

12 December 2022



Ellume Limited
(Administrators Appointed)
ACN 141 767 660
("the Company")

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

— Table of Contents

1.	About this report: a guide for creditors.....	3
2.	Key messages.....	6
3.	Recommendation on the Company's future	10
4.	Background information.....	11
5.	Strategy and financial position	15
6.	Investigations, offences and voidable transactions.....	21
7.	Proposal for a deed of company arrangement.....	28
8.	Estimated return to creditors	41
9.	Administrators' opinion and recommendation.....	51
10.	Appendix 1 – Glossary and terms of reference	53
11.	Appendix 2 – Company information.....	56
12.	Appendix 3 – Historical financial statements	59
13.	Appendix 4 – Summary of ROCAP Part A.....	63
14.	Appendix 5 – Investigations – analysis and information	67
15.	Appendix 6 – DOCA proposal.....	80
16.	Appendix 7 – Creditor Information Sheet.....	97
17.	Appendix 8 – Remuneration Approval Report.....	100
18.	Appendix 9 – Information about creditors' trusts.....	121

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 **Tuesday, 20 December 2022** and our opinion and recommendation about the future of the Company and what is considered to be in the creditors' interests. Creditors are required to decide whether:
 - the Company should execute a DOCA, or
 - the administration of the Company should end, or
 - the Company should be wound up.
- Alternatively, creditors can vote to adjourn the meeting for up to 45 business days to allow more time to make their decision.
- All details, forms and instructions relating to the meeting have been included with the covering letter and other documents attached to this report.

1.2. Key messages and recommendations

- John Park and Joanne Dunn were appointed as Voluntary Administrators of the Company on 31 August 2022.
- A DOCA has been proposed and is summarised at **Section 7** and **Appendix 6** of this report.
- **In our opinion it is in the creditors' best interests to enter into a Deed of Company Arrangement.**
- An eligible employee meeting is being held prior to the second meeting of creditors for employees to consider the proposed DOCA. Eligible employee creditors have received a separate notice for this meeting.
- **Section 2** of this report summarises the items considered to be the most important for creditors.

1.3. Second meeting of creditors

- The Administrators are required under law to convene a second meeting of creditors, at which time creditors will vote on the future of the Company.
- As mentioned above, the second meeting of creditors will be held on **Tuesday, 20 December 2022** using virtual meeting facilities at **2:00PM (AEST)**.

- Should you wish to attend the second meeting of creditors, please complete and return the relevant forms outlined below, to our office by no later than **2:00PM (AEST) Monday, 19 December 2022**.
- To register for the meeting, you **must** complete the online registration form via the link below:
Link to meeting registration form: [Meeting Registration Form Link](#)
- Proof of Debt and Proxy forms are also available to download from the FTI Consulting Creditor Portal: <https://www.fticonsulting.com/creditors/ellume-limited>

1.4. How to participate in the meeting

PLEASE READ CAREFULLY

- In order to attend the meeting, you must complete and return the below forms via email to Ellume@fticonsulting.com by no later than **2:00PM (AEST) Monday, 19 December 2022**.

1. Meeting Registration Form

You must complete this online form if you wish to attend the meeting of creditors, and vote at the meetings:

Link to meeting registration form: [Meeting Registration Form Link](#)

A unique creditor identifier will also be provided to be used for voting at the meeting.

2. Proxy Form

You must complete this form if you wish to appoint another person to attend the meeting on your behalf (corporate creditors must complete this form).

Non-individual creditors (corporate, trusts, etc.) who want to be represented must appoint an individual to act on its behalf by executing a proxy form.

Individuals may choose to appoint a proxy/representative to vote on their behalf by executing a proxy form.

3. Proof of Debt Form

You must complete this form in order to vote at the meeting.

This form is required to register your claim against the Company for voting purposes only (if not submitted already).

Documents to substantiate your claim (e.g. invoices) must also be provided.

1.5. Questions and help

Please contact us on (07) 3225 4900 or Ellume@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. Our postal address is:

Ellume Limited (Administrators Appointed)

C/- FTI Consulting

GPO Box 3127

Brisbane QLD 4001

2. Key messages

2.1. Overview of administration strategy

Administrators' Strategy and Major Actions

Strategy & trading	■ Stabilised operations and assessed trade-on viability. ■ Secured funding to enable ongoing trade and pursuit of business sale or recapitalisation.	■ Engagement with key stakeholders including management.	■ Engaged a specialist to undertake a workplace health and safety review to identify issues requiring actions.	■ Engaged Houlihan Lokey to undertake a sale and/ or recapitalisation campaign for the Company's business.	■ Liaised with key stakeholders and Houlihan Lokey concerning the final offers and DOCA proposal.
Statutory matters & investigations	■ Attended to all required statutory obligations and requirements.	■ Undertook preliminary investigations into the performance and position of the Company leading up to our appointment.	■ Formed a preliminary opinion on the existence of voidable transactions and other potential claims or breaches of the Act.	■ Formed a preliminary opinion on the date of insolvency and events leading up to insolvency.	■ Applications to Court for approval of the Administration Funding and to extend the convening period.
Stakeholders	■ Frequent meetings with senior leadership team and department heads and ongoing engagement with staff. ■ Circular and correspondence with creditors, suppliers, and employees.	■ Facilitation of first meeting of creditors via electronic facilities	■ Calculated outstanding employee entitlements. ■ Liaised with employees and former employees regarding their entitlements and continued trading.	■ Reduction of headcount to right-size the business ■ Calculation of former employees' entitlements. ■ Issuing separation certificates to terminated employees.	■ Preparation of this report pursuant to Section 75-225 of the Insolvency Practice Rules (Corporations) 2016.

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 and the remainder of the report (including attachments) in conjunction with the glossary and terms of reference appearing at **Appendix 1**.

Key areas	Commentary	Analysis
Explanations for the Company's difficulties	Our investigations have identified the following reasons for the Company's failure: ■ Product recall of the COVID-19 Home Test products sold by Ellume USA LLC ("Ellume USA") in Sept 2021; ■ Material change in demand for Ellume's COVID-19 Home Test ("ECHT") in December 2021 following the release of free RAT tests to the public by the United States Government; ■ Substantial upfront capital expenditure in readiness for long-term future expansion of operations; ■ Issues in sourcing further funding in Ellume USA on terms suitable to the Company and its stakeholders; ■ Unfavourable capital market conditions leading to lack of appetite for an Initial Public Offering ("IPO") or recapitalisation.	Section 4.9
Administrators' actions and strategy	Our strategy for the administration has been to: ■ Preserve ongoing operational viability of the business and trade on a "business-as-usual" basis whilst a sale/recapitalisation process is undertaken by Houlihan Lokey; ■ Correspond with key stakeholders including creditors, employees and noteholders concerning the ongoing operation and critical timeframes for the sale and/or recapitalisation process; ■ Liaised with Houlihan Lokey regarding the various stages of the sale/ recapitalisation process and progression to a proposal for Deed of Company Arrangement.	Section 5
Estimated date of insolvency	Our preliminary view is the Company was likely insolvent from at least May 2022 and remained so until 31 August 2022, being the date of our appointment.	Section 6.3
Voidable transactions	It is our preliminary view there may be transactions a liquidator could pursue which may result in property or money being recovered for the benefit of creditors, however, further investigations would be required by a liquidator, if appointed.	Section 6.4

Key areas	Commentary	Analysis																																				
Offences by directors	Based on our investigations to date, whilst we consider the Directors may have committed a breach of section 588G of the Act, we understand they may elect to rely on the Safe harbour provisions pursuant to section 588GA of the Act. Should the Company be placed into liquidation, further investigations will be carried out.	Section 6.4																																				
Liability for insolvent trading	Based on our preliminary investigations, it is our view: ■ Whilst there may be a claim for insolvent trading against the Directors, they may be protected by the safe harbour provisions in section 588GA of the Act. The commerciality of an insolvent trading claim also needs to be considered by a liquidator, if appointed. ■ We are aware of a Director and Officer insurance policy held by the Directors, however, we are unable to comment on whether the policy would respond to an insolvent trading claim.	Section 6.3																																				
Proposal for a deed of company arrangement	A proposal for a DOCA has been received from Hough Consolidated Pty Ltd (“Hough”). The DOCA provides for ■ Payment of a USD \$38M contribution; ■ Transfer of 100% of shares in the Company to Hough; ■ Provision of interim funding to enable ongoing operations of the Company; and ■ Creation of a Creditors’ Trust to enable the transfer of shares in the Company and make distributions.	Section 7																																				
Estimated outcome for creditors	The estimates shown are based on the information presently available, our view of the Company’s estimated realisable value of assets and estimated claims of creditors: <table><tr><th colspan="4">Estimated returns to creditors</th></tr><tr><th></th><th colspan="2">DOCA</th><th>Liquidation</th></tr><tr><th>Creditor</th><th>Low return</th><th>High return</th><th>Return</th></tr><tr><td>Secured creditors</td><td>100 c/\$</td><td>100 c/\$</td><td>up to 24 c/\$</td></tr><tr><td>Priority creditors</td><td>100 c/\$</td><td>100 c/\$</td><td>Nil</td></tr><tr><td>QIAGEN</td><td>47 c/\$</td><td>47 c/\$</td><td>Nil</td></tr><tr><td>Small claim Creditors</td><td>50 c/\$</td><td>50 c/\$</td><td>Nil</td></tr><tr><td>Noteholder Creditors</td><td>15 c/\$</td><td>35 c/\$</td><td>Nil</td></tr><tr><td>Other Unsecured Creditors</td><td>Nil</td><td>20 c/\$</td><td>Nil</td></tr></table>	Estimated returns to creditors					DOCA		Liquidation	Creditor	Low return	High return	Return	Secured creditors	100 c/\$	100 c/\$	up to 24 c/\$	Priority creditors	100 c/\$	100 c/\$	Nil	QIAGEN	47 c/\$	47 c/\$	Nil	Small claim Creditors	50 c/\$	50 c/\$	Nil	Noteholder Creditors	15 c/\$	35 c/\$	Nil	Other Unsecured Creditors	Nil	20 c/\$	Nil	Section 8
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Other Unsecured Creditors	Nil	20 c/\$	Nil																																			

Key areas	Commentary	Analysis																											
Timing of payments to creditors	The indicative (estimated) timing of dividends are set out below for each class of creditor under a DOCA and liquidation scenario: <table> <tr> <th colspan="3">Estimated timing of returns to creditors from today's date</th></tr> <tr> <th></th><th>DOCA</th><th>Liquidation</th></tr> <tr> <th>Creditor</th><th>Est. Timing</th><th>Est. Timing</th></tr> <tr> <td>Secured creditors</td><td>3 months</td><td>3-6 months</td></tr> <tr> <td>Priority creditors</td><td>3-4 months</td><td>N/A</td></tr> <tr> <td>QIAGEN</td><td>3 months</td><td>N/A</td></tr> <tr> <td>Small claim Creditors</td><td>3-6 months</td><td>N/A</td></tr> <tr> <td>Noteholder Creditors</td><td>3-6 months</td><td>N/A</td></tr> <tr> <td>Other Unsecured Creditors</td><td>3-6 months</td><td>N/A</td></tr> </table>	Estimated timing of returns to creditors from today's date				DOCA	Liquidation	Creditor	Est. Timing	Est. Timing	Secured creditors	3 months	3-6 months	Priority creditors	3-4 months	N/A	QIAGEN	3 months	N/A	Small claim Creditors	3-6 months	N/A	Noteholder Creditors	3-6 months	N/A	Other Unsecured Creditors	3-6 months	N/A	Section 8
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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 8																											

3. Recommendation on the Company's future

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

Options available to creditors	Option 1: Execute a DOCA	Option 2: Administration ends	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 consider	- On balance, there appears to be less uncertainty under the DOCA proposal compared to a liquidation scenario - Creditors will potentially receive a greater return under the DOCA proposal than they would if the Company was immediately wound up and within an earlier timeframe than liquidation	The Company is insolvent with no cash to pay all due debts and no confirmed prospects of obtaining external funding	The proposed DOCA will likely provide a higher cents in the dollar return for creditors than they may receive in an immediate winding up
Our opinion	Is in the creditors' interests that the Company execute a DOCA in line with the terms proposed	Not in the creditors' interests that the administration should end	Not in the creditors' interests that the Company be wound up
Recommended option	Recommended	Not recommended	Not recommended
Potential to adjourn the meeting to a future date	- 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, however, creditors should note an adjournment will increase the risk of the transaction not completing due to the limit under the working capital funding.		

4. Background information

4.1. Appointment of Administrators

- On 31 August 2022 John Park and Joanne Dunn, were appointed joint and several Administrators of Ellume Limited 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 and Committee of Inspection meeting

- The first meeting of creditors was held on 12 September 2022 to consider the formation of a Committee of Inspection ("COI") and whether or not to appoint different persons to be the Administrators of the Company.
- Creditors resolved to form a COI and the following representatives were appointed to the committee:
 - Myriam Battistutta – Ellume Employee
 - James Thygesen – Ellume Employee
 - Jenny Chau – Ellume Employee
 - Pure Assessment Management – Mike Henshaw
 - Cardinal Bio Research Pty Ltd – John Cardinal
 - Qiagen – Nicholas Edwards/Hamilton Locke
- A COI meeting was held on 26 October 2022 to discuss the progress of the Administration and to obtain approval of remuneration and internal disbursements incurred in the period 31 August 2022 to 9 October 2022.
- Creditors are able to join the COI at the upcoming Second Meeting of Creditors. Should you be interested please notify this office in advance of the meeting.

4.3. Administrators' prior involvement and independence

- In accordance with section 436DA of the Act, a DIRRI was provided in our initial information for creditors and suppliers dated 2 September 2022. This DIRRI included the circumstances that led to our appointment as Administrators.
- A copy of our DIRRI was tabled at the first meeting of creditors held on 12 September 2022 and is available on the FTI Consulting Creditor Portal - <https://www.fticonsulting.com/creditors/ellume-limited-DIRRI>.
- There is no change to our assessment regarding our independence or to the information provided in the DIRRI.

4.4. Extension to the convening period

- Section 439A of the Act requires an administrator to hold the second meeting of creditors within five (5) days after the end of the 20-business day convening period unless the convening period is extended by the Court
- An application to the Federal Court of Australia was made seeking to extend the convening period for up to 55 business days to enable sufficient time for a sale of business process or recapitalisation of the Company via a deed of company arrangement.
- On 26 September 2022, the Federal Court of Australia made an order to extend the convening period to no later than 16 December 2022.

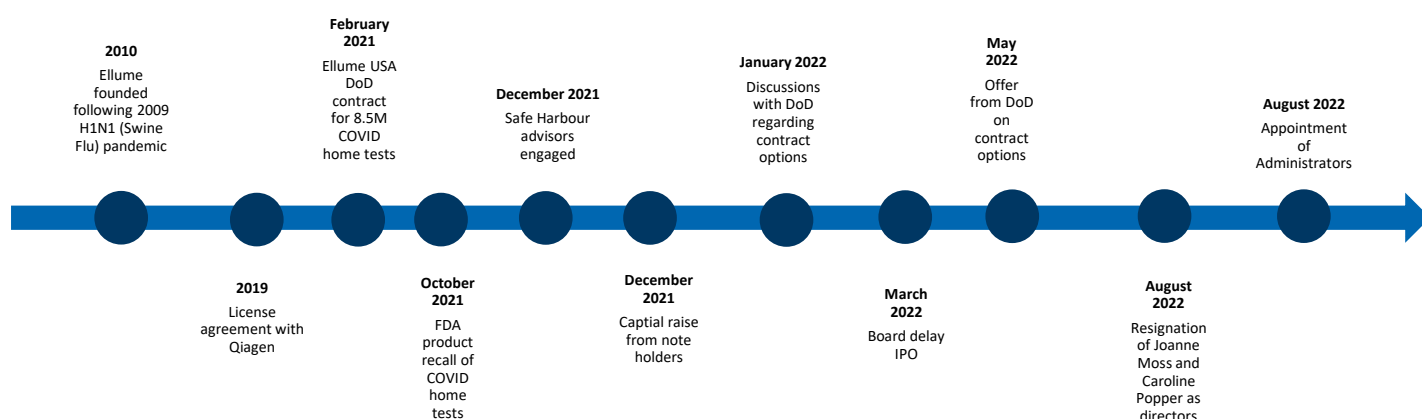
4.5. Company information and historical performance

Appendix 2 includes statutory information about the Company. **Appendix 3** contains 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.

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

- The Company was incorporated on 1 February 2010, and operates in Australia.
- Between 2012 and 2016, the Company developed nanoparticle technology to be used in diagnostic testing, and in 2018, entered into licence agreements in connection with tests for influenza and tuberculosis.
- The Company now develops and manufactures digitally enabled medical diagnostic products, with a strong focus in COVID-19.
- The Company has products available through three (3) segments:
 - Consumer Products: consist of user friendly over the counter home test kits.
 - Professional Point of Care Products: digital diagnostic platform for primary care practitioners, doctors, nurses and pharmacists.
 - Professional High Throughput Testing products: large scale testing at the point of care and outside of a central laboratory.
- Ellume USA, incorporated on 26 February 2019, is a 100% wholly owned subsidiary of Ellume Limited which operates in the United States of America.
- The Company received approval for its COVID-19 home test (referred to as the Ellume COVID-19 Home Test or ECHT) from the Food and Drugs Administration in the USA in December 2020.
- In February 2021, Ellume USA entered into a contract with the USA Department of Defence ("DoD") for the supply of 8.5M ECHT and construction of a USA manufacturing facility.
- The Company has historical generated revenue through it license agreements with third parties, including QIAGEN.
- Substantial funding has been provided to the Company via unsecured noteholders, with further funding support from its subsidiary, Ellume USA.

4.7. Timeline of events leading up to appointment



4.8. Directors' explanation for the Company's difficulties

Whilst the Directors have not provided a written explanation for the Company's difficulties, they have verbally advised the key matters contributing to the Company's difficulties are the recall of the ECHT in late 2021; free RAT kits provided to the US public by the US Government in early 2022; inability to secure further modifications to the DoD contract; inability to secure further funding.

4.9. Administrators' observations of the Company's difficulties

From our investigations to date, we have identified the following possible causes which contributed to the insolvency of the Company:

- Lack of diversity in the Company's capabilities across a discrete customer base;
- Low levels of investment in non-COVID-19 related products following the pandemic in 2020, halting the progression of the development of non-COVID-19 products to be ready to market;
- Significant expenditure on large quantities of raw materials at the start of the COVID-19 pandemic to secure supply of inventory items to meet the forecasted production needs. High volumes of stock remains unused and in storage;
- Uncertainty of future demand for the Company's COVID-19 related products post the pandemic;
- Large inventory holdings unable to be readily converted to cash, resulting in large write downs to inventory values on account of obsolescence;
- Inability to achieve a trade sale, obtain alternative finance on suitable terms, and absence of further investor funding to meet short and long term operational requirements;
- Lack of adequate compensation to the Company for operational and infrastructure services provided to Ellume USA, overhead costs and use of the Company's intellectual property and authorisations ; and
- Loss of key personnel.

4.10. Opinion about books and records

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

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

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

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

4.11. Outstanding winding up applications

Searches were conducted on the following shortly following our appointment:

- The Australian Securities & Investments Commission ("ASIC") Company register;
- The ASIC Insolvency Notices website; and
- State Court websites.

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

5. Strategy and financial position

5.1. Actions and strategy to date

5.1.1. Summary of actions and strategy

On our appointment we elected to continue to operate “business as usual” whilst progressing the below key strategies and actions

5.1.2. Trading

- Continued to operate the business on a “business-as-usual” basis.
- Secured funding from Evangayle Pty Ltd, Glencairn Bay Investments Pty Ltd, MA & KA Investments Pty Ltd and Brand Brother Holdings Pty Ltd (together “the Lender Group”) to enable ongoing operations whilst Ellume USA obtained certainty over the DoD contract and to enable a sale or recapitalisation to be progressed.
- Circularised all suppliers, employees and applicable statutory bodies to notify them of our appointment.
- Established trading accounts with the Company’s suppliers as required during the voluntary administration.
- Implemented trading controls with Company personnel.
- Met with Qiagen to discuss status of supply arrangement and intentions.
- Maintained frequent communication with key staff to discuss the administration strategy, including with Ellume USA.
- Attended weekly meetings with staff concerning Ellume USA production plan and resourcing requirements
- Identified potential surplus assets, including inventory, able to be realised to generate cashflow for operations.
- Liaised with pre-appointment insurers to establish insurance cover where required in the voluntary administration.
- Engaged a consultant to conduct a workplace health and safety review to identify any action items at Company premises.
- Prepared and maintained a weekly cash flow forecast and closely monitored cash position throughout the administration.
- Varied the facility agreement with the Lender Group to provide for further funding to enable operations to continue beyond 31 October 2022 whilst the sale/recapitalisation process was finalised.

5.1.3. Funding agreement

- To enable operation of the Company during the voluntary administration up to 31 October 2022, the Administrators obtained initial funding from the Lender Group in the sum of \$3.5m.

- An application to the Federal Court of Australia was made to obtain directions that the Administrators were justified in entering into the funding agreement with the Lender Group. Orders were made justifying the Administrators' decision.
- The Administrators obtained an extension of the facility limit of \$1.5m under the agreement with the Lender Group on 28 November 2022, and made a further application to the Federal Court of Australia for an order that the Administrators were justified in varying the funding agreement to increase the facility limit. Orders were made justifying the Administrators' decision.
- The variation of the Lender Group funding enabled the Company to continue trade beyond 31 October 2022, whilst the sale/recapitalisation process was finalised.

5.1.4. Employees

- Wrote to all employees advising of their position as creditors of the Company.
- Reviewed Company records to quantify employee entitlements and notified employees regarding same.
- Following consultation with the Company's senior leadership team concerning staffing requirements for ongoing operations, the Administrators resized the workforce in order to improve operational performance and allow a sale/ recapitalisation process with the ultimate goal of preserving the business and employment of remaining employees.
- Calculation of terminated employee's entitlements and subsequently issuing entitlement letters and separation certificates to affected employees.
- Retention schemes implemented to retain key staff.
- Held all staff meetings to address any employee queries.
- Liaised directly with various employees regarding specific issues and queries.

5.1.5. Premises/landlords

- Liaised with landlords and their representatives concerning ongoing occupation of premises at:
 - 936 Stanley Street East, East Brisbane
 - 57 Didsbury Street, East Brisbane; and
 - 19 MacGregor Place, Richlands.
- Continued management of rental and outgoing obligations for the period of the voluntary administration.

5.1.6. Court applications – extension to convening period

- As discussed in **Section 4.4** of this report, we obtained Orders to extend the convening period to no later than 16 December 2022.
- Documents relating to the application to extend the convening period are available on [the FTI Consulting Creditors Portal](#).

5.1.7. Investigations

- Conducted and reviewed searches in relation to the Company and its Directors.
- Obtained relevant books and records of the Company.

- Organised access to and backup of Company's data centre.
- Met with Company representatives to facilitate access to data and systems, and to address queries in regards to documentation obtained.
- Reviewed and analysed the Company's financial books and records.
- Formed a preliminary view on any potential breaches of the Act or potential voidable transactions where money or property may be recoverable for the benefit of creditors.

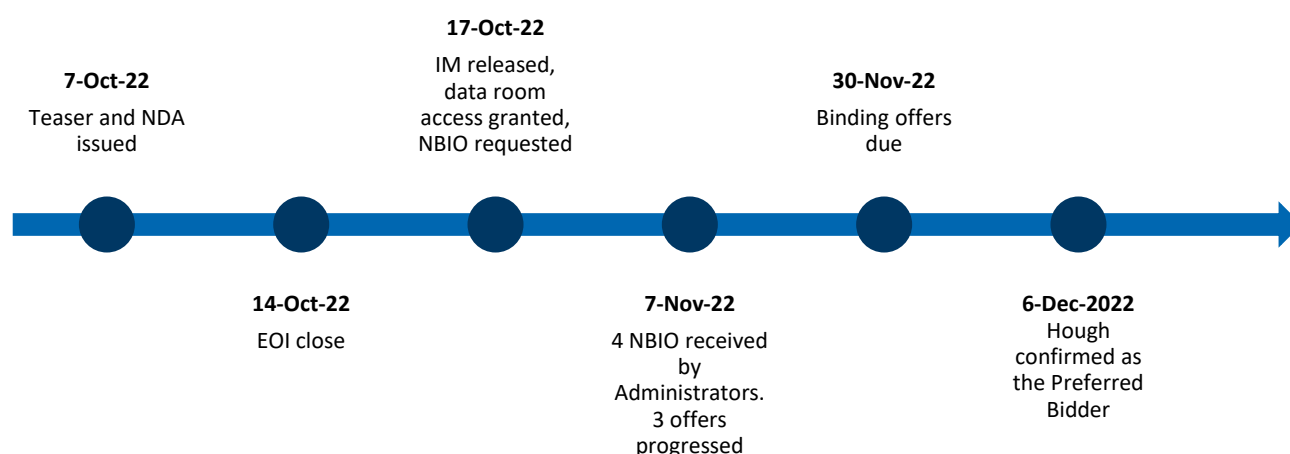
5.1.8. Statutory

- 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 section 75-225 of the IPR.
- Sought and obtained an Order from the Federal Court of Australia to enter into (and vary) the funding agreement with the Lender Group.
- Corresponded with PPSR security holders concerning registrations and assets subject to security.

5.2. Sale and recapitalisation campaign

Once ongoing operational funding was secured via the agreement with the Lender Group, and Ellume USA obtained certainty around the continuation of the DoD contract with an additional order of 3.1m units, the Administrators engaged Houlihan Lokey as sale adviser to undertake the sale of the business and/or recapitalisation process for the Company.

A timeline of key events in the sale process is as follows:



Further detail concerning the sale and recapitalisation process is as follows:

- The teaser and Non-Disclosure Agreement ("NDA") was issued to 145 potentially interested parties.

