

24 November 2022



Cromarty Resources Pty Ltd (Administrators Appointed) ACN 601 398 841 ("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 (the Act) 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, 2 December 2022 at 10:30AM AEST / 11:30AM AEDT 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 Deed of Company Arrangement ("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

Michael Ryan, David McGrath and Kathryn Warwick were appointed as Voluntary Administrators of the Company on 27 October 2022.

Since its incorporation in 2014, the Company's key business has been the development and operation of underground mining and mineral processing operations at Thalanga in North Queensland.

The Company encountered financial difficulties as a result of a fall of ground event which led to the suspension of operations at Thalanga for several weeks in August 2022. Progressive re-establishment of mining areas occurred using revised ground support and updated geotechnical procedures for stopping. The additional ground support and technical work significantly impacted the forecast FY 2023 mining schedule, reducing ore availability, and decreasing the mining rate.

The Company had limited cash on hand at the date of our appointment. We sought additional funding both from the Company's secured creditors and potential third-party funders with a view to extending the care and maintenance program to facilitate a longer transaction process, but ultimately further funding has not yet been obtained. Should any creditor wish to provide this funding please contact the Administrators.

We engaged a corporate finance adviser, Argonaut, to run an accelerated transaction process seeking offers for a sale or recapitalisation of the Company and / or its key business assets (**Transaction Process**). To date, no offers capable of execution have been received for the Company or the business as a whole, although we note that interested parties have until 30 November 2022 to submit non-binding indicative offers. Further details of this process are set out in Section 5.2.

Our preliminary investigations indicate that the Company appears not to have traded whilst insolvent or entered into antecedent transactions. The Administrators' investigations and views are at this stage preliminary only.

A DOCA has not been proposed.

We will write to employees shortly to set out our opinion as to their individual entitlements. Employees will have the opportunity to object to their entitlement calculations should they consider there to be an error or omission in the calculations.

In our opinion it is in the creditors' best interests to place the company into liquidation.

If creditors vote to place the Company into liquidation, and no alternative insolvency practitioners are proposed to act as liquidators of the Company, our objective will be to realise value for the Company's remaining assets where possible.

Furthermore, if creditors vote to place the Company into liquidation:

- If there are insufficient funds available to employees from the Company's property to meet employee entitlements, eligible employees may be entitled to lodge a claim for their unpaid entitlements under the Federal Government's FEG Scheme; and
- The appointed liquidator will assist employees to lodge claims with FEG, where eligible.

Pages 5 to 7 summarise the items considered to be the most important for creditors.

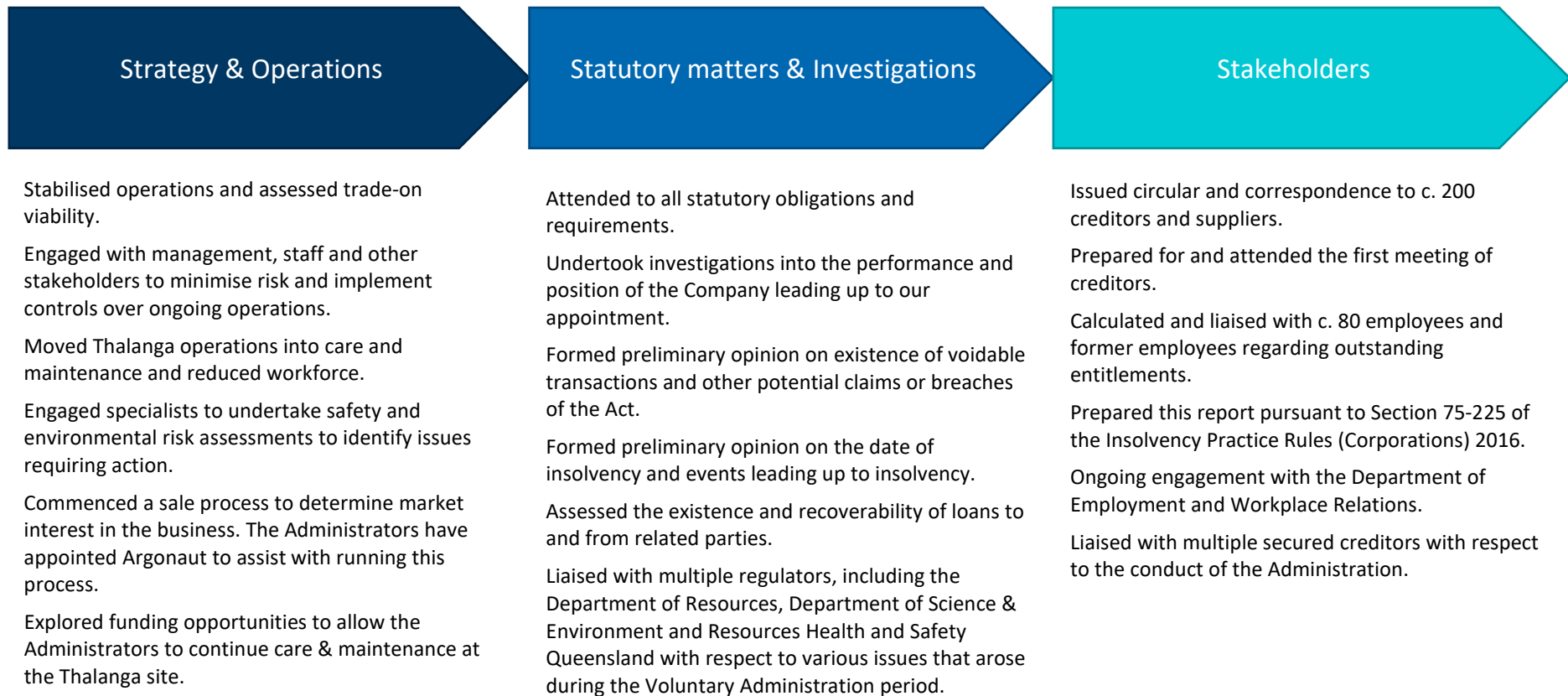
1.3. Questions and help

Please contact this office on (03) 9604 0600 or CromartyResources@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.

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	Our preliminary review into the affairs of the Company identified the following key drivers contributing to the Company's difficulties: ■ A "fall of ground" event in the stopping ground area which led to the suspension of operations at Thalanga from 2 August 2022 until 19 August 2022. ■ Progressive re-establishment of mining areas occurred using revised ground support and updated geotechnical procedures for stopping. The additional ground support and technical work significantly impacted the forecast FY 2023 mining schedule, with reduced ore availability, and decreased mining rate. ■ Management then revised their financial forecast and determined that the new rate was insufficient to maintain ongoing trading operations. ■ Ongoing environmental concerns with respect to Thalanga and the potential cost to rectify. ■ Based on the revised financial forecast, the directors formed the view that the Company was either insolvent, or likely to become insolvent.	Section 4.6
Administrators' actions and strategy	Our actions and strategy for the administration have been to: ■ Establish an in-depth understanding of the business and move operations into care and maintenance. ■ Ensure clear and consistent communication with key stakeholders, employees, and suppliers regarding the move into care and maintenance. ■ Engage appropriate safety and environmental specialists to ensure care and maintenance activities were conducted in compliance with safety and environmental obligations. ■ Appoint Argonaut to run a sale process to determine market interest in the business. ■ Liaise with key secured creditors and other parties to determine whether funding or a Deed of Company Arrangement may be available.	Section 5.1
Estimated date of insolvency	Our preliminary view is that the Company is likely to have been solvent until just prior to the appointment of Administrators.	Section 6.3

Key areas	Commentary	Analysis								
Voidable transactions and offences	Based on our investigations to date, we do not consider there are any voidable transactions that would likely result in the property being recovered for the benefit of creditors.	Section 6.4								
Offences by directors	Based on our investigations to date, it does not appear that offences have been committed by the directors.	Section 6.1								
Liability for insolvent trading	Based on the estimated date of insolvency there is unlikely to be a claim for insolvent trading.	Section 6.3								
Proposal for a deed of company arrangement	No proposal for a deed of company arrangement has been received.	Section 7.2								
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><td></td><td><u>Liquidation</u></td></tr><tr><td>■ Secured creditors</td><td>TBD</td></tr><tr><td>■ Priority employee claims</td><td>0 to 50 cents in the dollar</td></tr><tr><td>■ Unsecured creditors</td><td>Nil</td></tr></table>		<u>Liquidation</u>	■ Secured creditors	TBD	■ Priority employee claims	0 to 50 cents in the dollar	■ Unsecured creditors	Nil	Section 8.1
	<u>Liquidation</u>									
■ Secured creditors	TBD									
■ Priority employee claims	0 to 50 cents in the dollar									
■ Unsecured creditors	Nil									
Timing of payments to creditors	The indicative (estimated) timing of dividends are set out below for each class of creditor under a liquidation scenario: <table><tr><td></td><td><u>Liquidation</u></td></tr><tr><td>■ Secured creditors</td><td>3-6 months, to the extent a dividend becomes payable</td></tr><tr><td>■ Priority employee claims (FEG)</td><td>Approximately 3 months</td></tr><tr><td>■ Unsecured creditors</td><td>N/A – unsecured creditors are not expected to receive a return</td></tr></table> The key factors and variables impacting the estimated timing include the Administrators’ (or liquidators’) ability complete a transaction or series of transactions to realise value for the Company’s assets.		<u>Liquidation</u>	■ Secured creditors	3-6 months, to the extent a dividend becomes payable	■ Priority employee claims (FEG)	Approximately 3 months	■ Unsecured creditors	N/A – unsecured creditors are not expected to receive a return	Section 8.3
	<u>Liquidation</u>									
■ Secured creditors	3-6 months, to the extent a dividend becomes payable									
■ Priority employee claims (FEG)	Approximately 3 months									
■ Unsecured creditors	N/A – unsecured creditors are not expected to receive a return									
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 6								

3. Recommendation on the Company's future

In our opinion it is in the creditors' interests that the Company be wound up and a liquidator appointed. Details about the estimated return to creditors and other information about what creditors can decide at the meeting are provided at sections 8.1 and 9.1 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	As no DOCA has been proposed, creditors cannot resolve to accept a DOCA at this time	The Company is insolvent with no cash to pay all due debts and no confirmed prospects of obtaining external funding	We have not been provided with a proposal for a DOCA for consideration and it is not appropriate that the administration ends as the Company is insolvent
Our opinion	Not in the creditors' interests that the Company execute a DOCA	Not in the creditors' interests that the administration should end	Is in the creditors' interests that the Company be wound up
Recommended option	Not recommended	Not recommended	Recommended
Potential to adjourn the meeting to a future date	- Creditors may wish to adjourn the second meeting for up to 45 business days - It is a matter for creditors to decide if they wish to adjourn the meeting		

4. Background information

4.1. Appointment of Administrators

On 27 October 2022 Michael Ryan, David McGrath and I were appointed joint and several Administrators of Cromarty Resources 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.

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 9 November 2022 to consider the formation of a committee of inspection and whether or not to appoint different persons to be the Administrators of the Company.

Creditors resolved to form a committee of inspection and the following representatives were appointed to the committee:

Creditor	Representative
Red River Resources Limited	Patrick O'Connor
Pybar Mining Service Pty Ltd	Joseph Sorbara
Trafigura Pte Ltd	Thomas Grandjean and Scott Biffin
Employee	Liota Peno
Employee	Nicholas Lhotka

There were no alternative insolvency practitioners nominated to replace us as Administrators.

4.3. Administrator's prior involvement and independence

In accordance with s 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 5, as provided with our first circular to creditors and referred to at the first creditors' meeting.

There is no change to our assessment regarding our independence or to the information provided in the DIRRI.

4.4. 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.

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

The Company was incorporated on 22 August 2014 for the purposes of exploring and developing mineral projects in Australia. The Company manages the Thalanga Base Metals Operation (**Thalanga Operations**) located approximately 65km southwest of Charters Towers in Queensland.

Red River Resources Ltd (**Red River**) is the parent of the Company and is a holder of registered security interests over the Company, which secure an intercompany loan owed by the Company to Red River (**Intercompany Loan**). Based on our investigations, the balance of the Intercompany Loan (\$25.3m as at the date of our appointment) reflects funding provided by Red River to Cromarty over a number of years to fund operating cash requirements whilst the Thalanga Operations were developed and commenced, net of a number of repayments made by Cromarty to Red River.

At the time of our appointment, the Company employed 80 employees, all located in Queensland.

Upon our appointment, the Company's business was centred around the Thalanga Operations, which includes a number of mining leases (**MLs**) and associated exploration permits (**EPLs**), within which sits the Far West underground mine and a mineral processing plant. Up until our appointment, the Company had mined and processed ore to extract primarily copper, lead and zinc concentrate for sale.

Zinc and lead concentrate produced at Thalanga was sold to Trafigura pursuant to long term purchase contracts. Trafigura also provided a working capital facility to the Company.

Copper concentrate produced was sold to Glencore pursuant to an agreement under which Glencore had agreed to purchase all of the Company's copper concentrate production through to mid-2023.

In addition to the ML's and EPL's surrounding Thalanga, the Company also held various EPLs, in a number of "packages":

- Liontown and Waterloo: include a number of exploration tenements located approximately 40km from Thalanga which the Company, in conjunction with its parent Red River Resources Limited, was developing with the intention of obtaining a mining lease for underground mining activity to provide an additional ore source as throughput for the Thalanga processing plant.
- Herberton: includes a number of exploration tenements located in the Herberton region of North Queensland, which were identified as having potential to provide additional feed to the Thalanga processing plant, or to be developed as standalone operations.

A key event leading to our appointment was a "fall of ground" that occurred in the Far West underground mine in August 2022. This resulted in temporary cessation of activity in the underground mine and a revision to the Company's forecasts. Further detail in respect of this event is set out below.

4.6. 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 a result of the following:

- A “fall of ground” event in the stopping ground area which led Red River suspend operations at Thalanga from 2 August 2022 until 19 August 2022.
- Progressive re-establishment of mining areas occurred using revised ground support and updated geotechnical procedures for stopping. The additional ground support and technical work significantly impacted the forecast FY 2023 mining schedule, reducing ore availability, and decreasing the mining rate.

Red River Resources announced to the market on 28 October 2022 that administrators had been appointed to the Company. The Directors provided the market with commentary with respect to the reasons for the Company's financial distress.

As noted in Section 2.2 we concur generally with the Directors' explanation for the Company's difficulties.

4.7. 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 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 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 s 286 of the Act.

4.8. Outstanding winding up applications

The following searches were conducted following our appointment:

- ASIC Company register;
- ASIC Insolvency Notices website;
- State court websites.

These searches confirmed no winding up applications were in progress against the Company. Further, a review of Company records and enquiries made with the Company's representatives did not identify any outstanding winding up applications or statutory demands against the Company.

