease	three leased premises	three leased premises	the Company's three leased premises	
Assets subject to specific charges	All tasks associated with realising a charged asset				
Debtors	- Correspondence with debtors regarding outstanding receivables - Reviewing and assessing debtors' ledgers	Correspondence with debtors regarding outstanding receivables	Correspondence with debtors regarding outstanding receivables	Correspondence with debtors regarding outstanding receivables	- Correspondence with debtors regarding outstanding receivables - Liaising with solicitors in respect to the pursuance of trade debtor accounts by means of litigation
Stock	- Conducting stock takes - Reviewing stock values - Liaising with purchasers - Liaising with creditors asserting retention of title and identifying applicable stock	Liaising with the purchaser and solicitors with respect to the satisfaction of the Company's obligations under the inventory sale agreement	Liaising with the purchaser and solicitors with respect to the satisfaction of the Company's obligations under the inventory sale agreement	Liaising with the purchaser and solicitors with respect to the satisfaction of the Company's obligations under the inventory sale agreement	Liaising with the purchaser and solicitors with respect to the satisfaction of the Company's obligations under the inventory sale agreement
Other assets	Tasks associated with realising other assets including the Company's				

Task area/General description	Work already done	Future work to meeting date	Future work from meeting to ex of DOCA	DOCA work	Liquidation work
	business name and associated intangible property				
Leased assets	■ Reviewing leasing documents ■ Liaising with owners/lessors ■ Tasks associated with disclaiming leases			■ Reviewing leasing documents ■ Liaising with owners/lessors ■ Tasks associated with disclaiming leases	■ Reviewing leasing documents ■ Liaising with owners/lessors ■ Tasks associated with disclaiming leases
Creditors	310.6 hours \$172,260.00	\$75,000.00	\$37,500.00	\$52,500.00	\$52,500.00
Creditor Enquiries, Requests & Directions	■ Receive and respond to creditor enquiries ■ Maintaining creditor request log ■ Review and prepare initial correspondence to creditors and their representatives ■ Considering reasonableness of creditor requests and complying where required ■ Obtaining legal advice on requests ■ Documenting reasons for complying or not complying with requests or directions	■ Receive and respond to creditor enquiries ■ Considering reasonableness of creditor requests and complying where required	■ Receive and respond to creditor enquiries ■ Considering reasonableness of creditor requests and complying where required ■ Correspondence with the deed proponent and relevant stakeholders to draft and execute the proposed DOCA	■ Receive and respond to creditor enquiries ■ Considering reasonableness of creditor requests and complying where required	■ Receive and respond to creditor enquiries ■ Considering reasonableness of creditor requests and complying where required

Task area/General description	Work already done	Future work to meeting date	Future work from meeting to ex of DOCA	DOCA work	Liquidation work
	■ Compiling information requested by creditors				
Retention of Title Claims	■ Search to the PPSR register ■ Notify PMSI creditors identified from PPSR register ■ Receive initial notification of creditor's intention to claim ■ Provision of retention of title claim form to creditor ■ Receive completed retention of title claim form ■ Maintain retention of title file ■ Meeting claimant on site to identify goods ■ Adjudicate retention of title claim ■ Forward correspondence to claimant notifying outcome of adjudication ■ Preparation of payment vouchers to satisfy valid claim ■ Preparation of correspondence to claimant to accompany	■ Ongoing correspondence with claimants regarding status of claim and outcome of adjudication ■ Satisfying valid claims for ROT including facilitating payment	■ Ongoing correspondence with claimants regarding status of claim and outcome of adjudication ■ Satisfying valid claims for ROT including facilitating payment	■ Ongoing correspondence with claimants regarding status of claim and outcome of adjudication ■ Satisfying valid claims for ROT including facilitating payment	■ Ongoing correspondence with claimant regarding status of claim and outcome of adjudication. ■ Satisfying valid claims for ROT including facilitating payment.

Task area/General description	Work already done	Future work to meeting date	Future work from meeting to ex of DOCA	DOCA work	Liquidation work
	payment of claim (if valid) Document commercial agreements with claimants where assets are required for ongoing trading				
Secured creditor reporting	- Notifying PPSR registered creditors of appointment - Preparing reports to secured creditor - Responding to secured creditor's queries	Responding to secured creditor's queries	Responding to secured creditor's queries	Responding to secured creditor's queries	Responding to secured creditor's queries
Creditor reports	- Preparing initial report to creditors - Preparing comprehensive Voluntary Administrator's report, including all supporting documents and investigations	Preparing supplementary reports to creditors in advance of meeting (if required)	Preparing update communications to creditors (if required)	Preparing Deed Administrators' report and/or update communications to creditors	Preparing Statutory Report by Liquidator report, investigation, meeting and general reports to creditors
Dealing with proofs of debt	- Receipting and filing POD when not related to a dividend - Corresponding with OSR and ATO regarding 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		Receipting and filing POD when not related to a dividend
Meeting of Creditors	Preparation of initial meeting notices, proxies and advertisements	Preparation of second meeting notices, proxies and advertisements	Preparation and lodgement of minutes of meetings with ASIC		Preparation and lodgement of minutes of meetings with ASIC

Task area/General description	Work already done	Future work to meeting date	Future work from meeting to ex of DOCA	DOCA work	Liquidation work
	■ Forward notice of initial meeting to all known creditors ■ Preparation of initial meeting file, including agenda, certificate of postage, attendance register, list of creditors, reports to creditors, advertisement of meeting and draft minutes of meeting. ■ Conducting initial meeting of creditors ■ Preparation and lodgement of initial minutes of meetings with ASIC ■ Responding to stakeholder queries and questions immediately following initial meeting	■ Forward notice of meeting to all known creditors ■ Preparation of second meeting file, including agenda, certificate of postage, attendance register, list of creditors, reports to creditors, advertisement of meeting and draft minutes of meeting. ■ Conducting second meeting of creditors	■ Responding to stakeholder queries and questions immediately following meeting		■ Responding to stakeholder queries and questions immediately following meeting
Proposals to Creditors					■ Preparing proposal notices and voting forms ■ Forward notice of proposal to all known creditors ■ Reviewing votes and determining outcome of proposal ■ Preparation and lodgement of proposal outcome with ASIC

Task area/General description	Work already done	Future work to meeting date	Future work from meeting to ex of DOCA	DOCA work	Liquidation work
Employees	62.10 hours \$34,851.00	\$7,500.00	\$3,750.00	\$7,500.00	\$17,500.00
Employee enquiries	■ Receive and follow up employee enquiries via telephone ■ Maintain employee enquiry register ■ Review and prepare correspondence to creditors and their representatives via facsimile, email and post ■ Preparation of letters to employees advising them as to the status of their entitlements and options available during the Voluntary Administration process ■ Receive and prepare correspondence in response to employee's objections to leave entitlements ■ Conduct employee town hall meetings to provide updates on the Voluntary Administration and business sale process	■ Receive and follow up employee enquiries via telephone and email ■ Facilitating weekly payment of wages on behalf of Epiroc	■ Receive and follow up employee enquiries via telephone and email	■ Receive and follow up employee enquiries via telephone and email	■ Receive and follow up employee enquiries via telephone
FEG					■ Correspondence with FEG

Task area/General description	Work already done	Future work to meeting date	Future work from meeting to ex of DOCA	DOCA work	Liquidation work
Calculation of entitlements	■ Calculating employee entitlements ■ Reviewing employee files and company's books and records ■ Reconciling superannuation accounts ■ Reviewing awards ■ Liaising with solicitors regarding entitlements	■ Liaising with Epiroc to resolve and transition employee entitlements	■ Determining transferring employee entitlements prior to effectuation of DOCA	■ Determining transferring employee entitlements prior to effectuation of DOCA	■ Calculating employee entitlements ■ Reviewing employee files and company's books and records ■ Reconciling superannuation accounts ■ Reviewing awards ■ Liaising with solicitors regarding entitlements
Employee dividend				■ If not all entitlements are assumed under the DOCA, then: ■ Correspondence with employees regarding dividend ■ Correspondence with ATO regarding SGC proof of debt ■ Calculating dividend rate ■ Preparing dividend file ■ Advertising dividend notice ■ Preparing distribution ■ Receipting POD ■ Adjudicating POD ■ Ensuring PAYG is remitted to ATO	■ Correspondence with employees regarding dividend ■ Correspondence with ATO regarding SGC proof of debt ■ Calculating dividend rate ■ Preparing dividend file ■ Advertising dividend notice ■ Preparing distribution ■ Receipting POD ■ Adjudicating POD ■ Ensuring PAYG is remitted to ATO