- Eighteen (18) parties executed an NDA and from 17 October 2022, these parties were provided the Information Memorandum (“IM”) and virtual data room access to obtain further information about the business and financial position of the Company.
- Four (4) non-binding NBIOS were received and presented to the Administrators by 7 November 2022.
- Three (3) of the NBIOS were shortlisted and further engagement occurred between the parties in preparation of the final binding offer due date, which had been extended to 30 November 2022 to accommodate the Thanksgiving holidays for USA-based parties.
- By 30 November 2022, one (1) party had a submitted final binding offer, with the remaining two (2) parties jointly submitting a non-binding offer.
- The Administrators assessed the offers and considered the following:
 - potential returns to creditors and employees;
 - the time to complete each proposed transaction and the operational funding available as part of the offer;
 - the conditions attached to the offers and the ability to satisfy the conditions;
 - the ability of each party to complete the transaction; and
 - other commercial considerations relevant for the ongoing viability of the business.
- Having given consideration to the offers received for the business, on 6 December 2022, the Administrators confirmed Hough as the preferred bidder.
- A critical point of difference between the offers was that the Hough proposal was binding and was able to address the Company’s immediate funding needs which was absent from the competing offer.

On 6 December 2022, the Administrators and Hough entered into binding transaction documents being an Implementation Deed and Funding Agreement to set out the timing and obligations of the DOCA proposal for the transfer of shares in the Company. Before the DOCA is implemented, creditors will vote on Hough’s DOCA proposal, and if accepted, Hough will enter into a DOCA with the Company and its Administrators.

The key features of the Hough DOCA proposal are provided in **Section 7.4** of this report and a copy of the DOCA proposal is **attached** as **Appendix 6**. Details of the estimated return to creditors under the Hough DOCA proposal are provided in **Section 8** of this report.

5.3. Company’s financial position at appointment

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

On our appointment, we requested the Directors of the Company provide a statement about the Company’s business, property, affairs and financial circumstances in the form of a Report of Company Affairs & Property (“ROCAP”).

A ROCAP is split into two sections being:

1. Part A – a form 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.

Following an extension request granted by the Administrators, on 18 October 2022, we received the ROCAP Part A from each of the Company's Directors which disclosed information and estimated realisable values for the Company's assets.

A summary of the ROCAP Part A information is provided at **Appendix 4** along with the Administrators' comments.

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

Immediately after appointment, we requested the Directors of the Company complete a questionnaire about Company's history, operations and books and records in the form of a ROCAP Part B.

We received the ROCAP Part B from each of the Company's Directors which disclosed the information regarding the Company's operations, history and books and records.

5.3.3. Related party creditors and claims

In addition to information contained in the ROCAP Parts A and B, we have reviewed the Company's records (trade creditor listings, financials statements and other available documentation and correspondence) and spoken with key staff to review the existence and amount of any related party claims against the Company.

The following related party claims have been identified as at 31 August 2022:

Related Party Creditor	Notes	Directors' ROCAP (\$)	Administrators' Estimate (\$)
Darrouzet Investment Trust	1	130,595	130,595
Sean Parsons	2	185,694	199,509
Mirja Moenninghoff	3	68,223	68,310
Ellume USA LLC	4	35,082,787	35,082,787
Total related party creditors		\$ 35,467,299	\$ 35,481,201

Relationship between each party and the Company

1. *Darrouzet Investment Trust*

Paul Darrouzet, a Director of Ellume Limited, is the Trustee of Darrouzet Investment Trust. Darrouzet Investment Trust is the landlord of the Company's premises at 57 Didsbury Street, East Brisbane, Queensland.

2. *Sean Parsons*

Sean Parsons is a Director, the Founder and CEO of the Company. Sean Parsons also has a claim for entitlements although he is treated as an "Excluded Employee", which means his priority claim for entitlements is limited to \$2,000 (wages and superannuation) and \$1,500 (annual leave), with the remainder of his entitlements treated as unsecured.

3. *Mirja Moenninghoff*

Mirja is Sean Parsons' spouse and is also treated as an Excluded Employee in respect of her employee entitlements.

4. *Ellume USA LLC*

Ellume USA is the wholly owned subsidiary of the Company, and is based in the United States.

We make the following comments concerning the related party claim by Ellume USA :

- The Directors operated the Company and Ellume USA as a group.
- The Company recorded the intercompany transactions via a series of loan and receivable accounts in its management accounts. It is not uncommon for entities operating as a group to enter into various intercompany transactions to record mutual supply of materials or services, and loans.
- The Company had no documentation or agreements which formalised the related party debtor and creditor amounts owed or the terms on which those amounts were to be repaid.
- Our review of the related party loans against bank statements, purchase orders and other records of the Company identified:
 - There is no allocation in the intercompany accounts for any operating or overhead costs incurred by the Company where Ellume USA benefited directly from the provision of services or supplies attributed to those costs;
 - Considerable stock was transferred by the Company to Ellume USA where payment for stock was represented by way of non-cash journal entries into the intercompany accounts;
 - Where other assets were transferred by the Company to Ellume USA through raising a purchase order and invoice, consideration for the transfer of these assets were similarly recorded as a non-cash journal entry to the intercompany accounts.
 - Cash was moved between the Company and Ellume USA to ensure liabilities were paid on an ad hoc basis, e.g. accounts payable and payroll.
 - The Company, on occasions, would settle accounts payable on behalf of Ellume USA and vice versa.
 - The Company's record of the transactions in the intercompany accounts have little to no description to properly identify the nature or purpose of the transaction subject to the journal entry.
- As a result of the above, we consider the related party creditor loan of \$35,082,787 owed by the Company to Ellume USA is overstated. To date, however, Ellume USA has not submitted a POD.
- Should the Company be placed into liquidation, further investigations into the conduct of these intercompany accounts will be carried out.

The related party creditors are ordinary unsecured creditors and are entitled to submit a POD to claim and vote at the second meeting of creditors.

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. Relevance of liquidation versus DOCA

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

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

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

6.1.4. Work performed

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

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

- Whether there is the prospect of a claim for insolvent trading.

Please note the investigations we have undertaken are only 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

Our key workings and other analysis are contained in **Appendix 5**.

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

The summary of our findings and views on the Company's solvency position discussed in **Section 6.3.1**.

6.2.2. Creditors' information sheet and other explanations

Provided at **Appendix 7** are information sheets 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

Our preliminary view is the Company was likely insolvent from at least 31 May 2022 and remained so up until the time of our appointment on 31 August 2022.

This view was formed as a result of the following:

- The Company failed to make a profit in all FY's reviewed from 1 July 2018 and accumulated losses in excess of \$146.48m between April 2020 and our appointment.
- The Company's auditors noted material uncertainty in the ability of Ellume Limited and Ellume USA LLC (together "the Group") to continue as a going concern in FY20 and FY21 audit reports.
- The Company had some difficulties in producing timely and accurate financial data with errors identified in recording of cash balances and inventory which were later rectified.
- In the eleven months prior to our appointment, the Company experienced staff retention issues which saw a major decline in overall headcount, including the loss of several key personnel with significant operational experience and legacy knowledge of the business.
- Although the Company was successful in conducting two rounds of convertible note funding in September 2021 and December 2021, after December 2021 the Company was unable to secure any further committed funding from existing [or additional] noteholders.
- In September 2021 the Company:
 - Discussed the adoption of safe harbour provisions in board meetings;
 - Considered appointing a restructuring officer;
 - Appointed Deloitte to undertake an initial assessment of the business; and

- Sought a deferment in payments to major equipment supplier.
- From September 2021 onwards, the Company in conjunction with advisors appears to be executing a restructuring plan by:
 - Extending payment terms with creditors;
 - Sourcing fixed asset and debtor financing through Fulton Bank (“Fulton”) and others;
 - Extending repayment terms of a sizeable convertible note; and
 - Negotiating with the DoD for a further capital injection for the US facility; and
 - Preparing to raise additional capital via an IPO.
- Finance staff raised solvency concerns from 24 December 2021 onwards.
- On 6 September 2021, the FDA raised concerns surrounding the level of reporting false positives from Ellume USA ECHT. On 2 October 2021, Ellume USA announced a Product recall. The Company undertook a capital raise in December 2021 to absorb the costs associated with the product recall. The Group attribute a total loss of \$37m in inventory as result of the recall.
- On 24 December 2021, the United States Government announced it would roll out free RATs for United States citizens, resulting in a decrease in demand for retail sales for Ellume USA.
- Following the depletion of noteholder funds received in January 2022 aged payables had an upwards trajectory, with creditors aged greater than 60 days accounting for 91% of total aged payables by appointment date.
- The Company’s lack of diversified customer base made it reliant on its subsidiary, Ellume USA and its contract with DoD for revenue. Without the DoD, the board stated the Company was not viable. An extension to the DoD contract was sought in March 2022 with regular requests for the DoD to exercise an option to purchase an additional 3.1m ECHTs, however confirmation from the DoD was not obtained until after the appointment of Administrators.
- Post May 2022, the Company’s current ratio dropped below 1 and remained so until the appointment of Administrators. A current ratio below 1 indicates the Company may be unable to meet current liabilities using current assets.
- The Company and Ellume USA sought funding from various sources, and Ellume USA progressed negotiations with Fulton. After refusal from capital note holders to provide consent to the Fulton facility, lack of appetite for the IPO to proceed and by existing noteholders to provide further investment, coupled with the DoD not extending their contract the Company was unable to obtain further funding and entered Administration.

Further analysis can be found at **Appendix 5**.

6.3.2. Preliminary view on liability for insolvent trading

From our preliminary investigations the Company appears to have become insolvent from May 2022. However, it is currently unclear whether the Directors would be liable for any insolvent trading claim on the basis of potential defences available to the Directors as will be discussed in **Section 6.3.3** of this report below.

Based on our estimated date of insolvency, the potential claim for insolvent trading may be in the order of c.\$6.13m, however the Directors may be protected from personal liability under the Safe Harbour laws.

If the Company were placed into liquidation, and a Liquidator were to challenge any Safe Harbour protections and pursue the Directors with an insolvent trading claim, it would be very likely a Liquidator

would need to obtain litigation funding to proceed with the claim. Litigation funders often provide funding if there is a strong chance of success, and their success fee would typically range from 25-40% of funds received. There would also be significant costs incurred by the Liquidator and their legal advisors in pursuing an insolvent trading claim.

However, in the event of a liquidation, further work would be performed regarding the solvency position of the Company to determine if there is a benefit to creditors in pursuing the Directors for insolvent trading.

Creditors should refer to **Appendix 5** for additional information regarding the insolvency of the Company.

6.3.3. Safe Harbour

Directors have a duty to prevent a company trading whilst insolvent and may be found personally liable for the debts the company incurs when there were reasonable grounds to suspect the company was insolvent.

Directors can, however, be protected from personal liability for insolvent trading if the company is undertaking a restructuring plan which is reasonably likely to result in a better outcome than immediately placing the company into external administration. This process and protection is referred to as *Safe Harbour*.

The eligibility requirements for Safe Harbour protection and our preliminary view on whether the criteria have been met, is based on our review of the Company board minutes and accompanied board presentations. We note the Directors have claimed privilege against the reports prepared by the safe Harbour advisors. To this end our view is set out in the below table:

Safe harbour eligibility criteria	Criteria met?	Act Reference
Are the Directors properly informing themselves of the Company's financial position?	Yes	588GA(2)(a)
Are the Directors taking appropriate steps to prevent any misconduct by officers or employees of the Company which could adversely affect the Company's ability to pay all its debt?	Yes	588GA(2)(b)
Are the Directors taking appropriate steps to ensure the Company is keeping appropriate financial records consistent with the size and nature of the Company?	Yes	588GA(2)(c)
Are the Directors obtaining advice from an appropriately qualified entity who was given sufficient information to give appropriate advice?	Unable to confirm	588GA(2)(d)
Are the Directors developing or implementing a plan for restructuring the Company to improve its financial position?	Unable to confirm	588GA(2)(e)
Has the Company met and continues to meet its employee entitlement obligations? This includes wages, leave entitlements and superannuation	Yes – subject to further review	588GA(2)(a)(i)
Has the Company complied and continues to comply with its tax reporting obligations? Includes returns, notices, statements, applications or other documents as required by taxation laws (within the meaning of the <i>Income Tax Assessment Act 1997</i> (Cth))	Yes – subject to further review	588GA(4)(a)(ii)

Our preliminary view is the Company was likely insolvent from at least 31 May 2022.

In terms of eligibility for Safe Harbour protection from insolvent trading liabilities, board minutes of the Company indicate the Directors engaged Deloitte initially to undertake a review of the Company in October 2021 and as Safe Harbour advisers in December 2021. Information on the timing for entering Safe Harbour as well as the better outcome plan being pursued was requested from both the Directors and Deloitte, all who have claimed the documentation is privileged and will not be provided to the Administrators.

We expect the Directors would seek to rely on Safe Harbour protection if the Company were to be placed into liquidation and an insolvent trading claim was pursued.

As we have not been provided with the information supplied to the Safe Harbour advisors, or the Safe Harbour advice, we are presently unable to form a definitive view as to the likely strength of such protections at this point in time. However, it appears the Safe Harbour advisors were engaged well prior to our appointment and we understand numerous avenues to restructure the business during this time were explored. Further investigation would be required to confirm this position should a liquidation occur.

6.3.4. Directors' capacity to pay claims by a liquidator

Whilst we have not received a statement of the Directors' assets and liabilities, we note the following searches were conducted on all five (5) current Directors and (2) two former Directors:

- An ASIC Personal Current and Historical Extract, disclosed shareholdings in other companies;
- Property searches performed indicate some Directors may own real property;
- Property searches on related entities indicated these entities may own real property;
- We have been unable to perform a motor vehicle search in the name of the Directors, due to privacy constraints; and
- They are not shown as bankrupt on ASIC's data base.

As the Administrators have no visibility of the potential equity in each property and any other shareholdings in the name of the Directors, we are unable to verify if the Directors would be able to meet a successful insolvent trading claim. Our view remains that the Directors are likely to be protected from any insolvent trading claim due to safe harbour provisions being in place. In the event a liquidator is appointed, further investigations would be required.

We understand a Directors and Officers insurance policy is held, however cannot confirm if the policy would respond to an insolvent trading claim.

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.

Appendix 7 contains an information sheet to assist creditors in understanding potential offences under the Act, recoverable transactions, and insolvent trading.

Area	Our view	Comments
Unfair preferences	Possible claims	■ We have reviewed the payments made by the Company during the period leading up to appointment, taking into account the potential date of insolvency of the Company. ■ We consider that there may be ten (10) preferential payments to trade creditors totalling \$2,282,215. However, this is subject to further investigation should the Company be placed into liquidation to determine if the payments to suppliers were made in good faith, or if the trade creditors were aware of the insolvency of the Company at the time payments were made.
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 which 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	Possible claims	■ Based on our investigations to date, whilst we consider the Directors may have committed a breach of section 588G of the Act, we understand they may elect to rely on the Safe harbour provisions pursuant to section 588GA of the Act. ■ Should the Company be placed into liquidation, further investigations will be carried out.

6.5. Capital Raise Funds

As creditors may be aware, the Company undertook pre-IPO capital raise to fund working capital. As part of our duties as Administrators we have examined the approved purpose for the funds and whether the Company has breached any of the terms.

In determining whether the funds were utilised per the approved purposes, we analysed the following resources:

- Pre – IPO presentations;
- Marketing and promotional materials put forward to investors; and
- Convertible note deed.

Noted within the materials mentioned above, the approval purpose for the funds were the following:

- To progress the Company manufacturing capability;
- Working capital purposes; and
- Costs associated with the transaction.

During the period of June 2021 to October 2021 and December 2021 to February 2022, the Company was predominately funded by capital raised by issuing convertible notes. Based on our investigations, we were able to trace where the funds were disbursed during these periods, of which the majority were either paid to Ellume USA, trade creditors or employees.

Although AUD \$3.7m was transferred to Ellume USA, we determined these funds were used to fund manufacturing capability and fall under the approved purpose of the notes. Pursuant to the above, we have determined the Company has not breached any of the requirements per the capital note conditions.

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

A proposal for a DOCA has been received from Hough.

The sale and recapitalisation campaign resulted in the Administrators receiving two proposals to acquire and/or recapitalise the Group via a DOCA. In our view, the DOCA proposal which presents the best outcome for creditors is the Hough DOCA proposal.

A copy of the Hough DOCA proposal is **attached at Appendix 6**. Creditors should read the proposal and ask us before the meeting if they have any specific queries that are not addressed in this report.

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

7.3. Glossary of terms

Capitalised terms relevant to the Hough DOCA proposal are defined in the Glossary at **Appendix 1**.

7.4. Hough DOCA proposal

7.4.1. Key features

The key features of the Hough DOCA proposal are as follows:

- Restructure the Company's debts with Hough acquiring 100% of the issued shares in the Company.
- The Company enters a DOCA whilst the required approvals, consents or waivers are obtained from ASIC and the Court.
- Following all conditions precedent being met, the DOCA will effectuate, ownership of all shares in the Company will transfer to Hough (or its nominee) and a Creditors' Trust is established to satisfy the claims of creditors.

- The timeframe for completion of the transaction is subject to the timing of satisfaction of the conditions precedent discussed further at Section 7.4.2 of this report. We anticipate completion occurring by 10 March 2023, however this is subject to creditors' approval at the second meeting of creditors and the timing of receipt of ASIC relief and Court approval.
- Unsecured creditor claims will be released through the DOCA in return for the right to lodge a claim and receive a distribution in the Creditors' Trust.
- Hough will assume employee entitlements of continuing employees of the Company and the liabilities of Ellume USA.
- Certain noteholders at the direction of Hough may elect to not receive a distribution from the Creditors' Trust and amend the terms of the Notes to the satisfaction of Hough. All other Notes, including the Notes of any Electing Noteholder, who do not elect to amend the terms of the Notes can claim in the Pool G of the Creditors' Trust described below.
- The Company will use its commercial reasonable endeavours to renegotiate its agreements with QIAGEN to the satisfaction of Hough.
- The Contribution of USD \$38m is made by Hough to the Creditors' Trust on completion. Interim Funding in the amount of up to USD \$5m has been made available to the Administrators through to completion of the DOCA.
- Any Working Capital Amounts and trading liabilities incurred in the Administration and Deed Administration periods held by the Company at Completion will also be settled to the Creditors' Trust.
- Distributions from the Creditors' Trust will be made in the following order:
 - Pool A – repayment of the Interim Funding and, if relevant, any part of the Security Funding;
 - Pool B – repayment of any balance owing of the Security Funding
 - Pool C – in accordance with the priorities set out in sections 556, 560 and 561 of the Act, as though those priorities were applied in the Creditors' Trust;
 - Pool D – equally and rateably to Small Claim Creditors, with the total amount of the pool not to exceed the lesser of \$0.285m or 50 cents in the dollar;
 - Pool E – QIAGEN in the amount of USD \$7m;
 - Pool F – equally and rateably the balance of the Creditors' Trust Fund to all Admitted Claims not included in the other pools; and
 - Pool G – equally and rateably to the participating Noteholders up to the amount of USD \$12.5m.
- Hough will not receive any distributions under the DOCA or Creditors' Trust other than in respect of the repayment of the Interim Funding.
- Ellume USA as a subsidiary of the Company is an Excluded Creditor and will not receive a distribution from the Creditors' Trust.

7.4.2. Conditions precedent

The following are conditions precedent to the completion of the Hough DOCA and creation of the Creditors' Trust:

- Release by each of the Lender Group of all security granted;
- Release by certain holders of security granted pre-appointment, unless otherwise agreed and on terms that provide for continued trading;
- ASIC provision of relief pursuant to section 606 of the Act;

- The making of an order by the Court pursuant to section 444GA(1)(b) of the Act to transfer all shares in the Company to Hough, and the consequent transfer of the shares. Further detail on the Court application under section 444GA is outlined at Section 7.8 of this report;
- Hough being satisfied that the Company it is not contractually restricted from commercialising certain diagnostic products;
- Payment of the USD \$38m to the Deed Fund by Hough;
- Execution of the Creditors' Trust Deed;
- Repayment of the Interim Funding provided by Hough to the Deed Administrators;
- Termination by the Administrators of the Pre-Administration Leases or notification the counterparties to such contracts have been notified the Company will cease to comply with, and will not perform its obligations under, and treat the Pre-Administration Leases as being at an end;
- The resignation, removal or appointment of certain directors at the direction of Hough;
- Retention of certain staff on terms acceptable to those staff and Hough, being no less favourable than existing terms; and
- Binding commitments from certain landlords in relation to the ongoing use of certain premises.

7.4.3. DOCA implementation

Following satisfaction, or waiver of the above conditions precedent:

- The Creditors' Trust Deed will take effect pursuant to the terms of the Creditors' Trust Deed;
- The Deed Administrators will transfer the Deed Fund to the trustees of the Creditors' Trust to form the Creditors' Trust Fund; and
- The DOCA will then be fully effectuated.

7.4.4. Treatment of Related Party Claims

The DOCA proposal excludes the participation of Excluded Creditors in any distribution from the Creditors' Trust Fund which includes all subsidiaries of the Company.

7.4.5. Effects of the DOCA on employees' ability to access the FEG scheme

Current and former employees should note access to the FEG scheme for any outstanding entitlements, in particular leave and redundancy, is not available in a DOCA scenario as the FEG scheme is only available if a company goes into liquidation.

Outstanding superannuation entitlements are not covered by the FEG scheme. Superannuation entitlements outstanding for the period 1 August 2022 to 31 August 2022 will be paid from the Creditors' Trust Fund, from Pool C. Superannuation payable during the course of the voluntary administration is our liability and will be satisfied and paid no later than when due.

Continuing employees will retain their entitlements with the Company and all employee entitlements, which are due and payable in the ordinary course, will continue to be paid up until Completion.

7.4.6. Extinguishment of claims

Upon Completion of the DOCA, all claims (other than those which are not affected pursuant to section 444D of the Act and those of Excluded Creditors) will be released, discharged and extinguished in full, in consideration for the Admitted Creditors becoming beneficiaries under the Creditors' Trust.

Any claims will be deemed to be abandoned if, prior to the declaration of the final dividend or distribution, a creditor has failed to submit a formal POD or claim in accordance with the terms of the Creditors' Trust, or having submitted one which is rejected, fails to appeal against the rejection within the relevant timeframe set out in the Creditors' Trust Deed.

7.4.7. Termination of the DOCA

The DOCA will continue in operation until the DOCA is terminated:

- Upon its Completion;
- By an order of the Court under section 445D of the Act;
- By a resolution of creditors at a meeting convened under Division 75 of Schedule 2 to the Act; or
- Automatically, if a condition precedent is not satisfied (or becomes incapable of being satisfied) or if not waived by the parties by the condition precedent satisfaction date of 10 March 2023 (or to a date as otherwise agreed by the Deed Administrators and the Proponent).

7.4.8. Other relevant matters

- The proposed Deed Administrators and the proposed Trustees of the Creditors' Trust are John Park and Joanne Dunn.
- During the period of operation of the DOCA, the Deed Administrators will maintain control of the Company and will continue to manage the operations of the Company.
- Control of the Company will return to its directors upon Completion of the DOCA.
- During the operation of the DOCA, the moratoria in sections 440A, 440D, 440F and 444E of the Act will apply to all creditors and members of the Company.
- For claims to be admissible under the DOCA, and hence the Creditors' Trust, they must have arisen on or before the date of appointment of the Administrators, being 31 August 2022.

Upon termination of the DOCA due to the non-satisfaction of a condition precedent prior to the relevant date, Hough will cease to be bound by the DOCA and have no liability under it. In such circumstances, the Deed Administrators would immediately call a meeting of creditors to determine the Company's future.

7.5. Our comments on the proposal

7.5.1. Likely satisfaction of conditions precedent

Whilst there remains some conditionality in the Completion of the DOCA, the Proponent has undertaken to provide interim funding during the DOCA period.

Our comments regarding the likelihood of satisfaction of each of the conditions precedent is as follows:

- We expect to be provided with the release of security by the Lender Group subject to the settlement of amounts owed to these parties under the Administrators' funding agreement.

- We expect to be provided with the release of security and agree continued trading terms with these parties subject to the satisfaction of any valid claims by these parties.
- As we have not discussed the matter with ASIC, we are unable to comment regarding the provision of relief from section 606 of the Act by ASIC, however, we do expect the relief to be granted.
- Although the making of a 444GA Order is a matter for the Court, it is our opinion, due to there being no economic interest in the Company remaining for the benefit of shareholders, the criteria for making of such an order are satisfied.
- Based on our understanding of the current relevant commercial agreements of the Company, we do not expect that Hough will be contractually restricted from commercialising certain diagnostic products.
- Risk of non-payment of the Contribution has been mitigated through the transaction structure with Hough required to provide Interim Funding in line with the terms of the Funding Agreement through to Completion.
- The Creditors' Trust Deed is a matter within the direct control of the Administrators and as such the risk of non-execution is minimal.
- Based on the current financial forecast information, we do not consider there will be material impediments to repayment of the Interim Funding provided by Hough to the Administrators.
- We do not consider there will be material impediments to satisfaction of the condition precedent regarding Pre-Administration Leases as this is largely a procedural matter that can be attended to by the Administrators.
- We do not consider there will be material impediments to satisfaction of the condition precedent regarding the resignation, removal or appointment of certain directors at the direction of Hough as this is largely a procedural matter that can be attended to by the Administrators.
- We are in ongoing communication with the relevant staff and Hough intends to commence discussions with the relevant employees.
- We are in ongoing discussions with the relevant landlords and as a result do not consider there will be material impediments to procuring binding commitments from certain landlords in relation to the ongoing use of certain premises.

7.5.2. Return to creditors

The Hough DOCA proposal provides a return to priority creditors of 100 cents in the dollar, a return to Small Claims Creditors of up to 50 cents in the dollar, a return to Qiagen of up to 47 cents in the dollar, and a return to participating Noteholders up to 35 cents in the dollar, and a return to unsecured creditors of up to 20 cents in the dollar.