5. Strategy and financial position

5.1. Actions and strategy to date

5.1.1. Summary of actions and strategy

Since our appointment we have stabilised the business, transitioning the Thalanga Operations into care and maintenance whilst progressing the below key strategies and actions:

Statutory

- Notified applicable statutory and government bodies of our appointment.
- Prepared and issued our Initial Information for Creditors and Suppliers, which included our DIRRI.
- Held the first meeting of creditors of the Company.
- Prepared and attended to lodgement of required ASIC forms.
- Prepared this report pursuant to s.75-225 of the insolvency Practice Rules (Corporations) 2016.
- Liaised with multiple regulators in respect of the Thalanga operations.

Investigations

- Conducted and reviewed searches in relation to the Company and its officers.
- Obtained relevant books and records of the Company and access to and backups of systems.
- Reviewed and analysed the Company's financial books and records.
- Reviewed all available books and records and other information concerning the Company to form a preliminary view of any potential breaches of the Act or potential voidable transactions where money or property may be recoverable for the benefit of creditors.

Employees

- Wrote to all employees advising of their position as creditors of the Company.
- Conducted a townhall meeting shortly after our appointment with all Company staff to inform employees of the transition to care & maintenance and discuss any employee queries.
- Liaised directly with employees regarding specific issues and queries.
- Reviewed Company records to quantify employee entitlements and notified employees regarding same.
- Engaged with the Department of Employment and Workplace Relations with respect to matters surrounding employees' access to the Fair Entitlements Guarantee scheme, should the Company be placed into liquidation.

Operations

- Assessed the position of the Company and made the decision to transition the Thalanga Operations into care and maintenance in order to maintain the Company's key assets whilst an accelerated process seeking expressions of interest in a potential sale of recapitalisation was conducted (Transaction Process).
- Notified all suppliers and applicable statutory bodies of our appointment.
- Opened new accounts with the Company's suppliers as required for ongoing trade during the voluntary administration.
- Approached the Company's secured creditors and potential third party funding providers to seek funding to maintain the care and maintenance program. To date no party has agreed to provide this funding.
- Subsequent to the Administrators' appointment, DES provided the administrators with a draft environmental protection order (EPO) raising environmental concerns in respect of the Company's general environmental duty and the terms of the environmental authority granted to the Company. The Administrators have had extensive meetings and engaged consultants to work through the concerns raised by DES, including placing the Thalanga Operations on care and maintenance and undertaking an environmental risk assessment. The administrators understand DES is conducting site investigations this week and is considering the administrators' request to defer the EPO pending the outcome of the creditors' meeting and the Transaction Process. The administrators are awaiting a response from DES as at the date of this report. Setup trading protocols and a purchase order system with the Company's accounts payable team.
- Communicated extensively with the Company's suppliers concerning supply, orders and account balances.
- Engaged with our insurance broker to secure ongoing cover for insurance through the voluntary administration.
- Prepared a cash flow forecast and monitored the cash and commitments position throughout the administration.
- Engaged specialist safety and environmental advisers to ensure that care and maintenance activities were carried out in accordance with applicable laws.
- Undertook efforts to realise ancillary assets including receivables and consumables not required during the care & maintenance program.

Premises/Landlords

- On appointment, the Company leased 11 local properties to house their current employees.
- The Administrators corresponded with all landlords concerning ongoing occupation and vacation of premises.
- Due to the consolidation of Company staff, not all properties were required for ongoing operations.
- The Administrators are exiting seven (7) of the properties on 30 November 2022, giving time for employees to transition to alternative accommodation. The Administrators remain in possession of the remaining four (4).

5.2. Transaction Process

As noted previously, the Administrators engaged Argonaut to undertake a Transaction Process. As part of this process Argonaut:

- Prepared a transaction teaser, which was marketed to 5,200 subscribers to Argonaut's MinesOnline.com subscribers.
- Directly contacted a number of parties identified as likely having an interest in the Company's assets and having the capacity to complete a rapid transaction.
- Prepared a more detailed information flyer and a comprehensive transaction data room to provide to parties who executed a confidentiality agreement and process letter.
- Advertised the Transaction process in Mining News.

In addition, the Administrators advertised the Transaction Process in the Australian Financial Review newspaper on Monday, 21 November 2022.

Argonaut has requested that non-binding indicative offers be submitted by 30 November 2022.

Argonaut also contacted a range of parties it considered may have been in a position to provide funding to the Administrators to continue to the care & maintenance program in order to facilitate a longer Transaction Process. As at the date of this report, no further funding had been provided to the Administrators.

We will provide a further update to creditors on the Transaction Process at the second meeting of creditors due to be held on 2 December 2022.

5.3. Company's financial position at appointment

5.3.1. 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 prescribed Report of Company Activities and Properties ("ROCAP").

A ROCAP is primarily comprised of two parts:

1. Part A – which details the Company's assets and liabilities; and
2. Part B – a questionnaire about the Company's history, operations, books and records

Part A of the ROCAP is lodged with ASIC and is publicly available for viewing, whereas Part B is a confidential document for the use of the Administrators in performing their duties.

We received ROCAP Part A from Mr. Patrick O'Connor on 4 November 2022 which provided the book value of the Company's assets and liabilities and the Director's estimated realisable values for some of the Company's assets.

Mr Mark Hanlon was appointed director on 20 October 2022, seven days prior to our appointment. He has not submitted a ROCAP due to his limited tenure with the Company, however, has advised he has reviewed and agrees with the assessment provided by Mr O'Connor.

A summary of the ROCAP Part A information is shown below along with our comments.

5.3.2. Summary of the ROCAP Part A and Administrators' ERV as at 27 October 2022

Summary of the ROCAP Part A				
\$	Notes	Book Value	Administrators' ERV Low	Administrators' ERV High
Assets				
Cash and Cash Equivalents	1	14,921,642	1,126,233	1,202,294
Pre-Appointment Trade Debtors	2	1,388,544	481,834	1,388,544
Stock on Hand	3	4,695,000	0	TBD
Property, Plant and Equipment	4	3,463,546	0	TBD
Other Assets	5	506,517	71,241	506,517
Total Assets		24,975,249	1,679,308	3,097,355
Liabilities				
Employee Entitlements	6	1,152,277	714,265	714,265
Secured Creditors	7	43,432,772	48,967,118	48,967,118
Unsecured Creditors	8	1,339,712	1,946,373	1,946,373
Total Liabilities		45,924,761	51,627,756	51,627,756
Net Assets		(20,949,512)	(49,948,448)	(48,530,402)

Notes

1. *Cash at bank*

The Director's ROCAP disclosed a balance of c. \$14.9m held in cash and cash equivalents as follows:

Cash at 27 October 2022				
Account	No. Accounts	Balance (\$)	Exchange Rate	AUD Equivalent (\$)
Trading Account	1	100,025	1.0	100,025
USD Account	1	641,847	1.5	988,251
Term Deposit/Bonds	8	13,833,366	1.0	13,833,366
Total		14,575,237		14,921,642

Upon our appointment, correspondence was issued to all major banking institutions notifying them of our appointment and instructing them to freeze all accounts held in the name of the Company.

Funds held in term deposits are held as security for bank guarantees. These bank guarantees primarily secure the Company's environmental obligations. The Administrators' ERV represents the cash at appointment net of the funds held in the term deposit due to the non-circulating nature of the securities.

National Australia Bank Limited has also withheld monies covering fees associated with the term deposits. The recoverability of this amount is currently unknown. The difference between the ERV Low and ERV High reflects these currently withheld monies.

2. *Pre-appointment trade debtors*

The Directors disclosed pre-appointment debtors totalling c.\$1.4m in their ROCAP as per the below:

Pre-Appointment Debtors as at 27 October 2022	
Company	\$
Glencore International AG	481,834*
Trafigura Pte Ltd	906,709*
Total	1,388,544

*Figures converted into Australian Dollars using the rate of 0.637824

All amounts owed by Glencore are considered recoverable, although we note that the invoices in respect of these amounts are past due and have not yet been paid by Glencore. We are continuing to pursue Glencore for payment of these invoices.

The Administrators are aware that Trafigura is owed c.\$15.2m under a number of agreements with the Company. The Administrators are currently taking advice with respect to the recoverability of the Trafigura receivables in the context of the amounts owing by the Company to Trafigura.

Accordingly, our ERV Low reflects recovery of the Glencore receivables only, whereas our ERV High also includes the Trafigura receivables.

3. *Stock on Hand*

The Director's ROCAP disclosed a balance of c.\$4.7m with respect to stock on hand, broken down as follows:

Stock on Hand	
Description	\$
Warehouse Inventory - Consumables	
Grinding Media	
Regents	
Total Consumables	3,076,000
Lead Concentrates	463,000
Zinc Concentrates	1,156,000
Total Stock on Hand	4,695,000

The Administrators have taken initial steps to realise value for the stock on hand, but have not yet been able to secure transactions in respect of these items.

Accordingly, we are not yet in a position to quantify recoveries in respect of these items.

4. *Property, Plant and Equipment*

The Director's ROCAP disclosed a balance of c.\$3.5m with respect to property, plant and equipment.

The Administrators have engaged Grays Online to complete a valuation on the plant and equipment held by the Company.

The Administrators expect to receive Gray's final report by no later than 9 December 2022.

Accordingly, we are not yet in a position to quantify recoveries in respect of these items.

5. *Other Assets*

The Director's ROCAP disclosed the following other assets:

Other Assets	
Description	\$
Derivate Asset	71,241
GST Receivable	435,276
Total other Assets	506,517

The derivative asset relates to commodity price hedges in place with Commonwealth Bank of Australia (CBA). Shortly after our appointment CBA closed out the hedges as a result of the Company's

insolvency. \$71,241 was subsequently received in respect of these hedges. This amount is included in both the ERV Low and ERV High.

We are reviewing the Company's GST position to determine whether the GST receivable is recoverable. We have included the GST receivable only in the ERV High.

6. Employee entitlements

At the date of our appointment, there were 80 employees based in Queensland.

A breakdown of the Administrators' ERV is provided in the below table and is based on Company records as at 27 October 2022:

Employee Entitlements	
Entitlement	Amount (\$)
Superannuation	79,340
Annual leave	634,925
Long service leave	0
Total	714,265

Superannuation is outstanding for the period 1 October 2022 to 26 October 2022. At the time of our appointment, superannuation for the October to December 2022 quarter was not due and payable. The ATO will make a claim in respect of outstanding superannuation on behalf of employees in either a liquidation or DOCA scenario.

Note the entitlements set out above do not include retrenchment payments (i.e. pay in lieu of notice and redundancy) for employees whose employment was terminated following the appointment of the Administrators, because those liabilities had not crystallised as at 27 October 2022.

Details of all current employee entitlements are set out in Section 8.

7. Fully and Partly Secured Creditors

Upon appointment, the Administrators conducted a search of the PPSR and issued correspondence to all parties on the register. A summary of the PPSR security interests can be found in **Appendix 2**.

The Administrators have not received PODs from all secured creditors, and they continue to work through each registration held by secured creditors.

The Administrators' high and low ERVs are based on the Company's books and records and proofs of debts received. We note the amounts have not been adjudicated and are subject to change.

Fully and Partly Secured Creditors	
Creditor Name	Total Liability \$
Red River Resources Limited	25,273,748
Trafigura Pte Ltd	15,225,847
Pybar Mining Services Pty Ltd	8,318,560
Intertek- Genalysis Laboratory Services Pty Ltd	63,599
Orica Australia Pty Ltd	34,046
Ixom Operations Pty Ltd	21,973
Cement Australia Pty Ltd	21,428
Fuchs Lubricants (Australasia) Pty Ltd	4,863
Keramos Mining & Processing Supplies (Keramos Pty Ltd)	1,634
Metalcorp Steel Charters Towers (Bluescope Distributions Pty Ltd)	1,123
BOC Limited	297
Total	48,967,118

Any shortfall suffered by secured creditors with respect to the realisation of their secured property will rank as an unsecured claim.

8. *Unsecured Creditors*

The Administrators' ERVs are based upon the Company's books and records and proofs of debts received. We note the amounts have not been adjudicated and are subject to change.

5.3.3. Report on Company Activities and Property Part B by the directors

Immediately after appointment, 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 ("ROCAP Part B").

We received a ROCAP Part B completed by Mr Patrick O'Connor on 11 November 2022 which disclosed the same information regarding the Company's operations, history and books and records as outlined above.

5.3.4. 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, financials statements and other available documentation and correspondence) and spoke with Company staff to determine the existence and amount of related party claims.

The only related party claim we have identified is \$25,294,081 owed to Red River Resources Limited, the immediate parent entity of Cromarty.

This amount is governed by a Loan Agreement dated 31 May 2019 between Red River Resources Limited and 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; and
- Whether there is the prospect of a claim for insolvent trading.

Please note the investigations we have undertaken are only indicative of the actions that may be possible in the event of liquidation.

6.2. General information and considerations

6.2.1. 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 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.

6.2.2. What is insolvency?

Solvency is defined in section 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 which 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 a 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.

6.2.3. 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 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 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.

6.2.4. Creditors' information sheet and other explanations

Provided at **Appendix 4** 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.

6.3. Insolvency and liability for insolvent trading

6.3.1. Summary of findings & Estimated Date of Insolvency

Our preliminary view is the Company may have been insolvent just prior to the appointment of Administrators.

This view was formed as a result of the following:

- The Company operated at a profit in FY21 & FY22;
- The Company's adjusted net asset position was in excess of \$40m in FY20 and FY21 and c. \$150m in FY22.
- The Company was up to date with all employee entitlements that were due and payable as at the date of our appointment.
- The Company's trade creditor position was healthy, with 99% of creditors outstanding less than one month as at our appointment.
- The Company exhibited no sign of difficulties in selling stock or collecting debts.
- Accurate financial information and reporting was readily available in the Company's accounting software, Xero.

6.3.2. Preliminary view on liability for insolvent trading

Based on our estimated date of insolvency, there is unlikely to be a claim for insolvent trading.

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 3 and 4 for additional information on insolvency and pursuing insolvent trading claims generally.

6.3.3. Directors' capacity to pay claims by a liquidator

We have requested the Directors provide a statement of their assets and liabilities to assist in our investigations. In addition, title searches and property searches using the platform RP Data have been undertaken in Australian states and territories to identify any property assets held solely or jointly by the Directors. Property searches performed on each of the Directors indicate that Patrick O'Connor holds real property in his name personally. The Administrators have not determined whether there is any equity in this property. Furthermore, none of the Directors have provided documentation outlining their assets and liabilities.

Based on our investigations to date, we are unable to verify if the Directors would be able to meet a successful insolvent trading claim. In the event a liquidator is appointed, further investigations would be required.

We understand there was a Directors and Officers insurance policy in place, however we do not currently have sufficient information or legal advice to determine the circumstances in which it would respond.

6.4. 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 3**.

Area	Our view	Comments
Unfair preferences	No claims	We have reviewed the payments made by the Company during the period leading up to the 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. The Administrators note their investigations and opinions are preliminary.
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.