Task area/General description	Work already done	Future work to meeting date	Future work from meeting to ex of DOCA	DOCA work	Liquidation work
Workers compensation	■ Review insurance policies ■ Receipt of claim ■ Liaising with claimant ■ Liaising with insurers and solicitors regarding claims ■ Identification of potential issues requiring attention of insurance specialists ■ Correspondence with insurer regarding initial and ongoing workers compensation insurance requirements			■ Finalise workers compensation policy and premium for the administration trading period	■ Finalise workers compensation policy and premium for the administration trading period
Other employee issues	■ Correspondence with Child Support ■ Correspondence with Centrelink ■ Review of employee misconduct matters and correspondence with solicitors ■ Attending to communications with staff about the transfer of employment to Epiroc to ensure satisfaction of key completion precedents under the business sale agreement				

Task area/General description	Work already done	Future work to meeting date	Future work from meeting to ex of DOCA	DOCA work	Liquidation work
Trade On	706.70 hours \$362,689.00	\$30,000.00	\$15,000.00	\$30,000.00	\$22,500.00
Trade on management	■ Liaising with suppliers ■ Liaising with management and staff ■ Attendance on site ■ Negotiations with key customers in respect to Rig build arrangements ■ Authorising purchase orders and the implementation of additional controls to an inhouse purchasing platform ■ Maintaining purchase order registry ■ Liaising with bank regarding the creation of debit card facilities for the administration account ■ Preparing and authorising receipt and payment vouchers ■ Review and prepare payment of weekly wages ■ Liaising with OSR regarding payroll tax matters and remission of penalties ■ Correspondence to suppliers with respect to	■ Correspondence to suppliers with respect to business sale and account closure/transition ■ Liaising with suppliers yet to close administration account ■ Liaising with suppliers with respect to provision of final accounts ■ Settling final accounts ■ Liaising with management and staff regarding supplier issues and queries ■ Attendance on site ■ Closing out of purchase order registry and finalise trading position ■ Preparing and authorising receipt and payment vouchers ■ Liaising with Epiroc regarding opening of new accounts/transfer of existing accounts ■ Review and prepare payment of weekly wages	■ Liaising with Epiroc regarding opening of new accounts/transfer of existing accounts ■ Liaising with suppliers, management and staff ■ Closing out of purchase order registry Preparing and authorising receipt and payment vouchers	■ Liaising with Epiroc regarding opening of new accounts/transfer of existing accounts ■ Finalising trading position ■ Correspondence with suppliers to close administration accounts Settling final accounts	■ Liaising with Epiroc regarding opening of new accounts/transfer of existing accounts ■ Finalising trading position ■ Correspondence with suppliers to close administration accounts Settling final accounts

Task area/General description	Work already done	Future work to meeting date	Future work from meeting to ex of DOCA	DOCA work	Liquidation work
	business sale and account closure/transition ■ Drafting media release relevant to appointment of Administrators and sale of business ■ Arrangement of an alternative power supply and security to facilitate ongoing trading ■ Internal meetings to discuss media management strategy ■ Responding to media inquiries and management of social media comments	■ Internal meetings to discuss media management strategy ■ Responding to media inquiries and management of social media comments			
Budgeting and financial reporting	■ Reviewing company's budgets and financial statements ■ Preparing budgets ■ Preparing weekly financial reports ■ Finalising trading profit or loss ■ Meetings to discuss trading position	■ Maintaining cashflow forecast and weekly financial reports on trading position ■ Meetings to discuss trading position and general trading issues	■ Finalising trading surplus/deficit following Administrators ceasing to trade	■ Finalising trading surplus/deficit following Administrators ceasing to trade	■ Finalising trading surplus/deficit following ceasing to trade

Task area/General description	Work already done	Future work to meeting date	Future work from meeting to ex of DOCA	DOCA work	Liquidation work
Investigations	30.10 hours \$18,277.00	Nil	Nil	Nil	\$47,500.00
Conducting investigation	■ Collection of company books and records ■ Correspondence with ASIC to receive assistance in obtaining reconstruction of financial statements, company's books and records and Report on Company Affairs and Property ■ Reviewing company's books and records ■ Review and preparation of company nature and history ■ Conducting and summarising statutory searches ■ Preparation of comparative financial statements ■ Preparation of deficiency statement ■ Preparation of investigation file				■ Ongoing review of company's books and records ■ Continue review of specific transactions and liaising with Company management regarding certain transactions ■ Preparation of investigation file ■ Lodgement of investigation report with the ASIC ■ Preparation and lodgement of supplementary report if required ■ Liaising with solicitors regarding potential recovery actions to be pursued
Examinations					■ If required, pursuing examinations of individuals, including:

Task area/General description	Work already done	Future work to meeting date	Future work from meeting to ex of DOCA	DOCA work	Liquidation work
					■ Preparing brief to solicitor ■ Liaising with solicitor(s) regarding examinations ■ Attendance at examination ■ Reviewing examination transcripts ■ Liaising with solicitor(s) regarding outcome of examinations and further actions available
Litigation / Recoveries					■ Internal meetings to discuss status of litigation ■ Preparing brief to solicitors ■ Liaising with solicitors regarding recovery actions ■ Attending to negotiations ■ Attending to settlement matters
ASIC reporting					■ Preparing statutory investigation reports ■ Liaising with ASIC

Task area/General description	Work already done	Future work to meeting date	Future work from meeting to ex of DOCA	DOCA work	Liquidation work
Dividend	0.0 hours	Nil	Nil	\$22,500.00	\$52,500.00
	Nil				
Processing proofs of debt (POD)				■ Preparation of correspondence to potential creditors inviting lodgement of POD ■ Receipt of POD ■ Maintain POD register ■ Adjudicating POD ■ Request further information from claimants regarding POD ■ Preparation of correspondence to claimant advising outcome of adjudication	■ Preparation of correspondence to potential creditors inviting lodgement of POD ■ Receipt of POD ■ Maintain POD register ■ Adjudicating POD ■ Request further information from claimants regarding POD ■ Preparation of correspondence to claimant advising outcome of adjudication
Dividend procedures				■ Preparation of correspondence to creditors advising of intention to declare dividend ■ Advertisement of intention to declare dividend ■ Obtain clearance from ATO to allow distribution of company's assets ■ Preparation of dividend calculation ■ Preparation of correspondence to	■ Preparation of correspondence to creditors advising of intention to declare dividend ■ Advertisement of intention to declare dividend ■ Obtain clearance from ATO to allow distribution of company's assets ■ Preparation of dividend calculation ■ Preparation of correspondence to

Task area/General description	Work already done	Future work to meeting date	Future work from meeting to ex of DOCA	DOCA work	Liquidation work
				creditors announcing declaration of dividend ■ Advertise announcement of dividend ■ Preparation of distribution ■ Preparation of dividend file ■ Preparation of payment vouchers to pay dividend ■ Preparation of correspondence to creditors enclosing payment of dividend	creditors announcing declaration of dividend ■ Advertise announcement of dividend ■ Preparation of distribution ■ Preparation of dividend file ■ Preparation of payment vouchers to pay dividend ■ Preparation of correspondence to creditors enclosing payment of dividend

Administration	217.10 hours \$88,922.50	\$7,500.00	\$3,750.00	\$7,500.00	\$17,500.00
Correspondence	■ General correspondence with various parties	■ General correspondence with various parties	■ General correspondence with various parties	■ General correspondence with various parties	■ General correspondence with various parties
Document maintenance/file review/checklist	■ First month, administration reviews ■ Filing of documents ■ File reviews ■ Updating checklists	■ Filing of documents ■ File reviews ■ Updating checklists	■ Filing of documents ■ File reviews ■ Updating checklists	■ Filing of documents ■ File reviews ■ Updating checklists	■ First month, then six-monthly administration reviews ■ Filing of documents ■ File reviews ■ Updating checklists
Insurance	■ Identification of potential issues requiring attention of insurance specialists ■ Correspondence with insurer regarding initial	■ Finalising and ending insurance policies for administration trading period	■ Finalising and ending insurance policies for administration trading period	■ Finalising and ending insurance policies for administration trading period	■ Finalising and ending insurance policies for administration trading period