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

Whilst there were other offers, the Administrators selected the Hough DOCA proposal, taking into consideration the interests of creditors and other considerations as outlined in **Section 7.4** of this report.

If the Hough DOCA proposal is not accepted, and given the limited funding available, the only other realistic option would be for the Company to be placed into liquidation.

In forming their own views as to whether the Hough DOCA proposal is in their interests, creditors should consider the following items when comparing the Hough DOCA proposal to liquidation:

- The market for the business has been thoroughly tested as part of the Administrators' sale process and the current Hough offer is considered by the Administrators and Houlihan Lokey as the best option available to all creditors.
- Under the Hough DOCA proposal the business will continue as a going concern, with the employment of workforce preserved.
- Various unsecured creditors will gain the benefit of ongoing trade with the Company as well as the potential to receive a dividend in the Hough DOCA.
- Based on preliminary investigations, the Hough DOCA proposal is expected to provide a higher return to all classes of creditors than liquidation and will result in a more timely dividend to creditors of the Company than liquidation.
- The working capital and requirement to payment of trading liabilities are applicable under both the DOCA and liquidation scenario.
- The additional funds available in the Hough DOCA scenario which are not available in liquidation is the Contribution of USD \$38m.
- Voidable transactions identified in our investigations are only recoverable if the Company is placed in liquidation. Please refer to **Section 6** and **Appendix 5** for further details.
- Under the Hough DOCA, Ellume USA will not seek to claim against the Creditors' Trust Fund. In a liquidation, Ellume USA is entitled to make a claim as an unsecured creditor. However, there is unlikely to be a return to unsecured creditors in a liquidation.
- We have undertaken a review of the creditor position and the Hough DOCA proposal may provide a return for unsecured creditors which they would not receive in a liquidation.
- The FEG scheme, operated by the Commonwealth Government, pays certain entitlements of employees whose employment has been terminated as a result of an employer's liquidation. To be eligible for FEG, the Company must be in liquidation. There are also timing considerations between lodgement of a claim and receiving funds.
- On the other hand, the Hough DOCA proposal provides for ongoing employment and the payment of employee entitlements in the ordinary course following cessation of employment.
- Further, FEG does not extend to superannuation liabilities. The Hough DOCA proposal provides for the payment of superannuation liabilities as a priority claim under Pool C.
- The terms of the Hough DOCA proposal do not offer any security in respect of the Contribution from the Proponent. In the event the Proponent does not make payment of the Contribution, the Hough DOCA may be terminated and the Company will likely be placed in liquidation.
- The payment of the Contribution must occur prior to Completion of the Hough DOCA, prior to the Creditors' Trust becoming effective. The required timing of the payment alleviates any risk of the creditors' rights being extinguished without the terms of the Hough DOCA being fully satisfied.
- In the event the Hough DOCA terminates for reasons other than successful completion, we do not consider creditors will be worse off than if the Company were immediately placed in liquidation.

Based on the above, we consider the Hough DOCA to be in the best interests of creditors.

7.5.3. Company's operations following Completion of the DOCA

Hough, as part of the submission of their binding offer and DOCA proposal, have provided the Administrators with a comprehensive business plan for the restructure of the Company. A brief summary of the key features of the business plan are to refocus the business of the Company to maximise its existing products, research and intellectual property into new markets whilst also continuing to commercialise its growing product menu over an initial three-year period.

Having considered the Hough DOCA proposal and accompanying business plan, we are satisfied that the Company will be able to continue beyond the DOCA.

7.6. Expected timeline of events

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

- The Hough DOCA will be executed by the parties subject to the deed. This is to occur within two (2) business days after the forthcoming meeting of creditors. At law, there is a maximum time period of 15 business days after the meeting for the Hough DOCA to be executed. If the Hough DOCA is not executed within this time, the Company would be placed into liquidation.
- The Deed Administrators and Hough will endeavour to satisfy all conditions precedent outlined in the Hough DOCA. This will include an application by Deed Administrators to Court for the purposes of obtaining a 444GA Order.
- The Company will return to solvency, under the control and ownership of Hough.
- Under the Creditors' Trust, a dividend process (conducted in a manner consistent with the provisions of the Act) will be undertaken. This will involve creditors submitting a POD to the Trustees to substantiate their claim, the Trustees adjudicating on these claims and then paying a dividend in accordance with the terms of the Creditors' Trust.

If the Hough DOCA has not been effectuated prior to 10 March 2023, or any such later date agreed to by the Deed Administrators and the Proponent, the Deed Administrators are required to convene a meeting of creditors to decide the future of the Company.

7.7. Purpose of a creditors' trust

7.7.1. General Information on the purpose of a creditors' trust

- A creditors' trust is a mechanism for the distribution of a fund to creditors of a company or group of companies, which accelerates a company's exit from external administration. A trust is formed for the benefit of the relevant creditors, and the trust funds (usually contributed by the proponent of the DOCA) are paid to the trust for distribution to creditors in accordance with a trust deed.
- A creditors' trust is an arrangement pursuant to the Trusts Act rather than the Act.
- The DOCA proposal by Hough requires the use of a creditors' trust. The reason for a creditors' trust structure is to accelerate the Company's exit from external administration and to allow the transfer of all shares in the Company to Hough.

7.7.2. General Information on the purpose of a Creditors' Trust

- In December 2018, ASIC updated Regulatory Guide 82 in respect of Creditors' Trusts, entitled 'External Administrations: Deeds of company arrangement involving a creditors' trust'. A copy of Regulatory Guide 82 can be downloaded from the ASIC website [linked here](#), by searching at www.asic.gov.au/, or is available from our office upon request.
- Key considerations of the Creditors' Trust proposed by Hough, as required pursuant to Regulatory Guide 82, is at **Appendix 9** with a summary at **Section 7.7.4** below.

7.7.3. Rights of creditors

- The trust deed will incorporate many provisions of the Act, but creditors' rights will be governed by the Trusts Act and in equity.
- The terms of the proposed DOCA is in the preceding pages. Creditors' rights are altered in the DOCA proposal and creditors should take this into account in assessing the merits of the DOCA proposal put forward.
- Creditors should seek their own legal advice as to the implications to them.

7.7.4. Summary of key considerations

Typically, when a creditors' trust is created:

- The company's obligations to all creditors bound by the DOCA are compromised in accordance with the DOCA (typically upon satisfaction of certain conditions);
- The deed administrators of the DOCA become the trustees and the creditors become the beneficiaries of the creditors' trust;
- The company and/or third parties promise to make one or more payments (or transfer of property) to the trustees in satisfaction of the creditors' claims against the company. In return, the creditors' claims against the company are extinguished;
- The DOCA is 'effectuated' immediately upon the creation of the creditors' trust, which usually occurs after the DOCA is executed and any conditions precedent are satisfied;
- When the DOCA is 'effectuated', the company ceases to be externally administered, the directors regain full control of the company, the company is no longer required to use the notification 'subject to deed of company arrangement' on its public documents as it otherwise would be required by section 450E(2) of the Act; and
- The deed administrators (now trustees) then become solely responsible to the former creditors (now beneficiaries) for:
 - Ensuring the company and/or other third parties make their payments, transfer property and satisfy any other obligations to the trustees;
 - Determining how much each of the former creditors is entitled to receive from the trust; and
 - Making any distribution to those former creditors in their capacity as beneficiaries of the trust.

7.7.5. Termination and variation of the creditors' trust deed

The creditors' trust deed for the company will usually provide for the termination of the trust under certain conditions, such as:

- Complete distribution of the trust fund has been made in accordance with the terms of the creditors' trust deed; or
- The expiry of a perpetuity period (80 years).

The trustees may vary the creditors' trust deed by resolution passed at a meeting of creditors, but only if the variation is not materially different from the proposed variation set out in the notice of meeting.

7.7.6. Moratorium

A moratorium upon actions against the Company, as outlined in section 444E of the Act, applies during the period of the DOCA. Additionally, the creditors' trust deed will stipulate, subject to the terms of the creditors' trust deed and section 444D of the Act, creditors shall not take action or steps to enforce their rights to recover any of their entitlements whilst the trustees remain the trustees of the trust on the terms of the creditors' trust deed.

7.8. Share transfer to Hough

As discussed above, the Hough DOCA involves the transfer of 100% of the Company's shares to Hough. To enable the transfer of the shares, the Deed Administrators are required to make an application to the Court with a view to obtaining the 444GA Order.

The process to obtain the 444GA Order entails the following key steps:

- Preparation of:
 - Court application and supporting affidavit seeking the 444GA Order;
 - Explanatory statement; and
 - Independent expert's report
- The explanatory statement and independent expert's report provided to ASIC
- The explanatory statement and independent expert's report distributed to shareholders
- A Court hearing of the application
- A decision by the Court to grant leave to transfer the shares or otherwise
- ASIC relief to be granted

The Court will grant leave to transfer the shares where it will not 'unfairly prejudice' the interests of shareholders. Shareholders, stakeholders and interested parties will have the opportunity to be heard at the Court hearing.

If the Hough DOCA is approved at the second meeting of creditors, we anticipate the process to obtain the 444GA Order will take up to two (2) months due to the Court closure over the new year holiday period. The timeframe will depend upon Court availability, expert availability, and whether there are appearances from shareholders and other stakeholders who oppose the 444GA Order.

Should the Court refuse leave, then the Deed Administrators will convene another meeting of creditors to determine the future of the Company.

7.9. Effect on employees

7.9.1. 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:

Type of entitlement	
Tier 1	Amounts due in respect of wages, superannuation and superannuation guarantee charge outstanding as at the date of the appointment of Administrators, followed by
Tier 2	Amounts due in respect of leave of absence and other amounts due under the terms of an industrial instrument, followed by
Tier 3	Amounts due as a result of termination of employment, including redundancy and payment in lieu of notice

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 satisfy employees' claims 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. FEG provides financial assistance to employees of companies in liquidation, subject to eligibility requirements being met, to pay unpaid wages, annual leave, long service leave, PILN and redundancy, up to prescribed limits.

The FEG scheme does not cover unpaid superannuation.

Further information is available here: www.ag.gov.au/industrial-relations/fair-entitlements-guarantee-feg.

7.9.2. 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.

The Hough DOCA proposal stipulates the entitlements of former employees will be paid from the Creditors' Trust Fund in Pool C. Continuing employees will retain their employment and their entitlements will be paid in the ordinary course e.g. when leave is taken or following termination/resignation.

The Hough DOCA proposal also stipulates any outstanding superannuation (irrespective of the continuation or cessation of employment) will be paid from the Creditors' Trust Fund in Pool C.

As the DOCA does not include the usual priority provision in relation to employee claims, either an Eligible Employee Meeting must be held, or the Court must make an order approving the exclusion of the priority provision before the DOCA can become effective.

Our comments on the impact on employees under a DOCA are provided at **Section 8.3.2** of this report.

A circular to eligible employee creditors has been issued to employees which explains how the DOCA impacts their entitlements and how the DOCA compares to a liquidation scenario.

7.10. Eligible employee meeting

Pursuant to section 444DA of the Act, the Administrators are required to hold an Eligible Employee Meeting prior to the second meeting of creditors, because the DOCA does not contain a provision for Eligible Employees to receive a priority at least equal to what they would have been entitled to under the priority of payment provisions (section 556 of the Act) in a liquidation.

The purpose of the Eligible Employee Meeting is for Eligible Employee creditors to consider and, if thought appropriate, approve the absence of the provision in the DOCA.

A circular has been separately issued to all Eligible Employee creditors explaining how the proposed DOCA impacts their entitlements and ongoing employment, and how the DOCA compares to a liquidation scenario.

The Eligible Employee Meeting will be held on **Tuesday 20 December 2022 at 11:30AM (AEST)** using virtual meeting facilities.

Should Eligible Employees wish to attend the Eligible Employee Meeting, please complete and return the relevant forms to our office by no later than **10:00AM (AEST) on Monday, 19 December 2022**.

Forms for the Eligible Employee Meeting are available to download from the FTI Consulting Creditor Portal: <https://www.fticonsulting.com/creditors/ellume-limited>

7.11. Effect on shareholders

7.11.1. Effect on shareholders – liquidation

In accordance with section 563A of the Act, in a liquidation, claims by shareholders are subordinated until all other debts payable by the Company have been satisfied. Our estimated return to creditors outlined at **Section 8** of this report demonstrates there will be no return to creditors in a liquidation. Accordingly, there would be no return to shareholders if the Company were liquidated.

7.11.2. Effect on shareholders - DOCA

A key aspect of the DOCA is the transfer of 100% of shares in the Company to Hough. The DOCA does not provide for any consideration to be paid to current shareholders in respect of this transfer.

Further, the DOCA incorporates section 563A of the Act such that shareholders are unable to participate in any dividend process in the DOCA.

7.12. Other matters relevant for consideration

Creditors should be aware of the following additional information when deciding whether to accept the Hough DOCA proposal instead of placing the Company into liquidation.

7.12.1. Liquidators' recoveries

Once executed, the Hough DOCA proposal binds all the Company's creditors in respect of claims arising on or prior to the date the DOCA is expressed to take effect. This includes unsecured creditors who may have voted against the DOCA. The DOCA also binds the Company, its officers, members, and the Deed Administrators.

If the DOCA is accepted by creditors, creditors will forgo any insolvent trading or voidable transaction recoveries as these recoveries are only available to the Company's liquidators (should the Company be placed into liquidation). As discussed in Section 6.4 of this report, although we have identified potential voidable transaction claims which could be pursued for the benefit of creditors, further investigations would be required to confirm the likelihood and quantum of recoveries.

A liquidator would need to complete all statutory investigations to determine if any recoveries are available, including those which may not have been identified by us to date. We note if the DOCA fails and the Company is wound up, our ability to seek recovery of voidable transactions (if subsequently identified) is retained.

7.12.2. Moratorium

Subject to section 444E of the Act, creditors bound by a DOCA cannot:

- Make an application for an order to wind up the Company;
- Proceed with an application in connection with the winding up of the Company made before the DOCA became binding on the creditors;
- Begin or continue any proceeding against the Company or in relation to any of its property (except with leave of the Court);
- Exercise any right of set-off or crossclaim against the Company;
- Begin or continue with any enforcement process in relation to the Company's property (except with leave of the Court); or
- Commence or proceed in arbitration against the Company or in which the Company is a party.

7.12.3. Taxation

Company and Trust

Whilst there may be taxation and stamp duty implications for the Company and the Creditors' Trust if the proposed DOCA is approved, we are not presently able to provide details of these implications (including any impact on the anticipated return to creditors/ beneficiaries). We recommend creditors obtain independent advice prior to voting at the second meeting of creditors if these implications are of concern.

Creditor and Beneficiary

We draw creditors' attention to the fact there may be potential taxation implications for a creditor in receiving distributions as a beneficiary of a trust rather than in their capacity as a creditor of the Company. In broad terms, the distribution of funds under a Deed (or in a liquidation scenario) is simply a payment in respect of a debt. Conversely, a distribution of money under a creditors' trust does not have the same character but involves the payment of amounts either on capital or revenue account, thereby creating potential income and capital gains tax consequences. We are not able to offer specific advice to creditors in respect of any taxation implications. Accordingly, we recommend you seek independent taxation advice on your individual circumstance prior to voting at the second meeting.

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8. Estimated return to creditors

8.1. Administrators' estimated statement of position

Below is the Administrators' estimated outcome statement in the event of a DOCA and liquidation. In the event of a liquidation, it is assumed insufficient funds are available to continue to operate the Company and the Company would cease to trade.

8.1.1. Summary of estimated return in DOCA and Creditors' Trust scenario

Administrators' estimated statement of position in a DOCA and Creditors' Trust scenario				
		DOCA		
AUD	Note	Low return	High return	
Circulating assets				
Cash at bank at appointment	1	1,575,259	1,575,259	
Pre-appointment debtors	2	10,652	15,604	
Inventory	3	Nil	Nil	
Total circulating assets		1,585,911	1,590,863	
Proponent contribution		4	56,716,418	56,716,418
Less: Interim DOCA funding (Pool A)	4, 5	(7,462,687)	(3,516,054)	
Net circulating assets/Net fund		50,839,642	54,791,227	
Pool B: Security funding				
Trading security holder claims	5, 16	(7,520,950)	(283,943)	
Voluntary Administrators' funding	6	(5,238,344)	(5,238,344)	
Pool B creditor fund		11,940,299	5,522,288	
Pool B distribution rate (c/\$)		94 c/\$	100 c/\$	
Pool C: Costs and priority creditors				
Projected trading position	7	(4,614,723)	Nil	
Voluntary Administrators' funding (shortfall after Pool B)	6	(818,996)	Nil	
Legal and advisor fees	8	(3,939,096)	(3,839,096)	
Voluntary Administrators' remuneration	8	(2,661,578)	(2,600,000)	
Deed Administrators' remuneration	8	(850,000)	(800,000)	
Creditors' Trustee remuneration	8	(400,000)	(300,000)	
Wages and superannuation	9	(217,786)	(217,786)	
Leave entitlements	9	(550,526)	(520,526)	
Redundancy and payment in lieu of notice	9	(559,798)	(559,798)	
Pool C creditor fund		14,612,503	8,837,206	
Pool C distribution rate (c/\$)		100 c/\$	100 c/\$	

Administrators' estimated statement of position in a DOCA and Creditors' Trust scenario			
AUD	Note	DOCA	
		Low return	High return
Pool D: Small claim creditors			
Small claim creditors	5	(367,182)	(367,182)
Pool D creditor fund		183,591	183,591
<i>Pool D distribution rate (c/\$)</i>		<i>50 c/\$</i>	<i>50 c/\$</i>
Pool E: Qiagen			
Qiagen claim	5	(22,425,909)	(22,425,909)
Pool E creditor fund		10,447,761	10,447,761
<i>Pool E distribution rate (c/\$)</i>		<i>47 c/\$</i>	<i>47 c/\$</i>
Pool G: Noteholders			
Noteholder claims	5	(91,824,171)	(53,886,202)
Pool G creditor fund		13,655,488	18,656,716
<i>Pool G distribution rate (c/\$)</i>		<i>15 c/\$</i>	<i>35 c/\$</i>
Pool F: Ordinary unsecured creditors			
Ordinary unsecured creditors	5, 17	(65,386,994)	(57,056,966)
Pool F creditor fund		Nil	11,143,664
<i>Pool F distribution rate (c/\$)</i>		<i>0 c/\$</i>	<i>20 c/\$</i>

*AUD/USD exchange rate of 0.67 applied to calculations.

8.1.2. Summary of estimated return in a liquidation scenario

Administrators' estimated statement of position in a Liquidation scenario			
AUD	Note	Liquidation	
		Low return	High return
Non-circulating assets			
Shares in related parties	10	Nil	Nil
Other assets	11	Nil	Unknown
Plant and equipment	12	1,805,972	2,223,507
Total non-circulating assets		1,805,972	2,223,507
<i>Less: secured creditor claims</i>	5, 16	(7,520,950)	(283,943)
Surplus/(shortfall) from non-circulating assets		(5,714,978)	1,939,564
Circulating assets			
Cash at bank at appointment	1	1,575,259	1,575,259
Pre-appointment debtors	2	10,652	15,604
Inventory	3	807,687	2,826,903
Total circulating assets		2,393,597	4,417,766
Liquidator claims			
Voidable recoveries	13	Nil	456,443
Insolvent trading actions	14	Nil	Nil
Total liquidator claims		Nil	456,443

Administrators' estimated statement of position in a Liquidation scenario			
		Liquidation	
AUD	Note	Low return	High return
Available funds/(shortfall) before costs		(3,321,380)	6,813,773
Trading and administration costs			
Projected trading position	7	(3,620,559)	(3,583,059)
Legal and advisor fees	8	(800,000)	(700,000)
Voluntary Administrators' remuneration	8	(2,661,578)	(2,600,000)
Liquidators' remuneration	8	(550,000)	(345,000)
Voluntary Administrators' funding	6	(5,238,344)	(5,238,344)
Total trading and administration costs		(12,870,481)	(12,466,403)
Available to priority creditors		Nil	Nil
Priority Creditors			
Wages and superannuation	9	(270,514)	(270,514)
Leave entitlements	9	(1,179,170)	(1,079,170)
Redundancy and payment in lieu of notice	9	(1,648,789)	(1,648,789)
Total priority creditors		(3,098,473)	(2,998,473)
<i>Priority creditors distribution rate (c/\$)</i>		<i>Nil</i>	<i>Nil</i>
Available to non-priority creditors		Nil	Nil
All unsecured claims	15	(179,873,663)	(171,543,634)
Secured creditor shortfall	16	(5,714,978)	Nil
Related party claims	17	(35,481,201)	(398,414)
Total unsecured claims		(221,069,841)	(171,942,048)

8.2. Notes to Estimated Statement of Position

1. Cash at bank at appointment

Cash at bank at appointment totalled \$1,575,258.80. The Company held monies in:

- Three (3) AUD transaction accounts;
- One (1) AUD term deposit account;
- One (1) USD account;
- One (1) GBP account; and
- One (1) NZD account.

All monies have remitted to the administration account and the respective pre-appointment bank accounts have been closed.

2. Pre-appointment debtors

The pre-appointment debtor balance comprises refunds collected and still owing from suppliers. The estimated high and low returns are subject to the likely recoverability of further amounts owed.

The Directors' ROCAPs identify Ellume USA as a pre-appointment debtor. However, since Ellume USA is a net creditor of the Company, the Administrators do not consider any pre-appointment debts owing from Ellume USA to be collectable.

3. *Inventory*

The Company lists its inventory at a book value of c.\$77.7 million, with an estimated \$37.3m of this balance to be obsolete and subject to write down as at 30 June 2022.

In a liquidation scenario, the realisable inventory is expected to be minimal relative to book value, in a range from 2% to 7%, given limited resale value in the market and costs to store and move from multiple third party storage locations.

4. *Proponent contribution*

Under the Hough DOCA proposal a cash contribution USD \$38.0 million will be provided on completion. Hough will provide a loan of up to USD \$5.0 million to the Administrators upon execution of the Implementation Deed and Funding Letter to support the Company's interim funding needs for continued trading through to completion of the sale. This interim funding amount will be repaid by the Administrators in first priority (Pool A) from distributions from the Creditors' Trust Fund.

There would not be a contribution in a liquidation scenario.

5. *Order of distribution of funds under DOCA proposal*

Under the Hough DOCA proposal, distributions from the Creditors' Trust Fund would be made in the following order of priority:

- Pool A – repayment of the Interim Funding;
- Pool B – repayment of the Security Funding up to the amount of USD \$8m;
- Pool C – in accordance with the priorities set out in sections 556, 560 and 561 of the Act, as though those priorities were applied in the Creditors' Trust;
- Pool D – equally and rateably to Small Claim Creditors, with the total amount of the pool not to exceed the lesser of \$285,000 or 50 cents in the dollar;
- Pool E – QIAGEN in the amount of USD \$7m;
- Pool F – equally and rateably the balance of the Creditors' Trust Fund to all Admitted Claims not included in the other pools; and
- Pool G – equally and rateably to the participating Noteholders up to the amount of USD \$12.5m.

In the high return DOCA scenario, it is assumed all Electing Noteholders, with combined debts of \$37.3m, agree to retain 100% of their convertible notes with a view to convert debt to equity in any future IPO.

6. *Voluntary Administrators' funding*

The Administrators have received AUD \$4.0m in funding from the Lender Group. This funding has been utilised in continuing to operate the business while a sale process has been conducted. This is a cost of the Administration and under a liquidation scenario this would need to be repaid in priority if funds permitted. Under the DOCA proposal, the funding would be repaid inclusive of the Lender Group's legal fees and interest, charged at a rate of 20% per annum, with an anticipated maturity date of 28 February 2022.

7. *Projected trading position*

We have considered high and low scenarios for both liquidation and DOCA scenarios. Both scenarios include forecast positions to either the completion of the transaction under the DOCA or cessation of trade in a liquidation.

As mentioned in Section 7.8 of this report, the Administrators would be required to obtain Court approval to transfer the shares where it will not 'unfairly prejudice' the interests of shareholders. Due to the timing of the court closures over the Christmas and New Year period, we suspect this would require the Administrators to operate the business through to the end of February 2022 until a requisite court determination can be made for transfer of the shares.

In a DOCA scenario, we have forecast revenue of up to c. \$4.0m from shipments of goods to the US during the Administration, which is payable by Ellume USA, subject to the availability of cash funds. Further, there are certain contingent liabilities of up to \$4.0m in connection with various licence agreements which may become payable as a result of the continued operations during the Administration.

In the liquidation scenario, given the limited funding available, we have assumed the Company will cease trading shortly after the second meeting of creditors.

The liquidation scenario assumes there would not be any further revenue from post-appointment shipments of goods as Ellume USA due to the impact of the Company's liquidation on its own business operations and the expectation it would have insufficient cash to make the payments.

8. *Remuneration, disbursements, and legal costs*

Legal fees

In a liquidation scenario, legal fees are estimated based on costs incurred to date and potential costs to pursue voidable recoveries. In the DOCA scenario, legal fees are estimated based on costs incurred to date and an allowance for finalisation of the deed documentation and completion of the process pursuant to section 444GA of the Act, including costs for an independent expert report.

Advisor fees

Advisor fees relate to the engagement of Houlihan Lokey as sale advisers and their fees incurred initially in the sale and recapitalisation campaign (totalling USD \$150,000) and a further USD \$1.85m in the event of a successful transaction. The latter payment is only due and payable once a Creditors' Trust is formed.

Remuneration and disbursements

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

Please note the Administrators are not seeking approval for expected future costs of Deed Administrators, Liquidators or Creditors' Trustees. The amounts provided are based on estimates only for calculating the expected return to creditors.

Please refer to the Remuneration Approval Report contained at Appendix 8 for further details.