6.5. Disclosures: effect on employees

6.5.1. 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:

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

We will write to employees shortly to set out our opinion as to their individual entitlements. Employees will have the opportunity to object to their entitlement calculations should they consider there to be an error or omission in the calculations.

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.

Details about FEG can be read at: <https://www.employment.gov.au/fair-entitlements-guarantee-feg>.

If the creditors vote to place the Company into liquidation and we are appointed as the liquidators, we will assist employees to lodge claims with FEG, where eligible.

6.5.2. 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.

At the date of this report, no DOCA proposal has been put forward.

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 are interested parties who wish the creditors to consider their proposal – usually involving a compromise of creditors' claims as opposed to either winding up the company (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

As previously stated, no proposal for a DOCA has been put forward.

8. Estimated return to creditors

8.1. Administrators' estimated statement of position

Administrators' Estimated Statement of Position			
	Notes	Liquidation Low Return	Liquidation High Return
Non-Circulating Assets			
Plant and Equipment	1	0	TBD
Sale of business or tenements	2	0	0
Less: First Ranking Secured Claim	3	(25,294,081)	(25,294,081)
Shortfall from Non-Circulating Assets		(25,294,081)	(25,294,081)
Circulating Assets			
Cash at Bank	3	1,126,233	1,202,294
Pre-Appointment Debtors	4	481,834	1,388,544
Stock	5	0	TBD
Other Assets	6	71,241	506,517
Total Circulated Assets		1,679,308	3,097,355
Liquidator Claims			
Voidable Recoveries	8	0	0
Insolvency Trading Actions	8	0	0
Available Funds Before Costs		0	0
Costs			
Projected Trading Position	9	(1,324,168)	(1,324,168)
Legal Fees	10	(100,000)	(100,000)
Administrators' Remuneration	10	(509,137)	(509,137)
Administrators' Disbursements	10	(50,000)	(50,000)
Liquidators' Remuneration	10	(250,000)	(250,000)
Liquidators' Disbursements	10	(20,000)	(20,000)
Estimated Costs		(2,253,305)	(2,253,305)
Available to priority creditors		Nil	844,050
Priority Creditors			
Wages and Superannuation	11	112,095	112,095
Leave Entitlements	11	634,925	634,925
Redundancy and PILN	11	943,656	943,656
Total Priority Claims		1,690,676	1,690,676
Priority Creditors Distribution Rate - Wages and Superannuation (c/\$)		Nil	100
Priority Creditors Distribution rate - Leave Entitlements (c/\$)		Nil	100
Priority Creditors Distribution rate - Redundancy and PILN (c/\$)		Nil	10
Available to Non-Priority Creditors		Nil	Nil

8.2. Notes

1. *Plant and Equipment*

The Administrators have engaged Grays Online to complete a valuation on the plant and equipment held by the Company.

The Administrators expect to receive Gray's final report by no later than 9 December 2022.

2. *Sale of business and / or tenement assets*

As at the date of this report, the Administrators (through our advisers, Argonaut) are continuing to seek offers for a sale or recapitalisation of the Company and / or its assets. This process remains ongoing and, accordingly, it is not possible to provide an estimate of the return from these assets.

An offer has been received with respect to the purchase of the Herberton tenements. The Administrators have not yet received complete documents with respect to this offer and likely require release by the Company's secured creditors before any transaction can occur. The Administrators will continue to explore this offer to determine whether the tenement can be realised for the benefit of creditors.

3. *First Ranking Secured Claim*

Red River Resources has an ALLPAAP registered over the Company. This is in relation to a Loan Agreement dated 31 May 2019.

4. *Cash at Bank*

The Administrators' ERV represents the cash at appointment, excluding restricted cash in term deposits which is held in support of bank guarantees which primarily secure the Company's environmental obligations. This cash is only likely to be released once the Thalanga site has been environmentally rehabilitated. We have therefore assumed nil recovery from this restricted cash.

The variance between the Administrators' high and low return is due to approximately \$76k of cash held on appointment which has been withheld by NAB to cover fees associated with the term deposits.

5. *Pre-Appointment Debtors*

At the date of appointment, pre-appointment debtors totalled c.\$1.4m,

As previously advised, the Administrators consider amounts owed by Glencore, of approximately \$481k to be recoverable. These receivables have been included in both the low and high scenarios.

A further c.\$907k is owed to the Company by Trafigura. The Administrators are aware that Trafigura is owed c.\$15.2m under a number of agreements with the Company. The Administrators are currently taking advice with respect to the recoverability of the Trafigura receivables in the context of the amounts owing by the Company to Trafigura. Accordingly, these amounts have been included in the high scenario only.

6. *Stock*

The Administrators have taken initial steps to realise value for the stock on hand, but have not yet been able to secure transactions in respect of these items.

Accordingly, we have assumed nil recovery in a low scenario and are not yet able to quantify the recovery in a high scenario.

7. *Other Assets*

On appointment, the Company had several commodity prices hedges in place with CBA. Following our appointment, CBA closed out the hedge and transferred the associated funds to the Company. This amount is included in both the high and low scenarios.

The pre-appointment portion of the December quarter BAS (i.e. 1 October through to 26 October) is likely to result in a refund of approximately \$435k to the Company. The Administrators are reviewing the Company's GST position and will prepare the BAS for lodgement. Since there remains some uncertainty as to whether this amount will be received, we have included it in the high scenario only.

8. *Voidable Recoveries and Insolvent Trading Actions*

It is unlikely that there would be any recovery for a liquidator with respect to pursuing voidable transaction or an insolvent trading claim against the Directors.

Further Details regarding voidable transactions and possible recoveries available are discussed in section 6.4 of this report.

9. *Projected Trading Position*

The Administrators have projected that the trading position of the Company will result in a cash shortfall. This is primarily because the Thalanga Operations have been on care and maintenance throughout the majority of the Administration period and therefore have been incurring costs but not generating revenue.

The Administrators have been required to incur some costs during the Administration period in order to comply with their general environmental duties and to ensure that operating activities at the Thalanga Operations were wound down in a safe manner. The care and maintenance program has also provided a short window to pursue the Transaction Process and to undertake efforts to realise other assets. Accordingly, the Administrators' view is that incurring care and maintenance costs is in the best interests of creditors.

Note the projected trading position is an estimate only and is subject to change depending on the ultimate duration of the care and maintenance period and subject to receiving and paying invoices for costs incurred during that period.

10. Legal fees, remuneration and disbursements

Legal Fees

Legal fees represent are an estimate based on the cost of legal advice with respect to environmental and safety issues, PPSR registrations and various other matters.

Remuneration and Disbursements

The estimated remuneration and disbursements of the Administrators and Liquidators is subject to the approval of creditors at the second meeting of creditors.

Please refer to the Remuneration Approval Report contained at Appendix 6 for further details.

11. Priority Creditors

The liquidation scenario considers a cessation of care and maintenance activity and termination of the Company's remaining workforce. Priority employee entitlements owed by the Company at the date of our appointment were as follows:

- Superannuation shortfall of \$79,340.
- Unpaid wages represent amounts owing to casual employees for time worked during October 2022, prior to the Administrators' appointment.
- Leave entitlements includes annual leave and long services leave currently accrued for all employees.
- Redundancy and PILN are calculated based on the termination of all staff, based on service length, assuming no notice periods are served by employee who remain employed.

We note that if the company enters liquidation, FEG may advance funds to eligible employees on account of the employees' unpaid entitlements. Once entitlements are paid under FEG, the Commonwealth stands in the shoes of the employee as a subrogated creditor and is entitled to claim in the liquidation as a priority creditor over other unsecured creditors.

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	Nil	100
Priority Creditors: Leave Entitlements	N/A	N/A	Nil	100
Priority Creditors: Redundancy & PILN	N/A	N/A	Nil	10
Unsecured Creditors	N/A	N/A	Nil	Nil

The return to creditors will be impacted by the following:

- Outcome of the sale or recapitalisation of the Company and / or its key business assets.
- Value of and the Administrators/Liquidators ability to realise any stock on hand.
- Value of and the Administrators/Liquidators ability to realise the Company's plant and equipment.

8.4. Administrators receipts and payments

A summary of receipts and payments since the date of our appointment to 20 November 2022 is attached at Schedule E in the Remuneration Approval Report.

8.5. Impact of related entity claims on dividend prospects

As previously advised, Red River Resources holds an ALLPAAP security interest over the Company. They are considered the first ranking secured creditor and will receive a return from the non-circulating assets of the Company in priority to other creditors.

Their claim will reduce any potential dividend for unsecured creditors.

8.6. Estimated timing of payments to creditors

An indicative range of the estimated timing of dividends under each option (and to each class of creditor) is set out below:

Secured creditors	3 to 6 months, to the extent a dividend becomes payable
Employee priority creditors (FEG)	Approximately 3 months
Ordinary unsecured creditors	N/A – unsecured creditors are not expected to receive a dividend

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

As no DOCA has been proposed, creditors cannot resolve to accept a DOCA at this time. Therefore, we do not consider it would be in the creditors' interests for the Company to execute a DOCA.

It remains an option for creditors to consider whether they may wish to adjourn the forthcoming meeting of creditors to allow time for a DOCA proposal to be submitted.

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.

The Company is 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.

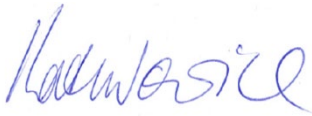
The Company is wound up

Absent the other options being viable alternatives, we consider that it would be in the creditors' interests for the Company to be wound up. The Company is insolvent. We have not been provided with a proposal for a DOCA for consideration and it is not appropriate that the administration ends for the reasons noted above.

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 that would be commercial for any potential liquidator to pursue.

Dated 24 November 2022



Kathryn Warwick

Joint and Several Administrator

10. Appendix 1 – Glossary and terms of reference

Item	Definition
Company	Cromarty Resources Pty Ltd
Act	Corporations Act 2001 (Cth)
ASIC	Australian Securities and Investments Commission
DOCA	Deed of company arrangement
DIRRI	Declaration of independence, relevant relationships and indemnities
ROCAP	Report on Company Activities and Property
PPSR	Personal Property Securities Register
ATO	Australian Taxation Office (incorporating the Deputy Commissioner of Taxation, as applicable)
ERV	Estimated realisable value
NPAT	Net profit after tax
GST	Goods and Services Tax, as applicable in Australia
EBIT / EBITDA	Earnings before interest and tax / Earnings before interest, tax, depreciation and amortisation
Management	The senior officers, employees and advisors of the Company including Mr Patrick O'Connor, Mr Rod Lovelady.
Transaction Process	The process commenced by the Administrators seeking offers for a sale or recapitalisation of the Company and / or its key business assets
Thalanga Operations	Thalanga Base Metals Operation located approximately 65km southwest of Charters Towers in Queensland
YTD	Year to date
FYxx	Financial years ending on 30 June

10.1. Terms of reference

This report has been prepared for the creditors of the 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 the 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.

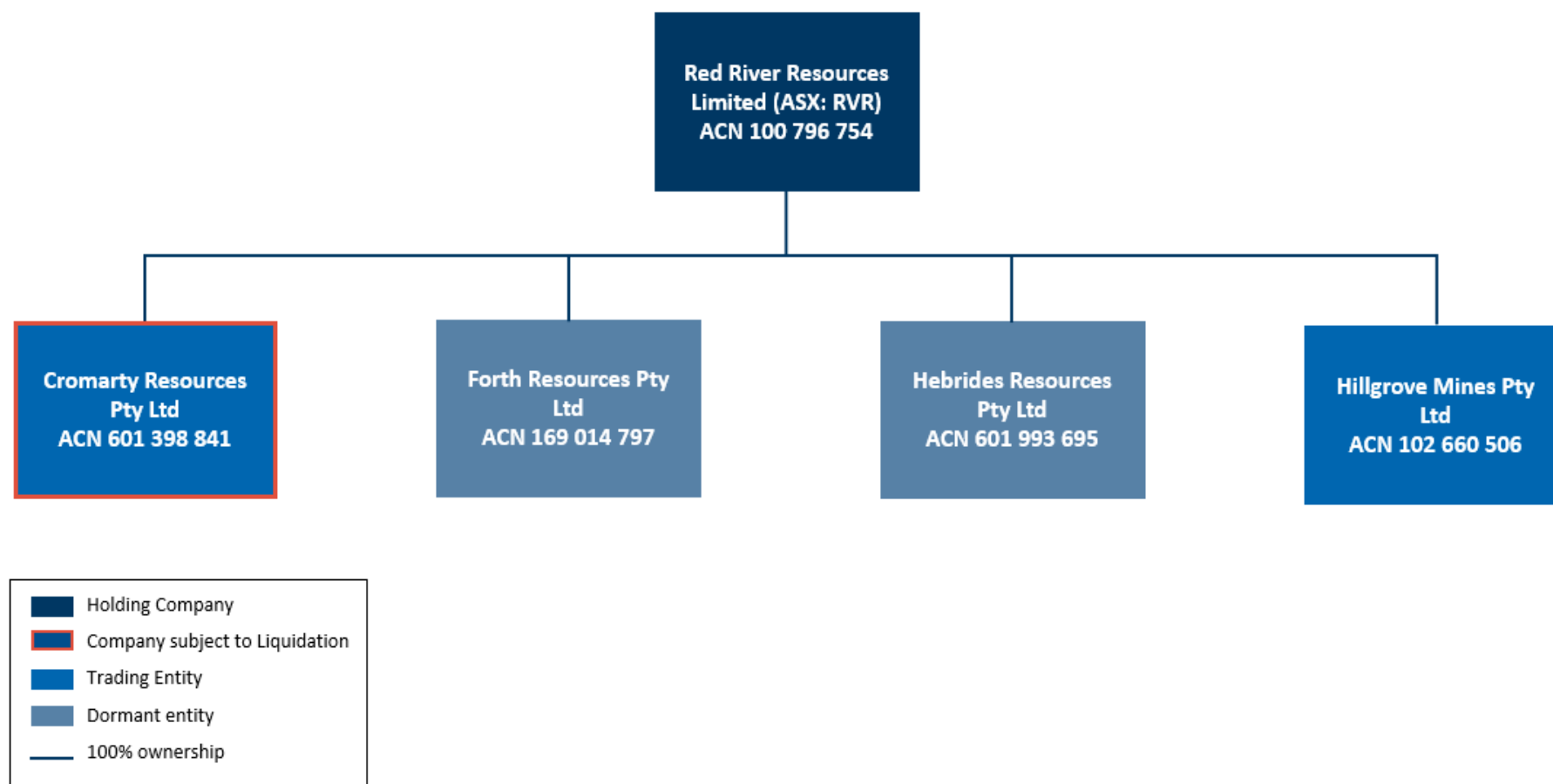
We reserve the right to alter any conclusions reached on the basis of any changed or additional information which may become available to us between the date of this report and the forthcoming meeting of creditors. Creditors should seek their own advice if they are unsure how any matter in this report affects them.