Task area/General description	Work already done	Future work to meeting date	Future work from meeting to ex of DOCA	DOCA work	Liquidation work
	and ongoing insurance requirements ■ Reviewing insurance policies ■ Correspondence with previous brokers				
Funds handling	■ Preparing correspondence opening and closing accounts ■ Entering receipts and payments into accounting system ■ Requesting bank statements ■ Bank account reconciliations ■ Correspondence with bank regarding specific transfers	■ Entering receipts and payments into accounting system ■ Requesting bank statements ■ Bank account reconciliations ■ Liaising with St George with respect to sweep of funds from pre-appointment bank account to Administrators' account	■ Entering receipts and payments into accounting system ■ Requesting bank statements ■ Bank account reconciliations ■ Liaising with St George with respect to sweep of funds from pre-appointment bank account to Administrators' account	■ Entering receipts and payments into accounting system ■ Requesting bank statements ■ Bank account reconciliations ■ Liaising with St George with respect to sweep of funds from pre-appointment bank account to Administrators' account	■ Preparing correspondence opening and closing accounts ■ Entering receipts and payments into accounting system ■ Requesting bank statements ■ Bank account reconciliations ■ Liaising with St George with respect to sweep of funds from pre-appointment bank account to Administrators' account
ASIC Forms and lodgements	■ Preparing and lodging ASIC forms including 505, 507, 5011 etc. ■ Correspondence with ASIC regarding statutory forms			■ Preparing and lodging ASIC forms in respect to DOCA. ■ Correspondence with ASIC regarding statutory forms	■ Preparing and lodging ASIC forms including 505, 5602/5603, 911 etc. ■ Correspondence with ASIC regarding statutory forms
ATO and other statutory reporting	■ Notification of appointment ■ Preparing BAS	■ Preparing BAS ■ Completing STP reporting obligations	■ Preparing BAS ■ Completing STP reporting obligations	■ Notifying ATO and other statutory bodies of cessation of appointment	■ Notifying ATO and other statutory bodies of cessation of appointment

Task area/General description	Work already done	Future work to meeting date	Future work from meeting to ex of DOCA	DOCA work	Liquidation work
	■ Completing STP reporting obligations			■ Preparing BAS ■ Completing STP reporting obligations	■ Preparing BAS ■ Completing STP reporting obligations
Finalisation	■ Completing checklists ■ Finalising WIP			■ Notifying ATO and other statutory bodies of finalisation ■ Cancelling ABN / GST / PAYG registration ■ Completing checklists ■ Finalising WIP	■ Notifying ATO and other statutory bodies of finalisation ■ Cancelling ABN / GST / PAYG registration ■ Completing checklists ■ Finalising WIP
Planning / Review	■ Discussions regarding status of administration	■ Discussions regarding status of administration	■ Discussions regarding status of administration	■ Discussions regarding status of DOCA	■ Discussions regarding status of administration
Books and records / storage				■ Dealing with records in storage ■ Sending job files to storage	■ Dealing with records in storage ■ Sending job files to storage

Schedule B – Time spent by staff on each major task (work already done)

Employee	Position	\$/hour (excl GST)	Total actual hours	Total \$ (excl GST)	Task Area											
					Assets		Creditors		Employees		Trade on		Investigations		Administration	
					Hrs	\$	Hrs	\$	Hrs	\$	Hrs	\$	Hrs	\$	Hrs	\$
Hayden White	Senior Managing Director	\$ 740	123.20	91,168.00	71.10	52,614.00	10.30	7,622.00	3.20	2,368.00	33.90	25,086.00	0.00	-	4.70	3,478.00
Ian Francis	Senior Managing Director	\$ 740	0.90	666.00	0.30	222.00	0.00	-	0.00	-	0.40	296.00	0.00	-	0.20	148.00
John Batchelor	Senior Managing Director	\$ 740	7.10	5,254.00	4.60	3,404.00	0.00	-	0.00	-	2.50	1,850.00	0.00	-	0.00	-
Cameron Morse	Senior Managing Director	\$ 740	1.30	962.00	0.00	-	0.00	-	0.00	-	1.30	962.00	0.00	-	0.00	-
Kelly Trenfield	Senior Managing Director	\$ 740	0.20	148.00	0.00	-	0.00	-	0.00	-	0.20	148.00	0.00	-	0.00	-
Paul Harlond	Senior Managing Director	\$ 740	1.10	814.00	0.00	-	0.00	-	0.00	-	1.10	814.00	0.00	-	0.00	-
Travis Barnett	Managing Director	\$ 680	173.10	117,708.00	160.20	108,936.00	0.00	-	0.00	-	0.00	-	0.00	-	12.90	8,772.00
Patrick O'Brien	Managing Director	\$ 680	327.50	222,700.00	64.30	43,724.00	72.40	49,232.00	29.00	19,720.00	159.80	108,664.00	0.00	-	2.00	1,360.00
Shane Murphy	Managing Director	\$ 680	7.00	4,760.00	0.00	-	0.00	-	0.00	-	7.00	4,760.00	0.00	-	0.00	-
Antonetta Carroll	Managing Director	\$ 680	5.50	3,740.00	0.00	-	0.00	-	0.00	-	5.50	3,740.00	0.00	-	0.00	-
Renae Stirling	Senior Director	\$ 620	122.10	75,702.00	7.60	4,712.00	55.00	34,100.00	5.90	3,658.00	10.50	6,510.00	24.60	15,252.00	18.50	11,470.00
Jacqueline Sinclair	Senior Director	\$ 620	0.30	186.00	0.00	-	0.00	-	0.00	-	0.00	-	0.00	-	0.30	186.00
Michael Groves	Senior Director	\$ 620	3.10	1,922.00	0.00	-	0.00	-	0.00	-	3.10	1,922.00	0.00	-	0.00	-
Benjamin Pimm	Director	\$ 550	33.90	18,645.00	13.60	7,480.00	3.10	1,705.00	2.20	1,210.00	4.60	2,530.00	0.00	-	10.40	5,720.00
William Grassick	Director	\$ 550	446.30	245,465.00	214.90	118,195.00	99.50	54,725.00	2.90	1,595.00	105.10	57,805.00	2.00	1,100.00	21.90	12,045.00
Simon Li	Director	\$ 550	3.50	1,925.00	0.00	-	0.00	-	0.00	-	0.00	-	3.50	1,925.00	0.00	-
Andrew Vacca	Senior Consultant II	\$ 500	63.40	31,700.00	2.20	1,100.00	1.60	800.00	0.00	-	59.60	29,800.00	0.00	-	0.00	-