9. *Priority creditors*

The liquidation scenario considers a cessation of trade and ultimate termination of the Company's workforce. It is unlikely priority creditors would receive any return in either a high or low return liquidation scenario.

The DOCA scenario considers the continuation of the Company's workforce and 100 cents in the dollar return to priority creditors in both the high and low return scenarios. The Company owed priority entitlements at the date of appointment of Administrators as follows:

- SGC shortfall of \$203,215 in a DOCA scenario and \$251,579 in a liquidation scenario, inclusive of associated interest and administration charges.
- Leave entitlements owed in a DOCA scenario represent only leave entitlements for former employees who have resigned during the administration, or been terminated during the administration.
- Leave entitlements outstanding in a liquidation scenario include annual leave and long service leave currently accrued for all employees.
- Redundancy and PILN in the DOCA scenario represents payments to employees whose employment has been terminated during the Administration to date.
- Redundancy and PILN in the liquidation scenario estimates these liabilities based on service length of current staff assuming no notice periods are served.

10. *Shares in related parties*

The Company's shareholding in Ellume USA has been assessed at a nil realisable value in a liquidation scenario. If the Company were to cease trading it is unlikely a liquidator could realise any value for the shares given the impact of liquidation on key regulatory approvals required to preserve value for the business, such as FDA approval, which is essential to enable the Company to sell its products.

11. *Other Assets (Intellectual Property)*

This includes intellectual property and intangible assets such as patents, designs, systems, and trademarks. In assessing the estimated return to creditors, the Administrators have not considered the realisable value of these assets on a standalone basis in a liquidation scenario given the complexity involved in determining an accurate value.

A liquidator would likely have to test market interest in the assets to assess value. It has been assumed there would be nil return in the low case scenario, while the high return value is unknown at this stage.

12. *Plant and Equipment*

All plant and equipment owned by the Company was valued by an independent third-party valuer. The valuation appraises the plant and equipment at Fair Market Value in Continued Use (FMVICU) and Forced Liquidation Value (FLV).

Two items of plant and equipment have been sold during the Voluntary Administration for a combined value of \$0.170 million.

In the liquidation scenario, we have assumed the remaining plant and equipment on hand to be realised at:

- 100% of the FLV for the high return; and
- 80% of the FLV for the low return.

These realisable values would be subject to further estimated selling costs of 20%.

13. *Voidable recoveries*

The recoveries relate to preferential payments which are only available if the Company is placed into liquidation and is subject to further investigations and recovery actions. In the liquidation high return, we have assumed 20% recovery of the potential preferential payments. Further details regarding voidable transactions and possible recoveries are discussed in Section 6.4.

14. *Insolvent trading actions*

These recoveries are only available if the Company is placed into liquidation and is subject to further investigations and recovery actions. Further details regarding insolvent trading actions and possible recoveries available are discussed in Section 6.3.

15. *Unsecured creditors' claims*

In a liquidation scenario, this balance represents the value of all noteholders and other unsecured claims of the Company based on its records and PODs received to date.

The high return scenario assumes:

- Settlement of claims with certain key suppliers of raw materials; and
- The security interest of a key supplier is found to be defective and is classified as an unsecured claim.

16. *Secured creditors*

Under the high return scenario, it is assumed certain security interests of the Trading Security Holders are defective, reducing the amount required to be paid to the Pool B creditor fund. The low return DOCA scenario assumes all Trading Security Holders are paid out in full pursuant to valid security interests.

In the liquidation scenario, the secured creditor shortfall represents the deficiency in the value of assets specifically secured by the claims of the Trading Security Holders. In the high return liquidation

scenario, there is an assumption certain security interests are defective and the value of plant and equipment realised is sufficient to pay out Trading Security Holder claims.

17. *Related party claims*

Related party claims include claims of the director, landlord and Ellume USA.

In a DOCA scenario, Ellume USA is classified as an Excluded Creditor, meaning they do not receive a distribution from the Creditors' Trust Fund. Director and related party landlord claims are included as unsecured creditor claims in the DOCA scenario.

In a liquidation scenario it is unlikely there would be any return to related party creditors. If there was to be a distribution, the Liquidators would have to assess the validity of transactions between the Company and Ellume USA before paying a dividend.

8.3. Summary of estimated returns and timing

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.

Creditors must be aware there is always a degree of imprecision associated with forecasting returns in an external administration. The estimates have been prepared in good faith but must not be construed as an assurance as to the actual return to creditors.

Estimated returns and timing from today's date					
Creditor	Note	DOCA			Liquidation
		Low return	High return	Est. Timing	Return
Secured creditors	8.3.1	100 c/\$	100 c/\$	3 months	24 c/\$
Priority creditors	8.3.2	100 c/\$	100 c/\$	3-4 months	Nil
QIAGEN	8.3.3	47 c/\$	47 c/\$	3 months	Nil
Small claim Creditors	8.3.4	50 c/\$	50 c/\$	3-6 months	Nil
Noteholder Creditors	8.3.5	15 c/\$	35 c/\$	3-6 months	Nil
Other Unsecured Creditors	8.3.6	Nil	20 c/\$	3-6 months	Nil

The level of return for each of the categories of creditors in a DOCA depends on the value of claims submitted and quantum of costs incurred in trading the business until completion of the sale and transition to Creditors' Trust.

8.3.1. Secured creditors

Distributions to secured creditors may be made earlier if security registrations need to be discharged earlier.

In a liquidation scenario, the return to secured creditors with specific security interests will be limited to the value of the assets charged, while there will be insufficient funds available to repay the Lender Group.

8.3.2. Priority creditors

The DOCA scenario provides for the continuation of the Company's employees and a full return to priority creditors. Employee entitlements paid out in a DOCA scenario represents SGC shortfall amounts and amounts owing to employees terminated during the Administration.

In a liquidation scenario, there is unlikely to be any return to for priority claims given limited funds available for distribution. Section 7.9.1 provides details of the Federal Government's FEG scheme, which is available to employees once a company enters liquidation. However, FEG does not extend to outstanding superannuation.

8.3.3. QIAGEN

Under the DOCA, QIAGEN will receive a distribution of USD \$7m in Pool E. No return is expected in a liquidation scenario.

8.3.4. Small claim creditors

Under the DOCA, creditors with a claim of less than \$20,000 can claim from Pool D up to a cap of 50% of their claim or \$285,000 (the lesser of). This is only relevant in the DOCA scenario since no return is expected for unsecured creditors in a liquidation scenario.

8.3.5. Noteholder creditors

Under the DOCA, Noteholders will receive a distribution of USD \$12.5m in Pool G. No return is expected in a liquidation scenario.

In a liquidation scenario Noteholder creditors are not expected to receive a return.

8.3.6. Other unsecured creditors

Under the DOCA, all remaining creditors claim in Pool F. No return is expected in a liquidation scenario.

8.4. Administrators receipts and payments

A summary of receipts and payments since the date of our appointment to 27 November 2022 is **attached** at **Schedule E** in the Remuneration Approval Report.

8.5. Impact of related entity claims on dividend prospects

In a DOCA scenario:

- Ellume USA is classified as an Excluded Creditor, meaning they do not participate in the distribution from the Creditors' Trust Fund.
- Assuming Sean Parsons and Mirja Moenninghoff, who are classified as excluded employees, remain employed by the Company upon the Creditors' Trust being established, will be classified as a Small Claims Creditor in Pool D for any of their claims that do not relate to employee entitlements.

In the event their employment with the Company ceases during the DOCA period, their entitlements will crystallise and they will sit in the following pools:

- Pool C – Excluded employee limited priority for wages and superannuation (maximum of \$1,500) and leave entitlements (maximum of \$1,000);
- For any remaining entitlements and/or other claims against the company:
 - Pool D – Small Claims Creditor for any remaining entitlements and other claims if their claim is below \$285,000; or
 - Pool F – Admitted Creditor.
- The related party landlord is classified as an Admitted Creditor and their claim is included with Pool F.

In a liquidation, related parties are entitled to submit a claim but there is no expected return to creditors in this scenario.

9. Administrators' opinion and recommendation

9.1. Opinion and recommendation to creditors

9.1.1. What creditors can decide at the meeting

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

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

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

9.1.2. Administrators' opinions on the options available to creditors

Execution of a deed of company arrangement

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

The Administration comes to an end

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

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

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

9.1.3. Administrators' opinion on voidable transactions

It is the opinion of the Administrators there may be payments made from the Company which could be considered voidable as against the liquidators. This has been discussed in **Section 6.4** of this report.

Dated: 12 December 2022



John Park

Administrator



Joanne Dunn

Administrator

Ph: (07) 3225 4900
Ellume@fticonsulting.com

FTI Consulting is an independent global business advisory firm dedicated to helping organisations manage change, mitigate risk and resolve disputes: financial, legal, operational, political & regulatory, reputational and transactional. FTI Consulting professionals, located in all major business centres throughout the world, work closely with clients to anticipate, illuminate and overcome complex business challenges and opportunities. ©2022 FTI Consulting, Inc. All rights reserved. Connect with us on Twitter (@FTIConsulting), Facebook and LinkedIn. www.fticonsulting.com

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10. Appendix 1 – Glossary and terms of reference

Term	Definition
(\$)	Currency in Australian Dollars unless otherwise stated
Act	Corporations Act 2001 (Cth)
Administrators or Voluntary Administrators	Joanne Dunn and John Park
Administrators/ Deed Administrators	John Park and Joanne Dunn
Admitted Claims	A claim against the Company as adjudicated by the Deed Administrators under the DOCA (or by the Trustees of the Creditors' Trust, but excluding Excluded Creditors).
AEST	Australia Eastern Standard Time
ASIC	Australian Securities and Investments Commission
ASX	Australian Securities Exchange
ATO	Australia Taxation Office (incorporating the Deputy Commissioner of Taxation, as applicable)
AUD	Australian Dollars
Bell Potter	Bell Potter Securities Limited
c.	Circa or approximately
CAPEX	Capital expenditure
CDC	Centers for Disease Control and Prevention
COI	Committee of Inspection
Company	Ellume Limited
Completion	The date upon which each of the conditions precedent has been satisfied or waived in accordance with the DOCA.
Continuing Contract	Any contract of any kind made by the Company with third parties prior to the Appointment Date, except for Pre-Administration Leases.
Contribution	The sum of USD \$38m
Creditors' Trust Fund	The Deed Fund
Deed Fund	The sum of the Contribution and any Working Capital Amounts as at the relevant time.
Deloitte	Deloitte Touche Tohmatsu Limited
Directors	Paul Darrouzet, Gary Hewett, Geoffrey Pearce, Sean Parsons, Jonathan Dooley
DIRRI	Declaration of Independence, Relevant Relationships and Indemnities
DOCA	Deed of company arrangement
DoD	United States Department of Defence
EBIT / EBITDA	Earnings before interest and tax / Earnings before interest, tax, depreciation and amortisation
ECHT	Ellume COVID-19 Home Test

Eligible Employee	Employees who are employed by the Company
Eligible Employee Meeting	Eligible employee will vote on the proposed DOCA which cover all employees pre appointment entitlements
Ellume	Ellume Limited A.C.N 141 767 660
Ellume USA	Ellume USA LLC
ERV	Estimated realisable value
Excluded Creditors	Any creditor who has a claim against the Company: Because he/she is an eligible employee creditor, where such creditor has continued his/her employment with the Company (or a subsidiary) following completion of the DOCA; or Where such creditor is a subsidiary.
Excluded Employee	A director (including a former director within the previous 12 months) of a company in external administration, including a partner or relative of a director. Excluded employees are limited to a priority claim for employee entitlements for \$2,000 for wages and super (combined), and \$1,500 for leave entitlements. All other claim amount are treated as unsecured claims.
FDA	U.S. Food and Drug Administration
FTE	Full time employee
Fulton	Fulton Bank
Fulton Bank	Fulton Financial Corporation
FY18, FY19, FY20, FY21, FY22	Financial years ended/ending 30 June 2018, 30 June 2019, 30 June 2020, 30 June 2021 and 30 June 2022
Group	Ellume
GST	Goods and Services Tax, as applicable in Australia
Hough	Hough Consolidated Pty Ltd, the DOCA proponent
IM	Information memorandum
Interim Funding	A loan in the sum of up to USD \$5m advanced by Hough to the Administrators
IPO	Initial public offering
Lender Group	Evangayle Pty Ltd, Glencairn Bay Investments Pty LTd, MA & KA Investments Pty Ltd and Brand Brothers Holdings Pty Ltd.
m	Million
Management	The senior officers, employees and advisors of the Company
NBIO	Non-binding indicative offers
NDA	Non-disclosure agreement
Noteholder	A holder of Notes, but excluding QIAGEN
Notes	A convertible note issued by the Company
Ord Minnett	Ord Minnett Pty Ltd.
PAYG	Pay As You Go withholding tax
POD	Proof of Debt
PPSR	Personal Property Securities Register
Pre-Administration Leases	The Company's lease agreements for the premises located at: 936 Stanley Street East, East Brisbane; and 57 Didsbury Street, East Brisbane.
Proponent	Hough Consolidated Pty Ltd
Qiagen	Qiagen GmbH, Qiagen N.V and Qiagen Sciences LLC
QIAGEN	Each of QIAGEN GmbH and QIAGEN NV KvK
R&D	Research and Development
RAT	Rapid Antigen Test
RATs	Rapid Antigen Tests
ROCAP	Report on Company Activities and Property

Security Funding	An amount sufficient to pay out the claims of the Lender Group and the Trading Security Holders up to a limit of US\$8 million.
Small Claim	Any Admitted Claim with a value of \$20,000 or less.
Small Claim Creditors	A creditor with a Small Claim.
the Group	Ellume Limited and Ellume USA LLC
Trading Security Holders	Creditors with security registrations granted against specific assets of the Company.
US/USA	United States of America
USD	United States Dollar
Working Capital Amounts	At the time of completion of the DOCA: Cash on hand for the Company or Administrators; and Accounts receivable due to the Company in respect of work done or services provided by the Company on or before that time.
YTD	Year to date

10.1. Terms of reference

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

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

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

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

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

11. Appendix 2 – Company information

11.1. Statutory Information

Incorporation Date	1 February 2010																
Registered Address	57 Didsbury Street, EAST BRISBANE QLD 4169																
Principal Place of Business	57 Didsbury Street, EAST BRISBANE QLD 4169																
Directors and Officers	Paul Darrouzet – Director Gary Hewett – Director Geoffrey Ronald Pearce – Director Sean Andrew Parsons – Director Jonathan Brett Dooley – Director Joanne Moss – Former Director (resigned 31 August 2022) Caroline Popper – Former Director (resigned 29 August 2022) Mark Eric Harding Anning – Secretary Simon Neill – Appointed Auditor																
Shareholders	According to an ASIC search undertaken on the date of appointment, the Company has \$24,258,302.00 in paid up capital and 84,160,377 shares on issue. The Company's share registry is managed by Computershare. Documentation obtained from Computershare indicate 99,242,456 shares are presently held. Enquiries made with Company personnel identify the discrepancy is a result of change to shareholding forms not having been lodged by the Company to reflect changes to shares where convertible noteholders converted notes to shares and where employees converted options into shares prior to leaving the Company. The discrepancy arose in the period 1 January 2022 to 31 August 2022. The 20 largest shareholders are as below: <table> <tr> <th>Name</th><th>Shares</th></tr> <tr> <td>Kensington Trust Singapore Ltd</td><td>26,278,275</td></tr> <tr> <td>Pondcote Pty Ltd</td><td>15,987,084</td></tr> <tr> <td>Sean Andrew Parsons & Mirja Moenninghoff</td><td>14,167,866</td></tr> <tr> <td>Becamal Pty Ltd</td><td>8,820,007</td></tr> <tr> <td>Speargrass Wealth Limited & Wakatipu Wealth Limited</td><td>7,036,943</td></tr> <tr> <td>Falcastle Pty Ltd</td><td>4,431,649</td></tr> <tr> <td>Tezuourrad Pty Ltd</td><td>4,344,534</td></tr> </table>	Name	Shares	Kensington Trust Singapore Ltd	26,278,275	Pondcote Pty Ltd	15,987,084	Sean Andrew Parsons & Mirja Moenninghoff	14,167,866	Becamal Pty Ltd	8,820,007	Speargrass Wealth Limited & Wakatipu Wealth Limited	7,036,943	Falcastle Pty Ltd	4,431,649	Tezuourrad Pty Ltd	4,344,534
Name	Shares																
Kensington Trust Singapore Ltd	26,278,275																
Pondcote Pty Ltd	15,987,084																
Sean Andrew Parsons & Mirja Moenninghoff	14,167,866																
Becamal Pty Ltd	8,820,007																
Speargrass Wealth Limited & Wakatipu Wealth Limited	7,036,943																
Falcastle Pty Ltd	4,431,649																
Tezuourrad Pty Ltd	4,344,534																

	Abberley Nominees Pty Ltd	3,330,000
	Egea Pty Ltd	2,584,992
	Pondcote Pty Ltd	1,600,000
	HSBC Custody Nominees	900,000
	Virtual Recruitment Pty Ltd	726,246
	Jackie Au Yueng	500,000
	Pondcote Pty Ltd	500,000
	Pondcote Pty Ltd	500,000
	Neil William Mittag	491,206
	Area Rule Pty Ltd	467,529
	Brian Harrison	461,249
	Emprja Pty Ltd	434,450
	Amaurel Pty Ltd	431,565
Related entities	The following related parties hold shares in the Company:	
	■ Paul Darrouzet – 296,490	
	■ Pondcote Pty Ltd – 18,972,874 (Related to Paul Darrouzet)	
	■ Tezourrad Pty Ltd – 4,344,534 (Related to Paul Darrouzet)	
	■ EMPRIA Pty Ltd – 434,460 (Related to Paul Darrouzet)	
	■ Sean Parsons & Mirjia Moenninghoff (joint holding) – 14,167,886	

11.2. Details of security interests and charges

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

Registration Number	Secured Party	Date Registered	Collateral Class	Status
202102260036000	ADEPT TURNKEY PTY LTD	26/02/2021	Other Goods	Discharged
202102260036016	ADEPT TURNKEY PTY LTD	26/02/2021	Other Goods	Discharged
202108310073714	ATLAS COPCO AUSTRALIA PTY LTD	31/08/2021	Other Goods	Active
202102030026965	BUNZL OUTSOURCING SERVICES LIMITED	3/02/2021	Other Goods	Discharged
202011250044463	CROWN EQUIPMENT PTY. LIMITED	25/11/2020	Motor Vehicle	Active
202110190024801	CROWN EQUIPMENT PTY. LIMITED	19/10/2021	Other Goods	Discharged
202110050034406	CROWN EQUIPMENT PTY. LIMITED	5/10/2021	Other Goods	Discharged
202011250044471	CROWN EQUIPMENT PTY. LIMITED	25/11/2020	Other Goods	Active
202009280035094	Glyn Ltd	28/09/2020	Other Goods	Discharged
202101120010964	LABELMAKERS GROUP PTY. LTD.	12/01/2021	Other Goods	Discharged
202111110026434	LIFE RESEARCH PTY LTD	11/11/2021	Other Goods	Active
202007310011296	METECNO PTY LTD	31/07/2020	Other Goods	Discharged
202207110011804	PRINT MANAGEMENT FACILITIES AUSTRALIA PTY LTD	11/07/2022	Other Goods	Active

Registration Number	Secured Party	Date Registered	Collateral Class	Status
202105060015017	PRINT MANAGEMENT FACILITIES AUSTRALIA PTY LTD	6/05/2021	Other Goods	Discharged
202102080035228	PRINT MANAGEMENT FACILITIES AUSTRALIA PTY LTD	8/02/2021	Other Goods	Discharged
202106030040022	PUREBEAN PTY LTD	3/06/2021	Other Goods	Discharged
202104210031896	RETRACOM HOLDINGS PTY LTD	21/04/2021	Other Goods	Assets returned
202006290016283	ROBERT BOSCH (AUSTRALIA) PROPRIETARY LIMITED	29/06/2020	Other Goods	Active
202103090026470	SOUTH PACIFIC WELDING GROUP PTY LIMITED	9/03/2021	Other Goods	Discharged

12. Appendix 3 – Historical financial statements

12.1. Historical financial information

12.1.1. Balance Sheet Summary

Ellume Limited - Balance Sheet Summary						
AUD \$m	Notes	FY19	FY20	FY21	FY22	Aug-22
Current assets						
Cash & cash equivalents		20.96	9.80	4.64	5.61	1.57
Inventory	1	1.01	2.05	73.37	39.53	40.32
Trade receivables		0.10	0.36	0.54	5.01	7.57
Prepayment	2	0.06	0.18	3.39	30.22	31.42
Other receivables	3	2.69	7.30	21.77	40.67	41.12
Total current assets		24.82	19.69	103.71	121.04	122.00
Non-current assets						
Property, plant & equipment		5.82	6.16	35.15	38.07	37.14
Total non-current assets		5.82	6.16	35.15	38.07	37.14
Total assets		30.65	25.85	138.86	159.11	159.13
Current liabilities						
Trade payables	4	1.11	1.97	65.66	19.55	20.05
Lease liability		0.24	0.28	0.69	0.80	0.81
Other payables and provisions	5	0.92	2.62	18.02	81.30	88.40
Payroll liabilities		0.44	0.76	1.51	1.98	2.32
Accrued charges	6	-	1.09	3.49	41.27	41.37
Unearned Income		0.73	0.79	14.95	8.40	10.20
Provision for income tax		-	0.73	0.73	-	-
Total current liabilities		3.44	8.23	105.06	153.30	163.15
Non-current liabilities						
Non-current borrowing	7	21.51	22.61	41.13	102.06	102.03
Lease liability		3.33	3.06	6.68	5.43	5.29
Unearned income		-	-	21.10	29.96	27.51
Total non-current liabilities		24.85	25.67	68.92	137.45	134.82
Total liabilities		28.29	33.91	173.98	290.76	297.97
Net assets		2.36	(8.06)	(35.11)	(131.65)	(138.84)

Notes

1. *Inventory*

Significant inventory build-up from FY20 onwards a result of higher levels of production of RATs in demand to the COVID-19 pandemic. Inventory comprises finished goods ECHT & QIAreach and raw materials. FY22 and Aug-22 figures include a provision for the product recall in October 2021.

2. *Prepayment*

In FY22, there is a notable increase in prepayments on account of the requirement of the Company to prepay suppliers to secure materials to meet contractual requirements with the DoD.

3. *Other receivables*

The Ellume USA intercompany loan accounts for the majority of this balance. The loan relates to the Maryland manufacturing facility under construction in the US.

4. *Trade payables*

Due to production demand during FY21 in response to COVID-19 pandemic, additional credit was advanced by suppliers to allow the Company to meet its production requirements. In FY22, decline in trade payables balance primarily attributed to December 2021 noteholder funding being used to reduce supplier debt.

5. *Other payables and provisions*

The Company's balance sheet indicated other payables and provisions as at the date of our appointment of \$88.40m, however our analysis identified \$87.56m of this balance related to the intercompany loan with Ellume USA and interest not yet due.

6. *Accrued charges*

Comprised of accruals of future liabilities including, but not limited to, payroll tax, supplier costs and advisor fees.

7. *Non-current borrowing*

Non-current borrowings are funds owed to convertible noteholders including capitalised interest. As previously mentioned in this report, the Company conducted two (2) convertible note raises during 2021 to pay outstanding debt, fund working capital, and expand manufacturing capability.

12.1.2. Profit and Loss Summary

Ellume Limited - Profit and Loss Summary						
AUD \$m	Notes	FY19	FY20	FY21	FY22	Aug-22
Revenue						
Sales	1	7.22	5.17	38.48	90.19	2.77
Grants	2	2.11	9.90	-	4.44	-
Other revenue	3	0.26	(1.95)	6.28	18.10	0.34
Total Revenue		9.59	13.12	44.76	112.73	3.11
Expenses						
COGS	4	-	0.20	36.15	134.50	3.09
General & Admin	5	16.96	19.96	31.38	69.54	5.59
Other Expenses	6	1.81	7.83	3.83	21.97	1.76
Depreciation & amortisation	7	0.84	1.33	4.14	0.83	0.27
Total expenses		19.60	29.33	75.50	226.82	10.71
Net profit after tax		(10.01)	(16.20)	(30.74)	(114.10)	(7.60)
EBITDA		(8.77)	(14.49)	(29.17)	(127.10)	(5.87)

Notes

1. Sales

The Company's sales are representative of inventory sold to its subsidiary to produce its ECHT kits. The Company's increased production/inventory sale levels in response to the COVID-19 pandemic are observed over FY21 and FY22.

As discussed earlier in this report, the Company sought an extension of the DoD contract to purchase RATs beyond the contract expiry in May 2022 as well as requested the DoD exercise their option to purchase an additional 3.1m units. The contract was not extended and the option was not exercised, explaining the low sales figure in August 2022.

2. Grants

During FY19 and FY20, the Company received tax credits for research and development purposes. In FY22 financial assistance was also received from the Queensland Government to assist with the Company's manufacturing facilities within Queensland.

3. Other revenue

In October 2021, the Company completed its product development services to Qiagen, meeting the minimum product requirements per the license agreement. The revenue associated with the royalties was not recognised until this point as it was contingent on the Company to meet the requirements.

4. *Cost of Goods Sold (“COGS”)*

Cost of goods sold is representative of wages, machinery costs and other expenses directly attributable to the provision of manufacturing the Company goods. During FY22 the Company was required to purchase large quantities of key inventory and raw material inputs at premium prices due to impacts on the global supply chain caused by the pandemic to ensure it had the capability to meet its contractual requirements with the DoD. The result of same contributed to a \$44.3m gross margin loss during FY22.

5. *General & Admin*

Includes advisor services, employee expenses, insurance, and license fees. Due to the Company’s rapid growth during FY22 the Company required assistance from external advisors to execute capital raises, contracts with government bodies, and to provide other business advisory services. In addition to the above, the Company saw employed significant increase in headcount to fulfil its obligations under the contract.