11. Appendix 2 – Company information

11.1. Statutory Information

Incorporation Date	22 August 2014			
Registered Address	B & L CONSULTING PTY LTD, LEVEL 6, 350 COLLINS STREET, MELBOURNE, 3000, VIC			
Principal Place of Business	'THALANGA MINE SITE', 18144 FLINDERS HIGHWAY, CAMPASPE, 4820, QLD			
Directors and Officers	Role	Name	Appointment Date	Cease Date
	Director	Patrick O'Connor	31/08/2022	-
	Director	Timothy Marcus Hanlon	20/10/2022	-
	Company Secretary	Cameron Heath Bodley	22/08/2014	-
	Director	Karl Werner Spaleck	29/10/2021	20/10/2022
	Director	Rodney Ian Lovelady	7/02/2018	12/10/2022
	Director	Brett Francis Fletcher	13/02/2018	31/08/2022
	Director	Donald Garner	22/08/2014	22/04/2021
	Director	Paul Hart	22/08/2014	31/01/2018
	Director	Cameron Heath Bodley	22/08/2014	23/12/2015
Shareholders	The Company has \$1.00 in paid up capital and 100 shares on issue and is a wholly owned subsidiary of RRR.			
Related entities	The related entities are summarised in the corporate structure contained overleaf.			
Description of trading activities	The Company's key business has been the development and operation of an underground mining and mineral processing operation at Thalanga in North Queensland			

11.2. Group Corporate Structure



11.3. Details of security interests and charges

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

Creditor (Secured Party)	No. PPSR Registrations	No. PMSIs	ALLPAAP Registrations	Recent Registration Date
APPLIED INDUSTRIAL TECHNOLOGIES PTY LTD	1	1	No	28 Aug 2017
BLUESCOPE DISTRIBUTION PTY LTD	1	1	No	01 Jun 2017
BOC LIMITED	1	0	No	28 Jul 2015
BUILDINGPOINT AUSTRALIA PTY LTD; SITECH CONSTRUCTION SYSTEMS PTY LTD; ULTIMATE POSITIONING GROUP PTY LTD	2	2	No	11 May 2017
C.R. KENNEDY & COMPANY PROPRIETARY LIMITED	1	1	No	07 Jul 2021
CEMENT AUSTRALIA PTY LIMITED	1	1	No	07 Apr 2020
CNW PTY LTD	1	1	No	20 Dec 2018
COATES HIRE OPERATIONS PTY LIMITED	2	2	No	14 Sep 2017
COMMONWEALTH STEEL COMPANY PTY LIMITED	2	2	No	05 Oct 2017
CRUSHING SERVICES INTERNATIONAL PTY LTD	1	0	No	11 Dec 2020
DIRECT WHOLESALE TYRES PTY LTD	1	0	No	25 Feb 2020
DYNAMICS G-EX PTY LTD	1	1	No	18 Oct 2018
ECOLAB PTY LTD	1	1	No	08 Jul 2019
ENERGY POWER SYSTEMS AUSTRALIA PTY. LIMITED.	2	2	No	14 Jan 2021
FUCHS LUBRICANTS (AUSTRALASIA) PTY LTD	1	1	No	08 Sep 2017
GROWTH STEEL AUSTRALIA PTY LTD	1	1	No	14 Apr 2021
HASTINGS DEERING (AUSTRALIA) LIMITED	4	4	No	23 Oct 2017
H-E PARTS INTERNATIONAL CRUSHING SOLUTIONS PTY LTD	1	1	No	21 Dec 2018
INTERTEK TESTING SERVICES (AUSTRALIA) PTY. LTD.	1	1	No	21 Oct 2022
IXOM OPERATIONS PTY LTD; BRONSON & JACOBS PTY LTD	1	1	No	07 Jul 2017
KERAMOS PTY LTD	1	1	No	11 Aug 2020
M & Q EQUIPMENT PTY LTD	1	1	No	05 Oct 2017
ORICA AUSTRALIA PTY LTD	1	1	No	20 Nov 2017
PYBAR HOLDINGS PTY LIMITED	48	36	No	18 Nov 2019
RED RIVER RESOURCES LIMITED	1	1	Yes	20 Jun 2019

REDOX LIMITED	1	1	No	31 Oct 2017
ROWE SCIENTIFIC PTY LTD	1	1	No	30 Oct 2017
SEACO GLOBAL AUSTRALIA PTY LIMITED	1	1	No	06 Oct 2017
SHERRIFF ELECTRICAL PTY LTD	1	1	No	20 Dec 2018
SKYREACH (NSW) PTY LIMITED; SKYREACH (VIC) PTY LIMITED; SKYREACH PTY LTD; SKYREACH GROUP HOLDINGS PTY LTD	2	2	No	18 Aug 2018
SOUTH PACIFIC WELDING GROUP PTY LIMITED	1	1	No	12 Sep 2019
SPECIALISED WHOLESALE PTY LTD; SPECIALTY FASTENERS PTY LTD; SEAL IMPORTS PTY LIMITED; SEAL INNOVATIONS PTY LTD; BEARING SERVICE PROPRIETARY LIMITED; NTN-CBC (AUSTRALIA) PTY LTD; B.J. BEARINGS PTY LTD; WEBSTER BEARINGS & ENGINEERING SUPPLIES PTY LTD; BEARING DYNAMICS PTY LTD; W.W. INDUSTRIAL PTY LTD; FASTENERS AUSTRALIA PTY LIMITED; GLADE MANUFACTURING & SALES PTY LIMITED; CBC AUSTRALIA PTY LIMITED; CIRCLIPS (AUSTRALIA) PTY LTD; INENCO WHOLESALE PTY LTD; PHOENIX TRADERS PTY LIMITED; HS COMPANY PTY LIMITED; MOTION ASIA PACIFIC PTY LTD	1	1	No	01 Oct 2019
The Trustee for Caleb Craig Family Trust & The Trustee For Nathan Craig Family Trust & The trustee for Stuart D Craig Family Trust; ADVANCED PIPING SYSTEMS PTY LTD; ADVANCED PIPING GROUP PTY LTD	1	1	No	22 Feb 2018
TOTAL RENTALS PTY LTD	1	0	No	30 Sep 2021
Trafigura Pte Ltd	6	0	No	08 Aug 2017
UNITED RENTALS AUSTRALIA PTY LTD	1	1	No	04 Jun 2021
VALMONT IRRIGATION AUSTRALIA PTY LTD; DONHAD PTY LTD; LOCKER GROUP PTY LTD; GRATINGS DGA PTY LTD; VALMONT GROUP HOLDINGS PTY LTD; GALVLINE TASMANIA PTY. LTD.; VALMONT AUSTRALIA PTY LTD; DELTA GALVANIZING PTY. LTD.; VALMONT HIGHWAY INTERNATIONAL PTY LIMITED; WEBFORGE AUSTRALIA PTY LTD; INDUSTRIAL GALVANIZERS CORPORATION PTY LTD	1	1	No	24 May 2017
VINIDEX PTY LIMITED	1	1	No	08 Sep 2017

11.4. Historical financial information

11.4.1. Balance Sheet Summary

Cromarty Resources Pty Ltd - Balance Sheet				
	Notes	FY20	FY21	FY22
Current assets				
Cash and Cash Equivalents	1	6,187,479	14,072,001	9,271,451
Trade Receivables	2	2,704,675	4,655,209	347,367
Other Financial Assets	3	8,615,054	8,549,781	15,889,685
GST Receivable		9,731,220	14,209,586	8,159,478
Pre-Payments		511,590	727,668	729,239
Inventories		6,444,341	4,604,754	5,048,798
Total Current Assets		34,194,358	46,818,999	39,446,018
Non-Current Assets				
Property, Plant and Equipment		2,085,733	2,714,960	2,228,584
Mine Properties and Development	4	42,377,275	48,913,485	37,568,320
Exploration and Evaluation	5	4,348,515	5,538,924	9,038,755
Total Non-Current Assets		48,811,522	57,167,369	48,835,660
Total Assets		83,005,881	103,986,368	88,281,677
Current Liabilities				
Trade and Other Payables	6	9,387,634	10,655,384	8,274,215
Provisions		4,856,933	21,227,147	1,106,754
Financial Liabilities		124,237	149,654	225,055
Intercompany Loan	7	51,808,129	39,294,412	26,573,801
Lease Liabilities		-	231,115	244,889
Borrowings	8	7,330,516	-	5,879,083
Royalties Payable		1,770,652	1,098,634	1,462,523
Employee Entitlements		237,310	213,605	219,095
Total Current Liabilities		75,515,412	72,869,951	43,985,414
Non-Current Liabilities				
Financial Liabilities		3,148,622	13,159,955	14,685,540
Lease Liabilities		-	922,884	677,995
Provisions		8,286,933	12,624,396	12,294,604
Total Non-Current Liabilities		11,435,556	26,707,235	27,658,139
Total Liabilities		86,950,967	99,577,186	71,643,553
Net Assets		3,945,087	4,409,182	16,638,124

1. Cash and cash equivalents

Cash and cash equivalents have fluctuated over the past three (3) financial years. Funding has been provided by Red River Resources Limited, the Company's parent entity as operations were being developed and operated.

The Company also obtained funding through a working capital facility provided by Trafigura which was drawn down by the Company as required.

2. *Trade receivables*

The Company's sale of concentrate was under long term contracts with both Trafigura (Zinc and Lead) and Glencore (Copper). The Company had limited issues collecting debtors with both parties generally paying within terms.

3. *Other Financial Assets*

Other financial assets are made up of bonds and term deposits which secure rental property leases and the tenements.

The Company paid an additional \$5.4m during FY22 with respect to Tenement Bond ML773613 which is in relation to the Thalanga mine.

4. *Mine Properties and Development*

Mine properties & development is the amortised value of aggregate expenditure in relation to mine construction, mine development, exploration and evaluation expenditure where a development decision has been made and mineral interests acquired.

5. *Exploration and Evaluation*

Assets developed with respect to the exploration and evaluation of the Company's mining areas. The Lontown scoping study was assigned a book value of \$1.2m (up from \$320k) in FY22.

6. *Trade and Other Payables*

The Company traditionally paid all debts as and when they fell due with the exception of Pybar who was paid 45-60 days EOM. The aged creditor listing showed 99% of creditors were outstanding less than one month as at our appointment.

The Company had on average 30 day payment terms.

7. *Intercompany Loan*

Intercompany loans are representative of the net loan position with respect to related entities.

This amount is governed by a Loan Agreement dated 31 May 2019 between Red River Resources Limited and the Company.

An analysis of the intercompany loan position is further detailed in Section 5.3.4 of this report.

8. *Borrowings*

Largely relates to the working capital facility with Trafigura which was drawn down by the Company as required.

11.4.2. Profit and Loss Summary

Cromarty Resources Pty Ltd - Profit & Loss				
	Notes	FY20	FY21	FY22
Trading Income	1	50,789,998	118,261,049	108,438,520
Cost of Goods Sold	2	29,186,222	59,804,189	41,407,707
Gross Profit		21,603,776	58,456,860	67,030,813
Other Income	3	524,520	548,303	1,020,944
Operating Expenses				
Depreciation		9,349,820	15,309,129	19,399,081
Employee Expenses		8,758,864	10,051,718	9,654,521
Materials		1,550,744	6,255,608	8,082,020
Accounting / Tax		(6,414,070)	5,544,675	4,948,726
Contractors		2,382,267	1,754,257	2,803,641
Utilities		2,863,599	2,920,081	3,029,087
Interest		2,096,486	1,169,304	1,522,768
Consumables		1,534,151	1,634,518	884,050
Leased Equipment		732,134	547,605	852,648
Insurance	4	582,372	710,716	794,572
Fuel		229,287	265,842	779,418
Consultants		249,518	381,340	504,598
Other		1,788,865	4,106,101	2,567,686
Travel		49,431	41,735	43,549
Total Operating Expenses		25,704,035	50,650,894	55,822,815
Net Profit		(3,575,740)	8,354,269	12,228,942

1. Trading Income

In FY22, revenue from contracts with customers was generated by Thalanga was broken down as follows:

- Zinc concentrate (44%)
- Lead concentrate (8%)
- Copper concentrate (36%)
- Precious metal concentrate (12%).

2. Cost of Goods Sold

Cost of Goods Sold is comprised of the following:

Cromarty Resources Pty Ltd - Cost of Goods Sold			
Description	FY20	FY21	FY22
Mining Materials	21,952,643	29,628,602	28,445,392
Realisation	3,777,187	5,657,388	6,915,142
Royalties	2,551,896	23,560,489	5,497,693
Other	904,496	957,711	549,480
Total COGS	29,186,222	59,804,189	41,407,707

3. *Other Income*

Other income of \$1.0m in FY22 is predominantly made up of net gains on derivatives (\$1.195m), diesel fuel rebates (\$166k) and government grants (\$32k). This is offset by a loss on a sale of an asset and a reduction in the rehabilitation provision.

4. *Insurance*

Red River Resources held an insurance policy which covered the operations of Cromarty. Cromarty was listed as a beneficiary of the policy and paid the premium equating to their share as appropriate.

12. Appendix 3 – Investigations – analysis and information

12.1. General information and considerations

12.1.1. 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.

12.1.2. 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.

12.1.3. 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.

12.2. Indicators of potential insolvency

12.2.1. Factors to take into account

We have considered the following usual indicia of insolvency in our analysis:

- The company has a history of 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.

12.3. Date of insolvency

12.3.1. Solvency review – balance sheet test

The balance sheet test looks at whether the Company can meet all current liabilities, irrespective of when they are due and payable, from current assets. It is generally accepted a ratio of current assets to current liabilities below 1:1 is indicative of being insolvent.

Our review of the Company's historical net asset and working capital position is based on the financials available in the Company's accounting software, Xero.

Current Ratio Analysis	FY20	FY21	FY22
Current assets	34,194,358	46,818,999	39,446,018
Current liabilities	75,515,412	72,869,951	43,985,414
Current Ratio	0.45	0.64	0.90

From the above analysis, it is apparent that for the entire period analysed (FY20 to FY22), the Company's current ratio was less than one, indicating the Company was unable to meet current liabilities from current assets throughout this period.

However, we note that the balance sheet test is only one indicator of insolvency and the primary test of solvency is the cash flow test, which we have considered below.