Andrew Vacca	Senior Consultant I	\$ 450	101.70	45,765.00	39.10	17,595.00	3.00	1,350.00	0.00	-	59.60	26,820.00	0.00	-	0.00	-
Michael O'Sullivan	Consultant II	\$ 405	8.10	3,280.50	8.10	3,280.50	0.00	-	0.00	-	0.00	-	0.00	-	0.00	-
George Gelevitis	Consultant I	\$ 375	73.20	27,450.00	0.40	150.00	6.60	2,475.00	1.20	450.00	52.00	19,500.00	0.00	-	13.00	4,875.00
Holly Wright	Consultant I	\$ 375	65.00	24,375.00	0.00	-	0.00	-	0.00	-	65.00	24,375.00	0.00	-	0.00	-
Starli Smith	Consultant I	\$ 375	3.00	1,125.00	0.00	-	2.50	937.50	0.20	75.00	0.30	112.50	0.00	-	0.00	-
George Gelevitis	Associate II	\$ 350	90.90	31,815.00	8.50	2,975.00	38.40	13,440.00	3.10	1,085.00	32.50	11,375.00	0.00	-	8.40	2,940.00
Shruti Santani	Associate II	\$ 350	219.70	76,895.00	106.60	37,310.00	4.20	1,470.00	4.40	1,540.00	93.40	32,690.00	0.00	-	11.10	3,885.00
Shruti Santani	Associate I	\$ 315	165.80	52,227.00	117.10	36,886.50	12.60	3,969.00	10.00	3,150.00	9.20	2,898.00	0.00	-	16.90	5,323.50
Matthew Ottaviano	Associate I	\$ 315	2.40	756.00	0.00	-	1.30	409.50	0.00	-	0.10	31.50	0.00	-	1.00	315.00
Conor Robson	Associate I	\$ 315	1.40	441.00	1.40	441.00	0.00	-	0.00	-	0.00	-	0.00	-	0.00	-
Robyn Hardeman	Treasury	\$ 300	18.40	5,520.00	0.00	-	0.00	-	0.00	-	0.00	-	0.00	-	18.40	5,520.00
Yuet Yeng Yee	Treasury	\$ 300	17.50	5,250.00	0.00	-	0.00	-	0.00	-	0.00	-	0.00	-	17.50	5,250.00
Holly Wright	Treasury	\$ 300	4.70	1,410.00	0.00	-	0.00	-	0.00	-	0.00	-	0.00	-	4.70	1,410.00
Alyse Kent	Treasury	\$ 300	4.00	1,200.00	0.00	-	0.00	-	0.00	-	0.00	-	0.00	-	4.00	1,200.00
Chelsea Fisk	Treasury	\$ 300	26.00	7,800.00	0.00	-	0.00	-	0.00	-	0.00	-	0.00	-	26.00	7,800.00
Janine Wigham	Treasury	\$ 300	16.30	4,890.00	0.00	-	0.00	-	0.00	-	0.00	-	0.00	-	16.30	4,890.00
Selina Naylor	Treasury	\$ 300	2.60	780.00	0.00	-	0.00	-	0.00	-	0.00	-	0.00	-	2.60	780.00
Claire Rees	Administration II	\$ 250	5.60	1,400.00	0.00	-	0.00	-	0.00	-	0.00	-	0.00	-	5.60	1,400.00
Ashleigh Ubank	Administration II	\$ 250	0.30	75.00	0.00	-	0.10	25.00	0.00	-	0.00	-	0.00	-	0.20	50.00
Alysha King	Administration I	\$ 210	0.50	105.00	0.00	-	0.00	-	0.00	-	0.00	-	0.00	-	0.50	105.00
Total (ex GST)				1,116,024.50		439,025.00		172,260.00		34,851.00		362,689.00		18,277.00		88,922.50
GST				111,602.45												
Total (Incl GST)				1,227,626.95												
Total hours				2146.60		820.00		310.60		62.10		706.70		30.10		217.10
Avg hourly rate (ex GST)				519.90		535.40		554.60		561.21		513.21		607.21		409.59

Schedule C – Resolutions

Resolution 1 – Voluntary Administration

22 February 2023 to 9 June 2023

“That the remuneration of the Voluntary Administrators, for the period from 22 February 2023 to 9 June 2023, is determined at a sum equal to the cost of time incurred by the Voluntary Administrators and their staff, calculated at the hourly rates detailed in the Initial Remuneration Notice provided to creditors, is approved for payment in the amount of \$1,116,024.50, exclusive of GST, to be drawn from available funds immediately or as funds become available.”

Resolution 2- Voluntary Administration

10 June 2023 to 23 June 2023

“That the remuneration of the Voluntary Administrators, for the period from 10 June 2023 to 23 June 2023, is determined at a sum equal to the cost of time incurred by the Voluntary Administrators and their staff, calculated at the hourly rates detailed in the Initial Remuneration Notice provided to creditors, up to a capped amount of \$150,000.00, exclusive of GST, to be drawn from available funds immediately or as funds become available.”

Resolution 3 - Voluntary Administration (if Company to execute a DOCA)

24 June 2023 to execution of the Deed of Company Arrangement

“That the future remuneration of the Voluntary Administrators, for the period from 24 June 2023 to the execution of the Deed of Company Arrangement (inclusive), is determined at a sum equal to the cost of time incurred by the Voluntary Administrators and their staff, calculated at the hourly rates as detailed in the Initial Remuneration Notice provided to creditors, up to a capped amount of \$75,000.00, exclusive of GST, to be drawn from available funds immediately or as funds become available.”

Resolution 4 - Deed Administration (if Company to execute a DOCA)

Commencement to conclusion of the Deed Administration

“That the future remuneration of the Deed Administrators, for the period from the commencement to conclusion of the Deed Administration (inclusive), is determined at a sum equal to the cost of time incurred by the Deed Administrators and their staff, calculated at the hourly rates as detailed in the Initial Remuneration Notice provided to creditors, up to a capped amount of \$150,000.00, exclusive of GST, and that the Deed Administrators can draw the remuneration from available funds as time is incurred on a monthly basis or as funds become available.”

Resolution 5 – Liquidation (If Company wound up)

24 June 2023 to conclusion of the Liquidation

“That the future remuneration of the Liquidators, for the period from 24 June 2023 to conclusion of the Liquidation (inclusive), is determined at a sum equal to the cost of time incurred by the Liquidators and their staff, calculated at the hourly rates as detailed in the Initial Remuneration Notice provided to creditors, up to a capped amount of \$350,000.00, exclusive of GST, and that the Liquidators can draw the remuneration from available funds as time is incurred on a monthly basis or as funds become available.”

Schedule D – Summary of receipts and payments

Receipts	\$
Sales	3,617,345.90
Accounts Receivable (Pre-Appointment)	3,042,279.63
Cash at Bank (Pre-Appt) (STG) Cheque	977,075.79
Cash at Bank (Pre-Appt) (STG) Savings	1,037.28
Cash at Bank USD (Pre-Appt) (STG)	330,598.56
Interest Income	0.14
ISA – Option Fee	218,306.74
Sale of Business or Enterprise (Going Concern): BSA – PP&E/IP/Goodwill	914,554.50
Stock/Inventory on Hand	9,125,475.43
Transactions with Airdrill Hammers and Bits Pty Lt: Receipts on behalf of Airdrill Hammers and Bits Pt	8,048,359.23
Total Receipts	26,275,033.20
Payments	
Wages & Salaries	(2,222,908.19)
Wages paid on behalf of Epiroc	(120,081.75)
PAYG Withheld	252,772.08
Payroll Tax	(118,092.59)
Employee Expenses	(404,006.58)
Trade Suppliers	(2,269,789.71)
Insurance Costs	(231,181.65)
Vehicle Expenses	(5,112.50)
Rent - Commercial	(312,583.21)
Sundry Expenses	(25,170.89)
IT Consumables / Services (Trading)	(27,739.33)
Utilities	(7,901.19)
GST Control: GST Paid (Received)	(44,435.00)
Secured Creditors	(5,675,564.78)
Transactions with Airdrill Hammers and Bits Pty Ltd: Payments made on behalf of Hammers and Bits Pty Ltd	(5,216,335.61)
Bank Charges - Account Fees	(499.30)
Business & Inventory Sale transfer to H&B	(2,521,581.00)
Total Payments	(18,950,211.20)
Net Receipts	7,324,822.00

Schedule E – FTI Consulting schedule of rates effective 1 July 2022

Typical classification	Standard Rates \$/hour	General guide to classifications
Senior Managing Director/Appointee	740	Registered Liquidator and/or Trustee, with specialist skills and extensive experience in all forms of insolvency administrations. Alternatively, has proven leadership experience in business or industry, bringing specialist expertise and knowledge to the administration.
Managing Director	680	Specialist skills brought to the administration. Extensive experience in managing large, complex engagements at a very senior level over many years. Can deputise for the appointee. May also be a Registered Liquidator and/or Trustee. Alternatively, has extensive leadership/senior management experience in business or industry.
Senior Director	620	Extensive experience in managing large, complex engagements at a very senior level over many years. Can deputise for the appointee, where required. May also be a Registered Liquidator and/or Trustee or have experience sufficient to support an application to become registered. Alternatively, has significant senior management experience in business or industry, with specialist skills and/or qualifications.
Director	550	Significant experience across all types of administrations. Strong technical and commercial skills. Has primary conduct of small to large administrations, controlling a team of professionals. Answerable to the appointee, but otherwise responsible for all aspects of the administration. Alternatively, has significant senior management experience in business or industry, with specialist skills and/or qualifications.
Senior Consultant 2	500	Typically an Australian Restructuring Insolvency & Turnaround Association professional member. Well developed technical and commercial skills. Has experience in complex matters and has conduct of small to medium administrations, supervising a small team of professionals. Assists planning and control of medium to larger administrations.
Senior Consultant 1	450	Assists with the planning and control of small to medium-sized administrations. May have the conduct of simpler administrations. Can supervise staff. Has experience performing more difficult tasks on larger administrations.
Consultant 2	405	Typically Institute of Chartered Accountants in Australia qualified chartered accountant (or similar). Required to control the tasks on small administrations and is responsible for assisting with tasks on medium to large-sized administrations.
Consultant 1	375	Qualified accountant with several years' experience. Required to assist with day-to-day tasks under the supervision of senior staff.
Associate 2	350	Typically a qualified accountant. Required to assist with day-to-day tasks under the supervision of senior staff.
Associate 1	315	Typically a university graduate. Required to assist with day-to-day tasks under the supervision of senior staff.
Treasury	300	Typically, qualified accountant and/or bookkeeper with at least 4 years' experience working in a treasury function in a professional services setting. Undertakes treasury activities and is skilled in bookkeeping, funds handling, banking, payroll, tax compliance, accounts receivable and accounts payable. May be responsible for the management of discreet, medium-complexity accounts services relating to business trade on activities.
Junior Associate	250	Undergraduate in the latter stage of their university degree.
Administration 2	250	Well developed administrative skills with significant experience supporting professional staff, including superior knowledge of software packages, personal assistance work and/or office management. May also have appropriate bookkeeping, accounting support services or similar skills.
Administration 1	210	Has appropriate skills and experience to support professional staff in an administrative capacity. May also have appropriate bookkeeping, accounting support services or similar skills.
Junior Accountant	210	Undergraduate in the early stage of their university degree.

The FTI Consulting Standard Rates above apply to the Corporate Finance & Restructuring practice and are subject to periodical review.

17. Appendix 8 – DOCA proposal (Term sheet)

TERM SHEET: DOCA Proposal

Airdrill Pty Ltd (Administrators Appointed) ACN 109 184 447 (**Airdrill DOCA**)

Airdrill Hammers and Bits Pty Ltd (Administrators Appointed) ACN 121 610 786 (**H&B DOCA**)

Schramm Australia Holdings Pty Ltd (Administrators Appointed) ACN 164 654 200 (**Holdco DOCA**)

1 Proponent

Schramm II Inc. (Delaware) and / or its nominee.

2 Definitions

Capitalised Terms in this Term Sheet have the meaning given to them in Annexure A – Dictionary.

3 Purpose

3.1 The purpose of this Term Sheet is to record the key terms that will be set out in a Deed of Company Arrangement (**DOCA**) proposed by the Proponent for the Company.

3.2 The primary purpose of the DOCA is to:

- (a) provide creditors of the Company with a better return than they would otherwise be expected to receive if the Company was placed into liquidation;
- (b) minimise the holding costs and ongoing expenses in relation to the Company including further Administrators' fees and other costs associated with an external administration;
- (c) discharge the Claims of all Creditors; and
- (d) conclude the administration of the Company and the DOCA efficiently and as soon as practicable.

3.3 It is a term of the Business Sale Agreement that the Proponent transfer the Intellectual Property to one of the Buyers. The goal of the transfer is to:

- (a) deliver an outcome where the assets and undertaking of Airdrill and Airdrill Hammers & Bits can be sold as a going concern; and
- (b) maximise and enhance the realisation value for the assets of Airdrill and Airdrill Hammers & Bits under the Business Sale Agreement,

in each case providing Creditors with a better return than they would otherwise be expected to receive if the Companies were placed into liquidation.

3.4 The Proponent's agreement to sell the Intellectual Property to the Buyers to enhance the sale value for the assets and undertaking of Airdrill and Airdrill Hammers & Bits is a form of *in specie* consideration provided by the Proponent to the Deed Fund.

A surplus is anticipated after payment in full of the remuneration and costs of administration and all secured and unsecured creditors of Airdrill Hammers and Bits. In order to enhance the dividend payable to Creditors of Airdrill, the Proponent, who would become entitled to that surplus as the ultimate holding company of Airdrill Hammers and Bits, consents to Airdrill Hammers and Bits (which is Airdrill's single largest creditor pursuant to an intercompany loan of

\$12,746,606) being a Non-Participating Creditor in the Airdrill DOCA, reducing the surplus dollar for dollar which would otherwise be available for the Proponent.

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| 4 Deed Administrators | <p>4.1 The Administrators will be the Deed Administrators. The Deed Administrators will have all the powers that the directors of the Company had in respect of the Company prior to the Appointment Date as well as other powers customary for deed administrators to be described in the DOCA.</p> <p>4.2 Any Deed Administrator may resign at any time by giving not less than 14 days' prior written notice to the Company.</p> <p>4.3 Where the resignation in Item 4.2 would result in fewer than two Deed Administrators being in office, the Deed Administrators must:</p> <ul style="list-style-type: none">(a) convene a meeting of Creditors for the purpose of nominating a replacement deed administrator;(b) assign to a replacement deed administrator nominated by the Creditors the Deed Administrators' rights, title, and benefit under the DOCA; and(c) do all things reasonably necessary to effect the assignment referred to in paragraph (b). |
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| 5 Deed Effective Date | <p>5.1 Subject to Item 6, the DOCA will be binding and effective on the Deed Effective Date.</p> |
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| 6 Conditions Precedent | <p>6.1 The following Conditions Precedent (Conditions Precedent) to the DOCA must be satisfied by the Conditions Precedent Satisfaction Date:</p> <ul style="list-style-type: none">(a) the DOCA is executed by all parties within 15 Business Days of the Creditors passing a resolution at the second meeting of creditors that the Company is authorised to execute the DOCA in accordance with section 439C of the Act; and(b) Completion occurs under the Business Sale Agreement in accordance with its terms. <p>6.2 The Conditions Precedent in Item 6.1 may not be waived.</p> <p>6.3 If the Conditions Precedent are not satisfied by the Conditions Precedent Satisfaction Date, the Deed Administrators have the right, in their absolute discretion, to extend the Conditions Precedent Satisfaction Date for a period of up to 10 Business Days in order to enable the Conditions Precedent to be satisfied.</p> |
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| 7 Creation of Deed Fund | <p>7.1 On the Completion Date the Administrators must pay the Deed Fund Contribution to the Deed Fund Bank Account to be administered as part</p> |
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of the Deed Fund and notify the Proponent in writing once the payment has been made.

- 7.2 The funds and property available for distribution from the Deed Fund will comprise the Deed Fund Contribution, the Receivables Proceeds and the Company Fund Amount (**Deed Fund**).
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8 When Deed Administrators may or must convene a meeting of Creditors

- 8.1 The Deed Administrators:
- (a) may convene a meeting of Creditors at any time in accordance with; and
 - (b) must convene such a meeting when required to do so under, Division 75 of the *Insolvency Practice Schedule (Corporations) 2016* (Cth) and the Rules.
- 8.2 If, at any time during the Deed Period:
- (a) the Proponent or the Company is unable to comply with any material provisions of the DOCA including payment of monies due pursuant to the terms of the DOCA; and/or
 - (b) the Deed Administrators form the view (acting reasonably) that the Company is unlikely to be able to comply with the terms of the DOCA, then the Deed Administrators are entitled to convene a meeting of the Company's Creditors at which the Creditors may resolve to:
 - (i) vary the DOCA;
 - (ii) terminate the DOCA; or
 - (iii) enforce the terms of the DOCA.
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9 Termination of DOCA for fulfilling its purpose

- 9.1 Subject to any orders of the Court, the termination or avoidance, in whole or in part, of the DOCA does not affect the previous operation, or the accrued rights, duties and obligations of the Company under the DOCA.
- 9.2 As soon as practicable after the Deed Fund has been disbursed in full in accordance with Item 13:
- (a) the Deed Administrators will certify the effectuation of the DOCA in writing and within 28 days, lodge with ASIC a notice of termination of the DOCA in the following form and in accordance with such ASIC form as required by ASIC:
“(company)
I, (insert name and address) as administrator of the deed of company arrangement executed on (insert date), CERTIFY that the deed has been wholly effectuated”; and
 - (b) pursuant to section 446AA(1)(b) of the Act, the circumstances in which the deed is to terminate and the company is to be wound up will have arisen and pursuant to section 446AA(2) of the Act, a special resolution under section 491 of the Act to wind up the Company voluntarily will be deemed to have been passed.
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- 9.3 The deemed voluntary winding up having occurred, the liquidators (former Deed Administrators), once they are satisfied that the criteria for deregistration in section 601AA(2) is satisfied in respect of the Company, will as soon as practicable thereafter apply for the voluntary deregistration of the Company pursuant to section 601AA(1)(c) of the Act.
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10 Termination of the DOCA for other reasons

- 10.1 Until effectuation in accordance with Item 9.2(a), the DOCA will continue in operation until terminated:
- (a) by an order of the Court under section 445D of the Act;
 - (b) by a resolution of the Creditors at a meeting convened in accordance with Division 75 of Schedule 2 to the Act;
 - (c) pursuant to section 445C of the Act, in the event that any of the Conditions Precedent are not satisfied or otherwise waived by Conditions Precedent Satisfaction Date in accordance with item 6 of this Term Sheet; or
 - (d) in the circumstances in Item 9.3(c) pursuant to section 446AA(2) of the Act, by deemed special resolution to wind up a under section 491 of the Act.
- 10.2 Subject to any orders of the Court, the termination or avoidance, in whole or in part, of the DOCA does not affect the previous operation, or the accrued rights, duties and obligations of the Company and the Deed Administrators under the DOCA.
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11 Determination of Claims

- 11.1 To facilitate the admission to proof and the determination of Admitted Claims, Regulations 5.6.48, 5.6.51 and 5.6.53 to 5.6.56 will be incorporated into the DOCA as if the Company was in liquidation with a commencement date of the Appointment Date, with such modifications as the Deed Administrators may deem necessary, including:
- (a) references to the 'liquidator' to be read as references to the Deed Administrators;
 - (b) references to a 'creditor' to be read as references to a Creditor;
 - (c) any forms or notices will be in substantially the same form as required by the Regulations;
 - (d) forms and notices are not required to be published on the Published Notices Website; and
 - (e) the Deed Administrators may fix different times for compliance from those specified in the Regulations.
- 11.2 This will include that:
- (a) the priority of Employee Entitlements (as required by section 444DA of the Act) will be preserved by the DOCA; and
 - (b) the DOCA will provide for certain superannuation contribution debts to not be provable (as required by section 444DB of the Act).
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- 11.3 Section 553C of the Act will be expressly included in the DOCA.
- 11.4 For the avoidance of doubt, persons will have the right to appeal a rejection of all or part of a proof of debt (being a Claim) in accordance with wording to be incorporated into the DOCA that is consistent with Regulation 5.6.54(2) of the Regulations.
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12 Access and assistance

- 12.1 The Company must allow the Deed Administrators and persons authorised by the Deed Administrators:
- (a) reasonable access to the Business Records and personnel of the Company; and
 - (b) to inspect the Business Records,
- in each case, for the purpose of enabling the Deed Administrators to perform their obligations under and in accordance with the DOCA.
- 12.2 The Company must allow the Proponent and persons authorised by the Proponent:
- (a) reasonable access to the Business Records and personnel of the Company at the dates and times agreed by the Proponent and the Deed Administrators; and
 - (b) to inspect the Business Records at the dates and times agreed by the Proponent and the Deed Administrators,
- in each case, for the purpose of enabling the Proponent to perform its obligations under and in accordance with the DOCA.
- 12.3 The Company and the Proponent must promptly provide, as an expense of the deed administration of the Company, any assistance reasonably required by the Deed Administrators for the performance of their obligations under and in accordance with the DOCA.
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13 Distribution of Deed Fund

- (a) In respect of Airdrill Hammers and Bits Pty Ltd (Administrators Appointed) ACN 121 610 786, the Deed Fund will be available for distribution in the following order:
 - (i) first, the trading costs and liabilities for the Administration Period (to the extent not already paid);
 - (ii) second, the Administrators' Costs and Remuneration (in each case, to the extent not already paid) and the Deed Administrators' Costs and Remuneration (in each case, to the extent not already paid) in accordance with the terms of the DOCA;
 - (iii) third, payment of any Employee Entitlements in full (as determined by the Deed Administrators in accordance with Item 11);
 - (iv) fourth, payment of Admitted Claims of Deed Fund Creditors on a pari passu basis (as determined by the Deed Administrators in accordance with Item 11); and
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- (v) fifth, the balance to Schramm Australia Holdings Pty Ltd (Administrators Appointed) ACN 164 654 200.
- (b) In respect of Airdrill Pty Ltd (Administrators Appointed) ACN 109 184 447, the Deed Fund will be available for distribution in the following order:
- (i) first, the trading costs and liabilities for the Administration Period (to the extent not already paid);
 - (ii) second, the Administrators' Costs and Remuneration (in each case, to the extent not already paid) and the Deed Administrators' Costs and Remuneration (in each case, to the extent not already paid) in accordance with the terms of the DOCA;
 - (iii) third, payment of any Employee Entitlements in full (as determined by the Deed Administrators in accordance with Item 11);
 - (iv) fourth, payment of Admitted Claims of Deed Fund Creditors on a pari passu basis (as determined by the Deed Administrators in accordance with Item 11); and
 - (v) fifth, the balance, if any, to Schramm Australia Holdings Pty Ltd (Administrators Appointed) ACN 164 654 200.
- (c) In respect of Schramm Australia Holdings Pty Ltd (Administrators Appointed) can 164 654 200, the Deed Fund will be available for distribution in the following order:
- (i) first, the trading costs and liabilities for the Administration Period (to the extent not already paid);
 - (ii) second, the Administrators' Costs and Remuneration (in each case, to the extent not already paid) and the Deed Administrators' Costs and Remuneration (in each case, to the extent not already paid) in accordance with the terms of the DOCA;
 - (iii) third, payment of any Employee Entitlements (if any) in full (as determined by the Deed Administrators in accordance with Item 11);
 - (iv) fourth, payment of Admitted Claims of Deed Fund Creditors on a pari passu basis (as determined by the Deed Administrators in accordance with Item 11); and
 - (v) fifth, the balance to the Proponent.

13.2 The Deed Fund will be distributed from time to time by the Deed Administrators following the determination of Claims in accordance with Item 11 of this Term Sheet.

13.3 The Non-Participating Creditors are not entitled to participate in, or receive any distribution from, and will not prove to recover any claim for

the purpose of, or in relation to, the Deed Fund, but each of the Non-Participating Creditors retains their voting rights in respect of the DOCA.

- 13.4 Subject to section 444D of the Act, the DOCA may be pleaded by the Company or the Deed Administrators against any person having a Claim against the Company as an absolute bar and defence to any legal proceedings brought or made at any time in respect of that Claim.

**14 Extinguishment
of Claims and
Releases**

- 14.1 With effect from the Deed Effective Date:

- (a) save in relation to the Proponent's obligations hereunder, in the DOCA, the Business Sale Agreement, any document ancillary to or contemplated by the Business Sale Agreement and in any purchase order with the Company, the Company releases the Proponent from any debt payable by, and all claims against, the Proponent (whether present or future, certain or contingent, ascertained or sounding only in damages, expenses, environmental liability, tax, duty, liability, loss, obligation, suit, action, demand, cause of action, prayer for relief, proceeding, judgment, whether direct or indirect, consequential, incidental or economic, known or unknown as at the Appointment Date, liquidated or unliquidated); and
- (b) save in relation to the Company's obligations hereunder, including in Item 13, in the DOCA, the Business Sale Agreement, any document ancillary to or contemplated by the Business Sale Agreement and in any purchase order with the Proponent, the Proponent releases the Company, the Administrators and Deed Administrators (including in any subsequent capacity of the Administrators or Deed Administrators as liquidators) from any debt payable by, and all claims against, the Company, the Administrators and/or Deed Administrators (including in any subsequent capacity of the Administrators or Deed Administrators as liquidators) (whether present or future, certain or contingent, ascertained or sounding only in damages, expenses, environmental liability, tax, duty, liability, loss, obligation, suit, action, demand, cause of action, prayer for relief, proceeding, judgment, whether direct or indirect, consequential, incidental or economic, known or unknown as at the Appointment Date, liquidated or unliquidated). For the sake of clarity, the Proponent does not release, and shall be entitled to, any distribution set forth in Item 13.

- 14.2 With effect from disbursement of the Deed Fund in full in accordance with Item 13 all Claims of all Creditors (including claims that are not Admitted Claims) will be released, discharged and extinguished in full as against the Company.

- 14.3 Each Creditor must accept its entitlements under the DOCA in full satisfaction and complete discharge of all Claims which the Creditor has, or claims to have, against the Company (irrespective of whether the Creditor has lodged a proof of debt or received a dividend the DOCA). For the avoidance of doubt, any distribution paid to the Proponent in respect of Item 13 is not paid in respect of its status as a creditor of the Company, but rather due to its status as ultimate holding company of the Company and its entitlement to surplus funds of the Company after

payment of its Creditors. The Proponent is not required to lodge a proof of debt in respect of the Company.

- 14.4 Any Claims by Deed Fund Creditors will be deemed to be abandoned if, prior to the declaration of the final dividend to Deed Fund Creditors under the DOCA, the Deed Fund Creditor has failed to submit a formal proof of debt or claim in accordance with the terms of the DOCA, having submitted one which is rejected, fails to appeal against the rejection within the relevant timeframe set out in, and otherwise in accordance with, the DOCA.
- 14.5 From the Deed Effective Date until the DOCA Termination Date, any officer or member of the Company or any Creditor bound by the provisions of the DOCA must not make any application to wind up the Company, continue such application or commence or continue any enforcement process in relation to the property of the Company.
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15 Owners and Lessors of Property

- 15.1 Nothing in this DOCA will affect the rights of Owners or Lessors of Property in relation to that Property.
- 15.2 An Owner or Lessor of Property who votes in favour of the DOCA:
- (a) waives any event of default or breach by the Company of any agreement to which the Company and the Owner or Lessor is a party which occurred on or prior to the Appointment Date or which may occur during the Deed Period, insofar as the Owner or Lessor would be entitled to terminate the agreement, take possession of the Property the subject of the agreement or otherwise recover it; and
 - (b) must permit the Company to have continued and uninterrupted use, occupation and possession of the Property the subject of such an agreement unless and until:
 - (i) the surrender of the agreement by the Company to the Owner or Lessor on terms agreed to by the Company and the Owner or Lessor; and
 - (ii) the termination of the agreement by the Company,whichever occurs first.
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16 Insured Claims

- 16.1 Insured Claims will be excluded from the DOCA.
- 16.2 An Insured Claim is a Claim for which a Creditor would have been entitled to priority in a liquidation of the Company under section 562 of the Act, being a Claim where:
- (a) the Company is insured against the Claim under a contract of insurance entered into prior to the Appointment Date; and
 - (b) an amount in respect of that claim would have been payable by the insurer to the Company under the contract of insurance,
- but only to the extent of such part of the Claim as would be discharged by the payment from the insurer, and provided the Creditor indemnifies the
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Company in respect of all costs and expenses incurred by the Company in connection with such Claim.

- 16.3 To the extent that a Creditor with an Insured Claim is unable to seek or obtain payment on account of its Insured Claim from the insurer (including, without limitation, by reason of any excess or deductible applicable to the insurance policy, or failure by the Company to take action) the DOCA operates as a complete release and bar to that part of the Creditor's Claim which has not been met by the insurer.

17 Directors

- 17.1 The Deed Administrators will have the power to appoint directors of the Company, and to remove (only) directors of the Company appointed by the Deed Administrators.
- 17.2 At all times during and after the Deed Period the Directors will remain responsible for complying with all of the Company's financial reporting obligations under the Act.

18 Other provisions of DOCA

- 18.1 Under the DOCA:
- (a) the Administrators will become the Deed Administrators;
 - (b) the Deed Administrators will be obliged to:
 - (i) give effect to the terms of the DOCA;
 - (ii) do all acts, matters and things, and sign all necessary documents as may be reasonably necessary for the purposes of the DOCA; and
 - (c) the Deed Administrators will, in exercising the powers conferred by and carrying out the duties arising under the DOCA, be taken to be acting as agent for and on behalf of the Company.
- 18.2 The provisions contained in Schedule 8A of the Regulations are expressly excluded from the DOCA, except to the extent that they are expressly included.
- 18.3 During the Deed Period, the moratorium in sections 440A, 440B, 440D, 440F and 440J of the Act will apply to bind all Creditors and members of the Company in relation to Claims arising on or before the Appointment Date.
- 18.4 The terms of sections 556, 560 and 561 of the Act will apply with such other modifications as are necessary to give effect to the terms of this Term Sheet.
- 18.5 Without limiting sections 444D and 444G of the Act, the DOCA binds all Creditors, the Proponent, the Company, the Administrators, the Deed Administrators and the Company's Directors, Officers and Members.

19 Administrators' and Deed

- 19.1 Subject to this Item 19 and the requirements set out in the Act regarding, amongst other things, approval of remuneration for external administrators and any liabilities, the Administrators and the Deed Administrators will be entitled to be indemnified from the Deed Fund and

Administrators' Remuneration

the assets of the Company for their Remuneration and Costs incurred by them, or claims made against them, in their capacity as Administrators or Deed Administrators of the Company (as applicable) and in their capacity as Deed Administrators of the Deed Fund.

- 19.2 The Administrators and the Deed Administrators will have a lien over the assets of the Company and over the Deed Fund to secure their right of indemnity.
- 19.3 The Administrators and the Deed Administrators will be remunerated out of the assets of the Company and the Deed Fund as permitted under the DOCA for their work performed at FTI's usual hourly rates for matters of this type in accordance, and/or consistent, with Division 60 of Schedule 2 to the Act.
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20 Limitation of Liability

- 20.1 The DOCA will include customary limitation of liability provisions for the Administrators and Deed Administrators, including subject to the Act and to the extent permitted by law, in the performance or exercise (or purported performance or exercise) of the Administrators' and Deed Administrators' powers, obligations, functions and duties under this term sheet or the DOCA, except in the case of fraud or knowingly dishonest and unlawful conduct, the Administrators and the Deed Administrators will not be personally liable for:

- (a) any debt, liability, other obligation or claim of any kind whatsoever which the Administrators or Deed Administrators or any of their partners, employees, directors, officers, contractors, advisors may incur on behalf of the Company pursuant to this term sheet or the DOCA, whether during or after the Administration Period (in the case of the Administrators) or the Deed Period (in the case of the Deed Administrators);
 - (b) any loss or damage of any kind caused by or as a result of any act, default or omission of the Administrators or the Deed Administrators or any person or body corporate acting on their behalf in exercising their powers, obligations, functions or duties under this term sheet or the DOCA, except any loss or damage occasioned by the fraud, negligence or wilful misconduct of the Administrators or Deed Administrators or any such person or body corporate acting on their behalf; or
 - (c) any debt payable or liabilities incurred by the Company after the Deed Effective Date including any amounts payable by the Administrators or the Deed Administrators for services rendered, goods bought or property hired, leased, used or occupied by or on behalf of the Company.
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21 Secured Creditors

- 21.1 Nothing in the DOCA restricts or otherwise affects any right of a Secured Creditor to realise or otherwise deal with its security to the extent permitted by section 444D(2) of the Act.
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22 General	22.1 The DOCA will incorporate the necessary content and mechanics to give effect to this Term Sheet and the Act, including standard boilerplate clauses found in a DOCA of this type, and any other provisions required by law.
23 Variation of the DOCA	23.1 The DOCA may only be varied by a resolution passed at meetings of the Creditors convened in a manner that is either consistent with Division 75 of Schedule 2 to the Act or as set out in the DOCA, but only if the variation is not materially different from a proposed variation set out in a notice of meeting.
24 Preparation of the DOCA and costs	24.1 The Deed Administrators' lawyers will prepare the DOCA and, otherwise, each party will bear their own costs (with the Administrators' and the Deed Administrators' Costs and disbursements payable out of the Deed Fund pursuant to Item 13 of this Term Sheet).
25 Governing law	25.1 This Term Sheet is governed by the laws of Western Australia.

Annexure A – Dictionary

In this Term Sheet:

Act means the *Corporations Act 2001 (Cth)*.

Administration Period means the period beginning on the Appointment Date and ending on the Deed Effective Date.

Administrators means the administrators of the Company, being Paul Harlond, Ian Francis and Hayden White of FTI.

Admitted Claim means the Claim of any Deed Fund Creditor admitted by the Deed Administrators after adjudication in accordance with the DOCA and Item 11.

Appointment Date means 22 February 2023.

Business Sale Agreement means the Business Sale Agreement between Airdrill Pty Ltd (Administrators Appointed) ACN 109 184 447, Airdrill Hammers and Bits Pty Ltd (Administrators Appointed) ACN 121 610 786, the Proponent, the Buyers and the Administrators dated the date of this Term Sheet in respect of the business and assets of Airdrill Pty Ltd (Administrators Appointed) ACN 109 184 447 and Airdrill Hammers and Bits Pty Ltd (Administrators Appointed) ACN 121 610 786, and the Intellectual Property.

Business Records means all books (as that term is defined in section 9 of the Act) of the Company, and any source material used to prepare them.