6. *Other Expenses*

Other expenses include movements in foreign currency accounts due to the Company’s business dealings in both Australia and the United States of America.

13. Appendix 4 – Summary of ROCAP Part A

Summary of the ROCAP Part A and Administrators Estimated Realisable Values (“ERV”) as at 31 August 2022.

Summary of the ROCAP Part A					
(\$)	Notes	Book Value	Directors' ERV	Administrators' ERV (Low)	Administrators' ERV (High)
Assets					
Cash at bank	1	1,573,490	1,573,490	1,573,490	1,573,490
Inventory	2	40,384,333	40,384,333	807,687	2,826,903
Prepayments	3	31,416,419	18,980,019	-	-
Other receivables	4	91,219	-	131,652	136,604
Plant and equipment	5	37,139,207	37,139,207	1,839,930	2,257,465
Other assets	6	1,087,786	931,938	-	-
Investment in subsidiaries	7	2,039,221	2,039,221	Unknown	Unknown
Intangible assets	8	-	-	Unknown	Unknown
Related party receivables	9	45,403,944	-	-	-
Total assets		159,135,618	101,048,207	4,352,759	6,794,463
Liabilities					
Employee entitlements	10	(1,854,871)	(1,629,437)	(1,688,363)	(1,688,363)
Unsecured creditors	11	(215,281,304)	(183,479,868)	(179,873,663)	(171,543,634)
Secured creditors	11	-	-	(7,520,950)	(283,943)
Related party creditors	9	(80,397,422)	(130,655)	(35,481,201)	(35,481,201)
Total liabilities		(297,533,597)	(185,239,960)	(224,564,177)	(208,997,142)
Net assets		(138,397,979)	(84,191,753)	(220,211,418)	(202,202,679)

Notes

1. Cash

The Directors' ROCAP disclosed a balance of c.\$1.5m held in cash and cash equivalents as follows:

Cash at bank as at 31 August 2022

Item	No. of accounts	Balance (\$)
Main accounts	3	1,322,203
Foreign currency accounts	3	149,593
Trust deposits	1	100,700
Term account floats	1	994
Total	8	1,573,490

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.

2. *Inventory*

The Directors' ROCAP disclosed a balance of c.40.3m of inventory held. This was made up of:

Inventory as at 31 August 2022	
Item	Balance (\$)
Inventory at book value	77,716,204
Provision for obsolete stock	(37,331,871)
Total	\$ 40,384,333

It is our view the realisable inventory is expected to be minimal relative to book value, in a range from 2% to 7%, given limited resale value in the market and costs to store and move from multiple third party storage locations.

3. *Prepayments*

Amounts paid to suppliers in advance to secured production materials.

4. *Other Receivables*

Loan owed by Ellume USA LLC to the Company. The Directors' ERV assumes intercompany loans are forgiven. The Administrators' estimates is based on recoveries from third parties, with no further recoveries expected.

5. *Property, plant and equipment*

The Administrators organised for an independent valuation on the plant and equipment by Gordon Brothers. Predominantly office and laboratory plant and equipment and assets under construction.

6. *Other Assets*

Include rental bonds for leased premises, supplier deposits, investments in other Ellume entities and supplier inventory deposits.

7. *Investment in subsidiaries*

Relates to investments in Ellume USA and Ellume NZ Pty Ltd.

8. *Intangible assets*

Intellectual property including patents, designs, systems, and trademarks. Whilst the Directors' ROCAP does not provide a value for intangible assets, the Administrators believe any realisable value of these assets on a standalone basis would need to be tested on the open market, to ascertain any value.

9. *Related party receivables*

The Directors' ROCAP and records of the Company indicate Ellume USA owes the Company c.\$45m. However, the records also show the Company owes Ellume USA c.\$80m.

10. *Employee entitlements*

At the date of our appointment there were 217 employees. The Book Value and Directors' ERV include entitlements owed for accrued wages, superannuation, and leave entitlements.

All wages owed at the date of appointment have since been paid by the Administrators and are no longer owed.

A breakdown of the Administrators' ERV is provided in the table below and is based on Company records as at 31 August 2022.

Employee Entitlements	Amount (\$)
Wages	58,925
Superannuation	165,370
Annual leave	1,262,468
Long service leave	201,600
Total	1,688,363

The above represents claim data at our appointment, outstanding wages have since been paid during the trade on of the Company.

Superannuation is outstanding for August 2022. At the time of our appointment, the superannuation was not due and payable. The ATO will make a claim for outstanding superannuation on behalf of employees in either a liquidation or DOCA scenario.

11. *Unsecured creditors*

The Company's books and records reported the unsecured creditors in three separate categories summarised below.

Item	Book Value (\$)	Directors' ERV (\$)
Unsecured creditors		
Trade and other creditors	186,352,664	73,819,600
Noteholder	109,326,062	109,326,062
Subtotal: Unsecured creditors	\$ 295,678,726	\$ 183,145,662

Administrators' ERVs are based upon the Company's books and records and proofs of debt received. These claims are subject to change and have not been adjudicated.

12. *Secured creditors*

The Directors did not separately disclose amounts owed to secured creditors in their ROCAPs.

The Administrators ERVs are based on amounts owed to secured creditors at date of appointment, and also represents an assumption certain security interests are defective and the value of plant and equipment held may be sufficient to pay out claims.

13. *Related party creditors*

Summary of related party creditors is below, and further discussed in **Section 5.3.3**.

	Directors' ROCAP (\$)	Administrators' Estimate (\$)
Related party unsecured claims:		
Darrouzet Investment Trust	130,595	130,595
Sean Parsons	60	60
Ellume USA LLC	35,082,787	35,082,787
Total related party creditors (unsecured)	35,213,442	35,213,442
Related party employee entitlements:		
Sean Parsons	185,634	199,449
Mirja Moenninghoff	68,223	68,310
Total related party creditors (employee entitlements)	253,857	267,759

14. Appendix 5 – Investigations – analysis and information

14.1. Indicators of potential insolvency

14.1.1. Factors to take into account

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

- 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 (“PAYG”) 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.

14.2. Solvency analysis

14.2.1. Our approach to solvency

We have assessed the solvency of the Company by examining whether the Company:

- exhibited any of the usual indicia of insolvency; and
- was solvent under the cash flow or balance sheet tests of insolvency.

14.2.2. Solvency review – indicators of insolvency

Indicator	FY20	FY21	Jan-22	Feb-22	Mar-22	Apr-22	May-22	Jun-22	Jul-22	Aug-22
Trading losses	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Insufficient cash flow	✗	✗	✗	✗	✗	✗	✓	✓	✓	✓
Difficulties in selling stock or collecting debts	✗	✗	✗	✗	✗	✗	✓	✓	✓	✓
Creditors paid outside terms / special arrangements	?	?	?	?	?	?	✓	✓	✓	✓
Arrears of statutory liabilities	✗	✗	✗	✗	✗	✗	✗	✗	✗	✗
Cheques are being returned dishonoured / payments dishonoured	✗	✗	✗	✗	✗	✗	✗	✗	✗	✗
Legal action threatened or commenced	✗	✗	✗	✗	✗	✗	✗	✗	✗	✗
Inability to obtain new or alternative funding	✗	✗	✓	✓	✓	✓	✓	✓	✓	✓
Inability to produce accurate financial information	✗	✗	✗	✗	✗	✗	✗	✗	✗	✗
Resignation of directors or other senior management	✗	✗	✓	✓	✓	✓	✓	✓	✓	✓
Qualified audit opinion	✓	✓	?	?	?	?	?	?	?	?
The Company has defaulted, or is likely to default, on its agreements with its financier	✗	✗	✗	✗	✗	✗	✗	✗	✗	✗
Finance staff raise solvency concerns	✗	✗	✓	✓	✓	✓	✓	✓	✓	✓
Inability to sell surplus assets	✗	✗	✗	✗	✗	✗	✓	✓	✓	✓
Issuing post-dated cheques	✗	✗	✗	✗	✗	✗	✗	✗	✗	✗

Key

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

14.2.3. Solvency review - balance sheet test

The balance sheet test looks at whether the Company can service its current liabilities, irrespective of when they are due and payable from current assets. From a solvency standpoint, companies with a ratio of below 1 may be experiencing solvency issues.

For the purposes of this analysis, we have conducted two (2) current ratio tests. The first based on the Company's unaltered management accounts figures, whilst the second scenario has been adjusted to remove intercompany loans, prepayments and make good provisions. The reasons for these adjustments are as follows:

- Prepayments would not be able to be transferred into cash to meet due and payable liabilities.
- The Company leases all had greater than twelve (12) months remaining (ie a make good liability would not have been triggered within this time).
- Related entities would be unable to call upon the loans to be repaid in timely fashion therefore cannot be categorised a current liability.

Management Liquidity Ratio

\$m	Sep-21	Oct-21	Nov-21	Dec-21	Jan-22	Feb-22	Mar-22	Apr-22	May-22	Jun-22	Jul-22	Aug-22
Current Assets	133.98	127.90	147.03	147.20	125.95	157.76	159.90	176.67	132.19	121.04	123.03	122.00
Current Liabilities	108.33	114.79	133.44	99.86	85.50	114.74	127.38	154.83	118.32	153.30	156.62	163.15
Current Ratio	1.24	1.11	1.10	1.47	1.47	1.37	1.26	1.14	1.12	0.79	0.79	0.75
Working Capital	25.64	13.12	13.59	47.33	40.46	43.02	32.52	21.84	13.87	(32.26)	(33.60)	(41.16)

Adjusted Liquidity Ratio

\$m	Sep-21	Oct-21	Nov-21	Dec-21	Jan-22	Feb-22	Mar-22	Apr-22	May-22	Jun-22	Jul-22	Aug-22
Current Assets	119.28	84.71	92.15	94.86	77.16	94.27	94.54	108.43	61.19	53.03	53.63	52.74
Current Liabilities	79.81	87.38	93.28	71.54	62.37	57.57	51.56	58.35	63.71	78.50	76.04	82.58
Current Ratio	1.49	0.97	0.99	1.33	1.24	1.64	1.83	1.86	0.96	0.68	0.71	0.64
Working Capital	39.47	(2.67)	(1.13)	23.33	14.79	36.70	42.98	50.08	(2.52)	(25.47)	(22.41)	(29.83)

Source: Management Accounts

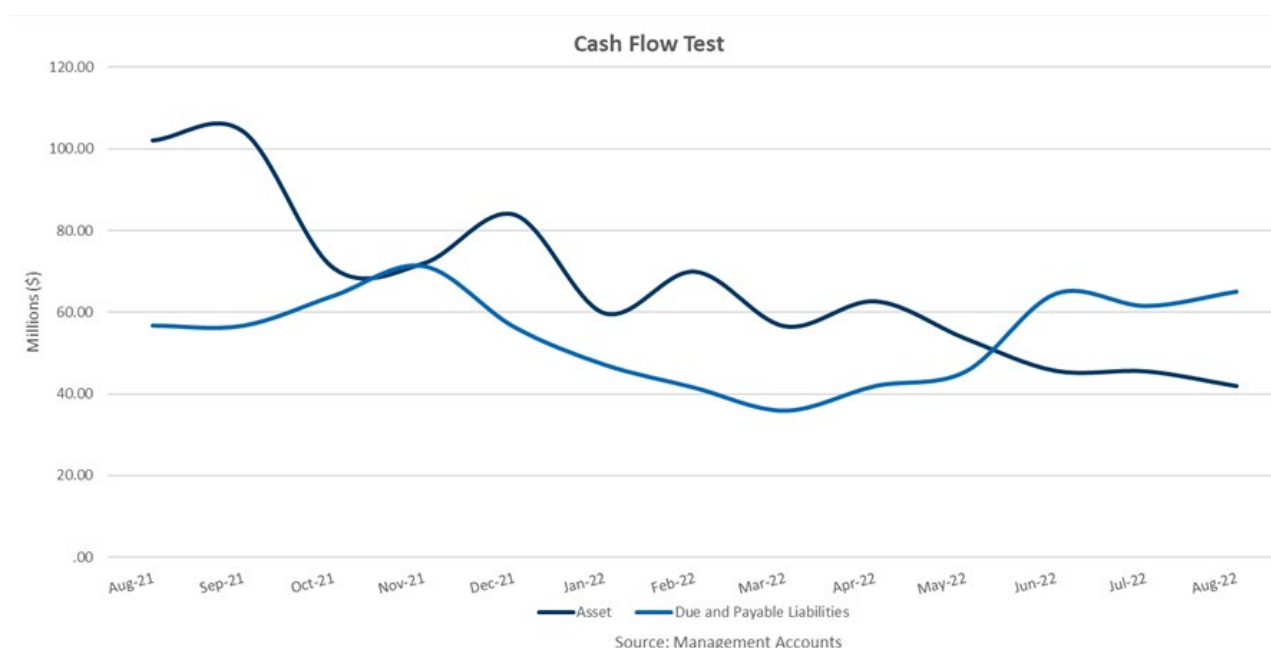
From the above analysis, both in the management and adjusted liquidity ratios the current ratio declined from May 2022 indicating an inability to meet current liabilities from current assets from May 2022 onwards.

14.2.4. 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 from liquid assets. A liquid asset is an asset which can easily be converted to cash in a short amount of time. In essence, when considering the statutory definition of insolvency, this is a key requirement a company is required to meet to remain solvent under law.

In our analysis, the following are considered liquid assets/current liabilities:

Assets	Liabilities
Cash at bank	Accounts payable
Inventory accounting for adjusted recall provision	Credit cards
Income tax receivable	Payroll liabilities
	GST & PAYG
	Accruals

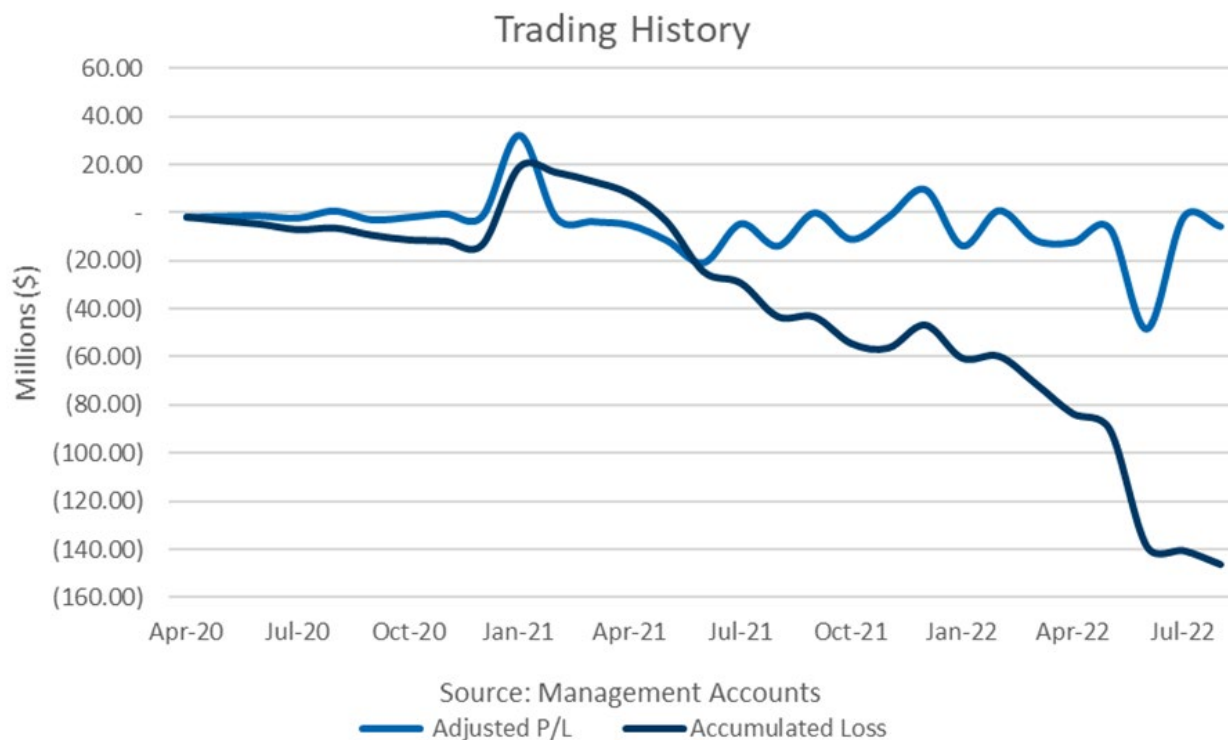


The above graph illustrates the Company's inability to meet due and payable liabilities from liquid assets from May 2022 onwards when the DoD failed to both exercise an option to purchase further RATs and to grant an extension of the contract beyond expiry. At this time the Company had no further commitments to orders.

As previously mentioned, the Company had failed to account for the full value of the recall within its management accounts. Our analysis has adjusted inventory assets between October 2021 to June 2022 to adequately reflect the write down to inventory as a result of the recall.

14.2.5. Solvency review – continued trading losses

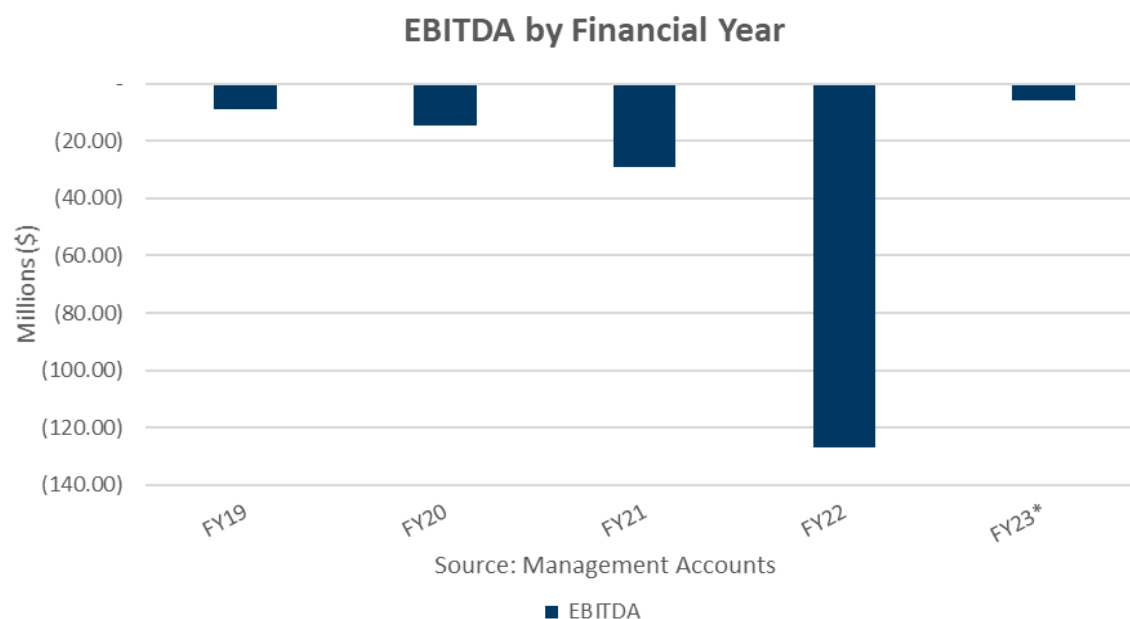
For the purposes of assessing the solvency of the Company, we have reviewed the earnings position over the period from April 2020 until our appointment. As illustrated below, the Company accumulated losses over the period, totalling c.\$161.51m.



With respect to the above, we note the following:

- Between May 2021 and Jun 2021, the Company had loaded inventory with the incorrect unit of measure within the management accounts. Our adjusted analysis excludes the identified error.
 - Prior to the adjustment, the Company's management accounts reported net profit of c. \$902m and (\$945)m in May and June 2021 retrospectively. The Company finance department attributed the error due to incorrect unit of measure applied to a stock code.
 - The removal was essential to correctly represent the Company financials during this period.
- The profitability pressures experienced by the Company during FY22 resulting from raw input price increase (44m gross profit loss observed) are visually apparent above.
- The significant drop in the adjusted profit and loss figure reflects the lack of revenue received in that month as a result of the DoD not purchasing the additional 3.1m RATs under contract whilst expenditure remained.

From a solvency perspective profitability or lack thereof is to be considered in the overall financial circumstances experienced by a company. A company which is unable to trade profitably will inevitably require cash support to continue in existence, in the Company's case final noteholder support was obtained in December 2021 and it was unable to raise further funding prior to our appointment.



***FY23 only accounts for July and August 2022**

The graphs above highlight the Company's EBITDA loss each financial year.

An EBITDA loss is present in all periods analysed. From our investigations, the considerable increase in the EBITDA loss between FY21 and FY22 can be attributed to:

- Realisation of the impacts from product recall in October 2021;
- Slow down for Ellume USA LLC retail sales, resulting on flow on affects for the Company;
- Costs associated with the development of the US Facility build fit out costs exceed original estimates.

The lack of a service agreement between the Company and Ellume USA LLC to purchase stock, other assets, or to otherwise reimburse the Company for shared overhead costs is also a primary contributing factor to the Company's inability to trade profitably.

14.2.6. Solvency review – Difficulties in selling stock

In the six (6) months leading up to our appointment, the board continuously raised concerns with the Company stock holdings and converting stock to cash, including:

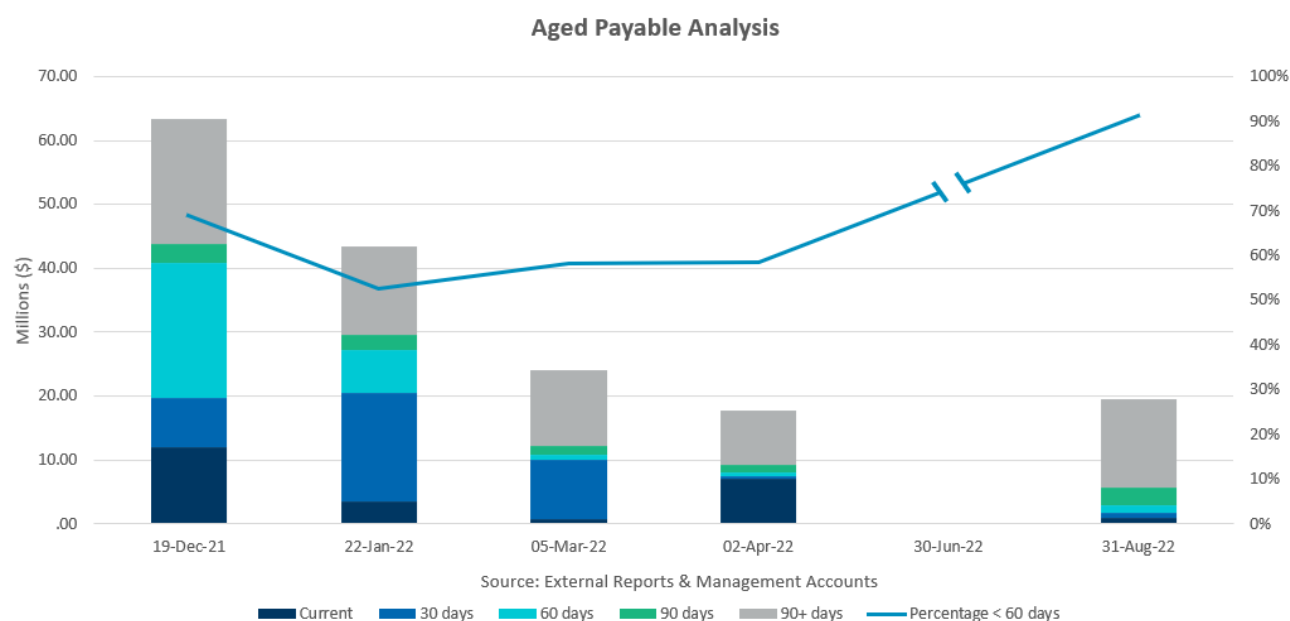
- January 2022 Target advised Ellume USA they do not expect to re-order ECHTs;
- March 2022 retail sales reduced due to US Government policy of providing free RAT tests to its citizens;
- April 2022, the Directors raised concerns of the amount of cash tied up in stock and instructed finance to convert stock to cash; and
- Post COVID-19 environment saw reduction in demand for the Company's inventory

14.2.7. Solvency review – Creditors paid out terms & special arrangements

Our investigations have identified the Company rearranged payment terms with two (2) creditors, the earliest of which occurred in June and July 2022.