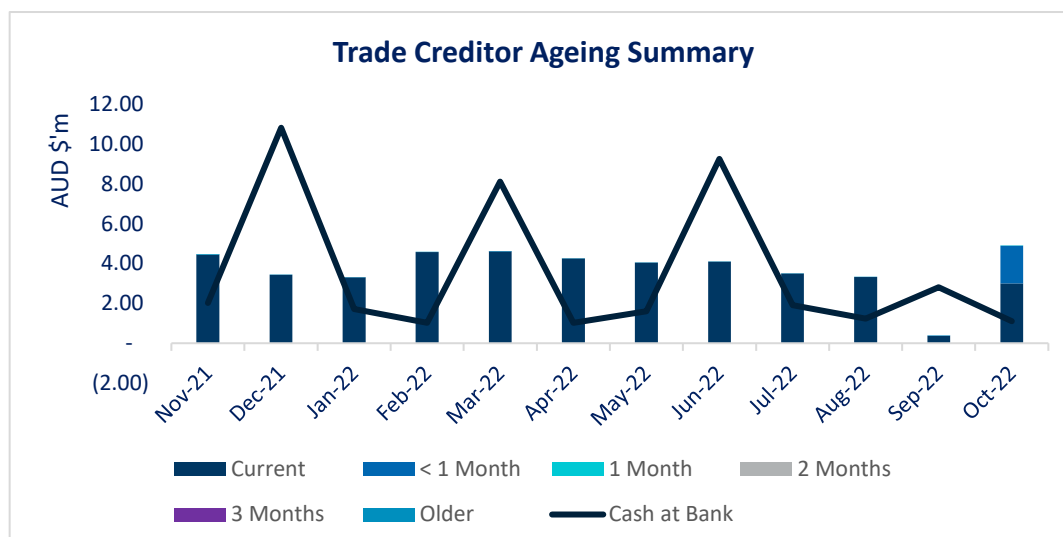
12.3.2. Solvency review – cash flow test

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 (including ageing profile) – 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 or 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.

Trade Creditor Ledger

The chart below illustrates the Company's trade creditor aging position at the end of each month from July 2021 to October 2022.



The Company had on average 30 day payment terms with its creditors. All creditors were traditionally paid within terms with the exception of Pybar.

We are aware that Pybar was generally paid on 45-60 day terms end of month.

Statutory Liability Position

We have considered the Company's statutory liability position to assist with forming a view in relation to insolvency.

Superannuation

Superannuation is outstanding for the period 1 October 2022 to 26 October 2022. At the time of our appointment, the superannuation for that quarter was not due and payable.

Office of State Revenue

The Company estimated it owed the office of state revenue \$708,716 as at the date of our appointment. The Administrators are in the process of completing the Company's final return to confirm the outstanding liability.

Workers Compensation Insurance

As of the date of our appointment, workers compensation insurance was paid up to date.

EBITDA and Profit and Loss Position

The Company's EBITDA from FY19 to FY22 was as follows:

EBITDA	FY20	FY21	FY22
Net Profit/(Loss)	(3,575,740)	8,354,269	12,228,942
Add: Depreciation	9,349,820	15,309,129	19,399,081
Add: Interest	2,096,486	1,179,642	1,623,457
EBITDA	7,870,566	24,843,040	33,251,479

The Company experienced positive EBITDA for all three (3) financial years from FY20 to FY22.

Sources of Funding

The Company traditionally sourced funding from Red River Resources and Trafigura.

The Administrators are aware that Red River Resources were not in a position to provide any additional funding to the Company around the time that the appointment of Administrators occurred.

Arrangements with Creditors

The Administrators are aware the Company had an agreement with Pybar Mining Services that invoices would be paid outside of standard terms, being 45-60 days end of month.

Conclusion

Based on the fact that the Company had historically traded profitably, and did not have significant arrears of trade creditors, it is our preliminary view that the Company was likely to have been solvent on a cash flow basis until shortly before the appointment of the Administrators.

13. Appendix 4 – 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.

14. Appendix 5 – DIRRI

DECLARATION OF INDEPENDENCE, RELEVANT RELATIONSHIPS AND INDEMNITIES

Cromarty Resources Pty Ltd ACN 601 398 841

(Administrators Appointed) (“the Company” or “Cromarty”)

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 Mr Patrick O'Connor, director of Cromarty Resources Pty Ltd (“Cromarty” or the “Company”). Mr O'Connor is known to Andrew Bantock, a Senior Managing Director at FTI Consulting through their historical business relationships. Mr O'Connor and Mr Bantock have known each other for approximately 30 years. Mr O'Connor and Mr Bantock initially worked alongside each other as senior executives and directors of entities associated with the GRD Group until approximately 2004. Mr O'Connor and Mr Bantock also served on the board of Water Corporation, a Government trading enterprise and Western Australia's water utility, for approximately five years until around 2011.

Since that time, Mr Bantock and Mr O'Connor have not worked together in an executive or director capacity and have had no business dealings, other than Mr O'Connor introduced the engagement of FTI Consulting to provide

limited scope advisory services to another company, not associated with Cromarty, of which Mr O'Connor was a non-executive director, with such engagement completed in H1 2020.

Mr Bantock is not appointed as a Voluntary Administrator to the Company.

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

- There is no expectation, agreement or understanding between us and Mr O'Connor regarding the conduct of the Voluntary Administration of Cromarty and we are free to act independently and in accordance with the law and applicable professional standards.
- FTI Consulting has not been referred another external administration from Mr O'Connor and is not reliant upon future referrals from him. This engagement is not financially significant to FTI Consulting and the receiving or otherwise of other future referrals from Mr O'Connor is not material to FTI Consulting.

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

☒ Yes ☐ No

On 6 September 2022, Mr Bantock was contacted by Patrick O'Connor, a director of Red River Resources Limited ("Red River"), to arrange a meeting to discuss the Red River Group's current circumstances. A meeting was subsequently held on 12 September 2022 between Mr Bantock, Mr O'Connor and Ms Kate Warwick to discuss the current circumstances of the Group and the potential engagement of FTI Consulting. A proposal was provided by FTI Consulting, which led to Red River engaging FTI Consulting on 16 September 2022 to complete a limited scope review. The details of the review are provided in **Annexure B** and our draft report was issued dated 29 September 2022 with the final report issued on 20 October 2022. Meetings were attended and email correspondence exchanged in delivery of this engagement, as summarised in **Annexure B**.

Subsequently, FTI Consulting held a meeting with Mr O'Connor on 20 October 2022 introducing Michael Ryan, with email correspondence following with the Company between 21 October and 27 October 2022 as detailed in **Annexure C**. Those meetings served the purpose of:

- understanding and obtaining sufficient information about the financial position of the Company;
- explaining the various forms of insolvency appointments, the options available, and the consequences of each appointment type; and
- for us to provide a Consent to Act as Voluntary Administrators of the Company.

As outlined in **Annexure B**, there was some discussion prior to 20 October 2022 regarding the process of a voluntary administration but that was discussed at a high level only and no formal options were provided.

The engagement occurred over a period of approximately 35 days and our appointment as Voluntary Administrators occurred approximately 7 days after our final report was issued to Red River.

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 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 directors in their capacity as directors of the Group or Company, or in relation to their 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 Voluntary Administrators of the Company in an objective and impartial manner.

No remuneration has been received for the above work performed.

We have provided no other information or advice to the Company, its directors, and 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:

	☒ Yes	☐ No
The Company	FTI Consulting was engaged by Red River on 16 September 2022 to provide a limited scope review of the Group's current financial circumstances prior to our appointment as Voluntary Administrators of Cromarty. We are of the view that the review provided will have significant benefits to the conduct of the Voluntary Administration, particularly as this will offer cost savings and facilitate a comprehensive and accurate understanding of the activities and financial position of Cromarty. This relationship does not influence our ability to be able to comply with the statutory and fiduciary obligations associated with the appointment as Voluntary Administrators of Cromarty in an objective and impartial manner. On 28 April 2012, Michael Ryan and 3 other appointees were appointed as voluntary administrators of Kagara Limited (KZL) and its subsidiaries, including Kagara Copper Pty Limited (KCPL). KZL and KCPL went into liquidation on 16 December 2013. In September 2014, KZL, KCPL and the liquidators of KZL and KCPL signed an asset sale agreement with Red River, the parent company of Cromarty, and its subsidiary, Cromarty Resources Pty Ltd for the Thalanga and Liontown/Waterloo Projects, consideration including a 1.5% Net Smelter Return (NSR) royalty agreement on Liontown/Waterloo tenements.	

Sale of NSR royalty stream

In November 2015, the liquidators of KZL and KCPL granted 0.7% of the NSR royalty stream to Guangdong Guangxin Holdings Group Ltd ("GGHG") in exchange of GGHG releasing its first ranking mortgage over ML1392 in order that this tenement could be sold to Cromarty. The liquidators of KZL and KCPL continued to hold 0.8% of the NSR Royalty.

On 20 January 2021, KZL, KCPL and liquidators of KZL and KCPL entered into an asset sale agreement with Osisko Gold Royalties Limited in respect of the 0.8% NSR royalty stream.

On 22 February 2021, Donald Garner, then executive director at Cromarty, notified that Red River Resources and Cromarty elected not to exercise their right of first refusal.

The sale transaction was completed in early March 2021; sales proceeds of A\$1.51m (A\$1.1m for KZL and \$0.41m for KCPL) was received on 4 March 2021.

Receipt of royalty from Red River Resources /Cromarty

During the sales campaign of the NSR royalty stream, it came to the Liquidator's attention that KZL/KCPL was owed a royalty from Cromarty (in accordance with the NSR royalty agreement) from one shipment of gold concentrate to Trafigura. A royalty of \$19k was received from Red River Resources/Cromarty on 15 February 2021.

Since March 2021, there has been no further business between the Liquidators and the Group.

We believe the above does not result in us having a conflict of interest or duty because:

- This matter was a separate engagement, and the outcome was independent to our appointment over the Company; and
- We are free to act independently and in accordance with the law and applicable professional standards.

☒ Yes ☐ No

Patrick O'Connor is a current director of Cromarty.

The directors

Mr O'Connor is known to Andrew Bantock, a Senior Managing Director at FTI Consulting through their historical business relationships. Mr O'Connor and Mr Bantock have known each other for approximately 30 years. Mr O'Connor and Mr Bantock initially worked alongside each other as senior executives and directors of entities associated with the GRD

Group until approximately 2004. Mr O'Connor and Mr Bantock also served on the board of Water Corporation, a Government trading enterprise and Western Australia's water utility, for approximately five years until around 2011.

Since that time, Mr Bantock and Mr O'Connor have not worked together in an executive or director capacity and have had no business dealings, other than Mr O'Connor introduced the engagement of FTI Consulting to provide limited scope advisory services to another company, not associated with Cromarty, of which Mr O'Connor was a non-executive director, with such engagement completed in H1 2020.

Mr Bantock is not appointed as a Voluntary Administrator to the Company.

We believe that Mr O'Connor's referral does not result in us having a conflict of interest or duty because:

- There is no expectation, agreement or understanding between us and Mr O'Connor regarding the conduct of the Voluntary Administration of Cromarty and we are free to act independently and in accordance with the law and applicable professional standards.
- FTI Consulting has not been referred another external administration from Mr O'Connor and is not reliant upon future referrals from him. This engagement is not financially significant to FTI Consulting and the receiving or otherwise of other future referrals from either Mr O'Connor is not material to FTI Consulting.

☒ Yes ☐ No

Any associates of the Company?

We are aware of inter-company transactions between the Company and other companies in the Group, but at this time are not aware of any potential conflicts of interest arising from our appointment over the Company. If it becomes apparent that pre-appointment dealings between the Company and the Group may give rise to a conflict, we undertake to disclose any such conflicts to the creditors and, if required, seek Court directions as to the appropriate means of resolving the potential conflict.

We have obligations solely in respect to the Company (as defined in Section 435A of the Corporations Act 2001) and not to the other companies in the Group as a whole.

This relationship does not influence our ability to be able to comply with the statutory and fiduciary obligations associated with the appointment as Voluntary Administrators of Cromarty in an objective and impartial manner.

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 Red River Resources Limited, the parent company of Cromarty, is a holder of registered security interests over the Company, which includes an intercompany loan owed by the Company. We believe that this relationship with the Company does not result in us having a conflict of interest or duty because: ■ There is no expectation, agreement or understanding between us and Red River Resources regarding the conduct of the Voluntary Administration of the Company, and we are free to act independently and in accordance with the law and applicable professional standards. FTI Consulting otherwise does not have an ongoing professional relationship with Red River and no work has been undertaken for Red River with respect to Cromarty besides that which is disclosed above. Trafigura Pte Ltd ("Trafigura") has a trading relationship with the Company where Trafigura is an offtaker of products produced by the Company to the Company. Trafigura is also a holder of registered security interests over the Company's assets. On 21 July 2022, Michael Ryan, Kathryn Warwick and 2 other appointees of FTI Consulting were appointed as voluntary administrators of Wiluna Mining Corporation and Ors ("Wiluna"). Trafigura has a trading relationship with Wiluna whereby Trafigura is an offtaker to whom Wiluna sells gold concentrate. Trafigura's trading relationship with Wiluna was established prior to our appointment over Wiluna. We believe that Trafigura's relationship with Wiluna does not result in us having a conflict of interest or duty because: ■ This matter is a separate engagement and its conduct is independent to our appointment over the Company; and ■ There is no expectation, agreement or understanding between us and Trafigura regarding the conduct of the Voluntary Administration of Wiluna and/or the Company, and we are free to act independently and in accordance with the law and applicable professional standards. FTI Consulting otherwise does not have an ongoing professional relationship with Trafigura and no work has been undertaken for Trafigura with respect to the Company. Pybar Holdings Pty Ltd ("Pybar") is a holder of registered security interests over the Company's assets.

On 16 July 2021, Michael Ryan, David McGrath and 1 other appointee of FTI Consulting were appointed as voluntary administrators of Heron Resources Limited and its wholly owned subsidiaries ("Heron"). Pybar had a trading relationship with Heron whereby Pybar leased mining equipment to Heron in its operation of the Tarago mine. Pybar was also a holder of registered security interests over Heron's assets.

We believe that Pybar's relationship with Heron does not result in us having a conflict of interest or duty because:

- This matter was a separate engagement and the outcome was independent to our appointment over the Company; and
- There is no expectation, agreement or understanding between us and Pybar regarding the conduct of the Voluntary Administration of the Company, and we are free to act independently and in accordance with the law and applicable professional standards.

FTI Consulting otherwise does not have an ongoing professional relationship with Pybar and no work has been undertaken for Pybar with respect to the Company.

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

☒ Yes ☐ No

Brettney Fogarty is the owner of Third Wave Investors Pty Ltd which is an approximately 10% shareholder in Red River. Mr Fogarty and Mr Bantock are known to each in their historical business relationship as former employees of GRD Group for which Mr Fogarty was the Chairman. Mr Bantock worked for GRD Group in various senior executive and directorship roles up until 2004.

During Mr Bantock's time with GRD Group, the Group placed one of its unlisted subsidiaries into voluntary administration. Michael Ryan, who is now a Senior Managing Director of FTI Consulting, was then appointed to lead the administration through Taylor Woodings. The matter commenced from approximately 1997 and was completed within about 18 months.

Mr Bantock was previously the Managing Director of Lontown Resources Ltd from 2004 to 2008, which previously owned the Lontown deposit. The Lontown deposit is currently one of the assets owned by Cromarty. The Lontown deposit was sold to Cromarty subsequent to Mr Bantock's involvement with Lontown Resources Ltd.