Buyers means Epiroc Australia Pty Ltd ACN 000 086 706 and Epiroc Rock Drills AB (556077-9018).

Claim means a debt payable by, and all claims against, the Company (whether present or future, certain or contingent, ascertained or sounding only in damages, expenses, environmental liability, tax, duty, liability, loss, obligation, suit, action, demand, cause of action, prayer for relief, proceeding, judgment, whether direct or indirect, consequential, incidental or economic, known or unknown as at the Appointment Date, liquidated or unliquidated), being debts or claims any of the circumstances giving rise to which occurred on or before the Appointment Date including without limitation:

- (a) a debt or claim arising pursuant to any guarantee or indemnity (including contingent claims);
- (b) all debts or claims provable in a winding up of the Company pursuant to section 553 of the Act; and
- (c) to the extent permissible by law, any fine or penalty that would be provable but for section 553B of the Act,

but does not include any Insured Claim.

Company means;

- (a) Airdrill Pty Ltd (Administrators Appointed) ACN 109 184 447, in the case of the Airdrill DOCA; or
- (b) Airdrill Hammers and Bits Pty Ltd (Administrators Appointed) ACN 121 610 786, in the case of the H&B DOCA; or
- (c) Schramm Australia Holdings Pty Ltd (Administrators Appointed) ACN 164 654 200, in the case of the Holdco DOCA,

as relevant.

Company Fund Amount means the cash held in the Company's bank accounts on the Completion Date.

Completion Date has the meaning given in the Business Sale Agreement.

Conditions Precedent has the meaning given in Item 5 of this Term Sheet.

Conditions Precedent Satisfaction Date means 21 July 2023 or such other date agreed by the Deed Administrators and the Proponent in writing.

Costs includes costs, charges, fees, government charges, taxes and expenses, including those incurred in connection with advisers and incurred in connection with the performance of the Administrators' or the Deed Administrators' duties, obligations and responsibilities under the Act and during the Administration Period and the Deed Period.

Creditor means a person who, or entity that, has a Claim against the Company, the circumstances giving rise to which occurred before the Appointment Date.

Deed Administrators has the meaning given at Item 4 of this Term Sheet.

Deed Effective Date means the date on which the DOCA is executed by all parties to it in accordance with section 444B(6) of the Act.

Deed Fund Bank Account means the bank account of the Company designated by the Administrators for the purpose of holding the Deed Fund.

Deed Fund Contribution means:

- (a) in respect of the Airdrill DOCA, the Deed Fund Contribution will be:
 - (i) Airdrill's allocation of the Business Sale Agreement net sale proceeds after payment of both the relevant allocation of the Senior Debt and the Intellectual Property Consideration;
 - (ii) Airdrill's allocation of the Inventory Sale Agreement net sale proceeds after payment of the relevant allocation of the Senior Debt; and
 - (iii) Airdrill Hammers and Bits' agreement not to participate or prove in the Airdrill DOCA in respect of its Claim; and
- (b) in respect of the H&B DOCA, the Deed Fund Contribution will be:
 - (i) Airdrill Hammers and Bits' allocation of the Business Sale Agreement net sale proceeds after payment of both the relevant allocation of the Senior Debt and the Intellectual Property Consideration; and
 - (ii) Airdrill Hammers and Bits' allocation of the Inventory Sale Agreement net sale proceeds after payment of the relevant allocation of the Senior Debt; and
- (c) in respect of the Holdco DOCA, the surplus available to Schramm Australia Holdings Pty Ltd (Administrators Appointed) ACN 164 654 200 following the distribution to Creditors of Airdrill Hammers & Bits Pty Ltd (Administrators Appointed) ACN 121 610 786 pursuant to Item 13(a)(iv).

Deed Fund Creditors means all Creditors who have a Claim, other than the Non-Participating Creditors.

Deed Period means the period beginning on the Deed Effective Date and ending on the DOCA Termination Date.

DOCA has the meaning given at Item 3.1 of this Term Sheet.

DOCA Termination Date means the date on which the DOCA is terminated in accordance with its terms.

Employee has the same meaning as "eligible employee creditor" in section 9 of the Act as though the reference to "company" was to the Company.

Employee Entitlement means:

- (a) the Admitted Claim of any Employee for, in respect of, or arising in connection with any amount that would rank in priority under section 556(1) of the Act if the winding up of the Company had commenced on the Appointment Date; and
- (b) includes the claims of all Employees for outstanding or unpaid superannuation contributions as at the Appointment Date.

Insured Claim means a Claim which a Creditor has against a Company which would have been entitled to priority in a liquidation of the Company under section 562 of the Act, being a Claim where:

- (a) the Company is insured against the Claim under a contract of insurance entered into prior to the Appointment Date; and
- (b) an amount in respect of that claim would have been payable by the insurer to the Company under the contract of insurance,

but only to the extent of such part of the Claim as would be discharged by the payment from the insurer, and provided the Creditor indemnifies the Company in respect of all costs and expenses incurred by the Company in connection with such Claim.

Intellectual Property means the Schramm IP as defined in the Business Sale Agreement.

Intellectual Property Consideration means the purchase price payable to the Proponent for the Intellectual Property pursuant to clause 3(b)(v) of the Business Sale Agreement.

Inventory Sale Agreement means the agreement between Airdrill Pty Ltd (Administrators Appointed) ACN 109 184 447, Airdrill Hammers and Bits Pty Ltd (Administrators Appointed) ACN 121 610 786, Epiroc Australia Pty Ltd ACN 000 086 706 and the Administrators dated the date of this Term Sheet in respect of certain inventory of Airdrill Pty Ltd (Administrators Appointed) ACN 109 184 447 and Airdrill Hammers and Bits Pty Ltd (Administrators Appointed) ACN 121 610 786.

Lessor means any person who is the legal or beneficial owner of Property at the Appointment Date that is leased or hired by the Company.

Non-Participating Creditor means, in respect of the Airdrill DOCA, Airdrill Hammers & Bits.

Owner means any person who is the legal or beneficial owner of Property used or occupied by, or in the possession of, the Company at the Appointment Date.

Property has the meaning given to that term in section 9 of the Act and which is owned, used, occupied or in the possession of the Company.

Proponent means the entity listed in Item 1.

Receivables Proceeds means all the trade debts and other sums due to the Company at the Completion Date in respect of the Company's customer contracts which are collected by the Company during the Deed Period.

Regulations means the *Corporations Regulations 2001* (Cth) made under the Act.

Remuneration means the remuneration payable to:

- (a) the Administrators for acting in that capacity in accordance with Part 5.3A of the Act; and
- (b) the Deed Administrators for acting in that capacity under the DOCA.

Rules means the *Insolvency Practice Rules (Corporations) 2016* (Cth).

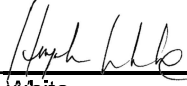
Secured Creditor means any creditor with a Security Interest as at the Appointment Date and, for the avoidance of doubt, includes any such Creditor with a claim by way of subrogation.

Security Interest means any mortgage, chattel mortgage, pledge, charge, agreement, encumbrance, lien, right of set-off (arising otherwise than by operation of law or as a result of a banker's right to

combine accounts) and assignment which provides for an secures payment of any debt or monetary liability or the performance of any obligation and any security interest as defined in sections 12(1) of the *Personal Properties Security Act 2009* (Cth).

Senior Debt means all amounts due and payable to Decathlon Alpha IV, L.P. under the Revenue Loan and Security Agreement dated 1 November 2021 between the Proponent, Decathlon Alpha IV, L.P. and others (as amended from time to time).

Signed by:

Schramm II Inc. (Delaware)	 Hayden White In his capacity as joint and several voluntary administrator of each of: Airdrill Pty Ltd (Administrators Appointed) ACN 109 184 447 Airdrill Hammers and Bits Pty Ltd (Administrators Appointed) ACN 121 610 786 Schramm Australia Holdings Pty Ltd (Administrators Appointed) ACN 164 654 200
Date: _____	Date: 17 May 2023

Signed by:

 Schramm II Inc. (Delaware)	Hayden White In his capacity as joint and several voluntary administrator of each of: Airdrill Pty Ltd (Administrators Appointed) ACN 109 184 447 Airdrill Hammers and Bits Pty Ltd (Administrators Appointed) ACN 121 610 786 Schramm Australia Holdings Pty Ltd (Administrators Appointed) ACN 164 654 200
Date: <u>15 May 2023</u>	Date: _____