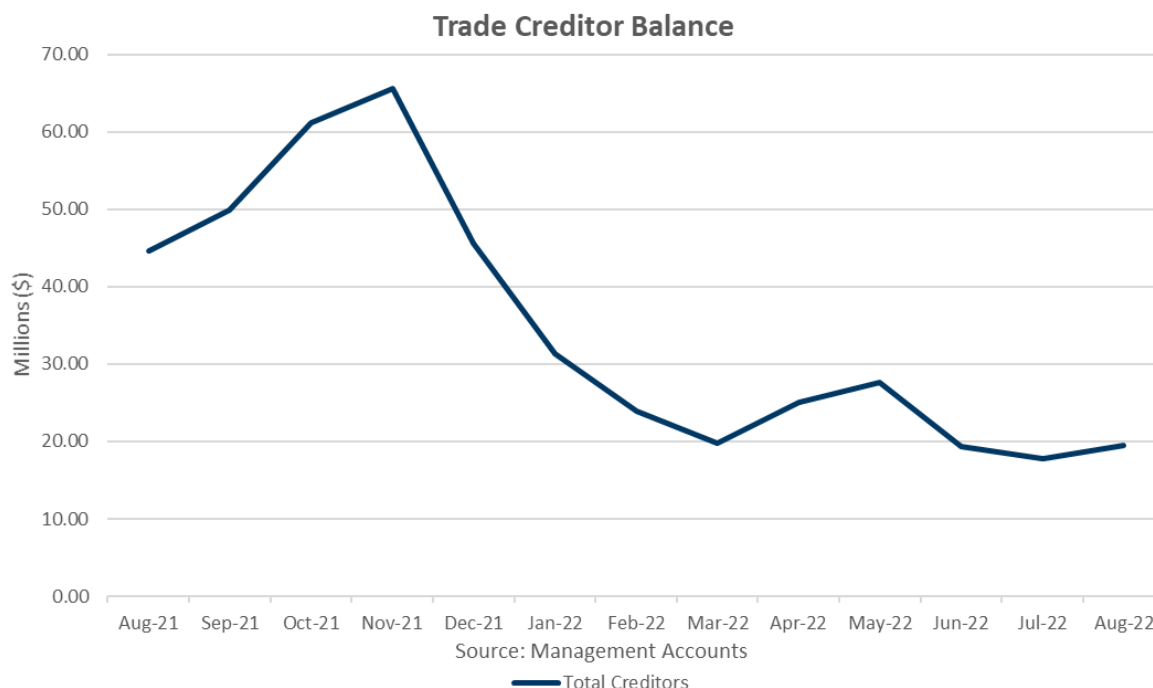
The following further evidence of creditors being paid outside of terms, or special arrangements have been obtained from board minutes:

- 28 September 2021 - Sought a deferment in payments to reflect the delays with regards to Bosch automation lines.
- Deloitte was engaged to assist in creditor negotiations. Improvements to existing payables to extend cash runway to end of December were noted in 25 November 2021 minutes.
- 2 March 2022 - Cash flagged as being lower than forecast due to timing difference on accounts payable and creditor releases. Liquidity noted as being “tight”.
- 26 May 2022 - Finance flagged as having stretched creditors
- No payment arrangement was entered into with the ATO.
- Our analysis into the Company’s aged payables has been hindered by the Company’s ERP software being unable to provide historical ageing profiles on reports. However, following appointment we have obtained cashflow reports prepared by Deloitte for the Company between 19 December 2021 to 2 April 2022, these reports disclosed the Company aged payable balances. The below graph shows the ageing of the Company’s creditors.



Funding from the noteholder capital raise in December 2021 was received in January 22 – as previously mentioned in this report one of the uses of this funding was to reduce the Company’s trade supplier debt which is observed from the data presented above.

However in the absence of further commitment from the DoD to place additional orders the Company was without a revenue source from which to service its trade suppliers moving forward without further capital advances, which we understand were non-existent.



As noted above, the Company's trade creditor balance peaked in November 2021. The timing correlates with the product recall and a time where the pandemic was ongoing requiring additional materials.

Our analysis into the Company records identified a large portion of the credit note holder funds were used to reduce outstanding trade supplier balances following the December 2021 capital raise.

As highlighted in the graph above, although creditor balances marginally moved during June to Aug 2022, this was during a time where manufacturing was paused from implications of the DoD contract.

14.2.8. Solvency review – Inability to obtain new or alternative funding

Over the twelve (12) month period preceding our appointment, we understand the Company and Ellume USA sought to obtain new or alternative funding via the following means:

1. Capital note raises.
2. Fulton sale and leaseback.
3. IPO on the Australia Stock Exchange ("ASX").
4. Other new or alternative funding initiatives.

We attribute the Company rapid expansion and continued growth model reliant on its ability to obtain funding or raising capital from investors. In this regard, it is crucial to note the following attempts the Company made to maintain this business model.

1. Capital Note Raises

Prior to our appointment the Company was able to obtain unsecured funding via capital note raises. We understand the Company undertook capital note raises in June 2021, September 2021, and December 2021.

The Company was successful in obtaining c.\$80m via the December 2021 note raise. The approved purpose for this funding pursuant to the note holder deeds was for capital investment in the Company's

manufacturing capability together with general working capital requirements and the retirement of existing debt. The noteholder funds were received between 29 December 2021 and 18 February 2022.

The Company's 16 December 2021 board minutes disclosed the raise had not progressed according to plan and the process took significantly longer than anticipated. Ord Minnett & Morgans, advised the raise proved difficult due to:

- Lack of institutional support;
- Inopportune timing of the capital raise leading to Christmas;
- Recall of Ellume products, followed by forecasts which in the immediate period the Company had failed to achieve.

Our analysis into capital note raises identified this avenue of funding was exhausted from February 2022.

2. *Fulton sale and leaseback*

Prior to our appointment, and to assist liquidity problems in both the Company and Ellume USA, both entities explored a potential sale and leaseback transaction with Fulton. It was apparent in March 2022, Ellume USA's ability to borrow the required amount from Fulton was insufficient to fulfill the shortfall. In May 2022 the Company put forward the agreement to noteholders, in which it only received support from 19% of noteholders. These negotiations continued until late July 2022, however, the deal was inevitably unsuccessful and contributed to the Company's insolvency.

3. *IPO on ASX*

Our investigations identified the Company had begun preparation of an IPO on or around 17 September 2021, when an ASX Principal Application was lodged. We note the following in relation to the Company IPO efforts.

- The target IPO timing was March/April 2022.
- Between September 2021 and March 2022, the Company continued preparation of the IPO despite the current difficulties micro and macro factors, including the future of DoD contract, continued market conditions and a diminishing balance sheet.
- In early March 2022 it was decided there was no market appetite for an IPO at that time.

4. *Other new and alternative funding initiatives*

In addition to the aforementioned attempts to raise capital or obtain finance, the Company pursued a number of new and alternative funding initiatives to meet ongoing working capital requirements for operations. The timing of these initiatives per the board minutes, and details of the initiatives and their success is summarised as follows:

Date	Event
24 September 2021	Attempt to sell lab electronics to free up capital.
13 November 2021	Sought debt restructuring of existing notes, deal unsuccessful due to debt ceiling on convertible notes.
25 November 2021	Company discussing and processing potential debtor financing

Date	Event
7 December 2021	Board discussed options available to the Company including; 1. Merger with Atomo; 2. Convertible notes raise with Ords & Morgans private clients 3. Asset backed lending transaction with Gordon Brother
7 July 2022	Engaged investments banks for potential sale or raise required capital whilst pursuing a potential IPO
24 August 2022	Pursued shareholders to make further investment

As highlighted above the Company made considerable attempts to obtain new or alternative funding to meet ongoing capital requirements.

Except for noteholder funds raised in December 2021, none of the above attempts to obtain new or alternative finance were successful.

14.2.9. Solvency review – Resignation of directors or other senior management

In the eleven months preceding our appointment the Company experienced attrition issues and general loss of support resulting from low morale and overwork. The loss of staff is summarised below.

Date	Notes
17 September 2021	Paul Darrouzet resigned as Chairman, replaced by Geoff Pearce.
14 October 2021	Head of Quality resigned & Scott Fry confirmed he no longer wanted the COO role.
27 October 2021	Board minutes indicate loss of support of employees (low morale and overworked).
16 December 2021	Anthony Radford resigned as Director.
January 2022	CFO, COO & Head of Professional Products all resigned.
14 January 2022	David Green resigned as Director.
7 February 2022	Melanie Davis Resigned as Director. Appointment date was 1 February 2022.
March 2022	Resignation of Sales Director.
24 March 2022	Afternoon shift production team let go.
Early April	Resignation of Production Engineering Team Leader.
April 2022	Wind down to base level of assembly and production line in Australia.
18 April 2022	Further headcount reduction of 26 production staff.
29 August 2022	Caroline Popper resigned as Director.
31 August 2022	Joanne Moss resigned as Director

The lack of historical knowledge and knowledge of the various internal systems used by the Company, as a result of high attrition rates, resulted in longer lead times required to generate financial reports and have these presented to managers and the Board.

The board minutes regularly flagged delays and/or issues in being able to provide external parties with financial data. Similarly, with little historical knowledge of the Company, the reports were often voiced as not having enough detail to allow for in-depth analysis to occur.

14.2.10. Solvency review – Qualified audit opinion

In general, auditors are required to consider the appropriateness of management’s going concern assumption for a period of at least twelve (12) months from the date of the financial statements.

As noted in the Group’s audited FY21 financial report, its auditors in their opinion noted there was material uncertainty which may cast significant doubt on the Group’s ability to continue as a going concern. They formed this conclusion based on analysis they conducted:

- The Company’s ability to raise sufficient funding from existing and new investors, as well as government grant programs where available;
- Its ability to return to appropriate production capacity incorporating the post recall quality measures; and
- Generate positive cash flows from operations through increasing sale and production

Based on the above, there were material concerns regarding the Company’s solvency from an audit perspective since FY21.

14.2.11. Solvency review – Finance staff raise solvency concerns

Since our appointment, we have obtained evidence the Company’s employees raising issues with the ability to meet future its financial obligations.

- 24 December 2021 Board minutes discuss the Company’s production and sales numbers had materially declined on previously anticipated numbers.
 - The Company reported sales of \$20m for December 2021 and \$17m for November 2021, materially lower than the forecast \$67m for the combined months.
 - The Board advised this was an ongoing concern as the business continued to under deliver on budgeted performance. As mentioned previously, the board raised concerns if the DoD contract were to fail the Company would not have a path to ongoing viability.
- The Company’s Board highlighted in its meeting minutes in March 2022 (page 5), liquidity of the company was tight.
- Safe harbour is also discussed intermittently from 21 September 2021 in Board meetings, along with the appointment of a restructuring officer.
- Deloitte was engaged as safe harbour adviser on, or around 28 September 2021 with the Board seemingly seeking safe harbour relief from 7 December 2021 onwards whilst it pursued avenues to obtain new or alternate funding discussed above.

14.2.12. Product recall

In the 12 months leading up to our appointment the Company was negatively impacted by product recall issued by the U.S Food and Drug Administration (“FDA”) against Ellume USA.

- 6 September 2021 – FDA raised concerns about the level of reporting of false positives.
- 2 October 2021 –product recall announced.

- 14 October 2021 – as at this date 1,249 customers had requested replacement ECHTs.
- 21 October 2021 – Management confirmed, of the batch retention c.65% of batches had failed.
- 22 November 2021 – Management declared the recall was now behind them and they were now comfortably positioned with heightened focus on quality systems.

We understand the Company sought additional liquidity via capital notes to ease the stress caused by the product recall. In December 2021, after the completion of the capital raise the Company had secured approximately USD \$50m. Our analysis of the Company's records identified the cost of the recall was c.\$37m. Whilst the recall resulted in short term liquidity troubles, the Company was able to absorb the costs and remain solvent.

14.2.13. Conclusion

Based on the above analysis, our preliminary view is the Company became insolvent from at least May 2022.

The primary reasons for this view are:

- The Company experienced trading losses from as early as FY19
- The Company's auditors had noted there was material uncertainty related to the Group's ability to continue as a going concern in their audit reports FY20 and FY21.
- On 6 September 2021, the FDA raised concerns surrounding the level of reporting false positives from Ellume USA LLC's ECHTs. On 2 October 2021, the Group announced a Product recall. The Company undertook a capital raise in December 2021 to absorb the costs associated with the product recall.
- In September 2021 the Company engaged a Safe Harbour advisor to consider the financial position and a restructuring plan for the Company.
- Our analysis indicated finance staff raised solvency concerns from 24 December 2021 and continued until our appointment on 31 August 2022.
- Upon completion of noteholder funds raised in December 2021, the Company was unable obtain new or alternative finance.
- In early 2022, the Company sought to raise additional capital via an IPO or arrange working capital with Fulton via Ellume USA. After refusal from capital note holders and failed IPO prospects the Company was unable to raise additional funding/raise equity.
- As early as 26 February 2022, greater than 50% of trade creditors were paid outside trading terms.
- In the six (6) months leading up to our appointment, the Company continuously had difficulties with converting stock into cash. In addition, retail sales of its subsidiary's product had significantly decreased due to the release of free RAT tests by the US Government in early 2022.
- Insufficient liquid assets were held to meet current liabilities since May 2022 to our appointment. At this point liquidity steadily declines until our appointment on the 31 August 2022.
- The board packs note the Company contract with the DoD was set to expire on 31 May 2022, with the option for additional 3.1m ECHTs. At the timing of our appointment, the DoD had not exercised its option for the additional tests. Accordingly, from 31 May 2022 to our appointment, the Company had been making minimal revenue whilst at the same time incurring substantial costs to progress manufacturing and R&D.
- We have been made ware of at least two (2) creditors which the Company had rearranged payment terms with since June 2022.
- In the eleven months preceding our appointment the Company experienced attrition issues and loss of key personnel.

15. Appendix 6 – DOCA proposal

**Proposal for Deed of Company Arrangement in relation to
Ellume Limited (administrators appointed) (ACN 141 767 660)
Made by Hough Consolidated Pty Ltd (ACN 657 651 280)**

The terms of this proposal must be read in conjunction with certain defined terms as set out in the Dictionary at the end of the proposal. This proposal is final (and subject to the terms of an executed Deed of Company Arrangement).

Item	Subject	Material Term
1.	Company	Ellume Limited (Administrators Appointed) (ACN 141 767 660) (Company) is the entity that is proposed to be the subject of the DOCA.
2.	Administrators	John Park and Joanne Dunn of FTI Consulting.
3.	Appointment Date	31 August 2022.
4.	Proponent	The proponent of the DOCA is Hough Consolidated Pty Ltd (ACN 657 651 280) (Hough).
5.	Purpose of proposal	The purpose of this proposal is to articulate the material terms of the DOCA that Hough proposes in respect of the Company and which Hough requests the Administrators present to the meeting of Creditors of the Company that is to be convened and held pursuant to Part 5.3A of the Act. The proposed DOCA for the Company is intended to satisfy the objectives of Part 5.3A of the Act, including to maximise the chances of the Company, or as much as possible of its operations, continuing in existence, or to achieve better outcomes for the Company, compared to the expected outcome were the Company to be immediately wound up and assets liquidated.
6.	Key terms of the Deed of Company Arrangement	Except as indicated, all amounts are expressed in US\$. In accordance with this proposal, the DOCA will contain the following key terms: (1) All of the Existing Shares in the Company will be transferred by the Administrators to Hough or its nominee, free and clear of any encumbrances as part of inter-conditional steps to occur at completion as set out in Clause 12 below. (2) Each Electing Noteholder may, for any part of or the whole of the Notes held by the Electing Noteholder, elect to vary the terms of the Notes to the effect that: (a) all Noteholder Existing Rights are extinguished; (b) the Maturity Date (as defined in the relevant Note), is extended to 5 years after the date of the DOCA;

		(c) the Note is to be redeemed by conversion to shares in the Company in the event of an IPO. Those shares are to be issued pari passu with other Electing Shareholders, and the total shareholding of all Electing Noteholders to not exceed 5% of the total shares issued in the IPO; and (d) include such other amendments satisfactory to Hough, acting reasonably. An Electing Noteholder shall not participate in the Deed Fund for the Notes the subject of the election. (3) All other Notes (including the Notes of any Electing Noteholder who does not make an election under (2) above) will be redeemed and the Noteholders (other than the Electing Noteholders who make an election under (2) above) will participate in the Deed Fund for the amount of the Noteholder Pool. (4) Hough will contribute the Hough Contribution to the Deed Administrators to be available for distribution to Creditors under the Creditors' Trust as part of the Creditors' Trust Fund. (5) The Hough Contribution (other than the Interim Funding) will be paid in a single tranche as part of inter-conditional steps at completion of the DOCA (as further set out at item 12 below). If the DOCA terminates and does not Complete in accordance with its terms, then the Hough Contribution will no longer be payable. The only assets of the Company to be available for distribution to Admitted Creditors under the DOCA (and Creditors' Trust) will be the Hough Contribution and the Working Capital Amounts. (6) The Creditors' Trust Fund will be available for distribution to Creditors under the Creditors' Trust in accordance with the priority waterfall contained in Item 15 below. (7) Notwithstanding paragraph (6) above, Small Claim Creditors will be paid under the Creditors' Trust immediately following priority Creditors as determined by application of sections 556, 560 and 561 of the Act and prior to remaining Admitted Creditors that are not Small Claim Creditors as provided by Item 15 below. (8) The DOCA will be Completed upon, among other things, payment of the Hough Contribution to the Deed Administrators (which payment will be done as an inter-dependent step with other completion steps contained in the DOCA set out at Item 12 below). At that time, the Creditors' Trust will be formed (with the Creditors' Trust Fund paid to the trustees of the Creditors' Trust) and Admitted Creditors will have rights to receive distributions as beneficiaries under the terms of the Creditors' Trust (in the same order of priority as applies under the DOCA). (9) The Company will cease to comply with, and will not perform the Pre-Administration Leases and will treat the Pre-Administration Leases as coming to an end.
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		(10) The Company will use its commercial reasonable endeavours to renegotiate with QIAGEN the agreements between the Company and QIAGEN on terms satisfactory to Hough, acting reasonably. (11) All claims against the Company will be released upon Completion under the DOCA.
7.	Proposed Deed Administrators	John Park and Joanne Dunn of FTI Consulting. The Proposed Deed Administrators are also the proposed Trustees.
8.	Commencement date for the DOCA	The date of execution of the DOCA contemplated by this proposal.
9.	Property of the Company available for distribution	The property of the Company available for distribution to Creditors pursuant to the Creditors' Trust to pay their Admitted Claims will be the Creditors' Trust Fund (being the Deed Fund) as paid to the Trustees under the Creditors' Trust Deed and to be held on trust for the benefit of the beneficiaries of the Creditors' Trust.
10.	Moratorium under the DOCA	During the period of operation of the DOCA, the moratoria in sections 440A, 440D, 440F and 444E of the Act will apply to all Creditors and members of the Company.
11.	Release of claims	Upon and subject to Completion of the DOCA, all claims against the Company (except for those due to Excluded Creditors) will be released and extinguished in full, in consideration for the Admitted Creditors becoming beneficiaries under the Creditors' Trust.
12.	Completion under the DOCA – formation of Creditors' Trust	The DOCA will only complete upon the below steps occurring (all of which are inter-dependent). (1) Release by each of the Short Term Funders of all security granted to it as at the date of this proposal by the Company and any Subsidiaries. (2) Release by each of the Trading Security Holders of any security granted to the entity by any Company and any Subsidiaries, unless otherwise agreed between the parties in writing not less than 20 Business Days prior to Completion (or such other period as agreed by the Administrators). (3) Each such release under paragraph (2) to be on terms that provide for continuing trading and which are otherwise acceptable to Hough, acting reasonably. (4) The making of the ASIC Relief. (5) The making of the 444GA Orders. (6) The transfer of the Shares to Hough or its nominee. (7) The Proponent being satisfied (acting reasonably) that: a. the Company is not restricted under any existing contract to which it is a party from developing or

		producing dengue, malaria or HIV diagnostic products on and from Completion; and b. no third party is entitled to acquire, or has acquired since the date of this proposal, any intellectual property rights developed by the Company in connection with dengue, malaria or HIV diagnostic products. (8) The payment by Hough to the Deed Administrators of the Hough Contribution (subject to Item 12(10) below). (9) Execution of the Creditors' Trust Deed (which is to take effect on and from Completion). (10) The Interim Funding (and, if relevant, any part of the Security Funding) will be nominally repaid by the Administrators, or Deed Administrators, to Hough and reflected in the Hough Contribution. (11) Receipt by Hough from the Administrators of evidence in writing (in the form set out in Schedule 3) that all Pre-Administration Leases listed in Schedule 2 have been terminated or otherwise that counterparties to those Pre-Administration Leases have been notified that the Company will cease to comply with, and will not perform its obligations under, and treat the Pre-Administration Leases at an end. (12) The resignation or removal of the Exiting Directors and Secretary and the appointment of the Continuing Directors. (13) Retention of the Staff by the Company on terms acceptable to those Staff and to the satisfaction of Hough (acting reasonably) and which terms must be no less favourable than each Staff member's terms and conditions of employment immediately prior to the DOCA. (14) A binding commitment from the US Landlord to the effect that the US Landlord will not terminate the lease of the US Facility due to any fact, matter or circumstance arising prior to, or subsisting at, Completion. (15) A binding commitment from the Richlands Landlord to the effect that the Richlands Landlord will not terminate the lease of the Richlands Facility due to any fact, matter or circumstance arising prior to, or subsisting at, Completion. Only Hough may waive the Conditions at paragraphs (1), (2), (3), (6), (7), (11), (12) (13), (14) and (15) above. All other remaining conditions may only be waived on agreement in writing between the parties (such agreement not to be unreasonably withheld). Each of the parties will (at their own cost) do all things necessary and within their power to satisfy the Conditions (including, without limitation, obtaining and implementing the ASIC Relief and the
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		444GA Orders). Following completion of the steps immediately above, the following will occur (with these events to be interdependent): (1) the Creditors' Trust Deed will take effect pursuant to the terms of the Creditors' Trust Deed; (2) the Deed Administrators will transfer (and will cause the Company to transfer) the Deed Fund to the Trustees of the Creditors' Trust (on trust for the beneficiaries of that trust) to form part of the Creditors' Trust Fund; and (3) following steps (1) and (2) above, the DOCA will be fully Completed and the Deed Administrators will publish notice to that effect under section 445FA of the Act. Consequence of non-satisfaction of the Conditions (1) Subject to clause (2) below, if: (a) one or more of the Conditions is not satisfied or waived by the CP Satisfaction Date; or (b) the Deed Administrators and the Deed Proponent are of the opinion that one or more of the Conditions are incapable of being satisfied by the CP Satisfaction Date, then: (c) the Parties will cease to be bound by the DOCA on and from the CP Satisfaction Date and will have no liability under it; and (d) the Deed Administrators will convene a meeting of the Creditors to determine the future of the Company. (2) In circumstances where the Deed Proponent has reason to believe that it will not be able to satisfy the Conditions or otherwise effect Completion before the CP Satisfaction Date, the Deed Proponent may request an extension of the CP Satisfaction Date from the Deed Administrators for consideration (in their sole discretion). (3) In circumstances where the extension in clause (2) is not provided, or in circumstances where it is but the Long Stop Date has expired and the Conditions remain unsatisfied: (a) the Parties will cease to be bound by the DOCA on and from that date and will have no liability under it; and (b) the Deed Administrators will convene a meeting of the Creditors to determine the future of the Company.
13.	Directors and Secretary	During the Deed Period, the parties agree that the Administrators and Deed Administrators must, at the request of Hough, either procure the resignation of, or remove, the Exiting Directors and

		Secretary and procure the appointment of the Continuing Directors (subject to receiving signed consents to act) to be effective on Completion.
14.	Termination of DOCA	The DOCA will continue in operation until the DOCA is terminated: (1) upon its Completion as set out in this proposal (see clause 12 above); (2) by an order of the Court under section 445D of the Act; (3) by a resolution of the Creditors at a meeting convened under Division 75 of Schedule 2 to the Act; or (4) automatically, if a Condition is not satisfied (or becomes incapable of being satisfied) or waived by the parties by the CP Satisfaction Date or the Long Stop Date (as applicable).
15.	Order of distribution of the Creditors' Trust Fund	Subject to the below provisions, distributions from the Creditors' Trust Fund (under the Creditors' Trust, once formed) are to be made in respect of Admitted Claims as follows: (1) (Pool A) first, in notionally repaying the Interim Funding, and notionally repaying any part of the Security Funding in accordance with paragraph (10) of Item 12; (2) (Pool B) second, in payment of any balance owing in respect of the Security Funding; (3) (Pool C) third, in accordance with the priorities set out in sections 556, 560 and 561 of the Act as though those priorities were applied in the Creditors' Trust Deed in full; (4) (Pool D) fourth, Small Claim Creditors in respect of any Small Claim Dividend. (5) (Pool E) fifth, QIAGEN in an amount up to the QIAGEN Dividend. (6) (Pool F) sixth, equally and rateably up to a specified amount of AU\$ to all Admitted Creditors who do not enjoy priority under section 556 of the Act, in accordance with section 555 of the Act (and the other applicable provisions of Part 5.6, Division 6 of the Act, including section 563A of that Act). (7) (Pool G) separately, equally and rateably up to the amount of, and out of, the Noteholder Pool, the participating Noteholders. Hough will not receive any distributions under the DOCA or the Creditors' Trust other than in respect of the repayment of the Interim Funding.
16.	Prescribed Provisions	Except to the extent that they are inconsistent with the terms of the DOCA, the provisions of Schedule 8A of the Regulations will apply to the DOCA as well as the Creditors' Trust Deed
17.	Priority to eligible employee creditors	The DOCA will contain a provision as contemplated by s444DA of the Act.
18.	Superannuation contribution debts	Pursuant to section 444DB of the Act, for the DOCA (and the Creditors' Trust), the Deed Administrators (and Trustees of the