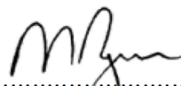
Indemnities and up-front payments

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

Dated 31 October 2022



.....
Kathryn Warwick



.....
Michael Ryan



.....
David McGrath

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

Annexure B

Interactions between FTI Consulting staff and Company representatives/other third parties during the Initial Engagement

Between 6 September 2022 and 16 September 2022, Mr Bantock and Ms Kathryn Warwick, both Senior Managing Directors in FTI Consulting's Corporate Finance and Restructuring practice, held a number of calls and meetings with Patrick O'Connor, director of Red River and Cromarty Resources Pty Ltd ("Cromarty" or the "Company") tabled below. During the meetings, the Group's current circumstances including its operations and financial position were discussed.

Following these meetings, the Group engaged FTI Consulting on 16 September 2022 to commence a limited scope review, the scope of services for which were detailed as:

1. Review and comment on management's liquidity summary, including receivables and payables positions;
2. Review and comment on management's cashflow forecast, including reference to key elements of the operating assumptions and the appropriateness of projected receipts and payments in light of 1. above;
3. Summary and analysis of key corporate initiatives advised by management, together with their expected impact on the Company's future corporate and financial position;
4. Providing observations relevant to the Company's Better Outcome Plan, based on the findings of 1. to 3. above;
5. Prepare a "Plan B" analysis, considering what the alternative of placing the Group into Voluntary Administration might 'look like', including likely returns to financial stakeholders;
6. Such other areas of analysis which may be requested by the board or Safe Harbour advisor.

Scope items 4 to 6 above were not completed.

FTI Consulting issued a draft report on 29 September 2022 in accordance with the Scope of Work, with the final report issued on 20 October 2022.

As part of our engagement, we attended meetings and held discussions with the directors and personnel of the Group. Our involvement in these meetings and discussions was to receive and discuss underlying information to inform the content of our report, and to describe our procedures and findings in respect of the work we were engaged to perform as detailed above.

Our interactions with Cromarty immediately prior to and during the engagement are listed below:

Date	Medium	FTI consulting participant	External participant	Agenda/purpose/discussion
6 September	Text	Andrew Bantock	Patrick O'Connor (sender)	Request a call to discuss safe harbour and legal advisor options for Red River Resources
6 September	Telephone call	Andrew Bantock	Patrick O'Connor	Discussed group circumstances and potential need for support, plus recommendations on legal advisor
12 September	Meeting	Andrew Bantock, Kate Warwick	Patrick O'Connor	Introduction, overview of situation, request for proposal
14 September	Email	Kate Warwick (sender), Andrew Bantock	Patrick O'Connor	Provision of proposal to assist through providing independent limited scope review services
15 September	Email	Kate Warwick (sender), Andrew Bantock, George Tansley	Patrick O'Connor	Provision of draft engagement letter for independent limited scope review services
15 September	Emails	Kate Warwick	Patrick O'Connor (sender)	Provision of information
16 September	Emails	Kate Warwick (sender), Andrew Bantock, George Tansley,	Patrick O'Connor	Finalisation of engagement letter for independent limited scope review
16 September	Emails	Kate Warwick, George Tansley, Martin Nicholson	Patrick O'Connor (sender)	Provision of information
17 September	Emails	Kate Warwick	Patrick O'Connor (sender)	Provision of information
18 September	Emails	Kate Warwick	Patrick O'Connor (sender)	Provision of information

19 September	Emails	Kate Warwick, Martin Nicolson, George Tansley	Patrick O'Connor (sender), Rod Lovelady	■ Provision of information
20 September	Meeting	Kate Warwick, George Tansley, Martin Nicholson	Patrick O'Connor, Rod Lovelady	■ Introduction and overview of situation
20 September	Emails	Kate Warwick, George Tansley, Martin Nicholson	Rod Lovelady (Sender), Patrick O'Connor	■ Provision of information
21 September	Text	Andrew Bantock	Patrick O'Connor (sender)	■ Update on discussion with shareholder
21 September	Text	Andrew Bantock (sender)	Patrick O'Connor	■ Confirm that proposal to provide VA services would be sent
21 September	Email	Kate Warwick (sender), Martin Nicholson, George Tansley	Patrick O'Connor	■ Overview of Voluntary Administration process
21 September	Meeting	Kate Warwick, George Tansley, Martin Nicholson	Rod Lovelady	■ Provision of information
21 September	Emails	Kate Warwick	Patrick O'Connor (sender)	■ Provision of information
22 September	Emails	Kate Warwick, George Tansley, Martin Nicholson	Rod Lovelady (sender)	■ Provision of information
23 September	Email	Kate Warwick (sender), George Tansley, Martin Nicholson	Patrick O'Connor	■ Draft independent limited scope review report provided for Management comment
23 September	Email	Kate Warwick, George Tansley,	Rod Lovelady (sender)	■ Comments on draft independent limited scope review report

		Martin Nicholson		
23 September	Teams meeting	Kate Warwick, George Tansley, Martin Nicholson	Rod Lovelady	■ Discussion on draft independent limited scope review report
23 September	Emails	Kate Warwick, George Tansley, Martin Nicholson	Rod Lovelady (Sender), Patrick O'Connor	■ Provision of information
26 September	Emails	Kate Warwick, George Tansley, Martin Nicholson	Rod Lovelady (Sender)	■ Provision of information
26 September	Emails	Kate Warwick	Patrick O'Connor (sender)	■ Order of agenda for Board meeting and response
27 September	Emails	Kate Warwick, George Tansley, Martin Nicholson	Patrick O'Connor (sender), Rod Lovelady	■ Provision of information
28 September	Emails	Kate Warwick, George Tansley, Martin Nicholson	Patrick O'Connor (sender), Rod Lovelady (sender)	■ Provision of information
28 September	Email	Kate Warwick (sender), Martin Nicholson	Rod Lovelady	■ Provision of updated draft independent limited scope review report
29 September	Emails	Kate Warwick, George Tansley, Martin Nicholson	Rod Lovelady (sender)	■ Provision of information
29 September	Email	Kate Warwick (sender), George Tansley, Martin Nicholson	Patrick O'Connor, Rod Lovelady	■ Provision of final draft independent limited scope review report
29 September	Teams meeting	Kate Warwick, George Tansley	Rod Lovelady	■ Discussion in relation to draft independent limited scope review report

4 October	Meeting	Kate Warwick	John Stragalinios	■ Discussion on final draft independent limited scope review report
6 October	Meeting	Kate Warwick, George Tansley	Rod Lovelady	■ Discussion re potential reporting format re ongoing monitoring engagement
6 October	Email	cced Kate Warwick	Patrick O'Connor, (sender) Mark Hanlon, Karl Spaleck, Mel Palancian, Rod Lovelady	■ Re legal adviser
7 October	Email	Kate Warwick	Rod Lovelady (sender), Patrick O'Connor	■ Weekly cashflow report
11 October	Email	Kate Warwick (sender)	Patrick O'Connor, Rod Lovelady	■ Draft agenda re weekly monitoring report regime and FTI Report
13 October	Email	Kate Warwick	Rod Lovelady (sender)	■ Provision of information
13 October	Email	Kate Warwick	Patrick O'Connor (sender)	■ Provision of information
13 October	Meeting	Kate Warwick	Geoff Green	■ Discussion in relation to potential Harbourside Advisory engagement as safe harbour advisor
14 October	Text phone message	Andrew Bantock	Patrick O'Connor (sender)	■ Set up meeting on 17 October
14 October	Email	Kate Warwick, George Tansley	Rod Lovelady (sender), Patrick O'Connor	■ Weekly cashflow report
16 October	Email	Andrew Bantock	Patrick O'Connor (sender)	■ Provided memorandum setting out current circumstances of Red River group and potential actions
16 October	Meeting	Andrew Bantock, Kate Warwick (virtual)	Patrick O'Connor	■ Discuss current circumstances
17 October	Email	Kate Warwick (sender)	Rod Lovelady	■ Acknowledgement of receipt of weekly cashflow report

17 October	Meeting and Teams	Kate Warwick, Andrew Bantock	Patrick O'Connor	■ Discussion in relation to potential ongoing limited scope monitoring role of FTI
19 October	Emails	Kate Warwick (sender)	John Stragalinis	■ Outlined and discussed proposed scope of FTI ongoing monitoring services
19 October	Email	Kate Warwick	John Stragalinis (sender)	■ Provision of proposed Safe Harbour Adviser scope for Harbourside Advisory
20 October	Email	Kate Warwick	Rod Lovelady (sender), Patrick O'Connor	■ Weekly cashflow report
20 October	Email	Kate Warwick (sender), Andrew Bantock, George Tansley	Patrick O'Connor	■ Provision of final independent limited scope review report dated 20 September

Annexure C

Interactions between FTI Consulting staff and Cromarty representatives/other third parties during the period 20 October 2022 and 27 October 2022.

Date	Medium	FTI consulting participant	External participant	Agenda/purpose/discussion
20 October	Email	Kate Warwick (sender), Andrew Bantock, George Tansley	Patrick O'Connor	■ Provision of draft scope re potential ongoing limited scope monitoring role
20 October	Email	Kate Warwick (sender), Andrew Bantock, George Tansley	Patrick O'Connor	■ Provision of summary of definition of "excluded employee"
20 October	Meeting and Teams	Kate Warwick, Andrew Bantock Mike Ryan	Patrick O'Connor	■ Introduction of Mike Ryan to the matter and receive an update from Patrick O'Connor as to current status
21 October	Email	Kate Warwick (sender)	Rod Lovelady	■ Acknowledgement of receipt of weekly cashflow report
26 October	Emails	Kate Warwick	Patrick O'Connor (sender)	■ Provision of information
26 October	Email	Kate Warwick (sender)	Patrick O'Connor	■ Provision of standard wording in relation to VA appointment
27 October	Email	Kate Warwick, George Tansley	Rod Lovelady (sender)	■ Provision of information
27 October	Email	Kate Warwick (sender)	Patrick O'Connor	■ Provision of draft VA appointment pack
27 October	Email	Kate Warwick, Mike Ryan, David McGrath, George Tansley	Patrick O'Connor	■ Provision of final appointment pack
27 October	Email	Kate Warwick	Patrick O'Connor	■ Provision of credit note

27 October	Email	Kate Warwick, Mike Ryan, David McGrath, Andrew Bantock	Patrick O'Connor	■ Provision of executed appointment documents
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Non FTI Consulting staff positions held at the date of interactions

Name	Position/title held	Representing
Patrick O'Connor	Director of Cromarty and Chairman of Red River Resources Limited	The Company
Karl Werner Spaleck	Director	The Company
Rod Lovelady	CFO Red River Resources Limited	The Company
John Stragalinos	Partner Dentons	The Board
Geoff Green	Potential Safe Harbour Adviser	

15. Appendix 6 – Remuneration Approval Report

24 November 2022



Remuneration Approval Report

Cromarty Resources Pty Ltd
Administration Appointed
ACN 601 398 841

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Summary

This remuneration approval report provides you with the information that the Corporations Act 2001 (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 Cromarty Resources Pty Ltd (Administrators Appointed) ACN 601 398 841 (the Company).

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

Appointment type	Period	Remuneration (excl GST)
Voluntary Administration	27 October 2022 to 20 November 2022	\$409,136.50
Voluntary Administration	21 November 2022 to 2 December 2022	\$100,000.00
If creditors resolve that the Company be wound up in liquidation		
Liquidation	2 December 2022 to the conclusion of the liquidation	\$250,000.00

Appointment type	Period	Disbursements (excl GST)
Voluntary Administration	27 October 2022 to 2 December 2022	\$50,000.00

We estimate the total cost of this Voluntary Administration to be \$509,136.50 plus GST. This amount is less than the previous estimated total remuneration for the Company of \$850,000.00 plus GST as contained in our Initial Advice to Creditors on 31 October 2022. This is due to the Administrators providing their initial estimate based on the assumption that funding may be received and therefore the Administration period may be extended to allow for a longer sale process.

Declaration

We, Michael Ryan, David McGrath and Kathryn Warwick, 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 and disbursements 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

The remuneration we are asking creditors to approve is summarised as follows:

For	Period	Amount \$ (excl GST)	Applicable rates	Timing of payment
Work already completed	27 October 2022 to 20 November 2022	\$409,136.50	As per the attached hourly rates	Immediately/when funds are available
Future work to the second meeting of creditors	21 November 2022 to 2 December 2022	\$100,000.00	As per the attached hourly rates	Immediately/when funds are available
Voluntary Administration Total		\$509,136.50		
Future work to the end of the liquidation	3 December 2022 to the conclusion of the liquidation	\$250,000.00	As per the attached hourly rates	As and when costs are incurred and funds are available
Liquidation Total		\$250,000.00		

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.

Provided below is a schedule of disbursements incurred to date but have not yet been paid:

Classification	Type	Basis of charge	Total disbursement \$ (excl. GST)
External non-professional fees	Airfares	At cost	9,807.34
	Taxis / car hire	At cost	1,611.44
	Travel agent fees	At cost	166.00
	Meal	At cost	1,031.01
	Accommodations	At cost	1,443.18
	Safety Equipment	At cost	1,062.13
	Search Fees	At cost	15.00
	Miscellaneous	At cost	543.01
	Courier charges	At cost	580.21
	Tenement renewals	At cost	694.95
Total			16,954.27
Internal non-professional fees	Mail out	At cost	40.40
Total			40.40

The disbursements incurred for airfares and accommodation primarily relate to staff members travelling to the site in Queensland during the Administration for the work set out in **Schedule A**.

Creditor approval is not required for the payment of the external disbursements outlined above as these are costs paid to third parties or otherwise paid at cost.

Approval for the internal disbursements outlined above is being sought from creditors.

For more information about disbursements, please refer to the Initial Advice to Creditors sent to you on 31 October 2022.

Likely impact on dividends

The Act sets the order for payment of claims against the Company, and it provides for remuneration of the Voluntary Administrators to be paid in priority to other claims. This ensures that when there are sufficient funds, the Voluntary 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 Voluntary Administration as at 20 November 2022 is enclosed at **Schedule E** to this report.

Queries

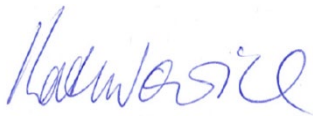
Further supporting documentation for our remuneration claim can be provided to creditors on request.

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 this office on 03 9604 0600 or by email at CromartyResources@fticonsulting.com.

Yours faithfully



Kate Warwick

Joint and Several Voluntary Administrator

Enc.