		Creditors' Trust) must determine that the whole, or any particular part, of a debt by way of superannuation contribution is not admissible to proof if a debt by way of superannuation guarantee charge: (1) has been paid; (2) is, or is to be, admissible to proof; and the Deed Administrators (or Trustees of the Creditors' Trust, as applicable) are satisfied that the superannuation guarantee charge is attributable to the whole, or that part, of the first- mentioned debt.
19.	Secured Creditors, and owners/ lessors of property	Other than as expressly provided for under the DOCA, the DOCA will not release: (1) any security held by a Creditor in respect of any claim, and (2) any security interest validly and effectively held by an owner or lessor in property of the Company.
20.	Control of the Company	(1) During the period of operation of the DOCA, the Deed Administrators will have stewardship of the Company and will continue to manage the operations of the Company. (2) During the period of operation of the DOCA, Hough will not take part in the management or operations of the Company, except in accordance with the terms of the Implementation Deed. (3) Stewardship of the Company will return to its directors upon Completion.
21.	Working Capital Amounts and trading liabilities during administration	(1) If any Working Capital Amounts are received by the Administrators or Deed Administrators, or the Company following completion of the DOCA as contemplated by clause 12, those amounts must be transferred to the Trustees to form part of the Creditors' Trust Fund. (2) Subject only to paragraph (3) below, any debts or liabilities incurred by the Company during the period of its administration (a) for which the Administrators have personal liability under section 443A or 443B of the Act, and (b) that remain unpaid at the time of completion of the DOCA, will be satisfied from the Deed Fund and Creditors' Trust Fund. (3) Any debts or liabilities of a kind mentioned in paragraph (2) that are owed to an Excluded Creditor who is an eligible employee creditor will be paid by the Company following completion of the DOCA.
22.	Administrators' and Deed Administrators' remuneration	The Administrators, Deed Administrators and the Trustees of the Creditors' Trust will be remunerated out of the Deed Fund and the Creditors' Trust Fund for their services at their usual hourly rates in accordance with Division 60 of Schedule 2 to the Act.
23.	Company records	The Deed Administrators and Trustees of the Creditors' Trust will be entitled to retain copies of (or to retain access to) the Company's records following completion of the DOCA, as is necessary or reasonably desirable for them to properly complete their roles.
24.	Variation of DOCA	The DOCA may only be varied by a resolution passed at a meeting of the Creditors of the Company convened in accordance with Division 75 of Schedule 2 to the Act, but only if the variation is not

		materially different from a proposed variation set out in a notice of meeting.
25.	Advance of Interim Funding	(1) Hough has agreed to provide the Interim Funding to the Administrators. (2) The Interim Funding will be documented and advanced as soon as practicable in accordance with the Funding Letter. (3) The Interim Funding will be repaid from the Deed Fund. Repayment will be made by direction by the Deed Administrators to Hough on Completion that a portion of the Hough Contribution be paid to Hough in repayment of the Interim Funding. (4) If the DOCA is terminated otherwise than upon completion of the DOCA in accordance with its terms, the Interim Funding will be repaid by the Administrators (subject always to the Administrators having sufficient available cash to make such repayment) subject to the terms of the Funding Letter.
26.	Governing law	This proposal and any DOCA (together with any Creditors' Trust) are governed by the laws of the State of Queensland.
27.	Dictionary	In this proposal: 444GA orders means orders made by a court of competent jurisdiction pursuant to and for purposes of section 444GA of the Act in relation to the Company, authorising the Deed Administrators to transfer all Shares in the Company to Hough for a nil consideration, in terms otherwise reasonably acceptable to Hough. Act means the <i>Corporations Act 2001</i> (Cth). Admitted Claim means a claim against the Company as adjudicated by the Deed Administrators under the DOCA (or by the Trustees of the Creditors' Trust), but excluding Excluded Creditors. Admitted Creditor means a Creditor who has (or who is entitled to have) an Admitted Claim. Appointment Date has the same meaning as defined in clause 3 of this proposal. ASIC means the Australian Securities and Investments Commission. ASIC relief means relief granted by ASIC for the purposes of section 606 of the Act, in substance relieving Hough (and the Company, to the extent relevant) from the application of section 606 of the Act with respect to Hough's acquisition of the Shares as contemplated by this proposal, substantially on the conditions contemplated at Part G of ASIC Regulatory Guide 6, and in terms otherwise reasonably acceptable to Hough. claim means any claim, cost, damages, debt, income, expense, tax, royalty, liability, loss, obligation, allegation, suit, action, demand, cause of action, proceedings, penalty (civil, criminal or otherwise), order or judgment of any kind however calculated or caused, howsoever arising in law or equity or under statute against the Company, and whether direct or indirect, future, contingent, consequential, incidental or economic, the circumstances giving rise

		to which occurred or arose before the Appointment Date, and includes (without limitation): (1) any claim of any kind whatsoever under a Pre-Administration Lease including without limitation any claim for damages or loss in connection with the Company's failure to comply with or perform or termination of, a Pre-Administration Lease; (2) any claim that in a winding up of the Company would be a subordinated claim for purposes of section 563A of the Act; (3) any residual unsecured claim held by a Secured Creditor following realisation of its security; and (4) without limiting (1) above, any warrant, option or similar instrument issued by the Company in respect of any of its Shares. Conditions means each of paragraphs (1) to (15) in Item 12. Completion means the date upon which each of the Conditions has been satisfied or waived in accordance with the DOCA, and for the avoidance of doubt, is when the DOCA is "wholly effectuated" for the purposes of certification under Schedule 8A of the Act. Continuing Contracts means any contract of any kind whatsoever made by the Company with third parties prior to the Appointment Date, except for the Pre-Administration Leases. Continuing Directors means Jackson Hough, Jonathon Dooley and at least one other director nominated by Hough in writing prior to Completion. CP Satisfaction Date means 10 March 2023, unless otherwise extended by agreement of Hough and the Administrators. Creditor means a person who has a claim against the Company. Creditors' Trust means a trust to be entitled the "Ellume Creditors Trust" (or another title agreed by the Deed Administrators and Hough), pursuant to which: (1) the Deed Administrators as trustees will hold the Creditors' Trust Fund as the trust estate, on trust for the beneficiaries described below; (2) persons who were (immediately prior to the Completion of the DOCA) Admitted Creditors will be beneficiaries; (3) the beneficiaries will have interests in the trust estate commensurate with their entitlements to participate as Admitted Creditors under the DOCA Creditors' Trust Deed means the trust deed to be entered into between the Company, the Deed Administrators, the Trustees and the Hough in accordance with the DOCA, which creates the Creditors' Trust. Creditors' Trust Fund is the Deed Fund. Deed Fund is the Hough Contribution and any Working Capital Amounts as at the relevant time. Deed Period means the period commencing on the Commencement Date and ending on the earlier of the Termination Date or
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		Completion. DOCA means a Deed of Company Arrangement for the Company in accordance with Part 5.3A of the Act to be entered into between the Company, Hough and the Deed Administrators. Electing Noteholders means each of the Noteholders recorded in Schedule 4 and any other Noteholder notified to the Administrator by the Representative named in Schedule 4. eligible employee creditor has the meaning given to that term in the Act. Excluded Creditors means any Creditor who has a claim against the Company: (1) because he/she is an eligible employee creditor, where such Creditor has continued his/her employment with the Company (or a Subsidiary) following completion of the DOCA; or (2) where such Creditor is a Subsidiary. Existing Shares means all Shares in the Company on issue on the Appointment Date. Exiting Directors and Secretary means Paul Darrouzet, Gary Hewett, Geoffrey Ronald Pearce, Sean Andrew Parsons and Mark Eric Harding Anning. Funding Letter means a funding deed in letter format to be entered into on or about the date of this proposal between the Proponent and the Administrators. Hough Contribution means the sum of \$38,000,000. Implementation Deed means a Deed to be entered into on or about the date of this proposal between the Proponent, the Company and the Administrators. Interim Funding means a loan in the sum of up to \$5,000,000, plus any other amounts advanced by Hough to the Administrators, on the terms set out in the Funding Letter. IPO means the Company carrying out an initial public offering of its Shares and being admitted to the official list of ASX or another recognised stock exchange. Long Stop Date means 28 April 2023, unless otherwise extended by agreement of Hough and the Administrators. Notes means a convertible note issued by the Company. Noteholder means a holder of Notes, but excluding QIAGEN. Noteholder Existing Rights means all existing rights of the Noteholder to redeem or convert the Notes. Noteholder Pool means an amount of \$12,500,000 to be paid as part of the Hough Contribution. Pre-Administration Lease means the leases specified in Schedule 2 to this proposal, but for the avoidance of doubt does not mean a Continuing Contract. QIAGEN means each of QIAGEN GmbH and QIAGEN NV Kvk
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	QIAGEN Dividend means the amount of \$7,000,000. Regulations means <i>Corporations Regulations 2001</i> (Cth). Richlands Facility means the premises located at 9-19 Macgregor Place, Richlands in the State of Queensland. Richlands Landlord means Elcorp Services Pty Ltd ACN 069 142 847 and Treffiletti Siblings Pty Ltd ACN 627 266 586 as trustee under instrument 719121809. Secured Creditor means any Creditor who has valid and effective security from the Company for its claim against the Company. security means any security interest or encumbrance of any kind whatsoever, howsoever arising, and includes (without limitation) a security interest registrable under the <i>Personal Property Securities Act 2009</i> (Cth). Security Funding means an amount sufficient to pay out the claims of the Short Term Funders and the Trading Security Holders up to a limit of \$8,000,000. Shares means all shares in the Company of any kind whatsoever (and includes any preference shares, ordinary shares or otherwise). Short Term Funders means each of (1) Evangayle Pty Ltd ACN 615 224 256 as trustee for the Jones Family Trust No 3 (2) Glencairn Bay Investments Pty Ltd ACN 629 479 269 as trustee for the Glencairn Bay Investment Trust; (3) MA & KA Investments Pty Ltd ACN 600 309 626 as trustee for the MA & KA Investment Trust; and (4) Brand Brothers Holdings Pty Ltd ACN 637 303 952 as trustee for the Brand Brothers Holdings Trust. Small Claim means any Admitted Claim with a value of AU\$20,000 or less. Small Claim Creditor means a Creditor with a Small Claim. Small Claim Dividend means a payment from the Creditors' Trust Fund under the Creditors' Trust to each Small Claim Creditor, as beneficiaries, in the amount equal to 50% of that Small Claim Creditor's Small Claim, or where AU\$285,000 is insufficient to pay 50%, a lesser amount calculated on a pro rata basis. Staff means each of [REDACTED] Subsidiaries means the entities described in Schedule 1 to this proposal. Termination Date means the date that the DOCA is terminated pursuant to clause 14 above. Trading Security Holders means each of: (1) Robert Bosch (Australia) Proprietary Limited; (2) Atlas Copco Australia Pty Ltd;
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		(3) Crown Equipment Pty. Limited; (4) Retracom Holdings Pty Ltd; (5) Life Research Pty Ltd; (6) Print Management Facilities Australia Pty Ltd; and (7) any other entity notified by Hough to the Company prior to Completion (but excluding the US Landlord and the landlord of the Richlands Facility). Trustee means the Trustee of the Creditors' Trust. Working Capital Amounts means at the time of completion of the DOCA as contemplated in clause 12 above: (1) cash on hand for the Company or Administrators; (2) accounts receivable due to the Company in respect of work done or services provided by the Company on or before that time. US Facility means the premises located at buildings 201, 202 and 203, 4910 Executive Court, South Frederick, MD 21703. US Landlord means WVS Parcel 200A, LLC and WVS Parcel 204 A, LLC, each a Maryland limited liability company.
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Dated: 8 December 2022

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Schedule 1 – Subsidiaries

- (1) Ellume USA LLC, a Delaware limited liability company
- (2) Ellume NZ Pty Ltd

Schedule 2 – Pre-Administration Leases

- (1) Lease between Ellume as Lessee and YWCA Australia ACN 111 663 873 as Lessor in relation to part of 936 Stanley Street, East Brisbane QLD 4169 more particularly described as Lot 223 on RP 11455.
- (2) Lease between Ellume as Lessee and Darrouzet Investments Pty Ltd ACN 136 760 364 as Lessor in relation to 57 Didsbury Street, East Brisbane QLD 4169 more particularly described as Lot 1 on RP 166321 dated 12 July 2022.

Schedule 3 – Notice from Deed Administrators

This notice is given for the purposes of the Deed of Company Arrangement made in relation to Ellume Limited (subject to deed of company arrangement) (**DOCA**). Terms defined in this notice have the meanings set out in the DOCA.

This notice concerns the Pre-Administration Leases under the DOCA.

By this notice, we as Deed Administrators confirm to Hough for the purposes of the DOCA that all Pre-Administration Leases known to the Administrators have been terminated or otherwise that counterparties to those Pre-Administration Leases have been notified that the Company will cease to comply with, and will not perform its obligations under, and treat the Pre-Administration Leases at an end.

Schedule 4 – Electing Noteholders

Noteholder group*	Noteholders	Representative
Group A		
Group B		

*For identification purposes only

16. Appendix 7 – Creditor Information Sheet

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.

17. Appendix 8 – Remuneration Approval Report

12 December 2022



Remuneration Approval Report

Ellume Limited
(Administrators Appointed)
141 767 660

Table of Contents

Summary 3

Declaration..... 4

Remuneration sought 4

Disbursements 4

Previous remuneration approvals 5

Likely impact on dividends..... 5

Funding received for remuneration and disbursements..... 5

Receipts and payments..... 6

Queries 6

Schedule A – Details of work incurred and unapproved 7

Schedule B – Time spent by staff on each major task (work already done) 14

Schedule C – Resolutions 16

Schedule D - Disbursements 17

Schedule E – Summary of receipts and payments..... 18

Schedule F – FTI Consulting schedule of rates effective 1 July 2022..... 19

Summary

This remuneration approval report provides you with the information 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 Ellume Limited (Administrators Appointed) ACN 141 767 660 ("the Company").

On 26 October 2022, the Committee of Inspection ("COI") approved our remuneration and disbursements as follows:

Appointment type/Period	Remuneration (excl GST)	Disbursements (excl GST)
Voluntary Administration – 31 August 2022 to 9 October 2022	\$778,484.00	\$505.75

We are asking creditors to further approve our incurred and unapproved remuneration and disbursements as follows:

Appointment type/Period	Remuneration (excl GST)	Disbursements (excl GST)
Voluntary Administration – 31 August 2022 to 27 November 2022	\$933,054.50	\$831.80
Voluntary Administration - 28 November 2022 to finalisation of the Administration	\$700,000.00	\$0.00
Total	\$1,633,054.50	\$831.80

We estimate the total cost of this Voluntary Administration will be \$2,425,000, excluding GST. This has increased from our previous estimate for the following reasons:

- Application to Court for directions pertaining to the funding deed entered into by the Administrators to continue to trade the business whilst a sale and/ or recapitalisation of the Company is achieved;
- The extension of the convening period to 16 December 2022 to allow sufficient time for the sale process. This resulted in following additional work:
 - Application to the Court for the extension to the convening period; and
 - Draft and issue additional correspondence to creditors and employees of the Company concerning the application and outcomes thereof.
- Additional correspondence to creditors concerning the applications to Court for directions and to extend the convening period;
- Trading of the Company for up to an additional three months to conclude a sale or recapitalisation process via deed of company arrangement.

Creditors will note we are not seeking any remuneration for future work past the execution of the DOCA or in the event we are appointed as liquidators. We expect further remuneration approval request will be made following the appointment as either Deed Administrators or Liquidators.

Declaration

We, John Park and Joanne Dunn, of FTI Consulting, have undertaken a proper assessment of the claims for remuneration for the appointment as Administrators of the Company in accordance with the law and applicable professional standards. We are satisfied 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, the disbursements 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 unapproved and already completed	31 August 2022 to 27 November 2022	\$933,054.50	As per the attached hourly rates	When funds are available
Future work to finalisation of the Administration	28 November 2022 onwards	\$700,000.00	As per the attached hourly rates	When funds are available
Total		\$1,633,054.50		

Details of the work already done and future work 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, however, required to obtain creditors' approval for the payment of a disbursement where we, or a related entity, may directly or indirectly obtain a profit. On 26 October 2022, the COI approved our disbursements in the amount of \$505.75, exclusive of GST.

We are seeking creditor approval for further disbursements in the amount of \$831.80, exclusive of GST.

Schedule D includes a breakdown of the disbursements incurred as at 27 November 2022.

For more information about disbursements, please refer to the Initial Remuneration Notice sent to you on 2 September 2022.

Previous remuneration approvals

As noted earlier in this report, the following remuneration approvals have previously been provided by the COI:

Period	For	Approving body	Approved amount \$ (excl GST)	Amount paid \$
31 August 2022 to 9 October 2022	Work already completed	COI	778,484.00	\$0.00
Total remuneration previously approved			\$778,484.00	\$0.00

We are now seeking approval of a further \$1,633,054.50, exclusive of GST, in remuneration which will bring total remuneration claimed in this Administration to \$2,411,538.50, exclusive of GST.

Likely impact on dividends

The Act sets the order for payment of claims against the Company, and it provides for remuneration of the Administrator to be paid in priority to other claims. This ensures when there are sufficient funds, the Administrator receives payment for the work done to recover assets, investigate the Company's affairs, report to creditors and ASIC and distribute any available funds.

Based on:

- realisations to date;
- estimated future realisations;
- estimated remuneration to complete the voluntary administration;
- the estimated total of creditor claims based on the Company's records and claims lodged.

The estimated dividend is subject to the outcome of the second meeting of creditors and the quantum of claims Admissible. Please refer to **Section 8** of the Report to Creditors for further detail.

Funding received for remuneration and disbursements

As noted in previous correspondence to creditors, we entered into a funding agreement to meet ongoing operational costs and costs of the Administration, with a facility limit of \$3.5M. We also obtained an extension of this facility limit for a further \$1.5M. To date, the Administrators have utilised \$4M under this funding agreement to meet operational costs. No funding has been used to meet payment of remuneration incurred. At this stage, the Administrators do not expect to draw any further funds under this agreement.

Receipts and payments

A summary of the receipts and payments for the voluntary administration as at 27 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 07 3225 4900 or by email at ellume@fticonsulting.com.

Yours faithfully



Joanne Dunn

Administrator

Attachments:

Schedule A – Details of work

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

Schedule C – Resolutions

Schedule D – Disbursements

Schedule E – Summary of receipts and payments

Schedule F – FTI Consulting schedule of rates effective 31 July 2022

Schedule A – Details of work incurred and unapproved

Task area/General description	Work already done	Future work up to finalisation of the Administration
Period	31 August 2022 to 27 November 2022	28 November 2022 to finalisation of the Administration
Amount \$ (excl GST)	\$933,054.50	\$700,000.00
Assets	266 hours \$175,679.00	\$140,000.00
Sale of business	■ Liaised with Company staff concerning information required for the sale ■ Prepared and reviewed flyer ■ Attended to interested party queries and maintenance of data room ■ Internal meetings to discuss/review offers received ■ Liaising with management and staff in relation to the provision of documents for the data room ■ Attended site Ellume USA LLC site in Frederick to meet with potential buyer and bankers	■ Corresponded with interested parties to clarify terms offers ■ Work with the DOCA proponent to conduct confirmatory due diligence processes ■ Liaise with the DOCA proponent on sale and transition related items
DOCA Proposal/ execution of DOCA	■ Held discussions with DOCA proponent regarding DOCA proposal ■ Received and reviewed DOCA proposal and considered impact on creditors ■ Drafted DOCA specific information for report to creditors ■ Discussions with our Lawyers and the DOCA proponent on entering into binding documents for the DOCA proposal ■ Considered working capital adjustments required for the DOCA proposal	■ Discussions with our lawyers and the DOCA proponent on entering into binding documents for the DOCA proposal ■ Ongoing discussions with DOCA proponent in relation to transaction completion steps ■ Finalisation and signing of DOCA and Creditors Trust Deed
Plant & Equipment	■ Liaising with valuers and interested parties ■ Reviewing asset listings	
Assets subject to specific charges	■ Liaising with charge holders in relation to their security interests	■ Liaising with charge holders in relation to their security interests

Task area/General description	Work already done	Future work up to finalisation of the Administration
Stock	■ Held discussions with suppliers surrounding stock levels ■ Reviewing stock values	■ Discussions with suppliers surrounding stock levels ■ Review of stock values
Leased assets	■ Reviewing leasing documents ■ Liaising with owners/lessors ■ Tasks associated with disclaiming leases	■ Reviewing leasing documents ■ Liaising with owners/lessors ■ Tasks associated with disclaiming leases
Creditors	149.30 hours \$75,281.00	\$245,000.00
Creditor Enquiries, Requests & Directions	■ Receive and respond to creditor enquiries ■ Maintaining creditor request log ■ Set up and monitored email inboxes ■ Prepared FAQs to assist in responses to creditor queries ■ Created and maintained creditor call register ■ Review and prepare correspondence to creditors and their representatives	■ Receive and respond to creditor enquiries ■ Maintaining creditor request log ■ Prepared FAQs to assist in responses to creditor queries ■ Created and maintained creditor call register ■ Attending to enquiries relating to the second creditors' meeting ■ Review and prepare correspondence to creditors and their representatives
Secured creditor reporting	■ Notifying PPSR registered creditors of appointment ■ Responding to secured creditor's queries	■ Responding to secured creditor queries
Creditor reports	■ Finalising Voluntary Administrators' report, investigation, and associated meeting documentation ■ Prepared separate correspondence, including FAQs specific to each group of creditors including employees and suppliers ■ Distribution of correspondence via email	■ Finalising Voluntary Administrators' report, investigation, and associated meeting documentation ■ Preparing circulars to creditors in relation to court orders obtained by Administrators ■ Detailed information provided to all employee and trade creditors on meeting process via virtual facilities ■ Distribution of correspondence via email
Dealing with proofs of debt	■ Receipting and filing POD when not related to a dividend	■ Receipting and filing POD when not related to a dividend ■ Contacting creditors to assist in meeting registration and attendance process where POD not lodged

Task area/General description	Work already done	Future work up to finalisation of the Administration
Meeting of Creditors	■ Preparation of meeting notices, proxies and advertisements ■ Held meeting of the COI ■ Preparation and lodgement of minutes of meetings with ASIC ■ Discussions with the COI surrounding the upcoming meeting ■ Sent meeting minutes to creditors on request ■ Responded to stakeholder queries and questions immediately following meeting	■ Preparation of meeting notices, proxies and advertisements ■ Preparation of detailed process document for requirements to attend meeting ■ Forward notice of meeting to all known creditors ■ Preparation of meeting file, including agenda, certificate of postage, attendance register, list of creditors, reports to creditors, advertisement of meeting and draft minutes of meeting, meeting slides, polling spreadsheet is required ■ Prepare and test webinar parameters for conduct of electronic meeting of creditors
Employees	95.40 hours \$48,069.00	\$35,000.00
Employee enquiries	■ Received and followed up employee enquiries ■ Reviewed and prepared correspondence to priority creditors ■ Liaised with employees concerning their entitlements ■ Liaised with legal representatives of employees and the Company to resolve outstanding employee matters ■ Reviewed Company records to quantify employee entitlements ■ Reviewed employee contracts and awards ■ Worked closely with HR and payroll staff concerning employee issues ■ Conducted several town hall meeting with employees to discuss employee issues and answer queries	■ Receive and follow up employee enquiries via telephone ■ Maintain employee enquiry register ■ Work with HR and payroll staff concerning employee issues ■ Conduct town hall meeting with employees to discuss employee issues and answer queries
Calculation of entitlements	■ Calculating employee entitlements ■ Reviewing employee files and company's books and records ■ Reconciling superannuation accounts ■ Reviewing awards ■ Liaising with solicitors regarding entitlements	■ Calculating employee entitlements ■ Reviewing employee files and company's books and records ■ Liaising with solicitors regarding entitlements

Task area/General description	Work already done	Future work up to finalisation of the Administration
	■ Issuing communications to all employees concerning their entitlements as per company records at appointment	
Workers compensation	■ Corresponded with insurer regarding initial and ongoing workers compensation insurance requirements ■ Discussions with human resources team concerning claims relevant to the Administration	■ Ongoing liaison with insurers and solicitors regarding claims
Other employee issues	■ Bi-weekly meetings with payroll and human resources ■ Preparation of Group employee Proof of Debt	■ Preparing all documents and forms for eligible employee meeting ■ Preparation of Group employee Proof of Debt
Trade On	791.10 hours \$403,725.00	\$210,000.00
Trade on management	■ Liaising with suppliers and arranging new accounts for trading during Administration ■ Attended frequent meetings with executive leadership team ■ Coordinating transport of goods from Australia to US ■ Authorising purchase orders and attendance at bi-weekly purchase requisition meetings ■ Liaising with management and staff ■ Attendance on site ■ Maintaining purchase order registry ■ Preparing and authorising receipt vouchers ■ Preparing and authorising payment vouchers ■ Liaising with superannuation funds regarding contributions, termination of employees' employment	■ Liaising with suppliers ■ Liaising with management and staff ■ Attendance on site ■ Authorising purchase orders ■ Maintaining purchase order registry ■ Preparing and authorising receipt vouchers ■ Preparing and authorising payment vouchers

Task area/General description	Work already done	Future work up to finalisation of the Administration
Budgeting and financial reporting	■ Reviewing company's budgets and financial statements ■ Preparing and maintain weekly cash flow forecast to monitor cash position during trading period ■ Preparing weekly estimated statement of position ■ Meetings to discuss trading position	■ Preparing cashflow on a daily and forecasted basis ■ Preparing at least weekly updates on trading status and critical issues ■ Meetings to discuss trading positions ■ Preparing funding draw down requests for submission to financier
Real Estate	■ Reviewed lease documents ■ Held discussions with landlords and their representatives concerning arrears	
Investigations	239.40 hours \$112,676.50	\$35,000.00
Conducting investigation	■ Collection of company books and records ■ Accessing the Company systems and contacting multiple external and internal parties ■ Conducted and summarised statutory search results received including property searches, company searches, PPSR searches, personal name searches and motor vehicle searches. ■ Reviewing company's books and records ■ Review and preparation of company nature and history ■ Preparation of financial analysis from Company books and records ■ Arranged viewing access to pre-appointment bank accounts and obtain statements ■ Reviewed board minutes and group financials to provide context to position of the Company and its reasons of failure ■ Preparation of estimated statement of position based on Company records and Administrators' investigations ■ Preparation of investigation file ■ Extensive analysis into convertible note funds received by the company	■ Preparation of investigation file ■ Reviewing company's books and records ■ Finalise preliminary investigations for the purposes of issuing the second report to creditors

Task area/General description	Work already done	Future work up to finalisation of the Administration
	■ Court searches to ascertain any statutory demands or other proceedings on foot at appointment date	
Litigation / Recoveries	■ Internal meetings to discuss status of litigation ■ Extensive analysis for any potential recoveries under liquidation scenario	
Administration	194.10 hours \$96,031.50	\$17,500.00
Correspondence	■ General correspondence with various parties	■ General correspondence with various parties
Management of matter	■ Matter oversight	■ Matter oversight
Shareholder enquiries	■ Responded to any shareholder enquiries	■ Responding to any shareholder queries
Document maintenance/file review/checklist	■ First month, then six-monthly administration reviews ■ Filing of documents ■ File reviews ■ Updating checklists	■ First month, then six-monthly administration reviews ■ Filing of documents ■ File reviews ■ Updating checklists
Insurance	■ Identification of potential issues requiring attention of insurance specialists ■ Correspondence with insurer regarding ongoing insurance requirements ■ Reviewing insurance policies ■ Correspondence with previous brokers	■ Ongoing insurer correspondence as required for trade and to manage claims and payments required ■ Dealing with any insurance issues arising in proposed DOCA
Funds handling	■ 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
ASIC Forms and lodgements	■ Preparing and lodging ASIC forms including 505, 5011, 911 etc. ■ Correspondence with ASIC regarding statutory forms	■ Preparing and lodging ASIC forms including 505, 5011, 911 etc. ■ Correspondence with ASIC regarding statutory forms

Task area/General description	Work already done	Future work up to finalisation of the Administration
ATO and other statutory reporting	■ Preparing BAS ■ Completing STP reporting obligations	■ Preparing BAS ■ Completing STP reporting obligations
Planning / Review	■ Discussions regarding status of administration ■ Ongoing review of checklist ■ Internal planning and review meetings	■ Discussions regarding status of administration ■ Ongoing review of checklist ■ Internal planning and review meetings
Books and records / storage	■ Obtaining books and records from the Company	
Other Professional Services	37.50 hours \$21,592.50	\$17,500.00
Strategic Communications	■ Monitored media concerning the Company	■ Liaising and monitoring media concerning the Company
Due Diligence	■ Review of corporate fillings and research into interested parties in the sale/ recapitalisation process	

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

The below table sets out work performed by professional services provided by the firm for the period 31 August 2022 to 27 November 2022 for fees incurred and unapproved:

Employee	Position	\$ /hour (excl GST)	Total actual hours	Total \$ (excl GST)	Task Area											
					Assets		Creditors		Employees		Trade on		Investigation		Administration	
					Hrs	\$	Hrs	\$	Hrs	\$	Hrs	\$	Hrs	\$	Hrs	\$
John Park	Senior Managing Director	\$ 740	125.90	\$ 93,166.00	71.00	\$ 52,540.00	1.90	\$ 1,406.00	-	\$ -	29.00	\$ 21,460.00	-	\$ -	24.00	\$ 17,760.00
Joanne Dunn	Senior Managing Director	\$ 740	155.60	\$ 115,144.00	39.00	\$ 28,860.00	12.70	\$ 9,398.00	1.30	\$ 962.00	79.80	\$ 59,052.00	13.90	\$ 10,286.00	8.90	\$ 6,586.00
Joseph Hansell	Senior Managing Director	\$ 740	28.40	\$ 21,016.00	26.40	\$ 19,536.00	-	\$ -	-	\$ -	1.60	\$ 1,184.00	-	\$ -	0.40	\$ 296.00
Renee Lobb	Managing Director	\$ 680	112.70	\$ 76,636.00	1.10	\$ 748.00	40.80	\$ 27,744.00	-	\$ -	1.90	\$ 1,292.00	67.20	\$ 45,696.00	1.70	\$ 1,156.00
Carla Fairweather	Managing Director	\$ 680	8.20	\$ 5,576.00	8.20	\$ 5,576.00	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -
Claire Packer	Managing Director	\$ 680	204.50	\$ 139,060.00	21.40	\$ 14,552.00	12.70	\$ 8,636.00	0.20	\$ 136.00	105.50	\$ 71,740.00	8.50	\$ 5,780.00	56.20	\$ 38,216.00
Neil Dempster	Senior Director	\$ 620	102.60	\$ 63,612.00	-	\$ -	0.10	\$ 62.00	44.70	\$ 27,714.00	57.80	\$ 35,836.00	-	\$ -	-	\$ -
Jack McGrath	Director	\$ 550	96.20	\$ 52,910.00	96.20	\$ 52,910.00	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -
Jeremy Dalais	Director	\$ 550	3.10	\$ 1,705.00	-	\$ -	2.20	\$ 1,210.00	-	\$ -	-	\$ -	-	\$ -	0.90	\$ 495.00
Marco Bozzetto	Director	\$ 550	0.40	\$ 220.00	-	\$ -	-	\$ -	0.40	\$ 220.00	-	\$ -	-	\$ -	-	\$ -
Julian Gowdie	Senior Consultant II	\$ 500	168.90	\$ 84,450.00	-	\$ -	2.50	\$ 1,250.00	0.20	\$ 100.00	166.20	\$ 83,100.00	-	\$ -	-	\$ -
Brooke Petersen	Consultant II	\$ 405	136.60	\$ 55,323.00	-	\$ -	-	\$ -	42.60	\$ 17,253.00	93.30	\$ 37,786.50	-	\$ -	0.70	\$ 283.50
Nicholas Hawthorne	Consultant I	\$ 375	197.50	\$ 74,062.50	2.10	\$ 787.50	-	\$ -	-	\$ -	195.40	\$ 73,275.00	-	\$ -	-	\$ -
Sam Rayner	Associate II	\$ 350	163.60	\$ 57,260.00	-	\$ -	45.90	\$ 16,065.00	-	\$ -	0.60	\$ 210.00	106.50	\$ 37,275.00	10.60	\$ 3,710.00
Anisa Jaffar	Associate I	\$ 315	16.90	\$ 5,323.50	0.30	\$ 94.50	4.80	\$ 1,512.00	-	\$ -	-	\$ -	-	\$ -	11.80	\$ 3,717.00
Tobias Robinson	Associate I	\$ 315	66.40	\$ 20,916.00	-	\$ -	22.20	\$ 6,993.00	-	\$ -	0.10	\$ 31.50	43.30	\$ 13,639.50	0.80	\$ 252.00
Beau Lyndon	Associate I	\$ 315	99.10	\$ 31,216.50	-	\$ -	2.00	\$ 630.00	1.70	\$ 535.50	57.20	\$ 18,018.00	-	\$ -	38.20	\$ 12,033.00
Isabella Jansen	Associate I	\$ 315	2.50	\$ 787.50	-	\$ -	-	\$ -	1.50	\$ 472.50	1.00	\$ 315.00	-	\$ -	-	\$ -
Various Staff	Treasury	\$ 300	31.20	\$ 9,360.00	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	31.20	\$ 9,360.00
Various Staff	Administration II	\$ 250	14.20	\$ 3,550.00	0.30	\$ 75.00	1.50	\$ 375.00	2.20	\$ 550.00	1.70	\$ 425.00	-	\$ -	8.50	\$ 2,125.00
Various Staff	Administration I	\$ 210	0.80	\$ 168.00	-	\$ -	-	\$ -	0.60	\$ 126.00	-	\$ -	-	\$ -	0.20	\$ 42.00
Total (ex GST)				\$ 911,462.00		\$ 175,679.00		\$ 75,281.00		\$ 48,069.00		\$ 403,725.00		\$ 112,676.50		\$ 96,031.50
GST				\$ 91,146.20												
Total (Incl GST)				\$ 1,002,608.20												
Total hours			1,781.50		266.30		150.80		98.20		792.80		239.40		234.00	
Avg hourly rate (ex GST)				\$ 511.63		\$ 659.70		\$ 499.21		\$ 489.50		\$ 509.24		\$ 470.66		\$ 410.39

The below table sets out work performed by other professional services provided by the firm for the period 31 August 2022 to 27 November 2022 for fees incurred and unapproved:

Employee	Position	\$ /hour (excl GST)	Total actual hours	Total \$ (excl GST)	Non Insolvency Services			
					Strategic Comms		Due Diligence	
					Hrs	\$	Hrs	\$
Shahin Shamsabadi	Managing Director	680	1.60	\$ 1,088.00	-	\$ -	1.60	\$ 1,088.00
Stuart Carson	Managing Director	680	22.00	\$ 14,960.00	16.00	\$ 10,880.00	-	\$ -
Carla Liedtke	Managing Director	680	0.40	\$ 272.00	-	\$ -	0.40	\$ 272.00
Leicha Stewart	Consultant II	405	7.00	\$ 2,835.00	7.00	\$ 2,835.00	-	\$ -
Calvin Lu	Consultant	375	6.50	\$ 2,437.50	6.50	\$ 2,437.50	-	\$ -
Total (ex GST)				\$ 21,592.50		\$ 16,152.50		\$ 1,360.00
GST				\$ 2,159.25				
Total (Incl GST)				\$ 23,751.75				
Total hours			37.50		29.50		2.00	
Avg hourly rate (ex GST)				\$ 575.80		\$ 547.54		\$ 680.00

Schedule C – Resolutions

Resolution 1- Remuneration for the period 31 August 2022 to 27 November 2022

“The remuneration of the Administrators and their staff for time incurred during the period from 31 August 2022 to 27 November 2022 and not yet approved, at a sum equal to the cost of time spent, calculated at the hourly rates as detailed in the Initial Remuneration Notice dated 2 September 2022 provided to creditors, is approved for payment in the amount of \$933,054.50, exclusive of GST, and the Administrators can draw the remuneration from available funds immediately or as funds become available.”

Resolution 2 – Remuneration for the period 28 November 2022 to finalisation of the Administration

“The future remuneration of the Administrators and their staff for time incurred and to be incurred from 28 November 2022 to finalisation of the Administration, at a sum equal to the cost of time spent, calculated at the hourly rates as detailed in the Initial Remuneration Notice dated 2 September 2022 provided to creditors, is approved for payment up to a capped amount of \$700,000, exclusive of GST, and the Administrators can draw the remuneration from available funds as time is incurred on a monthly basis or as funds become available”.

Resolution 3 – Disbursements for the period 10 October 2022 to 27 November 2022

“The disbursements of the Administrators and their staff, for the period from 10 October 2022 to 27 November 2022, calculated at cost detailed in the Initial Remuneration Notice dated 2 September 2022 provided to creditors, is approved for payment in the amount of \$831.80, exclusive of GST, and the Administrators can draw the disbursements from available funds immediately or as funds become available.

Schedule D - Disbursements

	Disbursements already incurred	Cost (\$)
Period	10 October 2022 to 27 November 2022	
Disbursements not charged at cost		\$831.80
Mileage	■ <i>Mileage reimbursement at x cents per kilometre</i>	\$435.00
Mail out	■ <i>20 cents per email sent</i>	\$396.80
Disbursements charged at cost		\$29,149.87
Data Searches	■ <i>Equifax searches at cost</i> ■ <i>Dye & Durham searches at cost</i>	\$348.85
Debit Card	■ <i>Trading costs incurred at cost</i>	\$4,713.54
Mail Out	■ <i>Postage at cost</i>	\$1.45
Meals	■ <i>Meals at cost</i>	\$269.69
Motor Vehicle Costs	■ <i>Parking</i> ■ <i>Gas</i>	\$215.29
Taxi	■ <i>Taxi at cost</i>	\$842.91
Travel Associated Costs	■ <i>Travel agent fees</i> ■ <i>Airfares</i> ■ <i>Visa Application Fees</i> ■ <i>Hotel & Lodging fees at cost</i>	\$22,758.14

Schedule E – Summary of receipts and payments

Receipts	\$
Administration Funding	3,500,000.00
ASIC Levy Refund	204.60
Cash at Bank	100,951.75
Cash on Hand	902.75
Foreign Currency Gain (Loss)	19,862.32
GST Paid	85,197.00
Interest Income	230.90
Plant and Equipment	170,014.48
Pre-appointment Cash at Bank	1,453,541.98
Pre-appointment Debtor	10,651.75
Trading Receipts	776,060.90
Total Receipts	\$ 6,117,618.43
Payments	
Allowances	- 6,844.11
Bank Charges	- 467.13
Cleaning & Waste Management	- 62,137.43
Consulting & Subcontractor Fees	- 144,669.64
Freight	- 1,658.59
Hire & Leasing	- 42,426.59
Insurance	- 258,980.48
Legal Fees	- 189,782.71
Licence Fees	- 2,390.30
Motor Vehicle Expenses	- 578.99
Office Supplies	- 325.50
PAYG Withholding	- 648,246.00
Payroll Tax	- 137,759.10
Property Lease Costs	- 397,296.89
Raw Materials & Quality Control	- 2,649.48
Repairs & Maintenance	- 26,747.48
Sale of Business Expense	- 149,429.22
Security	- 4,121.51
Software & Subscriptions	- 335,818.88
Staff Expense Reimbursements	- 20,063.71
Storage Expense	- 106,036.66
Telephone & Utilities	- 74,999.54
Travel Expense	- 26,058.25
Treasury	- 31,625.00
Valuation Fees	- 24,200.00
Wages & Salaries	- 2,492,813.76
Total Payments	-\$ 5,188,126.95
Net Receipts/(Payments)	\$ 929,491.48

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.

18. Appendix 9 – Information about creditors' trusts

18.1. Introduction on creditors' trusts

- The use of a creditors' trust involves potential risks and disadvantages when compared with the Company remaining subject to a DOCA. We explain those potential risks and disadvantages below.
- We also provide the additional information required by ASIC in accordance with Regulatory Guide 82 entitled "External Administrations: Deeds of company arrangement involving a creditors' trust". A copy of the regulatory guide is available from the ASIC website at <https://download.asic.gov.au/media/4966380/rg82-published-17-december-2018.pdf> or from FTI Consulting on request.

18.2. Risks and disadvantages

The Trustees will have a limited role under the Creditors' Trust. Their role is to:

- Adjudicate and make a final determination on claims; and
- Distribute the Creditors' Trust Fund to priority and ordinary creditors.

In those circumstances, and for the reasons set out below, the Administrators do not consider any potential risks associated with the proposed Creditors' Trust will have a material adverse effect on creditors in this case.

The risks of a Creditors' Trust compared to a company remaining subject to a DOCA can include:

- Creditors' claims against a company may be extinguished before the amount available for distribution to creditors has been ascertained. In this case, however, the actual amount of the Creditors' Trust Fund is ascertained at USD \$38m.
- Creditors' claims against a company may be extinguished before all or some of the trust funds are received. In this case, funds of USD \$38m will be received by the Trustees prior to extinguishment of the creditors' claims against the Company. In addition, upon extinguishment of the claims against the Company, new rights are created, as beneficiaries under the Creditors' Trust.
- The trustees may not have any right to terminate or vary the DOCA should the company not perform its contractual obligations under the DOCA. In this case, all contractual obligations of the Company under the DOCA will be fulfilled prior to the creation of the Creditors' Trust.
- Creditors forgo their statutory rights under the Act to seek the assistance of the Court, including the right to seek orders to terminate or vary the DOCA and to appeal against the adjudication of claims. Creditors do however have rights as beneficiaries under the Trusts Act and as outlined in the DOCA proposal, the Trustees will have the power to convene a meeting of beneficiaries to vary the Trust.

- Creditors may agree to the DOCA proposal without being aware of the implications of a creditors' trust. In this case, this report provides disclosure of material information about the DOCA and the Creditors' Trust.
- The additional complexity of the legal and documentary arrangements needed to support the use of a creditors' trust under a DOCA. This report provides disclosure of the legal and documentary information about the DOCA and the Creditors' Trust.
- The trustees' identity, skills, remuneration and insurance arrangements may not be commensurate with those of a deed administrator; these factors are addressed in the table below. For the reasons set out in the table, we do not believe the Trustees' identity, skills, remuneration and insurance arrangements pose a risk to creditors.
- Non-uniformity of the State and Territory Trustee Acts governing trusts and trustees; the Creditors' Trust will be governed by the Trusts Act. We do not believe the application of the act poses any risk for creditors.
- Differences in the ways trustees and registered liquidators are regulated and supervised, which may cause potential difficulties for ASIC and creditors to monitor and enforce proper conduct of the trustee. In a DOCA, creditors have the right to seek ASIC or court assistance under the Act. In a creditors' trust, the creditors (as beneficiaries) would not have those statutory rights and instead would have rights under the trust deed, in law or in equity. As the proposed Trustees are registered liquidators, creditors will still be able to seek assistance from ASIC and the supervisory jurisdiction the Court has over trustees. Accordingly, we do not believe this difference creates a material risk for creditors.

Item	Detail
Reasons for the Creditors' Trust	The Creditors' Trust is required to: 1. Expedite the return of the Company to trading without the stigma of the administration process. Placement of the Company into administration has potentially impacted trading performance. The Proponent has structured the transaction via a Creditors' Trust to minimise any further impact to trading performance; 2. Enable control of the Company to pass to its new governance structure; and 3. Provide the Company the best prospect of negotiating a return to usual trading terms with suppliers.
Key events	If creditors vote in favour of the DOCA proposal at the Second Meeting: 1. Within 15 business days of the second meeting of creditors, a DOCA and a trust deed which conform materially to the DOCA proposal, will be executed; 2. Relief from section 606 of the Act to be obtained from ASIC for the acquisition of 100% of the shares of the Company; 3. The Deed Administrators will obtain the leave of the Court pursuant to section 444GA of the Act to transfer the shares in the Company to the Proponent (or its nominee); 4. The Proponent will make payment of USD \$38M to establish the Deed Fund;

Item	Detail
	5. The DOCA will be effectuated, the Creditors' Trust will be settled, and the Deed Administrators will become the Trustees of the Creditors' Trust; 6. The Deed Fund will be transferred to the Trustees of the Creditors' Trust and will become the Creditors' Trust Fund. The Trustees will hold the Creditors' Trust Fund in accordance with the terms of the trust deed; 7. Following Completion of the DOCA, the Company will no longer be subject to external administration and will not be required to use the notification 'Subject to Deed of Company Arrangement' on public documents; 8. Upon Completion of the DOCA and the creation of the Creditors' Trust, the claims of all participating creditors who are bound by the DOCA will be converted from a claim against the Company and a right to prove as creditor in the DOCA, to the right to participate as a beneficiary of the Creditors' Trust. The effect being all creditors' rights against the Company are released and creditors' only recourse are as a passive beneficiary of the Creditors' Trust; 9. As soon as practicable, dividends will be paid to admitted priority and ordinary creditors, unless any creditor appeals the adjudication of its submitted POD. Any dividend payment may be delayed if an appeal is commenced against an adjudication; and 10. On payment of the final dividend, the Creditors' Trust will then be dissolved.
Return to creditors	The forecast return to creditors under the Creditors' Trust is discussed in Section 8 of this report.
Trustee particulars	The Administrators will be the Trustees of the Creditors' Trust. The Administrators are registered liquidators and have the relevant skills and experience to perform the required duties and functions as trustees of Creditors' Trusts. The Administrators consider there is no conflict of interest in them acting as Trustees and they have adequate civil liability insurance (including professional indemnity and fidelity) which will cover conduct by them in their capacity as Trustees of the Creditors' Trust. ASIC has certain supervisory powers (including the power to direct a registered liquidator to do certain things and disciplinary powers) in relation to the conduct of the Trustees. The Administrators will require any replacement trustee (if required) to also be a registered liquidator.
Remuneration and costs	The Creditors' Trust will provide for payment of the following from Creditors' Trust Funds in priority to any distribution to creditors: 1. Any approved remuneration owing to the Deed Administrators and the Administrators which remains unpaid as at the date of the DOCA being terminated and the Creditors' Trust coming into effect. 2. Remuneration and costs due to the Trustees. The Trustees' remuneration will be based on the hours spent by the Trustees, calculated in accordance with the FTI Consulting Standard Rates effective 1 July 2022, which is enclosed as Schedule 4 of the Remuneration Approval Report found in Appendix 8 of this report. We have estimated the remuneration and costs of the Trustees to be between \$300,000 and \$400,000. This estimate assumes the adjudication of creditor claims does not require

Item	Detail
	litigation or protracted negotiations and the distributions from the Creditors' Trust Fund occur in the timeframes proposed. It is not possible to estimate the quantum of Trustee fees which may otherwise be incurred. We do not consider additional professional fees will be incurred as a result of the use of the Creditors' Trust, compared with the position if the Company remains subject to DOCA. In a DOCA, the Deed Administrators' remuneration must be agreed by the COI or approved by resolution of creditors or by the Court. A creditor (among other parties) may apply to the Court to review the remuneration. In a Creditors' Trust, there is no equivalent statutory procedure in the Trusts Act pursuant to which beneficiaries, the Committee of Creditors or the Court must agree or approve the Trustees' remuneration. A beneficiary can seek to review or challenge the Trustees' remuneration by application to the Supreme Court of Queensland, including pursuant to Part 54 of the Uniform Civil Procedure Rules 2005.
Indemnities	The Creditors' Trust will provide the Trustees are entitled to be indemnified out of the Creditors' Trust Fund for all actions, suits, proceedings, accounts, claims and demands arising out of or relating to the Administration, DOCA or Creditors' Trust which may be commenced, incurred by or made on the Trustees by any person and against all costs, charges and expenses incurred by the Trustees in respect of them, provided the Trustees shall not be entitled to an indemnity in respect of any liabilities or demands to the extent the indemnification contravenes the Act or the Trusts Act or if the Trustees, or any partner, employee, authorised agent or delegate of the Trustees have acted negligently, in breach of fiduciary duty or in breach of trust. Accordingly, fees and costs of the Trustees, and costs associated with any legal actions which are required to be defended or taken will be a cost of the Creditors' Trust Fund. These fees and costs may diminish the return to creditors. Given the Trustees' limited role (being to adjudicate claims and distribute the Creditors' Trust Fund) we do not envisage any material legal actions. The indemnity is continuing and takes effect from the commencement date of the Creditors' Trust. No other indemnity has been or is to be provided to the Trustees by any related or third party.
Powers	The Trustees will have all the powers of a natural person or a corporation in connection with the exercise of their rights and compliance with their obligations under the Creditors' Trust. The Trustees may exercise their rights and comply with their obligations under the Creditors' Trust in any manner they think fit. A deed administrator is governed by the Act whilst a trustee is governed by the Trust Deed and the Trusts Act. The proposed role of the Trustees here is limited to calling for and adjudicating on claims and distributing the Creditors' Trust Fund. The Administrators will require the Trust Deed to incorporate the same powers which would usually apply to a Deed Administrator. There are unlikely to be any deficiencies in the power of the Trustees to perform their limited functions, which may lead to applications to Court.
Claims of priority and ordinary creditors	The claims of priority and ordinary creditors will be dealt with in accordance with the terms of the DOCA and the Creditors' Trust. The values of the claims are to be determined by the Trustees. The Trustees will have unrestricted and free access to all the books and records of the Company necessary to determine claims. The creditors' priorities (as beneficiaries of the trust) will follow the priorities set out in section 556 of the Act, subject to the terms of the DOCA.

Item	Detail
	Upon creation of the Creditors' Trust all participating creditors' claims which were bound by the DOCA will be converted from claims against the Company and a right to prove as creditors in the DOCA to the right to participate as a beneficiary of the Creditors' Trust. The effect of this is all creditors' rights against the Company are extinguished and creditors' only recourse is as a passive beneficiary of the trust fund.
Other creditor / beneficiary differences	The Creditors' Trust will provide some differences for creditors compared to a DOCA, which include: 1. Any appeal to the Trustees' decision to reject a claim must be made within 14 days of the Trustees giving notice of rejection, or such longer period as the Trustees permit. In a liquidation, the Act (Regulation 5.6.54(1)(b)(i)) stipulates the appeal must be made within 14 days of the liquidator giving notice of rejection, or such longer period as the court permits. Beneficiaries of a creditors' trust do not have statutory powers to call creditor meetings like they do in a DOCA. However, the Trust Deed will stipulate the requirements of the Act and Regulations relating to creditors' meetings, and the ability of the creditors to require a meeting to be held, will also apply to the Creditors' Trust. 2. In a DOCA, creditors have rights to call a meeting of creditors, or apply to the court to vary or terminate the DOCA. In a creditors' trust, creditors do not have this right. However, the Trust Deed will stipulate the requirements of the Act and Regulations relating to creditors' meetings, and the ability of the creditors to require a meeting to be held, will also apply to the Creditors' Trust. 3. Beneficiaries of the Creditors' Trust will have the same ability to report the conduct of the Trustees to ASIC as they would in a DOCA, as the Trustees are registered liquidators. We do not consider these differences will have a material adverse effect on creditors.
FEG	Current and former employees should note effectuation of the DOCA will prohibit their ability to access the FEG scheme for any outstanding entitlements, in particular leave and retrenchment, as the FEG scheme is only available if a company goes into liquidation. Through the DOCA and Creditors' Trust, a return is anticipated for outstanding superannuation, which is not covered by the FEG scheme. Continuing employees will retain their leave and retrenchment entitlements with the Company through the DOCA and Creditors' Trust.
Compliance opinion	The key area of third-party risk is in relation to Hough's obligations to transfer cash funding into the Creditors Trust. We note the Hough DOCA will not be effectuated until these funds have been received.
Solvency statement	The Deed Administrators have formed the opinion the Company will be solvent at the date of effectuation of the DOCA, if the DOCA is wholly effectuated on the terms proposed, as all claims of creditors will be extinguished against the Company and will be transferred to the Creditors' Trust. Proponent will provide the necessary financial support to enable debts to be paid as and when they fall due and we consider that sufficient resources are available for ongoing viable trading.
Tax (company / trust)	The creation of a creditors' trust creates the potential for some taxation issues to arise, as compared to an ordinary DOCA proposal. These may mean the funds available to creditors are reduced in order to account for any taxation liabilities associated with the

Item	Detail
	administration of the distribution process under a trust structure. The Trustees will ensure the DOCA provides for the costs of any forecast taxation liability to be paid into the Deed Fund. We do not expect there will be any material changes to the funds available for distribution as a result of the Creditors' Trust structure, or any taxation, capital gains or stamp duty liabilities will arise.
Tax (creditor / beneficiary)	There may be some implications for admitted creditors as a result of receiving a distribution from a trust in respect of a bad or doubtful debt, rather than from the debtor company being administered under a DOCA. Creditors are advised to seek their own tax advice as to their particular tax position. The Administrators are unable to provide advice on this issue.
Other	We have not identified any other material aspects or implications of the Creditors' Trust.