Attachments:

Schedule A – Details of work

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

Schedule C – Resolutions

Schedule D – Disbursements

Schedule E – Summary of receipts and payments

Schedule F – 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	Liquidation work
Period	27 October 2022 to 20 November 2022	21 November 2022 to 2 December 2022	3 December 2022 to finalisation of liquidation
Amount \$ (excl GST)	\$409,136.50	\$100,000.00	\$250,000.00
Assets	34.80 hours \$19,411.50	\$1,480.00	\$50,000.00
Sale of business	■ Considering and reviewing the sale strategy ■ Considering and reviewing asset listings for motor vehicles, property, plant and equipment ■ Receiving, reviewing, and assessing expressions of interest from interested parties ■ Discussions with Argonaut to discuss sale progress and offers received. ■ Responding to interested party queries and maintaining an interested party register	■ Considering and reviewing the sale strategy ■ Receiving, reviewing, and assessing expressions of interest from interested parties ■ Attending various meetings with interested parties ■ Responding to interested party queries ■ Discussions with Argonaut to discuss sale progress and offers received.	■ Discussions with Argonaut to discuss sale progress and offers received. ■ Liaising with purchasers ■ Internal meetings to discuss/review offers received
Plant & equipment	■ Attending site to ascertain physical plant and equipment ■ Identifying and securing plant and equipment upon appointment ■ Liaising with valuers ■ Reviewing asset listings	■ Reviewing asset listings ■ Liaising with valuers, auctioneers and interested parties	■ Liaising with valuers, auctioneers and interested parties ■ Reviewing asset listings
Cash at bank	■ Notifying bank of appointment ■ Arranging bank sweeps of pre-appointment balances	■ N/A	■ N/A
Assets subject to specific charges	■ Correspondence with lessors regarding registrations ■ Identifying and valuing charged assets	■ Correspondence with lessors regarding registrations ■ Identifying and valuing charged assets	■ All tasks associated with realising a charged asset.

Task area/General description	Work already done	Future work to meeting date	Liquidation work
Debtors	■ Correspondence with debtors regarding outstanding debts ■ Reviewing and assessing debtors' ledgers	■ Correspondence with debtors regarding outstanding debts	■ Correspondence with debtors regarding outstanding debts
Stock	■ Conducting stocktakes of equipment ■ Reviewing stock values ■ Liaising with potential purchasers ■ Review of stock controls and tracking procedures	■ Liaising with potential purchasers ■ Reviewing stock values	■ Realising remaining stock on hand. ■ Stocktakes required relevant to a sale of the business.
Creditors	177.90 hours \$100,019.50	\$18,200.00	\$50,000.00
Creditor Enquiries, Requests & Directions	■ Receive and respond to creditor enquiries ■ Maintaining creditor request log ■ Managing the functional mailbox for creditor queries ■ Correspondence with committee of inspection members ■ Responding to creditors and their representatives via telephone, email and post	■ Receiving and responding to creditor enquiries ■ Maintaining creditor request log ■ Considering the reasonableness of creditor requests ■ Obtaining legal advice on requests ■ Documenting reasons for complying or not complying with requests or directions ■ Compiling information requested by creditors ■ Responding to creditors and their representatives via telephone, email and post ■ Managing the functional mailbox for creditor queries	■ Receiving and responding to creditor enquiries ■ Maintaining creditor request log ■ Review and prepare initial correspondence to creditors and their representatives ■ Considering the reasonableness of creditor requests ■ Obtaining legal advice on requests ■ Compiling information requested by creditors ■ Managing the functional mailbox for creditor queries
Secured creditor reporting	■ Notifying PPSR registered creditors of appointment ■ Responding to secured creditor's queries	■ Responding to secured creditor's queries	■ Responding to secured creditor's queries

Task area/General description	Work already done	Future work to meeting date	Liquidation work
Creditor reports & circulars	■ Preparing and issuing initial information for creditors and suppliers ■ Preparing comprehensive Voluntary Administrators' report, including all supporting documents and investigations.	■ Preparing supplementary reports to creditors in advance of meeting (if required)	■ Preparing Statutory Report by Liquidator and subsequent reports (as required)
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
Meeting of Creditors	■ Preparation of first meeting notices, proxies and advertisements ■ Forward notice of meeting to all known creditors ■ Preparation of Declaration of Independence, Relevant Relationships and Indemnities (DIRRI) ■ Preparation of first meeting file, including agenda, certificate of postage, attendance register, list of creditors, reports to creditors, advertisement of meeting and draft minutes of meeting. ■ Preparation and lodgement of minutes of meetings with ASIC ■ Responding to stakeholder queries and questions immediately following meeting	■ Preparation of second meeting notices, proxies and advertisements ■ 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 the meeting	■ Preparation and lodgement of minutes of second meetings with ASIC ■ Preparation of future meeting notices, proxies and advertisements ■ Forward notice of meeting to all known creditors ■ Preparation of future meeting file, including agenda, certificate of postage, attendance register, list of creditors, reports to creditors, advertisement of meeting and draft minutes of the meeting. ■ Preparation and lodgement of minutes of meetings with ASIC ■ Responding to stakeholder queries and questions immediately following meeting
Employees	39.10 hours \$15,712.00	\$32,185.00	\$25,000.00
Employee enquiries	■ Preparing employee circular and frequently asked questions (FAQ) and email updates	■ Receive and follow up employee enquiries via telephone and email ■ Maintain employee enquiry register	■ Receive and follow up employee enquiries via telephone and email ■ Maintain employee enquiry register

Task area/General description	Work already done	Future work to meeting date	Liquidation work
	■ Receive and follow up employee enquiries via telephone and email ■ Maintain employee enquiry register ■ Preparation of letters to employees advising of their entitlements and options available ■ Conducting employee town hall meetings to provide updates on the administration to date.	■ Review and prepare correspondence to creditors and their representatives via email and post ■ Preparation of letters to employees advising of their entitlements and options available ■ Conduct employee town hall meetings to provide updates on the administration to date.	■ Review and prepare correspondence to employees and their representatives via email and post ■ Preparation of letters to employees advising of their entitlements and options available
FEG	■ Discussion with FEG on the background of the appointment of Voluntary Administrators and likelihood of requiring their assistance in meeting outstanding entitlements.	■ N/A	■ Correspondence with FEG ■ Preparing notification spreadsheet ■ Preparing FEG quotations ■ Completing FEG questionnaires
Calculation of entitlements	■ Calculating employee entitlements ■ Reviewing employee files and company's books and records ■ Reconciling superannuation accounts ■ Reviewing awards	■ Calculating employee entitlements ■ Reviewing employee files and company's books and records ■ Reconciling superannuation accounts ■ Reviewing awards	■ Reviewing calculations of entitlements following employee queries on amount outstanding.
Employee Dividend	■ N/A	■ N/A	■ Correspondence with employees regarding dividend ■ Correspondence with the 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	Liquidation work
Workers' compensation	■ Reviewing insurance policies ■ Correspondence with the insurer regarding initial and ongoing workers' compensation insurance requirements ■ Correspondence with previous brokers	■ N/A	■ Finalise workers' compensation policy and premium for the administration trading period
Other employee issues	■ Correspondence with Child Support ■ Correspondence with Department of Workforce	■ N/A	■ N/A

Trade On	377.40 hours \$234,405.50	\$35,975.00	\$50,000.00
Trade on management	■ Establishing and revising trading plans ■ Assessing the viability, revenue and profitability of ongoing trading ■ Creating and maintaining task lists ■ Attending office and site ■ Liaising with suppliers ■ Liaising with relevant state and federal authorities, including the Office of State Revenue and the Australian Taxation Office ■ Liaising with the Department of Resources and the Department of Science & Environmental and Resources Health and Safety Queensland with respect to environmental concerns ■ Authorising purchase orders and maintaining a purchase order register ■ Dealing with travel and accommodation arrangements ■ Liaising with management and staff ■ Preparing and authorising payment vouchers.	■ Liaising with suppliers ■ Liaising with management and staff ■ Attendance on site ■ Preparing and authorising receipt vouchers. ■ Preparing and authorising payment vouchers. ■ Maintaining purchase order registry ■ Maintaining administrators' accounting MYOB management accounts ■ Liaising with superannuation funds regarding contributions, termination of employees' employment ■ Liaising with OSR regarding payroll tax issues	■ Arranging payment of monthly payroll, including paying superannuation, child support and PAYG withholding ■ Liaising with suppliers ■ Liaising with management and staff ■ Attendance on site ■ Preparing and authorising receipt vouchers ■ Preparing and authorising payment vouchers ■ Liaising with superannuation funds regarding contributions, termination of employees' employment ■ Liaising with OSR regarding payroll tax issues

Task area/General description	Work already done	Future work to meeting date	Liquidation work
	■ Conducting employee briefings and team meetings ■ Receiving and following up employee queries ■ Liaising with payroll staff on an ongoing basis ■ Responding to employee payroll queries ■ Updating employees regarding ongoing wage payments and leave arrangements ■ Arranging payment of monthly payroll, including paying superannuation, child support and PAYG withholding ■ Termination of redundant employees, calculating final pay and entitlements ■ Maintaining administrators' accounting MYOB management accounts ■ Liaising with solicitors regarding trading issues ■ Reviewing Cromarty's tenement register and current status of same ■ Internal meetings and discussions		
Budgeting and financial reporting	■ Preparing and monitoring cashflow forecasts ■ Reviewing and liaising with staff in relation to forecasts and reporting ■ Reviewing company's budgets and financial statements ■ Preparing data for cashflow analysis ■ Preparing financial analysis to evaluate trading position, including trading profit or loss statement ■ Meetings to discuss trading position	■ Preparing and monitoring cashflow forecasts ■ Reviewing company's budgets and financial statements ■ Preparing budgets ■ Preparing weekly financial reports ■ Finalising trading profit or loss ■ Meetings to discuss trading position	■ Finalise trading surplus/deficit following ceasing to trade
Processing receipts and payments	■ Entering receipts and payments into accounting system	■ Entering receipts and payments into accounting system	■ Entering receipts and payments into accounting system

Task area/General description	Work already done	Future work to meeting date	Liquidation work
Investigations	14.20 hours \$6,279.50	\$10,455.00	\$50,000.00
ASIC reporting			■ Liaising with ASIC ■ Preparing statutory investigation reports
Conducting investigation	■ Collection of company books and records ■ Reviewing company's books and records ■ Review and preparation of company nature and history ■ Conducting and summarising statutory searches ■ Preparation of comparative financial statements ■ Review of specific transactions and liaising with directors regarding certain transactions ■ Preparation of investigation file	■ Reviewing company's books and records ■ Conducting and summarising statutory searches ■ Preparation of comparative financial statements ■ Review of specific transactions and liaising with directors regarding certain transactions ■ Preparation of investigation file	■ Reviewing company's books and records ■ Preparation of comparative financial statements ■ Preparation of investigation file ■ Lodgement of investigation with the ASIC ■ Preparation and lodgement of supplementary report if required
Administration	70.30 hours \$33,308.50	\$1,705.00	\$25,000.00
Correspondence	■ General correspondence with various parties	■ General correspondence with various parties	■ General correspondence with various parties
Document maintenance/file review/checklist	■ Attending to statutory compliance e.g. first day letters to statutory authorities, ASIC advertisements, sending initial request to director for Report on Company Activities and Property (ROCAP), drafting and lodging DIRRI ■ 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

Task area/General description	Work already done	Future work to meeting date	Liquidation work
Insurance	■ Notifying insurers of appointment ■ Identification of potential issues requiring attention of insurance specialists ■ Correspondence with insurer regarding initial and ongoing insurance requirements ■ Reviewing insurance policies ■ Correspondence with previous brokers ■ Identifying potential issues requiring attention of insurance specialists	■ Correspondence with insurer regarding initial and ongoing insurance requirements	■ Notifying insurers of Liquidation appointment ■ Identification of potential issues requiring attention of insurance specialists ■ Correspondence with insurer regarding initial and ongoing insurance requirements ■ Reviewing insurance policies
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 ■ Bank account reconciliations ■ Correspondence with bank regarding specific transfers	■ Entering receipts and payments into accounting system ■ Bank account reconciliations ■ Correspondence with bank regarding specific transfers
ASIC Forms and lodgements	■ Preparing and lodging ASIC forms including 505	■ 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 ■ Completing STP reporting obligations	■ Preparing BAS ■ Completing STP reporting obligations	■ Notification of Liquidation appointment ■ Preparing BAS ■ Completing STP reporting obligations
Finalisation			■ Notifying ATO of finalisation ■ Cancelling ABN / GST / PAYG registration ■ Completing checklists ■ Finalising WIP

Task area/General description	Work already done	Future work to meeting date	Liquidation work
Planning / Review	■ Discussions regarding status of administration ■ Preparing work plans and team staff allocations ■ Creating workflow plans for key project areas ■ Preparing task lists ■ Attending meetings discussing status of the administration ■ Preparing day one notifications statutory authorities, employees, suppliers and key stakeholders	■ Discussions regarding status of administration ■ Preparing work plans and team staff allocations ■ Creating workflow plans for key project areas ■ Preparing task lists ■ Attending meetings discussing status of the administration	■ Discussions regarding status of Liquidation
Books and records / storage	■ Dealing with records	■ Dealing with records	■ Dealing with records ■ Sending job files to storage

Total (ex GST)	\$ 409,136.50	34.80	\$19,411.50	177.90	\$100,019.50	39.10	\$ 15,712.00	377.40	\$234,405.50	14.20	\$6,279.50	70.30	\$33,308.50
GST	\$ 40,913.65												
Total (Incl GST)	\$450,050.15												
Total hours	713.70		34.80		177.90		39.10		377.40		14.20		70.30
Avg hourly rate (ex GST)	\$ 573.26		\$ 557.80		\$ 562.22		\$ 401.84		\$ 621.11		\$ 442.22		\$ 473.81

Schedule C – Resolutions

Resolution 1 – Remuneration from 27 October 2022 to 20 November 2022

“That the remuneration of the Voluntary Administrators of Cromarty Resources Pty Ltd (Administrators Appointed) ACN 601 398 841 and their staff, for the period from 27 October 2022 to 20 November 2022, calculated at the hours spent at the rates detailed in the FTI Consulting Schedule of Standard Rates effective 1 July 2022 – Corporate Finance & Restructuring, is approved for payment in the amount of \$409,136.50, exclusive of GST, to be drawn from available funds immediately or as funds become available.”

Resolution 2- Remuneration from 21 November 2022 to 2 December 2022

“That the remuneration of the Voluntary Administrators of Cromarty Resources Pty Ltd (Administrators Appointed) ACN 601 398 841 and their staff, for the period from 21 November 2022 to 2 December 2022, calculated at the hours spent at the rates detailed in the FTI Consulting Schedule of Standard Rates effective 1 July 2022 – Corporate Finance & Restructuring, is approved for payment in the amount of \$100,000.00, exclusive of GST, to be drawn from available funds immediately or as funds become available.”

Resolution 3 - Disbursements from 27 October 2022 to 2 December 2022

“The cost of the internal disbursements of the Voluntary Administrators of Cromarty Resources Pty Ltd (Administrators Appointed) ACN 601 398 841, for the period 27 October 2022 to 20 November 2022, be calculated at the rates set out in the Schedule of FTI Consulting Disbursement Rates and is determined and approved for payment in the amount of \$50,000.00, exclusive of GST, and can be drawn from available funds immediately or as funds become available.”

Resolution 4 – Remuneration from 2 December 2022 to finalisation

“That the remuneration of the Liquidators of Cromarty Resources Pty Ltd (Administrators Appointed) ACN 601 398 841 and their staff, for the period from 2 December 2022 to finalisation, calculated at the hours spent at the applicable rates detailed in the FTI Consulting Schedule of Standard Rates is approved for payment in the amount of \$250,000.00 exclusive of GST, to be drawn from available funds immediately or as funds become available.”

Schedule D - Disbursements

	Disbursements already incurred	Future disbursements to meeting date
Period	27 October 2022 to 20 November 2022	21 November 2022 to 2 December 2022
Total Amount \$ (excl GST)	\$16,994.67	\$33,005.33 (CAP)
Search fees	■ Sai Global Property Division Pty Ltd electronic searches	■ N/A
Meal reimbursements	■ Meal reimbursements when travelling	■ Meal reimbursements when travelling
Travel reimbursements	■ Travel reimbursements	■ Travel reimbursements
Mail out	■ Email of notices @ \$0.20 per email/recipient	■ Email of notices @ \$0.20 per email/recipient

Schedule E – Summary of receipts and payments

Receipts and payments as at 20 November 2022	
Receipts	\$
Pre-appointment cash USD*	1,060,202.45
Pre-appointment cash AUD	32,205.87
CBA Derivative	117,675.77
Pre-appointment Debtor Receipt	109,456.31
Total receipts	\$ 1,319,540.39
Payments	\$
Rent	(3,004.44)
Payroll	(144,700.97)
Media	(3,557.40)
Trade Suppliers	(12,462.67)
Total payments	(\$ 163,725.48)
Closing cash balance as at 20 November 2022	\$ 1,115,814.91

*Converted USD to AUD rate of 1.65

Schedule F – 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.

Typical classification	Standard Rates \$/hour	General guide to classifications
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.

16. Appendix 7 – Details and Notices for Second Meeting

23 November 2022

CROMARTY RESOURCES PTY LTD (ADMINISTRATORS APPOINTED)

ACN 601 398 841 ("THE COMPANY")

I refer to the appointment of Michael Ryan, David McGrath and myself as Joint and Several Administrators of the Company on 27 October 2022.

SECOND MEETING OF CREDITORS

The Administrators are required under the Corporations Act 2001 ("Act") to convene a second meeting of creditors, at which creditors will vote on the future of the Company.

The second meeting of creditors of the Company will be held at 10:30AM (AEST) / 11:30AM (AEDT) on Friday, 2 December 2022. This meeting is being held virtually. Please find enclosed a formal Notice of Second Meeting of Creditors.

Creditors wishing to attend the meeting virtually **must** complete registration before 4:00PM (AEST) / 5:00PM (AEDT) Thursday, 1 December 2022 via the below link:

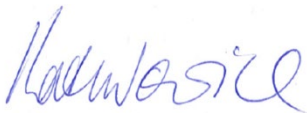
https://fticonsulting-inc.zoom.us/webinar/register/WN_guuF2POKSLiHzETypGwzMg

ADMINISTRATORS' REPORT

The Administrators' Report pursuant to Section 75-225 of the Insolvency Practice Rules (Corporations) 2016, including Remuneration Approval Report and second meeting of creditors enclosures, will be made available to creditors at FTI Consulting's Creditor Portal by 5:00PM (AEST) Thursday, 24 November 2022 at the following link - <https://www.fticonsulting.com/creditors>

If you have any queries, please contact the Administrators' office on (03) 9604 0600.

Yours faithfully

A handwritten signature in blue ink, appearing to read "Kate Warwick".

Kate Warwick
Joint and Several Administrator

FTI Consulting (Australia) Pty Limited

ABN 49 160 397 811 | ACN 160 397 811

Level 21, Bourke Place | 600 Bourke Street | Melbourne VIC 3001 | Australia

Postal Address | GPO Box 538 | Melbourne VIC 3001 | Australia

+61 3 9604 0600 telephone | +61 3 9604 0699 fax | fticonsulting.com

NOTICE OF SECOND MEETING OF CREDITORS

CROMARTY RESOURCES PTY LTD (ADMINISTRATORS APPOINTED) ACN 601 398 841 ("THE COMPANY")

Notice is now given that the second meeting of creditors of the Company will be held at 10:30am (AEST) / 11:30am (AEDT) on Friday, 2 December 2022. The meeting is being held virtually and all creditors wanting to attend the meeting are required to attend via Zoom. Although there is no physical place where creditors are able to attend the meeting, I am required under law to nominate a notional place for the meeting for administrative purposes such as establishing the time of the meeting. The notional place for this meeting is FTI Consulting, Level 21, 600 Bourke Street, Melbourne VIC 3000. **PLEASE DO NOT ATTEND AT THIS LOCATION.**

AGENDA

1. The purpose of the meeting is:
 - a) to review the report of the Administrators and their recommendation in connection with the business, property, affairs and financial circumstances of the Company; and
 - b) for the creditors of the Company to resolve:
 - i) that the Company execute a deed of company arrangement; or
 - ii) that the administration should end; or
 - iii) that the Company be wound up.

Or in the alternate

 - iv) that the second meeting of creditors be adjourned for a period not longer than 45 business days.
2. Creditors will be requested to fix the remuneration to be paid to the Administrators, as calculated on a time basis for the period 27 October 2022 to 20 November 2022 (inclusive).
3. Creditors will be requested to fix the remuneration to be paid to the Administrators, as calculated on a time basis for the period 21 November 2022 to 2 December 2022 (inclusive).
4. Creditors will be requested to approve the actual and future disbursements incurred and likely to be incurred in the administration.
5. If the Company enters into a Deed of Company Arrangement, the Deed Administrators will seek to have creditors resolve to fix the remuneration of the Deed Administrators.

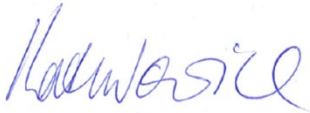
6. If the Company is placed into liquidation, the Liquidators will seek to have creditors resolve to fix the future remuneration of the Liquidators.
7. Any other business properly brought before the meeting.

Creditors wishing to vote at the meeting:

- who will not be attending the meeting or are a company, must complete and return an Appointment of Proxy Form; and
- must complete and return a Formal Proof of Debt or Claim Form if not already done so,

by no later than 4:00PM (AEST) / 5:00PM (AEDT) on the last business day prior to the meeting, being 1 December 2022, by post to FTI Consulting, GPO Box 538, Melbourne, VIC 3001 or via email at CromartyResources@fticonsulting.com

Dated this 23rd day of November 2022.



Kate Warwick

Joint and Several Administrator

DETAILS AND NOTICES FOR THE SECOND MEETING OF CREDITORS

NOTICE OF THE SECOND MEETING OF CREDITORS OF COMPANY UNDER ADMINISTRATION

The agenda for the meeting is set out in the notice.

Although there is no physical place where creditors are able to attend the meeting, I am required under law to nominate a notional place for the meeting for administrative purposes such as establishing the time of the meeting. The notional place for this meeting is set out in the *Notice of Second Meeting of Creditors*. **PLEASE DO NOT ATTEND AT THIS LOCATION.**

Attendance at the meeting is not compulsory.

Video conferencing, including telephone facilities are available for those creditors wishing to attend by telephone.

Should you wish to attend the virtual meeting and you would like to vote, you must register and complete the relevant forms and provide them by 4:00PM (AEST) / 5:00PM (AEDT) on Thursday, 1 December 2022.

If you wish to attend by telephone, please contact CromartyResources@fticonsulting.com by no later than 4:00PM (AEST) / 5:00PM (AEDT) on Thursday, 1 December 2022 so arrangements can be made for your attendance.

MEETING REGISTRATION FORM

If you wish to attend the second meeting of creditors, you must register via the below link by **4:00PM (AEST) / 5:00PM (AEDT) on Thursday, 1 December 2022**.

Registration Link:

https://fticonsulting-inc.zoom.us/webinar/register/WN_guuF2POKSLiHzETypGwzMg

If you do not register for the meeting, you may be considered an observer and will not be able to vote.

FORM - APPOINTMENT OF PROXY

This form should be completed if:

1. You intend to appoint another person to act on your behalf at the meeting; or
2. You are a corporate creditor and wish to appoint yourself to represent the company at the meeting.

FORMAL PROOF OF DEBT OR CLAIM FORM

This form allows you to tell us what you are owed by the Company. You must send us a completed form if you wish to vote at the meeting.

Return to: CromartyResources@fticonsulting.com

FORM 535 – FORMAL PROOF OF DEBT OR CLAIM
CROMARTY RESOURCES PTY LTD (ADMINISTRATORS APPOINTED)

ACN 601 398 841 ("THE COMPANY")

To the Administrators of Cromarty Resources Pty Ltd (Administrators Appointed) ACN 601 398 841 ("the Company")

1. This is to state that the Company was on 27 October 2022, and still is, justly and truly indebted to:
-
-
- (full name, ABN and address of the creditor and, if applicable, the creditor's partners)*
- for \$(dollars and cents)

Particulars of the debt are:

Date	Consideration	Amount (\$/c)	Remarks
	<i>(state how the debt arose)</i>		<i>(include details of voucher substantiating payment)</i>

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

Date	Drawer	Acceptor	Amount (\$/c)	Due Date
------	--------	----------	---------------	----------

3. Signed by *(select correct option)*:
- ☐ I am the creditor personally
- ☐ I am employed by the creditor and authorised in writing by the creditor to make this statement. I know that the debt was incurred for the consideration stated and that the debt, to the best of my knowledge and belief, remains unpaid and unsatisfied
- ☐ I am the creditor's agent authorised in writing to make this statement in writing. I know the debt was incurred for the consideration stated and that the debt, to the best of my knowledge and belief, remains unpaid and unsatisfied.

Signature: Dated:

Name: Occupation:

Address:

** If prepared by an employee or agent of the creditor, also insert a description of the occupation of the creditor*

RECEIVE REPORTS BY EMAIL	YES	NO
Do you wish to receive all future reports and correspondence from our office via email?	☐	☐
Email:		

If being used for the purpose of voting at a meeting:

- a) Is the debt you are claiming assigned to you? ☐ Yes ☐ No
- b) If yes, attach written evidence of the debt, the assignment and consideration given. ☐ Attached
- c) If yes, what value of consideration did you give for the assignment (eg, what amount did you pay for the debt?) \$
- d) If yes, are you a related party creditor of the Company? ☐ Yes ☐ No
(If you are unsure contact the Administrators)

GUIDANCE AND INSTRUCTIONS

FORM OF PROXY

A person can appoint another person to attend the meeting on their behalf by completing the Form of proxy.

If the member is a company or a firm, a person needs to be appointed to represent the company.

This representative needs to be appointed by completing the Form of proxy in accordance with section 127 of the Corporations Act. Alternatively, the appointed person must be authorised to act as a representative for the company per section 250D of the Corporations Act.

The Form of proxy is valid only for the meeting indicated (or any adjournment).

You may appoint either a general proxy (a person who may vote at their discretion on motions at the meeting) or a special proxy (who must vote according to your directions). If you appoint a special proxy, you should indicate on the form what directions you have given. In many instances, there will be a box or section on the proxy form where you can mark how you want your proxy to vote for you.

If you are unable to attend the meeting and you do not have a representative who can attend on your behalf, you may if you wish, appoint any person, including the Chairperson of the Meeting, as either your general or special proxy.

APPOINTMENT OF PROXY

CROMARTY RESOURCES PTY LTD (ADMINISTRATORS APPOINTED)

ACN 601 398 841 ("THE COMPANY")

I/We _____ (name of signatory)
 of _____ (creditor name)
 a creditor of the Company, appoint _____ (name of proxy)
 of _____ (address of proxy)
 or in his/her absence _____ (details of alternate proxy)

as my/our ☐ general proxy or ☐ special proxy to vote at the meeting of creditors to be held on Friday, 2 December 2022 at 10:30AM (AEST) / 11:30AM (AEDT) or at any adjournment of that meeting.

Resolutions	For	Against	Abstain
1. That:			
i. The Company execute a deed of company arrangement; or	☐	☐	☐
ii. that the administration should end; or	☐	☐	☐
iii. that the company be wound up.	☐	☐	☐
Or in the alternate:			
iv. that the second meeting of creditors be adjourned.	☐	☐	☐
2. That the remuneration of the Voluntary Administrators of Cromarty Resources Pty Ltd (Administrators Appointed) ACN 601 398 841 and their staff, for the period from 27 October 2022 to 20 November 2022, calculated at the hours spent at the rates detailed in the FTI Consulting Schedule of Standard Rates effective 1 July 2022 – Corporate Finance & Restructuring, is approved for payment in the amount of \$409,136.50, exclusive of GST, to be drawn from available funds immediately or as funds become available.	☐	☐	☐

3. That the remuneration of the Voluntary Administrators of Cromarty Resources Pty Ltd (Administrators Appointed) ACN 601 398 841 and their staff, for the period from 21 November 2022 to 2 December 2022, calculated at the hours spent at the rates detailed in the FTI Consulting Schedule of Standard Rates effective 1 July 2022 – Corporate Finance & Restructuring, is approved for payment in the amount of \$100,000.00, exclusive of GST, to be drawn from available funds immediately or as funds become available.	☐	☐	☐
4. The cost of the internal disbursements of the Voluntary Administrators of Cromarty Resources Pty Ltd (Administrators Appointed) ACN 601 398 841, for the period 27 October 2022 to 2 December 2022, be calculated at the rates set out in the Schedule of FTI Consulting Disbursement Rates and is determined and approved for payment in the amount of \$50,000.00, exclusive of GST, and can be drawn from available funds immediately or as funds become available.	☐	☐	☐
5. That the remuneration of the Liquidators of Cromarty Resources Pty Ltd (Administrators Appointed) ACN 601 398 841 and their staff, for the period from 3 December 2022 to finalisation, calculated at the hours spent at the applicable rates detailed in the FTI Consulting Schedule of Standard Rates is approved for payment in the amount of \$250,000.00 exclusive of GST, to be drawn from available funds immediately or as funds become available.	☐	☐	☐
6. To remove the Liquidators and appoint someone else as Liquidator(s) of the above company.	☐	☐	☐
7. To consider the appointment of a committee of inspection during the Liquidation period.	☐	☐	☐
8. To consider the early destruction of books and records.	☐	☐	☐

*I/*We authorise *my/*our proxy to vote as a general proxy on resolutions other than those specified above
(delete if not required)

Dated:

.....
Name and signature of authorised person

.....
Name and signature of authorised person

CERTIFICATE OF WITNESS – only complete if the person given the proxy is blind or incapable of writing.

I,of

certify that the above instrument appointing a proxy was completed by me in the presence of and at the request of the person appointing the proxy and read to him/her before he/she attached his/her signature or mark to the instrument.

Dated: Signature of witness:

Description: Place of residence: