



FORM 5A

Rule 5.02(1)

**IN THE SUPREME COURT OF VICTORIA AT MELBOURNE
COMMERCIAL COURT
COMMERCIAL LIST**

Case: S ECI 2020 03281

Filed on: 14/08/2020 05:14 PM

No. S ECI 2020

B E T W E E N

ANTHONY BOGAN

First Plaintiff

MICHAEL THOMAS WALTON

Second Plaintiff

-and-

THE ESTATE OF PETER JOHN SMEDLEY DECEASED

First Defendant

ANDREW GERARD ROBERTS

Second Defendant

PETER GRAEME NANKERVIS

Third Defendant

JEREMY CHARLES ROY MAYCOCK

Fourth Defendant

KPMG (A FIRM) ABN 51 194 660 183

Fifth Defendant

WRIT

Date of Document: 14 August 2020
Filed on behalf of: The Plaintiffs
Prepared by: Amanda Banton, Banton Group

Solicitors Code: 104638
Telephone: 02 8076 8090
Ref: 2424
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TO THE DEFENDANT

TAKE NOTICE that this proceeding has been brought against you by the plaintiffs for the claim set out in this writ.

IF YOU INTEND TO DEFEND the proceeding, or if you have a claim against the plaintiffs which you wish to have taken into account at the trial, **YOU MUST GIVE NOTICE** of your intention by filing an appearance within the proper time for appearance stated below.

YOU OR YOUR SOLICITOR may file the appearance. An appearance is filed by—

- (a) filing a "Notice of Appearance" in the Prothonotary's office, 436 Lonsdale Street, Melbourne, or, where the writ has been filed in the office of a Deputy Prothonotary, in the office of that Deputy Prothonotary; and
- (b) on the day you file the Notice, serving a copy, sealed by the Court, at the plaintiffs' address for service, which is set out at the end of this writ.

IF YOU FAIL to file an appearance within the proper time, the plaintiffs may **OBTAIN JUDGMENT AGAINST YOU** on the claim without further notice.

***THE PROPER TIME TO FILE AN APPEARANCE** is as follows—

- (a) where you are served with the writ in Victoria, within 10 days after service;
- (b) where you are served with the writ out of Victoria and in another part of Australia, within 21 days after service;
- (c) where you are served with the writ in Papua New Guinea, within 28 days after service;
- (d) where you are served with the writ in New Zealand under Part 2 of the Trans-Tasman Proceedings Act 2010 of the Commonwealth, within 30 working days (within the meaning of that Act) after service or, if a shorter or longer period has been fixed by the Court under section 13(1)(b) of that Act, the period so fixed;
- (e) in any other case, within 42 days after service of the writ.

FILED – 14 August 2020

Prothonotary

THIS WRIT is to be served within one year from the date it is filed or within such further period as the Court orders.

**IN THE SUPREME COURT OF VICTORIA AT MELBOURNE
DIVISION COMMERCIAL COURT
LIST**

No. S ECI 2020

B E T W E E N

ANTHONY BOGAN

First Plaintiff

MICHAEL THOMAS WALTON

Second Plaintiff

-and-

THE ESTATE OF PETER JOHN SMEDLEY DECEASED

First Defendant

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PETER GRAEME NANKERVIS

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JEREMY CHARLES ROY MAYCOCK

Fourth Defendant

KPMG (A FIRM) ABN 51 194 660 183

Fifth Defendant

STATEMENT OF CLAIM

Date of Document: 14 August 2020
Filed on behalf of: The Plaintiffs
Prepared by: Amanda Banton, Banton Group

Solicitors Code: 104638
Telephone: 02 8076 8090
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Email: amanda.banton@bantongroup.com

A. THE PARTIES

A.1 The Plaintiffs and the Group Members

1. This proceeding is commenced as a representative proceeding pursuant to Part 4A of the *Supreme Court Act 1986* (Vic) by the Plaintiffs on their own behalf and on behalf of all persons who or which:

- (a) acquired an interest in fully paid ordinary shares in Arrium Corporation Limited (**Arrium Shares**) during the period between 19 August 2014 and 4 April 2016 (**Relevant Period**);
- (b) have suffered loss or damage by reason of the conduct of the Defendants pleaded in this Statement of Claim;
- (c) were not during any part of the Relevant Period, and are not as at the date of this Statement of Claim, any of the following:
 - (i) a related party (as defined by s 228 of the *Corporations Act 2001* (Cth) (**Corporations Act**)) of Arrium Corporation Limited (**Arrium**);
 - (ii) a related body corporate (as defined by s 50 of the *Corporations Act*) of Arrium;
 - (iii) an associated entity (as defined by s 50AAA of the *Corporations Act*) of Arrium;
 - (iv) an officer or a close associate (as defined by s 9 of the *Corporations Act*) of Arrium; or
 - (v) a judge or the Chief Justice of the Supreme Court of Victoria.

(Group Members).

- 2. The First Plaintiff acquired interests in Arrium Shares during the Relevant Period on his own behalf and on behalf of the Tony Bogan Super Fund.

Particulars

- i) *Details of the particular acquisitions of Arrium Shares by the First Plaintiff on his own behalf are set out below:*

Date	Transaction type	Number of Shares	Price per share (\$)	Total paid (\$)
24/09/2014	Purchase	65,360	0.38	24,836.80
16/10/2014	Purchase	18,181	0.33	5,999.73
9/12/2014	Purchase	22,800	0.175	3,990.00
5/01/2015	Purchase	26,080	0.23	5,998.40
15/01/2015	Purchase	32,600	0.23	7,498.00
16/01/2015	Purchase	45,450	0.22	9,999.00
17/03/2015	Purchase	29,400	0.17	4,998.00
1/04/2015	Purchase	30,300	0.165	4,999.50
8/05/2015	Purchase	28,000	0.185	5,180.00

10/08/2015	Purchase	144,000	0.125	18,000.00
13/10/2015	Purchase	40,400	0.099	3,999.60
15/12/2015	Purchase	166,500	0.06	9,990.00

- i) *Details of the particular acquisitions of Arrium Shares by the First Plaintiff on behalf of the Tony Bogan Super Fund are set out below:*

Date	Transaction type	Number of Shares	Price per share (\$)	Total paid (\$)
5/03/2015	Purchase	380,000	0.215	81,700.00
08/04/2015	Purchase	133,000	0.15	19,950.00
14/12/2015	Purchase	41,660	0.06	2,499.60

3. The Second Plaintiff acquired interests in Arrium Shares during the Relevant Period on his own behalf.

Particulars

- ii) *Details of the particular acquisitions of Arrium Shares by the Second Plaintiff are set out below:*

Date	Transaction type	Number of Shares	Price per share (\$)	Total paid (\$)
17/10/2014	Purchase (Capital Raising)	6,000	0.48	2,880.00

4. Immediately prior to the commencement of this proceeding, the group, on whose behalf this proceeding is brought, comprised more than seven persons.

A.2 The Defendants

5. Peter John Smedley (**Smedley**):

- (a) was a director of Arrium from 23 October 2000 until 17 November 2014;
- (b) was Chairman of the Board of Directors of Arrium until 17 November 2014;
- (c) as Chairman of Arrium:
 - (i) made, or participated in making, decisions that affected the whole or a substantial part of the business of Arrium; and
 - (ii) had the capacity to affect significantly Arrium's financial position; and
- (d) is and was at all material times:

- (i) a person for the purposes of s 1041H of the Corporations Act;
- (ii) a person for the purposes of s 12DA of the *Australian Securities and Investments Commission Act 2001* (Cth) (**ASIC Act**), and;
- (iii) a person for the purposes of s 18 of the Australian Consumer Law set out in Schedule 2 of the *Competition and Consumer Act 2010* (Cth), as applicable pursuant to:
 - (A) s 131 of the *Competition and Consumer Act 2010* (Cth);
 - (B) s 7 of the *Fair Trading (Australian Consumer Law) Act 1992* (ACT);
 - (C) s 28 of the *Fair Trading Act 1987* (NSW);
 - (D) s 8 of the *Australian Consumer Law and Fair Trading Act 2012* (Vic);
 - (E) s 16 of the *Fair Trading Act 1989* (Qld);
 - (F) s 6 of the *Australian Consumer Law (Tasmania) Act 2010* (Tas);
 - (G) s 19 of the *Fair Trading Act 2010* (WA);
 - (H) s 14 of the *Fair Trading Act 1987* (SA); and/or
 - (I) s 27 of the *Consumer Affairs and Fair Trading Act* (NT),
 (individually, or together, the **Australian Consumer Law**);
- (e) was at all material times in the Relevant Period until 17 November 2014, an officer of Arrium within the meaning of s 9 of the Corporations Act and ASX Listing Rule 19.12; and
- (f) died on 11 April 2019, and until such time was a resident of the State of Victoria.
- (g) is represented by Christine Mary Smedley, who:
 - (i) is a resident of the State of Victoria;
 - (ii) is the executor of the estate of Smedley, of which all causes of action subsisting against Smedley survive against pursuant to s 29 of the *Administration and Probate Act 1958* (Vic); and

(h) on or about 1 October 2019 obtained a grant of probate with respect to Smedley's estate.

6. The Second Defendant, Andrew Gerard Roberts (**Roberts**):

(a) was a director of Arrium from 18 February 2013 to 6 May 2016;

(b) was at all material times the Chief Executive Officer and Managing Director of Arrium;

(c) as Chief Executive Officer and Managing Director of Arrium:

(i) made, or participated in making, decisions that affected the whole or a substantial part of the business of Arrium; and

(ii) had the capacity to affect significantly Arrium's financial position; and

(d) is and was at all material times:

(i) a person for the purposes of s 1041H of the Corporations Act;

(ii) a person for the purposes of s 12DA of the ASIC Act; and

(iii) a person for the purposes of s 18 of the Australian Consumer Law set out in Schedule 2 of the *Competition and Consumer Act 2010* (Cth), as applicable pursuant to the Australian Consumer Law; and

(e) was at all material times in the Relevant Period, an officer of Arrium within the meaning of s 9 of the Corporations Act and ASX Listing Rule 19.12.

7. The Third Defendant, Peter Graeme Nankervis (**Nankervis**):

(a) was a director of Arrium from 1 December 2004 to 21 October 2016;

(b) was at all material times the Chairman of the Audit & Compliance Committee and a member of the Operational Risk Committee; and

(c) is and was at all material times:

(i) a person for the purposes of s 1041H of the Corporations Act;

(ii) a person for the purposes of s 12DA of the ASIC Act; and

- (iii) a person for the purposes of s 18 of the Australian Consumer Law set out in Schedule 2 of the *Competition and Consumer Act 2010* (Cth), as applicable pursuant to the Australian Consumer Law;
 - (d) was at all material times in the Relevant Period, an officer of Arrium within the meaning of s 9 of the Corporations Act and ASX Listing Rule 19.12; and
 - (e) is and was at all material times a resident of the State of Victoria.
- 8. The Fourth Defendant, **Jeremy Charles Roy Maycock**(**Maycock**):
 - (a) was a director of Arrium from 19 August 2014 to 21 October 2016;
 - (b) was Chairman of the Board of Directors of Arrium from 18 November 2014 onwards;
 - (c) as Chairman of Arrium:
 - (i) made, or participated in making, decisions that affected the whole or a substantial part of the business of Arrium; and
 - (ii) had the capacity to affect significantly Arrium's financial position; and
 - (d) is and was at all material times:
 - (i) a person for the purposes of s 1041H of the Corporations Act;
 - (ii) a person for the purposes of s 12DA of the ASIC Act; and
 - (iii) a person for the purposes of s 18 of the Australian Consumer Law set out in Schedule 2 of the *Competition and Consumer Act 2010* (Cth), as applicable pursuant to the Australian Consumer Law;
 - (e) was at all material times in the Relevant Period, an officer of Arrium within the meaning of s 9 of the Corporations Act and ASX Listing Rule 19.12.
- 9. The Fifth Defendant (**KPMG**) was at all material times:
 - (a) a partnership conducting business within Victoria and New South Wales as accountants, auditors and advisors;

- (b) operated under the partnership name “KPMG” (ABN 51 194 660 183), and under r 17.01 of the *Supreme Court (General Civil Procedure) Rules 2005* (Vic), may be sued in the partnership name; and
- (c) a partnership that:
 - (i) included among its partners and employees practicing in Victoria persons who were registered company auditors within the meaning of s 9 and Part 9.2 of the Corporations Act; and
 - (ii) included Mr Anthony (Tony) Wallace Young (**Young**), who was at all material times:
 - (A) a partner of KPMG;
 - (B) a qualified accountant and registered as an auditor under Part 9.2 of the Corporations Act, being registered auditor number 80075;
 - (C) the ‘lead auditor’ within the meaning of s 324AF of the Corporations Act in relation to the audits of Arrium for the financial year ended 30 June 2014, financial half-year ended 21 December 2014, and financial year ended 30 June 2015;
 - (D) a person for the purposes of s 1041H of the *Corporations Act*;
 - (E) a person for the purposes of s 12DA of the *ASIC Act*;
 - (F) a person for the purposes of s 18 of the Australian Consumer Law set out in Schedule 2 of the *Competition and Consumer Act 2010* (Cth), as applicable pursuant to the Australian Consumer Law.
- (d) was, by reason of s 761F of the Corporations Act, a person for the purposes of Chapter 7 of the Corporations Act, such that any contravention of a provision of Chapter 7 of the Corporations Act (including s 1041H of the *Corporations Act*) that would otherwise be a contravention by KPMG is taken to have been a contravention by each partner of KPMG who:
 - (i) aided, abetted, counselled or procured the relevant act or omission; or

- (ii) was in any way knowingly concerned in, or party to, the relevant act or omission (whether directly or indirectly and whether by any act or omission of the partner); and
- (e) was governed, inter alia, by the *Partnership Act 1958* (Vic), such that each partner of KPMG (including Young):
 - (i) is an agent of the firm and each partner of the firm for the purposes of the business of the partnership; and
 - (ii) is liable jointly with the other partners for all wrongful acts or omissions of any partner acting in the ordinary course of the business of KPMG.

B. ARRIUM

10. Arrium at all material times in the Relevant Period was:

- (a) a public company within the meaning of s 9 of the Corporations Act;
- (b) a disclosing entity within the meaning of s111AC(1) of the Corporations Act;
- (c) included in the official list of the financial market operated by the Australian Securities Exchange (**ASX**) and by reason thereof Arrium Shares are:
 - (i) ED securities for the purposes of s 111AE of the Corporations Act; and quoted ED securities within the meaning of s 111AM of the Corporations Act;
 - (ii) able to be acquired and disposed of by investors and potential investors in Arrium Shares (**Affected Market**) on the financial market operated by ASX;
- (d) a listed disclosing entity within the meaning of s 111AL(1) of the Corporations Act;
- (e) subject to and bound by Part 2M.3 of the Corporations Act, including being obliged:
 - (i) by ss 292 and 295 of the Corporations Act, to prepare a financial report for a financial year (including FY14 and FY15), consisting of the financial statements for the year, the notes to the financial statements, and the

directors' declaration about the statements and notes (**Financial Report**), which:

- (A) complies with accounting standards, as required by s 296 of the Corporations Act, including Australian Accounting Standard 101 ("Presentation of Financial Statements") (**AASB101**); Australian Accounting Standard 102 ("Inventories") (**AASB102**); Australian Accounting Standard 118 ("Revenue") (**AASB118**); Australian Accounting Standard 136 ("Impairment of Assets") (**AASB136**); Australian Accounting Standard 137 ("Provisions, Contingent Liabilities and Contingent Assets") (**AASB137**); Australian Accounting Standard 139 ("Financial Instruments: Recognition and Measurement") (**AASB 139**); and Australian Accounting Standard AASB 110 ("Events after the Reporting Period") (**AASB110**).
 - (B) gives a true and fair view of the financial position and performance of Arrium, and the consolidated entity comprising Arrium and its subsidiaries, as required by s 297 of the Corporations Act;
- (ii) by s 301 of the Corporations Act, to have the financial report for a financial year audited in accordance with Part 2M.3, Division 3 and obtain an auditor's report (**Auditor's Report**);
 - (iii) by ss 314 and 315(1) of the Corporations Act, to provide the Financial Report and the Auditor's Report to the members of Arrium by no later 21 days before the next Annual General Meeting of the members of Arrium after the end of the financial year, or 4 months after the end of the financial year (whichever is the earlier);
 - (iv) by s 319 of the Corporations Act, to lodge the Financial Report and the Auditor's Report with the Australian Securities and Investments Commission (**ASIC**) within 3 months of the end of the financial year;
 - (v) by ss 302 and 303 of the Corporations Act, to prepare a financial report for a half-year (including 1H15), consisting of the financial statements for the half-year the notes to the financial statements and the directors' declaration about the statements and notes (**1H Financial Report**), which:

- (A) complies with accounting standards, as required by s 304 of the Corporations Act, including AASB101, AASB102, AASB118, AASB136, AASB137, AASB139, and AASB110;
 - (B) gives a true and fair view of the financial position and performance of Arrium, and the consolidated entity comprising Arrium and its subsidiaries, as required by s 305 of the Corporations Act; and
- (vi) by s 320 of the Corporations Act, to lodge the 1H Financial Report with the ASIC within 75 days after the end of the half-year,

(Arrium's Statutory Reporting Obligations).

- (f) subject to and bound by the Listing Rules of the ASX (**ASX Listing Rules**), including being obliged:
 - (i) by Listing Rules 4.3A and 4.3B, to give ASX the information set out in Appendix 4E (which must be based upon the same accounting policies as the accounts upon which it is based, and which must comply with all relevant accounting standards) immediately when they are ready to be given to ASX and no later than the time that it lodges any accounts with ASIC, and in any event no later than 2 months after the end of the accounting period, which information includes:
 - (A) the amount and percentage change up or down from the previous corresponding period of revenue from ordinary activities (Item 2.1);
 - (B) the amount and percentage change up or down from the previous corresponding period of profit (loss) from ordinary activities after tax attributable to members (Item 2.2);
 - (C) the amount and percentage change up or down from the previous corresponding period of net profit (loss) for the period attributable to members (Item 2.3);
 - (D) any other significant information needed by an investor to make an informed assessment of its financial performance and financial position (Item 12);

- (E) a commentary on the results for the period, which is sufficient for the user to be able to compare the information presented with equivalent information for previous periods, which would include discussion of any factor which has affected the results in the period or which are likely to affect results in the future, including those where the effect could not be quantified (Item 14); and
 - (F) a statement as to whether the report is based on accounts which have been audited or subject to review, are in the process of being audited or reviewed, or have not yet been audited or reviewed (Item 15), and if the accounts have not yet been audited and are likely to contain an independent audit report that is subject to a modified opinion, emphasis of matter or other matter paragraph, a description of the modified opinion, emphasis of matter or other matter paragraph (Item 16).
- (ii) by Listing Rule 4.3D, if it became aware of any circumstance which was likely to materially affect the results or other information contained in the preliminary final report given to ASX under Listing Rule 4.3A, to immediately give ASX an explanation of the circumstances and the effects the circumstances are expected to have on its current or future financial performance or financial position;
 - (iii) by Listing Rule 4.5, to give ASX a copy of the documents which it must lodge with ASIC under s 319 of the Corporations Act at the same time as it lodges them with ASIC,

(Arrium's ASX Reporting Obligations).

- (g) obliged by ss 111AP(1) and/or 674(1) of the Corporations Act and/or ASX Listing Rule 3.1 to, once it is, or becomes aware of, any information concerning Arrium that a reasonable person would expect to have a material effect on the price or value of Arrium Shares, tell the ASX that information immediately (unless the exceptions in ASX Listing Rule 3.1A apply) **(Continuous Disclosure Obligations)**.

11. At all material times in the Relevant Period:

- (a) Arrium carried on business as a mining, mining consumables and steel company;
- (b) key segments for Arrium's earnings and profit were:
 - (i) iron ore mining;
 - (ii) mining consumables; and
 - (iii) steel;
- (c) As part of Arrium's iron ore mining segment, Arrium had the following two major iron ore mining operations:
 - (i) the Southern Iron mining operation (**SI Mining Operation**), which in FY2014 contributed 3.8 Mtpa of Arrium's export iron ore; and
 - (ii) the Middleback Ranges mining operation (**MBR Mining Operation**), which in FY2014 contributed approximately 9 Mtpa of Arrium's export iron ore,

(collectively, the **Mining Operations**); and
- (d) the SI Mining Operation comprised only one operative mine, being the Peculiar Knob iron mine (**Peculiar Knob**).

C. DIRECTORS' ROLES

12. At all materials times during the Relevant Period, Smedley, Roberts, Nankervis and Maycock each:
- (a) made, or participated in making, decisions that affected the whole or a substantial part of the business of Arrium;
 - (b) had the capacity to affect significantly Arrium's financial position; and
 - (c) had responsibilities which included but were not limited to:
 - (i) monitoring the financial performance of Arrium;
 - (ii) overseeing the establishment and maintenance of adequate internal financial controls and effective financial monitoring systems;
 - (iii) ensuring major business risks were identified and effectively managed;

- (iv) approving the terms of documents published by Arrium to the ASX, and authorising the publication of such documents; and
 - (v) ensuring that Arrium met its statutory obligations, including:
 - (A) Arrium's Statutory Reporting Obligations; and
 - (B) Arrium's ASX Reporting Obligations.
- 13. As directors of Arrium for the year ended 30 June 2014, Smedley, Roberts and Nankervis were obligated pursuant to s 295 of the Corporations Act to include within the Financial Report a declaration by the directors:
 - (a) whether, in the directors' opinion, there were reasonable grounds to believe that Arrium would be able to pay its debts as and when they become due and payable; and
 - (b) if Arrium had included in the notes to the financial statements, in compliance with the accounting standards, an explicit and unreserved statement of compliance with international financial reporting standards--that this statement had been included in the notes to the financial statements; and
 - (c) whether, in the directors' opinion, the financial statement and notes were in accordance with this Corporations Act, including:
 - (i) section 296 (compliance with accounting standards); and
 - (ii) section 297 (true and fair view); and
 - (d) that the directors have been given the declarations required by section 295A.
- 14. As directors of Arrium for the financial half-year ended 31 December 2014, Roberts, Nankervis and Maycock were obligated pursuant to s 303 of the Corporations Act to include within the Financial Report a declaration by the directors:
 - (a) whether, in the directors' opinion, there were reasonable grounds to believe that Arrium would be able to pay its debts as and when they become due and payable; and
 - (b) if Arrium had included in the notes to the financial statements, in compliance with the accounting standards, an explicit and unreserved statement of

compliance with international financial reporting standards--that this statement had been included in the notes to the financial statements; and

- (c) whether, in the directors' opinion, the financial statement and notes were in accordance with this Corporations Act, including:
 - (i) section 304 (compliance with accounting standards); and
 - (ii) section 305 (true and fair view).

15. As directors of Arrium for the financial year ended 30 June 2015, Roberts, Nankervis and Maycock were obligated pursuant to s 295 of the Corporations Act to include within the Financial Report a declaration by the directors:

- (a) whether, in the directors' opinion, there were reasonable grounds to believe that Arrium would be able to pay its debts as and when they become due and payable; and
- (b) if Arrium had included in the notes to the financial statements, in compliance with the accounting standards, an explicit and unreserved statement of compliance with international financial reporting standards--that this statement had been included in the notes to the financial statements; and
- (c) whether, in the directors' opinion, the financial statement and notes were in accordance with this Corporations Act, including:
 - (i) section 296 (compliance with accounting standards); and
 - (ii) section 297 (true and fair view); and
- (d) that the directors have been given the declarations required by section 295A.

16. As the Chief Executive Officer of Arrium for the years ended 30 June 2014 and 30 June 2015, Mr Roberts was obligated pursuant to s 295A of the Corporations Act to provide a declaration to the directors of Arrium whether, in Mr Roberts' opinion:

- (a) the financial records of Arrium for the financial year had been properly maintained in accordance with section 286; and
- (b) the financial statements and notes for the financial year comply with the accounting standards; and

- (c) the financial statements and notes for the financial year give a true and fair view; and
- (d) any other matters that are prescribed by the regulations in relation to the financial statements and the notes for the financial year are satisfied.

D. KPMG'S ROLE

D.1 KPMG's Audit Obligations

17. On a date not known to the Plaintiffs with their present state of knowledge, Arrium retained KPMG for the purpose of:
- (a) auditing, as required by s 301 of the Corporations Act:
 - (i) the Financial Report for FY2014 (**FY14 Financial Report**), (**FY14 KPMG Audit Retainer**);
 - (ii) the Financial Report for FY2015 (**FY15 Financial Report**), (**FY15 KPMG Audit Retainer**); and
 - (b) reviewing, as required by s 306(1) and (1A) of the Corporations Act, the 1H Financial Report for 1H15 (**1H15 Financial Report**), (**1H15 KPMG Audit Retainer**).

Particulars

- i) *The FY14 KPMG Audit Retainer is to be inferred from KPMG's Independent Auditor's Report included in the FY14 Financial Report (**FY14 KPMG Audit Report**).*
 - ii) *The FY15 KPMG Audit Retainer is to be inferred from KPMG's Independent Auditor's Report included in the FY15 Financial Report (**FY15 KPMG Audit Report**).*
 - iii) *The 1H15 KPMG Audit Retainer is to be inferred from KPMG's Independent Auditor's Report included in the FY15 Financial Report (**1H15 KPMG Audit Report**).*
 - iv) *Further particulars will be provided after discovery.*
18. As auditor of Arrium for the years ended 30 June 2014 and 30 June 2015, and the half-year ended 31 December 2014, KPMG (through Young) was obligated:
- (a) pursuant to s 307 of the Corporations Act to form an opinion as to whether:

- (i) the FY14 Financial Report and the FY15 Financial Report was prepared in accordance with the Corporations Act, including whether they complied with the accounting standards, and whether they gave a true and fair view of the financial position and performance of Arrium (and of the consolidated group comprising Arrium and its controlled entities); and
 - (ii) KPMG had been given all information, explanation and assistance necessary for the conduct of the review and audit;
- (b) pursuant to s 307A of the Corporations Act to conduct the audit of the FY14 Financial Report and the FY15 Financial Report, and the review of the 1H15 Financial Report in accordance with applicable auditing standards, including Australian Auditing Standard 200 (“Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with Australian Auditing Standards”) (**ASA200**), Australian Auditing Standard 220 (“Quality Control for an Audit of a Financial Report and Other Historical Financial Information”) (**ASA220**), Australian Auditing Standard 240 (“The Auditor’s Responsibilities Relating to Fraud in an Audit of a Financial Report”) (**ASA240**), Australian Auditing Standard 260 (“Communication with Those Charged with Governance”) (**ASA260**), Australian Auditing Standard 300 (“Planning of an Audit of a Financial Report”) (**ASA300**), Australian Auditing Standard 315 (“Identifying and Assessing the Risks of Material Misstatement through Understanding the Entity and Its Environment”) (**ASA315**), Australian Auditing Standard 330 (“The Auditor’s Responses to Assessed Risks”) (**ASA330**), Australian Auditing Standard 450 (“Evaluation of Misstatements Identified during the Audit”) (**ASA450**), Australian Auditing Standard 500 (“Audit Evidence”) (**ASA500**), Australian Auditing Standard 540 (“Auditing Accounting Estimates, Including Fair Value Accounting Estimates, and Related Disclosures”) (**ASA540**), Australian Auditing Standard 560 (“Subsequent Events”) (**ASA560**), Australian Auditing Standard 570 (“Going Concern”) (**ASA570**), Australian Auditing Standard 700 (“Forming an Opinion and Reporting on a Financial Report”) (**ASA700**), Australian Auditing Standard 701 (“Modifications to the Auditor’s Report”) (**ASA701**), Australian Auditing Standard 705 (“Modifications to the Opinion in the Independent Auditor’s Report”) (**ASA705**), and Australian Auditing Standard 706 (“Emphasis of Matter

Paragraphs and Other Matter Paragraphs in the Independent Auditor's Report")
(ASA706).

- (c) pursuant to s 308 of the Corporations Act to:
 - (i) report to the members of Arrium on whether KPMG was of the opinion that the FY14 Financial Report and the FY15 Financial Report was in accordance with the Corporations Act (being the Auditor's Report), including whether they complied with the accounting standards, and whether they gave a true and fair view of the financial position and performance of Arrium, and:
 - (A) if KPMG was not of that opinion, say in the report why; and
 - (B) if KPMG was of the opinion that the FY14 Financial Report or FY15 Financial Report was not in compliance with an accounting standard, to the extent it is practicable to do so, quantify the effect that non-compliance has on the financial report, or if it is not practicable to quantify the effect fully, say why; and
 - (ii) describe in the Auditor's Report:
 - (A) any defect or irregularity in the FY14 Financial Report and FY15 Financial Report;
 - (B) any deficiency, failure or shortcoming in respect of whether KPMG has been given all information, explanation and assistance necessary for the conduct of the audit, whether Arrium has kept financial records sufficient to enable a financial report to be prepared and audited, and whether Arrium has kept other records and registers required by the Corporations Act;
 - (iii) if the financial report contained additional information to give a true and fair view of the financial position and performance of Arrium, state in the Auditor's Report whether the inclusion of that additional information was necessary to give a true and fair view;
- (d) pursuant to s 309 of the Corporations Act to:
 - (i) report to the members of Arrium on whether KPMG was of the opinion that the 1H15 Financial Report was in accordance with the Corporations

Act (being the Auditor's Report), including whether it complied with the accounting standards, and whether it gave a true and fair view of the financial position and performance of Arrium, and:

- (A) if KPMG was not of that opinion, say in the report why; and
 - (B) if KPMG was of the opinion that the 1H15 Financial Report was not in compliance with an accounting standard, to the extent it is practicable to do so, quantify the effect that non-compliance has on the financial report, or if it is not practicable to quantify the effect fully, say why; and
- (ii) describe in the Auditor's Report:
- (A) any defect or irregularity in the 1H15 Financial Report;
 - (B) any deficiency, failure or shortcoming in respect of whether KPMG has been given all information, explanation and assistance necessary for the conduct of the audit, whether Arrium has kept financial records sufficient to enable a financial report to be prepared and audited, and whether Arrium has kept other records and registers required by the Corporations Act;
- (iii) if the financial report contained additional information to give a true and fair view of the financial position and performance of Arrium, state in the Auditor's Report whether the inclusion of that additional information was necessary to give a true and fair view;

(individually, or together, **Statutory Auditing Obligations**)

19. Pursuant to the FY14 KPMG Audit Retainer, FY15 KPMG Audit Retainer, 1H15 KPMG Audit Retainer and/or the Statutory Auditing Obligations, KPMG through Young was obligated to prepare an Auditor's Report in respect of the FY14 Financial Report, FY15 Financial Report, and 1H15 Financial Report by no later than the date which would enable Arrium to comply with Arrium's Statutory Reporting Obligations and Arrium's ASX Reporting Obligations.

Particulars

- i) *To the extent the obligation arose contractually, the KPMG was implied to give business efficacy to the relationship between KPMG and the entities KPMG was*

required to audit pursuant to the FY14 KPMG Audit Retainer, FY15 KPMG Audit Retainer, and 1H15 Audit Retainer.

- ii) *To the extent the obligation arose by statute, the Plaintiffs refer to and rely upon Arrium's Statutory Reporting Obligations, and the mandatory timeframes for lodgement of an Auditor's Report with ASIC, for which s 319 of the Corporations Act provides (as pleaded in paragraph 10(e)(iv)).*

20. It was a term of the FY14 KPMG Audit Retainer, FY15 KPMG Audit Retainer, and/or 1H15 KPMG Audit Retainer, that KPMG would use reasonable skill and care in providing services pursuant to the respective retainer.

Particulars

- i) *The term was implied to give business efficacy to the relationship between KPMG and the entities KPMG was required to audit pursuant to the FY14 KPMG Audit Retainer, FY15 KPMG Audit Retainer, and/or 1H15 KPMG Audit Retainer.*

D.2 KPMG Audit Team

21. At all material times, KPMG and Young employed, engaged to act on their behalf, or directed, consented to or agreed to a number of persons (**KPMG Audit Team**) to carry out work in providing professional accounting and auditing services to Arrium for and incidental to the FY14 KPMG Audit Retainer, FY15 KPMG Audit Retainer, the 1H15 KPMG Audit Retainer and the performance of the Statutory Auditing Obligations.

Particulars

- i) *To the best of the Plaintiffs' knowledge, the KPMG Audit Team included: Young and Julian McPherson*
- ii) *Further particulars will be provided after discovery.*

22. At all material times, pursuant to sections 769B(4), (6) and (10) of the Corporations Act:

- (a) conduct (including acts or omissions) engaged in or on behalf of the partners of KPMG (including Young), by:
 - (i) an employee or agent of the partners of KPMG (including Young), acting within the scope of the actual or apparent authority of that employee or agent; or

- (ii) any other person acting at the direction or with the consent or agreement (whether express or implied) of an employee or agent of the partners of KPMG (including Young), where the giving of the direction, consent or agreement is within the scope of the actual or apparent authority of the employee or agent,

is taken, for the purposes of Chapter 7 of the Corporations Act, to have been engaged in also by the partners of KPMG (including Young);

- (b) the state of mind (including actual knowledge and constructive knowledge (that is, what ought to be known)) of:

- (i) an employee or agent of the partners of KPMG (including Young), acting within the scope of the actual or apparent authority of that employee or agent; or

- (ii) any other person acting at the direction or with the consent or agreement (whether express or implied) of an employee or agent of the partners of KPMG (including Young), where the giving of the direction, consent or agreement is within the scope of the actual or apparent authority of the employee or agent,

is sufficient to establish the state of mind of the partners of KPMG (including Young) for the purposes of a proceeding under Chapter 7 of the Corporations Act in respect of conduct engaged in by the partners of KPMG (including Young) or the firm KPMG.

23. At all material times, by reason of the matters pleaded in paragraphs 21 to 22:

- (a) the conduct (including acts or omissions) of persons in the KPMG Audit Team is taken, for the purposes of Chapter 7 of the Corporations Act, to have been engaged in by the partners of KPMG (including Young); and

- (b) the state of mind (including actual knowledge and constructive knowledge (that is, what ought to be known)) of persons in the KPMG Audit Team is imputed to the partners of KPMG (including Young) for the purposes of a proceeding under Chapter 7 of the Corporations Act in relation to the conduct of Young (including conduct which the partners of KPMG (including Young) are taken to have engaged in by reason of the matters pleaded in sub-paragraph (a) above).

D.3 KPMG's Audit Work

24. From a time presently unknown to the Plaintiffs and prior to:

- (a) 19 August 2014, in performance of the FY14 KPMG Audit Retainer, Young and other members of the KPMG Audit Team commenced to conduct an audit of the FY14 Financial Report;
- (b) 18 February 2014, in performance of the 1H15 KPMG Audit Retainer, Young and other members of the KPMG Audit Team commenced to conduct a review of the 1H15 Financial Report;
- (c) 19 August 2015, in performance of the FY15 KPMG Audit Retainer, Young and other members of the KPMG Audit Team commenced to conduct an audit of the FY15 Financial Report;

for the purposes of which they:

- (d) had access to and made reference to working papers from all previous half-year reviews and audits conducted by KPMG for Arrium in the period from 2007 to 2014;
- (e) attended at the premises at which business records of Arrium were held;
- (f) required officers and employees of Arrium to provide KPMG with:
 - (i) access to the books of Arrium and its controlled entities; and
 - (ii) information, explanations and other assistance to enable KPMG to form opinions about the books of Arrium and its controlled entities;
- (g) had access to board papers and board minutes of Arrium;
- (h) had access to and reviewed documents which set out, *inter alia*, processes, procedures, guidance and other material relevant to the conduct of KPMG's review and audit (including the need to consider the reliability of management representations and to corroborate management representations by reviewing supporting evidence);
- (i) had access to appropriate source information, documents, budgets, models and guidance relevant to the impairment of assets.

- (j) had access to records to determine the appropriate accounting for revenue recognition, the measurement of trade receivables, the valuation and recoverability of inventory, the assessment of expenses incurred during the reporting period and existence of onerous contracts;
 - (k) had access to information to allow KPMG to adequately understand the Arrium business and the economy in which it operated including both internal and external information including commodity prices, economic forecasts, Arrium's mineral resources, and Arrium's mine plans and
 - (l) had assess to details of Arrium's banking covenants and compliance with those banking covenants.
25. KPMG and/or Young engaged in the conduct pleaded in paragraph 24 for the purpose of performing the Statutory Auditing Obligations and their obligations pursuant to the FY14 KPMG Audit Retainer, FY15 KPMG Audit Retainer, and/or 1H15 KPMG Audit Retainer.

E. ARRIUM'S FY14 FINANCIAL STATEMENTS

26. On 19 August 2014, Arrium published and lodged with the ASX announcements including:
- (a) 'Arrium Limited Full Year Results' (**FY14 Financial Results Announcement**);
and
 - (b) 'Arrium's 2014 Ore Reserves and Mineral Resources Statement' (**Reserves and Resources Statement**).
27. The FY14 Financial Results Announcement comprised documents, among others, titled:
- (a) 'ASX Appendix 4E Preliminary Final Report – Arrium Limited Results for Announcement to the Market';
 - (b) 'Strong FY14 Results Through Successful Strategy Execution';
 - (c) 'Operating and Financial Review 2014';
 - (d) the FY14 Financial Report, which relevantly included:

- (i) a 'Directors' Declaration' (the **FY14 Directors' Declaration**); and
- (ii) an 'Independent Auditor's Report' (the **FY14 Audit Report**).

28. On 19 August 2014, Smedley and Roberts signed the FY14 Directors' Declaration in respect of the FY14 Financial Report in accordance with a resolution of the directors of Arrium, and provided it to Arrium with authority to provide it to its members, and lodge it with ASIC and the ASX as part of the FY14 Financial Report.

Particulars

- i) *FY14 Financial Report, p . 126.*

29. On 19 August 2014, Young (on behalf of KPMG) signed the FY14 Audit Report in respect of the audited FY14 Financial Report, and provided it to Arrium with authority to provide it to its members, and lodge it with ASIC and the ASX as part of the FY14 Financial Report.

Particulars

- i) *FY14 Financial Report, p . 127.*

30. The FY14 Financial Report recorded that as at 30 June 2014, Arrium had:

- (a) generated a profit from continuing operations before income tax of \$412.7M (**FY14 Operating Profit**);
- (b) generated segment earnings before interest and tax of \$481.3M from its mining segment (**FY14 Mining Earnings**);
- (c) generated segment earnings before interest and tax of \$139.8M from its mining consumables segment (**FY14 Mining Consumables Earnings**);
- (d) generated segment earnings before interest and tax of -\$52.8M from its steel segment (**FY14 Steel Earnings**);
- (e) generated segment earnings before interest and tax of \$1.3M from its recycling segment (**FY14 Recycling Earnings**);
- (f) total assets of \$8,002.3M (**FY14 Arrium Assets**);
- (g) total assets of \$2,161.8M within its mining segment (**FY14 Mining Assets**);

- (h) total assets of \$2,430M within its mining consumables segment (**FY14 Mining Consumables Assets**);
- (i) total assets of \$2,109.70M within its steel segment (**FY14 Steel Assets**); and
- (j) total assets of \$393.9M within its recycling segment (**FY14 Recycling Assets**).

Particulars

- i) *The representation referred to in subparagraph (a) above was in writing and made in the FY14 Financial Report at p.65.*
- ii) *The representation referred to in subparagraph (b) above was in writing and made in the FY14 Financial Report at p.83.*
- iii) *The representation referred to in subparagraph (c) above was in writing and made in the FY14 Financial Report at p.83.*
- iv) *The representation referred to in subparagraph (d) above was in writing and made in the FY14 Financial Report at p.83.*
- v) *The representation referred to in subparagraph (e) above was in writing and made in the FY14 Financial Report at p.83.*
- vi) *The representation referred to in subparagraph (f) above was in writing and made in the FY14 Financial Report at p.67.*
- vii) *The representation referred to in subparagraph (g) above was in writing and made in the FY14 Financial Report at p.83.*
- viii) *The representation referred to in subparagraph (h) above was in writing and made in the FY14 Financial Report at p.83.*
- ix) *The representation referred to in subparagraph (i) above was in writing and made in the FY14 Financial Report at p.83.*
- x) *The representation referred to in subparagraph (j) above was in writing and made in the FY14 Financial Report at p.83.*

F. IMPAIRMENT OF ARRIUM'S ASSETS IN FY14

F.1 FY14 Impairment indicators

F.1.1 Market Capitalisation Impairment Indicator

31. The carrying amount of the net assets of Arrium was more than its market capitalisation at all times from 30 June 2014 until 4 April 2016 (the **Market Capitalisation Information**).

Particulars

- i) *The carrying amount of Arrium's net assets was approximately:*
 - A. *\$3,730.9m as at 30 June 2014 (FY14 Financial Report at p67)*
 - B. *\$2,962.2m as at 31 December 2014 (1H15 Financial Report at p7)*
 - C. *\$2,554.9m as at 30 June 2015 (FY15 Financial Report at p75)*
 - D. *\$2,328.4m as at 31 December 2015 (1H16 Financial Report at p7)*
- ii) *Arrium's market capitalisation on 30 June 2014 was \$1,086 m (1,366,183,142 outstanding shares and a closing share price of \$0.795).*
- iii) *Arrium's highest market capitalisation between 30 June 2014 and 4 April 2016 was on 20 August 2014 when the market capitalisation was \$1,182m (1,366,183,142 shares and a closing share price of \$0.865).*

F.1.2 Market Decline Impairment Indicator

32. As at each of 30 June 2014, 31 December 2014, and 30 June 2015, the market price for iron ore had declined significantly over the preceding 6 months (**Market Decline Information**).

Particulars

- i) *In December 2013, the average Platts market index price for Iron ore was US\$135.79/t.*
- ii) *In January 2014, the average Platts market index price for Iron ore was US\$128.12/t.*
- iii) *In June 2014, the average Platts market index price for Iron ore was US\$92.74/t, a decline of approximately 32% from the average December 2013 price, and 28% from the average January 2014 price.*

- iv) *In December 2014, the average Platts market index price for Iron ore was US\$68.8/t, a decline of approximately 26% from the average June 2014 price.*
- v) *In June 2015, the average Platts market index price for Iron ore was US\$62.29t, a decline of approximately 9% from the average December 2014 price.*

F.1.3 SI Mine Low Net Cash Proceeds Impairment Indicator

33. As at 30 June 2014:

- (a) the average price Arrium realised for iron ore extracted from the Mining Operations was approximately:
 - (i) US\$85/t; or
 - (ii) A\$94/t;
- (b) the total cash cost for Arrium to extract iron ore from the Mining Operations was approximately A\$73/t; and
- (c) by reason of the matters pleaded in subparagraphs (a) and (b) above, the average profit generated by Arrium from realising iron ore extracted from the Mining Operations was no more than approximately A\$21/t.

Particulars

- i) *Arrium Mining Quarterly Production Report for the quarter ended 30 June 2014.*

34. As at 30 June 2014, the cost per metric tonne of extracting iron ore in the SI Mining Operation were greater than the cost per metric tonne of extracting iron ore in the MBR Mining Operation.

Particulars

- i) *Arrium's announcement released and published to the ASX on 23 January 2015 entitled "Re-design of Arrium Mining and Results Update" (**January 2015 Announcement**), p. 1.*
- ii) *The Credit Suisse Report dated 21 March 2014 records that the estimated cash costs for MBR Mining Operation was US\$63/mt, and the estimated cash costs for the SI Mining Operation was US\$79.40.*

- iii) *The Credit Suisse Report dated 27 June 2014 records that the cash costs for the MBR Mining Operation were A\$65.13, and the cash costs for the SI Mining Operation were A\$95.*
 - iv) *Further particulars may be provided following discovery.*
35. As at 30 June 2014, the total iron ore reserves at Peculiar Knob was 19,700,000t.

Particulars

- i) *Reserves and Resources Statement, p.3.*
36. By reason of the matters pleaded in paragraphs 11(d), 33(c), 34 and 35 above, the net cash proceeds that could be generated from the SI Mining Operation, in which Peculiar Knob was the only operative mine, over the remaining life of the mining operation was not greater than A\$413.7M.

Particulars

- i) *19,700,000 x A\$21.*
37. As at 30 June 2014, the carrying value of the SI Mining Operation was approximately \$770.60M.

Particulars

- i) *On 6 October 2011, Arrium acquired the SI Mining Operation from WPG Resources Limited: FY2012 Annual Report released and published to the ASX on 28 September 2012 (FY12 Annual Report), p 79.*
- ii) *The fair value of the SI Mining Operation assets acquired on 6 October 2011 comprised:*
 - A) *Property, plant and equipment - \$14.1M;*
 - B) *Mine development expenditure - \$18.2M;*
 - C) *Mining Tenement rights - \$273.5M,*
FY12 Annual Report, p. 121.
- iii) *During FY2012, Arrium spent a further \$85M on property, plant and equipment for the SI Mining Operation: ASX announcement entitled 'OneSteel Mining – A Step Change' published and released to the ASX by OneSteel Limited (later known as Arrium) on 21 March 2012 (21 March 2012 Announcement), p. 25.*
- iv) *During FY2012, Arrium spent \$200M to upgrade the Whyalla Port used for the SI Mining Operation: 21 March 2012 Announcement, p. 31.*
- v) *As at FY2014 Arrium has capitalised mine development expenditure of \$539.4M (FY14 Financial Report, p. 98). Based on the relative production volumes of the mines*

1/3 of this expenditure has been attributed to the SI Mining Operation (\$179.8M).

- vi) *Based on the matters pleaded in i) to v) above, the carrying value of the SI Mining Operation is estimated to be approximately \$770.60M.*

38. By reason of the matters pleaded in paragraphs 36 and 37 above, the maximum net cash proceeds that could be generated from the SI Mining Operation, was less than its carrying value (the **Low Net Cash Proceeds Information**).

F.1.4 Falling Demand Impairment Indicator

39. Australasian demand for mining consumables had fallen from the 2013 financial year to the 2014 financial year (**Falling Demand Information**).

Particulars

- i) *“Sales revenue was \$1,538 million, down 2% on the prior year due mainly to lower sales in the Australasian business where demand reduced for railway wheels and axles, and for grinding media in Indonesia due to the new Minerals Value Added Tax.”:FY14 Financial Report, p. 24;*
- ii) *“Railway wheel sales volumes were down significantly compared to the prior year driven by delayed investment in new capital wagon fleets, lower wheel maintenance and a reduction in exports”:FY14 Financial Report, p. 25; and*
- iii) *Australian commodity prices peaked in 2011 and continued to decline.*

F.2 Impairment testing for FY2014

40. Arrium was required to assess at 30 June 2014 whether there was any indication that an asset may be impaired.

Particulars

- i) *Paragraph 9 of AASB136.*

41. Each of the:

- (a) Market Capitalisation Information;
- (b) Market Decline Information; and
- (c) SI Mine Low Net Cash Proceeds Information,

was an indicator of impairment with respect to:

- (d) the FY14 Arrium Assets;
- (e) the FY14 Mining Assets;
- (f) the FY14 Mining Consumables Assets;
- (g) the FY14 Steel Assets; and
- (h) the FY14 Recycling Assets.

as at 30 June 2014 (**FY14 Impairment Indicators**).

Particulars

- i) *Paragraph 12 of AASB136.*

42. The existence of the FY14 Impairment Indicators required Arrium to estimate the recoverable amount, as at 30 June 2014, of:

- (a) the FY14 Arrium Assets;
- (b) the FY14 Mining Assets;
- (c) the FY14 Mining Consumables Assets;
- (d) the FY14 Steel Assets; and
- (e) the FY14 Recycling Assets.

Particulars

- i) *Paragraph 9 of AASB136.*

43. The carrying amount of:

- (a) the FY14 Arrium Assets;
- (b) the FY14 Mining Assets;
- (c) the FY14 Mining Consumables Assets;
- (d) the FY14 Steel Assets; and
- (e) the FY14 Recycling Assets,

as at 30 June 2014 significantly exceeded their recoverable amount.

Particulars

- i) *Paragraph 8 of AASB136.*
- ii) *As at 30 June 2014, the carrying amount of:*
 - A) *the FY14 Arrium Assets was \$5,438.6m (“Funds employed” at p10 of the ‘Strong FY14 Results Through Successful Strategy Execution’, being “Total equity” of \$3,730.9m plus “Net debt” of \$1,707.7m);*
 - B) *the FY14 Mining Assets was \$1,644.7m (“Funds employed” at p9 of the ‘Operating and Financial Review 2014’; Mining segment assets of \$2,161.8m less Mining segment liabilities of \$517.1m at p83 of FY14 Financial Report);*
 - C) *the FY14 Mining Consumables Assets was \$2,024.4m (“Funds employed” p12 of the ‘Operating and Financial Review 2014’; Mining Consumables segment assets of \$2,430m plus investments of \$8.6m less Mining Consumables segment liabilities of \$414.2m at p83 of FY14 Financial Report);*
 - D) *the FY14 Steel Assets was \$1,544.1m (“Funds employed” at p14 of the ‘Operating and Financial Review 2014’; Steel segment assets of \$2,109.7m less Steel segment liabilities of \$565.6m at p83 of FY14 Financial Report); and*
 - E) *the FY14 Recycling Assets was \$296.9m (“Funds employed” at p15 of the ‘Operating and Financial Review 2014’; Recycling segment assets of \$393.9m less Recycling segment liabilities of \$97m at p83 of FY14 Financial Report).*
- iii) *As at 30 June 2014, the recoverable amount of:*
 - A) *the FY14 Arrium Assets was approximately \$2,573.5m;*
 - B) *the FY14 Mining Assets was approximately \$689.4m;*
 - C) *the FY14 Mining Consumables Assets was approximately \$1,271.9m;*
 - D) *the FY14 Steel Assets was approximately \$792.2m; and*
 - E) *the FY14 Recycling Assets was approximately \$170m.*
- iv) *Further particulars will be provided following the service of the Plaintiffs’ evidence.*

F.3 Required impairments charges in FY14

44. By reason of the matters pleaded in paragraphs 30 and 43, as at 30 June 2014:

- (a) Arrium's assets, namely:
- (i) the FY14 Arrium Assets;
 - (ii) the FY14 Mining Assets;
 - (iii) the FY14 Mining Consumables Assets;
 - (iv) the FY14 Steel Assets; and
 - (v) the FY14 Recycling Assets,
- were impaired for the purposes of AASB136 (**FY14 Impairment**); and
- (b) Arrium was required to recognise an impairment loss with respect to the FY14 Impairment in accordance with AASB136.

Particulars

- i) *As at 30 June 2014, Arrium was required to recognise an impairment for:*
 - A) *the FY14 Arrium Assets in the sum of approximately \$2,865.1m;*
 - B) *the FY14 Mining Assets in the sum of approximately \$955.3m;*
 - C) *the FY14 Mining Consumables Assets in the sum of approximately \$752.5m;*
 - D) *the FY14 Steel Assets in the sum of as approximately \$751.9m; and*
 - E) *the FY14 Recycling Assets in the sum of approximately \$126.9m.*
- ii) *Further particulars will be provided following the service of the Plaintiffs' evidence.*

45. The FY14 Financial Report did not:

- (a) impair the value of:
- (i) the FY14 Arrium Assets;
 - (ii) the FY14 Mining Assets;
 - (iii) the FY14 Mining Consumables Assets;
 - (iv) the FY14 Steel Assets; or

- (v) the FY14 Recycling Assets,
as required by AASB136; and/or
- (b) recognise the expense arising from the impairment of:
 - (i) the FY14 Arrium Assets;
 - (ii) the FY14 Mining Assets;
 - (iii) the FY14 Mining Consumables Assets;
 - (iv) the FY14 Steel Assets; and
 - (v) the FY14 Recycling Assets,
as required by AASB101.

Particulars

- i) *The particulars to paragraph 44 are repeated.*

46. By reason of the matters pleaded in paragraphs 30, 43, and 44 to 45 above, the FY14 Financial Report materially overstated:
- (a) the value of the FY14 Arrium Assets;
 - (b) the value of the FY14 Mining Assets;
 - (c) the value of the FY14 Mining Consumables Assets;
 - (d) the value of the FY14 Steel Assets;
 - (e) the value of the FY14 Recycling Assets;
 - (f) the FY14 Operating Profit;
 - (g) the FY14 Mining Earnings;
 - (h) the FY14 Mining Consumables Earnings;
 - (i) the FY14 Steel Earnings; and
 - (j) the FY14 Recycling Earnings.

Particulars

- i) *The particulars to paragraph 44 are repeated.*
- ii) *Further particulars will be provided following the service of the Plaintiffs' evidence.*

47. By reason of the matters pleaded in paragraphs 30 to 43, and 44 to 46 above, as at 19 August 2014, there was not a reasonable basis for Arrium not to raise any impairment charge against the carrying value of:

- (a) the FY14 Arrium Assets;
- (b) the FY14 Mining Assets;
- (c) the FY14 Mining Consumables Assets;
- (d) the FY14 Steel Assets; or
- (e) the FY14 Recycling Assets.

48. By reason of the matters in paragraphs 30, 43, and 44 to 47 above, the FY14 Financial Report:

- (a) was not prepared in compliance with Australian Accounting Standards and/or the Corporations Act; and
- (b) did not give a true and fair view of Arrium's financial position and financial performance in FY2014.

Particulars

- i) *The FY14 Financial Report was not prepared in compliance with AASB136, AASB3, AASB101, and ss 296 and 297 of the Corporations Act.*

F.4 Arrium's contravention of its Continuous Disclosure Obligations

49. At all material times in the Relevant Period, Arrium was aware (within the meaning of ASX Listing Rule 19.12) of the matters pleaded in paragraphs 44 to 47 and/or 48 above (the **FY14 Impairment Information**).

Particulars

- i) *Smedley, Roberts, Nankervis, Maycock, Robert Bakewell (Arrium's Chief Financial Officer), and the other members of the Arrium Board, ought reasonably to have become*

aware of the FY14 Impairment Information in the course of carrying out their duties.

50. As at, and from, 19 August 2014, the FY14 Impairment Information was information that a reasonable person would expect to have a material effect on the price or value of Arrium Shares within the meaning of ASX Listing Rule 3.1 and s 674(2)(c)(ii) of the Corporations Act.
51. By reason of the Continuous Disclosure Obligations and the matters pleaded in paragraph 50, on and from 19 August 2014, Arrium became obliged immediately to tell the ASX the FY14 Impairment Information.
52. Arrium did not inform the ASX of the FY14 Impairment Information immediately on 19 August 2014, or at any time prior to 4 April 2016.
53. By reason of the matters pleaded in paragraphs 49 to 52, Arrium contravened ASX Listing Rule 3.1 and s 674(2) and/or ss 674(2) and 674(3) of the Corporations Act.

G. SEPTEMBER 2014 CAPITAL RAISING

54. On 15 September 2014, Arrium published and lodged with the ASX:
 - (a) an announcement entitled 'Arrium Announces Fully Underwritten \$754 million Capital Raising' (**Capital Raising Announcement**);
 - (b) a presentation entitled 'Equity Capital Raising Presentation' (**Capital Raising Presentation**); and
 - (c) a notice entitled 'Notice under section 708AA(2)(f) of the *Corporations Act 2001* (Cth)' (**First Capital Raising Notice**).
55. By the Capital Raising Announcement, Arrium stated to the Affected Market that:
 - (a) Arrium was seeking to raise approximately \$656 million from a fully underwritten one for one pro rata accelerated renounceable entitlement offer with retail entitlements trading, and a placement to institutional investors to raise a minimum of \$98 million (the **Capital Raising**);
 - (b) the net proceeds of the Capital Raising would be used to repay debt, in line with the company's stated priority of debt reduction, to strengthen its balance sheet and provide a more appropriate capital structure for the prevailing environment;

- (c) under the entitlement offer, eligible shareholders would be invited to subscribe for one new Arrium ordinary share for every existing Arrium ordinary share held as at 7.00 pm on Thursday, 18 September 2014;
- (d) the offer price per new share was \$0.48 (**Offer Price**), representing a discount of 26% to Arrium's closing price on 12 September 2014;
- (e) the entitlement offer comprised:
 - (i) an institutional entitlement offer that would take place from 15 September 2014 to 16 September 2014;
 - (ii) an institutional bookbuild that would take place on 17 September 2014 in respect of institutional entitlements not taken up by eligible institutional shareholders, and institutional entitlements that would otherwise have been offered to ineligible institutional shareholders (with any proceeds from the sale of institutional entitlements being remitted proportionally to institutional shareholders, less any applicable withholding tax);
 - (iii) a retail entitlement offer that would take place from 22 September 2014 to 8 October 2014; and
 - (iv) a retail shortfall bookbuild that would take place on 13 October 2014 in respect of retail entitlements not taken up by eligible retail shareholders, and entitlements that would otherwise have been offered to ineligible retail shareholders (with any proceeds from the sale of retail entitlements being remitted proportionally to retail shareholders, less any applicable withholding tax);
- (f) the institutional placement would be priced via the institutional bookbuild on 17 September 2014; and
- (g) new shares issued under the entitlement offer and the placement would rank equally with each other and with existing Arrium Shares.

Particulars

- i) *The statements were express and contained within the Capital Raising Announcement.*

56. By the Capital Raising Presentation, Arrium stated to the Affected Market that, as at 30 June 2014:

- (a) the FY14 Operating Profit was \$412.7M; and
- (b) Arrium's Assets were in the sum of \$8,002.3M.

Particulars

- i) *The statements were express and contained within the Capital Raising Presentation, pp. 36 and 37.*

57. By the First Capital Raising Notice, Arrium stated to the Affected Market that as at 15 September 2014:

- (a) Arrium had complied with s 674 of the Corporations Act;
- (b) there was no "excluded information" for the purposes of s 708AA(8) and (9) of the Corporations Act; and
- (c) Arrium had complied with Chapter 2M of the Corporations Act.

Particulars

- i) *The statements were express and contained within the First Capital Raising Notice.*

58. On 18 September 2014, Arrium published and lodged with the ASX an announcement entitled 'Retail Entitlement Offer Booklet', which reproduced the Capital Raising Presentation and thereby repeated the statements pleaded in paragraph 56.

59. On 18 September 2014, Arrium completed the institutional component of the Capital Raising with the result that:

- (a) \$367M was raised through the institutional entitlement offer; and
- (b) \$98M was raised through the institutional placement.

Particulars

- i) *Arrium announcement entitled 'Arrium Successfully Completes the Institutional Component of its \$754 million capital raising' published and lodged with the ASX on 18 September 2014.*

60. On 26 September 2014, Arrium published and lodged with the ASX an announcement entitled 'Notice under section 708A(5)(e) of the *Corporations Act 2001 (Cth)*' (**Second Capital Raising Notice**).

61. By the Second Capital Raising Notice, Arrium stated to the Affected Market that as at 26 September 2014:
- (a) Arrium had complied with s 674 of the Corporations Act;
 - (b) there was no “excluded information” for the purposes of s 708A(7) and (8) of the Corporations Act; and
 - (c) Arrium had complied with Chapter 2M of the Corporations Act.

Particulars

- i) *The statements were express and contained within the Second Capital Raising Notice.*

62. On 13 October 2014, Arrium announced the outcome of the retail component of the Capital Raising with the result that:

- (a) 12.8 million new shares had been taken up under the retail entitlement offer; and
- (b) the 590.8 million remaining shares would be offered for sale in a retail shortfall bookbuild.

Particulars

- i) *Arrium announcement entitled ‘Retail Entitlement Offer’ published and lodged with the ASX on 13 October 2014.*

63. On 14 October 2014, Arrium announced that the retail shortfall bookbuild referred to in paragraph 62(b) had not cleared at a price of \$0.48 (being the issue price under the entitlement offer), and as a result the balance of the new shares would be taken up by the underwriter and sub-underwriters of the capital raising.

Particulars

- i) *Arrium announcement entitled ‘Retail Shortfall Bookbuild’ published and lodged with the ASX on 14 October 2014.*

64. By 17 October 2014, pursuant to the Capital Raising, Arrium issued:

- (a) 204,927,471 new Arrium Shares pursuant to the institutional placement component;
- (b) 762,542,673 new Arrium Shares pursuant to the institutional entitlement offer; and

- (c) 603,640,469 new Arrium Shares pursuant to the retail entitlement offer and retail shortfall bookbuild.

Particulars

- i) *Second Capital Raising Notice.*
- ii) *Appendix 3B published and lodged with the ASX on 17 October 2014.*

H. ARRIUM'S 1H15 FINANCIAL STATEMENTS

- 65. On 23 January 2015, Arrium published and released to the ASX the January 2015 Announcement and a presentation titled 'Re-design of Arrium Mining and Results Update' (**January 2015 Presentation**).
- 66. By the January 2015 Announcement and January 2015 Presentation Arrium disclosed to the Affected Market that:
 - (a) iron ore sales had a history of being a significant contributor to Arrium's earnings and cash generation;
 - (b) Arrium was re-designing its mining operation to provide a sustainable, cash flow positive business in a low iron ore price environment;
 - (c) the SI Mining Operation had a significantly higher cost base than the MBR Mining Operation;
 - (d) Arrium was 'mothballing' the higher cost SI Mining Operation and optimising its lower cost MBR Mining Operation to deliver approximately 9 Mtpa of iron ore for sale;
 - (e) Arrium would target a 27 percent reduction in average loaded cash cost and an approximately 20 percent reduction in total cash cost by closing the SI Mining Operation;
 - (f) Arrium would record an asset impairment charge of A\$1,335M in its financial statements for the half year ended 31 December 2014, A\$1,166M of which was an impairment to the FY14 Mining Assets and related to the impact of low iron ore prices and mothballing the SI Mining Operation; and
 - (g) Arrium expected restructuring cash costs from the closure of the SI Mining Operation would be approximately \$70M during FY15.

Particulars

- i) *January 2015 Announcement, pages 1 and 2.*
 - ii) *January 2015 Presentation, pages 5, 6, 13, 18, and 22.*
67. On 18 February 2015, Arrium published and lodged with the ASX an announcement entitled 'Half Year Results' (**1H15 Financial Results Announcement**).
68. The 1H15 Financial Results Announcement comprised documents, among others, titled:
- (a) 'ASX Appendix 4D Half-Year Financial Report – Arrium Limited Results for Announcement to the Market';
 - (b) 'Arrium Limited 1H15 Results';
 - (c) the 1H15 Financial Report, which relevantly included:
 - (i) a 'Directors' Declaration' (the **1H15 Directors' Declaration**); and
 - (ii) an 'Independent Auditor's Report' (the **1H15 Review Report**).
69. On 18 February 2015, Roberts signed the 1H15 Directors' Declaration in respect of the 1H15 Financial Report in accordance with a resolution of the directors of Arrium, and provided it to Arrium with authority to provide it to its members, and lodge it with ASIC and the ASX as part of the 1H15 Financial Report.

Particulars

- i) *1H15 Financial Report, p .29.*
70. On 18 February 2015, Young (on behalf of KPMG) signed the 1H15 Review Report in respect of the audited 1H15 Financial Report, and provided it to Arrium with authority to provide it to its members, and lodge it with ASIC and the ASX as part of the 1H15 Financial Report.

Particulars

- i) *1H15 Financial Report, p .31.*
71. The 1H15 Financial Report recorded that as at 31 December 2014, Arrium had:
- (a) generated a loss from continuing operations before income tax of **-\$1,364M (1H15 Operating Loss)**;

- (b) generated segment earnings before interest and tax of -\$64.6M from its mining segment (**1H15 Mining Earnings**);
- (c) generated segment earnings before interest and tax of \$77.1M from its mining consumables segment (**1H15 Mining Consumables Earnings**);
- (d) generated segment earnings before interest and tax of -\$35M from its steel segment (**1H15 Steel Earnings**);
- (e) generated segment earnings before interest and tax of \$4.3M from its recycling segment (**1H15 Recycling Earnings**);
- (f) total assets of \$6,406M (**1H15 Arrium Assets**);
- (g) total assets of \$1,170M within its mining segment (**1H15 Mining Assets**);
- (h) total assets of \$2,611.5M within its mining consumables segment (**1H15 Mining Consumables Assets**);
- (i) total assets of \$1,847.8M within its steel segment (**1H15 Steel Assets**); and
- (j) total assets of \$359.7M within its recycling segment (**1H15 Recycling Assets**).

Particulars

- i) *The representation referred to in subparagraph (a) above was in writing and made in the 1H15 Financial Report at p.5.*
- ii) *The representation referred to in subparagraph (b) above was in writing and made in the 1H15 Financial Report at p. 13.*
- iii) *The representation referred to in subparagraph (c) above was in writing and made in the 1H15 Financial Report at p. 13.*
- iv) *The representation referred to in subparagraph (d) above was in writing and made in the 1H15 Financial Report at p.13.*
- v) *The representation referred to in subparagraph (e) above was in writing and made in the 1H15 Financial Report at p. 13.*
- vi) *The representation referred to in subparagraph (f) above was in writing and made in the 1H15 Financial Report at p.7.*
- vii) *The representation referred to in subparagraph (g) above was in writing and made in the 1H15 Financial Report at p. 14.*

- viii) *The representation referred to in subparagraph (h) above was in writing and made in the 1H15 Financial Report at p.14.*
- ix) *The representation referred to in subparagraph (i) above was in writing and made in the 1H15 Financial Report at p.14.*
- x) *The representation referred to in subparagraph (j) above was in writing and made in the 1H15 Financial Report at p.14.*

I. IMPAIRMENT OF ARRIUM'S ASSETS IN 1H15

I.1 Impairment testing for 1H15

72. Arrium was required to assess at 31 December 2014 whether there was any indication that an asset may be impaired.

Particulars

- i) *Paragraph 9 of AASB136.*

73. Each of the:

- (a) Market Capitalisation Information;
- (b) Market Decline Information; and
- (c) Falling Demand Information,

was an indicator of impairment with respect to:

- (d) the 1H15 Arrium Assets;
- (e) the 1H15 Mining Assets;
- (f) the 1H15 Mining Consumables Assets;
- (g) the 1H15 Steel Assets; and
- (h) the 1H15 Recycling Assets.

as at 31 December 2014 (**1H15 Impairment Indicators**).

Particulars

- i) *Paragraph 12 of AASB136.*

74. The existence of the 1H15 Impairment Indicators required Arrium to estimate the recoverable amount, as at 31 December 2014, of:

- (a) the 1H15 Arrium Assets;
- (b) the 1H15 Mining Assets;
- (c) the 1H15 Mining Consumables Assets;
- (d) the 1H15 Steel Assets; and
- (e) the 1H15 Recycling Assets.

Particulars

- i) *Paragraph 9 of AASB136.*

75. The carrying amount of:

- (a) the 1H15 Arrium Assets;
- (b) the 1H15 Mining Assets;
- (c) the 1H15 Mining Consumables Assets;
- (d) the 1H15 Steel Assets; and
- (e) the 1H15 Recycling Assets,

as at 31 December 2014 significantly exceeded their recoverable amount.

Particulars

- i) *Paragraph 8 of AASB136.*
- ii) *As at 31 December 2014, the carrying amount of:*
 - A) *the 1H15 Arrium Assets was \$4,391.8m ("Funds employed" at p12 of the 'Arrium Limited 1H15 Results', being "Total equity" of \$2,962.2m plus "Net debt" of \$1,429.6m);*
 - B) *the 1H15 Mining Assets was \$614.7m ("Funds employed" at p11 of 'Arrium Limited 1H15 Results'; Mining segment assets of \$1,170m less Mining segment liabilities of \$555.3m at p14 of 1H15 Financial Report);*
 - C) *the 1H15 Mining Consumables Assets was \$2,183.5m ("Funds employed" at p11 of 'Arrium Limited 1H15 Results'; Mining Consumables segment assets of \$2,611.5m plus investments of*

\$8.7m less Mining Consumables segment liabilities of \$436.7m at p14 of 1H15 Financial Report);

D) the 1H15 Steel Assets was \$1,309.6m (“Funds employed” at p11 of ‘Arrium Limited 1H15 Results’; Steel segment assets of \$1,847.8m less Steel segment liabilities of \$538.2m at p14 of 1H15 Financial Report); and

E) the 1H15 Recycling Assets was \$288.6m (“Funds employed” at p11 of ‘Arrium Limited 1H15 Results’; Recycling segment assets of \$359.7m less Recycling segment liabilities of \$71.1m at p14 of 1H15 Financial Report).

iii) *As at 31 December 2014, the recoverable amount of:*

A) the 1H15 Arrium Assets was approximately \$1,968.9m;

B) the 1H15 Mining Assets was approximately \$397.9m;

C) the 1H15 Mining Consumables Assets was approximately \$1,245.9m;

D) the 1H15 Steel Assets was approximately \$527.7m; and

E) the 1H15 Recycling Assets was approximately \$147.4m.

iv) *Further particulars will be provided following the service of the Plaintiffs’ evidence.*

I.2 Required impairments charges in 1H15

76. By reason of the matters pleaded in paragraphs 71 and 75, as at 31 December 2014:

(a) Arrium’s assets, namely:

(i) the 1H15 Arrium Assets;

(ii) the 1H15 Mining Assets;

(iii) the 1H15 Mining Consumables Assets;

(iv) the 1H15 Steel Assets; and

(v) the 1H15 Recycling Assets,

were impaired for the purposes of AASB136 (**1H15 Impairment**); and

(b) Arrium was required to recognise an impairment loss with respect to the 1H15 Impairment in accordance with AASB136.

Particulars

- i) *As at 31 December 2014, Arrium was required to recognise an impairment for:*
 - A) *the 1H15 Arrium Assets in the sum of approximately \$2,422.9m;*
 - B) *the 1H15 Mining Assets in the sum of approximately \$216.8m;*
 - C) *the 1H15 Mining Consumables Assets in the sum of approximately \$937.6m;*
 - D) *the 1H15 Steel Assets in the sum of as approximately \$781.9m; and*
 - E) *the 1H15 Recycling Assets in the sum of approximately \$141.2m.*
- ii) *Further particulars will be provided following the service of the Plaintiffs' evidence.*

77. The 1H15 Financial Report did not:

(a) impair the value of:

- (i) the 1H15 Arrium Assets;
 - (ii) the 1H15 Mining Assets;
 - (iii) the 1H15 Mining Consumables Assets;
 - (iv) the 1H15 Steel Assets; or
 - (v) the 1H15 Recycling Assets,
- as required by AASB136; and/or

(b) recognise the expense arising from the impairment of:

- (i) the 1H15 Arrium Assets;
 - (ii) the 1H15 Mining Assets;
 - (iii) the 1H15 Mining Consumables Assets;
 - (iv) the 1H15 Steel Assets; and
 - (v) the 1H15 Recycling Assets,
- as required by AASB101.

Particulars

i) *The particulars to paragraph 76 are repeated.*

78. By reason of the matters pleaded in paragraphs 71, and 75 to 77 above, the 1H15 Financial Report materially overstated:

- (a) the value of the 1H15 Arrium Assets;
- (b) the value of the 1H15 Mining Assets;
- (c) the value of the 1H15 Mining Consumables Assets;
- (d) the value of the 1H15 Steel Assets;
- (e) the value of the 1H15 Recycling Assets;
- (f) the 1H15 Operating Profit;
- (g) the 1H15 Mining Earnings;
- (h) the 1H15 Mining Consumables Earnings;
- (i) the 1H15 Steel Earnings; and
- (j) the 1H15 Recycling Earnings.

Particulars

i) *The particulars to paragraph 76 are repeated.*

ii) *Further particulars will be provided following the service of the Plaintiffs' evidence.*

79. By reason of the matters pleaded in paragraphs 31, 32, 39, and 71 to 78 above, as at 31 December 2014, there was not a reasonable basis for Arrium not to raise any impairment charge against the carrying value of:

- (a) the 1H15 Arrium Assets;
- (b) the 1H15 Mining Assets;
- (c) the 1H15 Mining Consumables Assets;
- (d) the 1H15 Steel Assets; or
- (e) the 1H15 Recycling Assets.

80. By reason of the matters in paragraphs 71 to 79 above, the 1H15 Financial Report:
- (a) was not prepared in compliance with Australian Accounting Standards and/or the Corporations Act; and
 - (b) did not give a true and fair view of Arrium's financial position and financial performance in 1H15.

Particulars

The 1H15 Financial Report was not prepared in compliance with AASB136, AASB3, AASB101, and ss 304 and 305 of the Corporations Act.

J. ARRIUM'S FY15 FINANCIAL STATEMENTS

81. On 19 August 2015, Arrium published and lodged with the ASX an announcement entitled 'Arrium Limited Full Year Results 2015' (**FY15 Financial Results Announcement**).
82. The FY15 Financial Results Announcement comprised documents, among others, titled:
- (a) 'ASX Appendix 4E Preliminary Financial Report – Arrium Limited Results for Announcement to the Market';
 - (b) 'Arrium Limited FY15 Results';
 - (c) 'Operating and Financial Review 2015';
 - (d) the FY15 Financial Report, which relevantly included:
 - (i) a 'Directors' Declaration' (the **FY15 Directors' Declaration**); and
 - (ii) an 'Independent Auditor's Report' (the **FY15 Audit Report**).
83. On 19 August 2015, Roberts signed the FY15 Directors' Declaration in respect of the FY15 Financial Report in accordance with a resolution of the directors of Arrium, and provided it to Arrium with authority to provide it to its members, and lodge it with ASIC and the ASX as part of the FY15 Financial Report.

Particulars

- i) *FY15 Financial Report, p 125.*

84. On 19 August 2015, Young (on behalf of KPMG) signed the FY15 Audit Report in respect of the audited FY15 Financial Report, and provided it to Arrium with authority to provide it to its members, and lodge it with ASIC and the ASX as part of the DY15 Financial Report.

Particulars

- i) *FY15 Financial Report, p .126.*

85. The FY15 Financial Report recorded that as at 30 June 2015, Arrium had:
- (a) generated a loss from continuing operations before income tax of **-\$1,838.7M (FY15 Operating Loss)**;
 - (b) generated segment earnings before interest and tax of **-\$97.4M** from its mining segment (**FY15 Mining Earnings**);
 - (c) generated segment earnings before interest and tax of **\$153M** from its mining consumables segment (**FY15 Mining Consumables Earnings**);
 - (d) generated segment earnings before interest and tax of **-\$33.2M** from its steel segment (**FY15 Steel Earnings**);
 - (e) generated segment earnings before interest and tax of **-\$2.4M** from its recycling segment (**FY15 Recycling Earnings**);
 - (f) total assets of **\$6,241.1M (FY15 Arrium Assets)**;
 - (g) total assets of **\$909.2M** within its mining segment (**FY15 Mining Assets**);
 - (h) total assets of **\$2,551.8M** within its mining consumables segment (**FY15 Mining Consumables Assets**);
 - (i) total assets of **\$1,868.6M** within its steel segment (**FY15 Steel Assets**); and
 - (j) total assets of **\$318.4M** within its recycling segment (**FY15 Recycling Assets**).

Particulars

- i) *The representation referred to in subparagraph (a) above was in writing and made in the FY15 Financial Report at p.73.*
- ii) *The representation referred to in subparagraph (b) above was in writing and made in the FY15 Financial Report at p.80.*

- iii) *The representation referred to in subparagraph (c) above was in writing and made in the FY15 Financial Report at p.80.*
- iv) *The representation referred to in subparagraph (d) above was in writing and made in the FY15 Financial Report at p.80.*
- v) *The representation referred to in subparagraph (e) above was in writing and made in the FY15 Financial Report at p.80.*
- vi) *The representation referred to in subparagraph (f) above was in writing and made in the FY15 Financial Report at p.75.*
- vii) *The representation referred to in subparagraph (g) above was in writing and made in the FY15 Financial Report at p.81.*
- viii) *The representation referred to in subparagraph (h) above was in writing and made in the FY15 Financial Report at p.81.*
- ix) *The representation referred to in subparagraph (i) above was in writing and made in the FY15 Financial Report at p.81.*
- x) *The representation referred to in subparagraph (j) above was in writing and made in the FY15 Financial Report at p.81.*

K. IMPAIRMENT OF ARRIUM'S ASSETS IN FY15

K.1 Impairment testing for FY15

86. Arrium was required to assess at 30 June 2015 whether there was any indication that an asset may be impaired.

Particulars

- i) *Paragraph 9 of AASB136.*
87. Each of the:
- (a) Market Capitalisation Information; and
 - (b) Market Decline Information,
- was an indicator of impairment with respect to:
- (c) the FY15 Arrium Assets;
 - (d) the FY15 Mining Assets;

- (e) the FY15 Mining Consumables Assets;
- (f) the FY15 Steel Assets; and
- (g) the FY15 Recycling Assets.

as at 30 June 2015 (**FY15 Impairment Indicators**).

Particulars

- i) *Paragraph 12 of AASB136.*

88. The existence of the FY15 Impairment Indicators required Arrium to estimate the recoverable amount, as at 30 June 2015, of:

- (a) the FY15 Arrium Assets;
- (b) the FY15 Mining Assets;
- (c) the FY15 Mining Consumables Assets;
- (d) the FY15 Steel Assets; and
- (e) the FY15 Recycling Assets.

Particulars

- i) *Paragraph 9 of AASB136.*

89. The carrying amount of:

- (a) the FY15 Arrium Assets;
- (b) the FY15 Mining Assets;
- (c) the FY15 Mining Consumables Assets;
- (d) the FY15 Steel Assets; and
- (e) the FY15 Recycling Assets,

as at 30 June 2015 significantly exceeded their recoverable amount.

Particulars

- i) *Paragraph 8 of AASB136.*
- ii) *As at 30 June 2015, the carrying amount of:*

- A) *the FY15 Arrium Assets was \$4,305.1m (“Funds employed” at p13 of the ‘Arrium Limited FY15 Results’, being “Total equity” of \$2,554.9m plus “Net debt” of \$1,750.2m);*
 - B) *the FY15 Mining Assets was \$457.5m (“Funds employed” at p14 of the ‘Operating and Financial Review 2015’; Mining segment assets of \$909.2m less Mining segment liabilities of \$451.7m at p81 of FY15 Financial Report);*
 - C) *the FY15 Mining Consumables Assets was \$2,171.3m (“Funds employed” at p11 of the ‘Operating and Financial Review 2015’; approximately equal to Mining Consumables segment assets of \$2,551.8m plus investments of \$9.6m less Mining Consumables segment liabilities of \$388.4m at p81 of FY15 Financial Report);*
 - D) *the FY15 Steel Assets was \$1,289.9m (“Funds employed” at p17 of the ‘Operating and Financial Review 2015’; Steel segment assets of \$1,868.6m less Steel segment liabilities of \$578.7m at p81 of FY15 Financial Report); and*
 - E) *the FY15 Recycling Assets was \$230.4m (“Funds employed” at p21 of the ‘Operating and Financial Review 2015’; Recycling segment assets of \$318.1m less Recycling segment liabilities of \$87.7m at p81 of FY15 Financial Report).*
- iii) *As at 30 June 2015, the recoverable amount of:*
- A) *the FY15 Arrium Assets was approximately \$1,950m;*
 - B) *the FY15 Mining Assets was approximately \$278.2m;*
 - C) *the FY15 Mining Consumables Assets was approximately \$1,343.8m;*
 - D) *the FY15 Steel Assets was approximately \$442.9m; and*
 - E) *the FY15 Recycling Assets was approximately \$85.1m.*
- iv) *Further particulars will be provided following the service of the Plaintiffs’ evidence.*

K.2 Required impairments charges in FY15

90. By reason of the matters pleaded in paragraphs 85 and 89 as at 30 June 2015:

- (a) Arrium’s assets, namely:
 - (i) the FY15 Arrium Assets;
 - (ii) the FY15 Mining Assets;

- (iii) the FY15 Mining Consumables Assets;
 - (iv) the FY15 Steel Assets; and
 - (v) the FY15 Recycling Assets,
- were impaired for the purposes of AASB136 (**FY15 Impairment**); and
- (b) Arrium was required to recognise an impairment loss with respect to the FY15 Impairment in accordance with AASB136.

Particulars

- i) *As at 30 June 2015, Arrium was required to recognise an impairment for:*
 - A) *the FY15 Arrium Assets in the sum of approximately \$2,355.1m;*
 - B) *the FY15 Mining Assets in the sum of approximately \$179.3m;*
 - C) *the FY15 Mining Consumables Assets in the sum of approximately \$829.2m;*
 - D) *the FY15 Steel Assets in the sum of as approximately \$847m; and*
 - E) *the FY15 Recycling Assets in the sum of approximately \$145.3m.*
- ii) *Further particulars will be provided following the service of the Plaintiffs' evidence.*

91. The FY15 Financial Report did not:

- (a) impair the value of:
 - (i) the FY15 Arrium Assets;
 - (ii) the FY15 Mining Assets;
 - (iii) the FY15 Mining Consumables Assets;
 - (iv) the FY15 Steel Assets; or
 - (v) the FY15 Recycling Assets,

as required by AASB136; and/or
- (b) recognise the expense arising from the impairment of:

- (i) the FY15 Arrium Assets;
 - (ii) the FY15 Mining Assets;
 - (iii) the FY15 Mining Consumables Assets;
 - (iv) the FY15 Steel Assets; and
 - (v) the FY15 Recycling Assets,
- as required by AASB101.

Particulars

- i) *The particulars to paragraph 90 are repeated.*

92. By reason of the matters pleaded in paragraphs 85, and 89 to 91 above, the FY15 Financial Report materially overstated:

- (a) the value of the FY15 Arrium Assets;
- (b) the value of the FY15 Mining Assets;
- (c) the value of the FY15 Mining Consumables Assets;
- (d) the value of the FY15 Steel Assets;
- (e) the value of the FY15 Recycling Assets;
- (f) the FY15 Operating Profit;
- (g) the FY15 Mining Earnings;
- (h) the FY15 Mining Consumables Earnings;
- (i) the FY15 Steel Earnings; and
- (j) the FY15 Recycling Earnings.

Particulars

- i) *The particulars to paragraph 90 are repeated.*
- ii) *Further particulars will be provided following the service of the Plaintiffs' evidence.*

93. By reason of the matters pleaded in paragraphs 31, 32, 39, and 85 to 92 above, as at 30 June 2015, there was not a reasonable basis for Arrium not to raise any impairment charge against the carrying value of:
- (a) the FY15 Arrium Assets;
 - (b) the FY15 Mining Assets;
 - (c) the FY15 Mining Consumables Assets;
 - (d) the FY15 Steel Assets; or
 - (e) the FY15 Recycling Assets.
94. By reason of the matters in paragraphs 85 to 93 above, the FY15 Financial Report:
- (a) was not prepared in compliance with Australian Accounting Standards and/or the Corporations Act; and
 - (b) did not give a true and fair view of Arrium's financial position and financial performance in FY15.

Particulars

- i) *The FY15 Financial Report was not prepared in compliance with AASB136, AASB3, AASB101, and ss 296 and 297 of the Corporations Act.*

L. DIRECTORS' CONTRAVENING CONDUCT

L.1 Directors' Misleading or Deceptive Representations in FY14

L.1.1 Directors' Representations

95. On or about 19 August 2014, Smedley, Roberts and Nankervis authorised, or participated in authorising, the making and lodgement by Arrium with the ASX of the FY14 Financial Report.

Particulars

- i) *The Plaintiffs refer to the FY14 Directors' Declaration in the FY14 Financial Report, p.125 and to the resolution of the directors of Arrium referred to therein.*

- ii) *Further, Smedley's authorisation is to be inferred from his position as a director, and Chairman, of Arrium.*
- iii) *Further, Roberts' authorisation is to be inferred from his position as a director Chief Executive Officer and Managing Director of Arrium.*
- iv) *Further, Nankervis's authorisation is to be inferred from his position as a director of Arrium.*

96. On or about 19 August 2014, by reason of the matters pleaded in paragraphs 26, 27, 28 and 95, Smedley, Roberts and Nankervis:

(a) stated to the members of Arrium, and to the Affected Market, that in their opinion, the FY14 Financial Report:

- (i) gave a true and fair view of the financial position and performance of Arrium (and of the consolidated group comprising Arrium and its controlled entities) in FY2014; and
- (ii) complied with Australian Accounting Standards,

(FY14 Directors' Opinion to ASX);

(b) represented to the members of Arrium, and to the Affected Market, that FY14 the Directors' Opinion to ASX was based upon reasonable grounds and was the product of an exercise of reasonable skill and care **(FY14 Directors' Representation to ASX).**

Particulars

- i) *The FY14 Directors' Opinion to ASX was express, and was contained in writing in the FY14 Directors' Declaration.*
- ii) *The FY14 Directors' Representation to ASX was implied from the conduct of Smedley, Roberts and Nankervis in giving the FY14 Directors' Opinion to ASX, coupled with the absence of any or any adequate reservation or qualification to that opinion.*

L.1.2 Misleading or deceptive conduct

97. At the time Smedley, Roberts and Nankervis expressed the FY14 Directors' Opinion to ASX and made the FY14 Directors' Representation to ASX, the financial information contained in the FY14 Financial Report was not prepared in compliance with Australian Accounting Standards and/or did not give a true and fair view of Arrium by reason of the matters pleaded in paragraphs 44 to 48 above.

Particulars

- i) *The particulars to paragraphs 44 to 48 are repeated.*

98. At all material times in the Relevant Period, Smedley, Roberts and Nankervis ought reasonably to have been aware of the FY14 Impairment Information.

Particulars

- i) *Smedley, Roberts and Nankervis ought reasonably to have become aware of the FY14 Impairment Information in the course of carrying out their duties.*

99. As at 19 August 2014, the FY14 Directors' Opinion to ASX was not the product of an exercise of reasonable skill and care by reason of the matters pleaded in paragraphs 44 to 48, and 97 to 98 above.

100. As at 19 August 2014, by reason of the matters pleaded in paragraphs 97 and/or 99, the FY14 Directors' Opinion to ASX was not based upon reasonable grounds.

101. The conduct of Smedley and/or Roberts and/or Nankervis in expressing the FY14 Directors' Opinion to ASX and making the FY14 Directors' Representation to ASX was conduct which was:

- (a) in relation to financial products (being Arrium Shares) or a financial service within the meaning of subsections 1041H(1) and 1041H(2)(b) of the Corporations Act; and/or
- (b) in trade or commerce in relation to financial services within the meaning of section 12DA of the ASIC Act; and/or
- (c) in trade or commerce within the meaning of section 2 of the Australian Consumer Law.

102. As at 19 August 2014, by reason of the matters pleaded in paragraphs 99 and/or 100, and 101, the conduct of Smedley and/or Roberts and/or Nankervis in expressing the FY14 Directors' Opinion to ASX (and in failing to correct or qualify that opinion) was misleading or deceptive or likely to mislead or deceive, in contravention of:

- (a) s 1041H of the Corporations Act;
- (b) s 12DA(1) of the ASIC Act; and/or

(c) s 18 of the Australian Consumer Law,

(each such contravention of such provisions being a **Directors' FY14 Accounts Contravention**).

103. As at 19 August 2014, by reason of the matters pleaded in paragraphs 99 and/or 100, and 101, the conduct of Smedley and/or Roberts and/or Nankervis in making the FY14 Directors' Representation to ASX (and in failing to correct or qualify that representation), was misleading or deceptive or likely to mislead or deceive, and comprised a Directors' FY14 Accounts Contravention.

L.1.3 Section 1041E liability in respect of the FY14 Directors' Opinion to ASX

104. By reason of the matters pleaded in paragraphs 26, 27, 28, 95, and 96(a), Smedley, Roberts and Nankervis made a statement or disseminated information, being the FY14 Directors' Opinion to ASX.

105. By reason of the matters pleaded in paragraphs 99 and/or 100, the FY14 Directors' Opinion to ASX was a statement made or information disseminated by Smedley, Roberts and Nankervis which was materially misleading.

Particulars

- i) *The FY14 Directors' Opinion to ASX was a statement (of an opinion), or alternatively, information which was materially misleading because the persons expressing it did not have reasonable grounds for it.*
- ii) *Smedley, Roberts and Nankervis did not have reasonable grounds for the FY14 Directors' Opinion to ASX for the reasons pleaded in paragraphs 99 and/or 100.*

106. The FY14 Directors' Opinion to ASX was likely to be relied upon by Arrium shareholders in deciding whether to acquire, dispose of or retain Arrium Shares.

107. By reason of the matters pleaded in paragraph 106, the FY14 Directors' Opinion to ASX was likely to have the effect of increasing, maintaining or stabilising the price for trading in Arrium Shares on the ASX.

Particulars

- i) *Statements or information which were likely to be relied upon by Arrium shareholders in deciding whether to acquire, dispose of or retain Arrium Shares (such as the FY14 Directors Opinion to ASX) were likely to cause the market price for Arrium Shares to be increased,*

maintained or stabilised, because it accompanied the FY14 Financial Results Announcement (including the FY14 Financial Report) which:

- A) contained positive information about Arrium's financial performance and financial position, namely the matters pleaded in paragraph 30, and the market would assume that the financial information so presented complied with Accounting Standards and presented a true and fair view of the financial performance and position of the consolidated entity comprising Arrium and its subsidiaries, having regard to Arrium's Statutory Reporting Obligations and Arrium's ASX Reporting Obligations; and*
- B) did not contain adverse information, namely the information referred to in paragraphs 44 to 48.*

108. As at 19 August 2014, when expressing the FY14 Directors' Opinion to ASX Smedley, Roberts and Nankervis ought reasonably to have known that:

- (a) the FY14 Directors' Opinion to ASX was not:
 - (i) the product of an exercise of reasonable skill and care, as pleaded in paragraph 99; and/or
 - (ii) based upon reasonable grounds, as pleaded in paragraph 100; and
- (b) by reason of sub-paragraph (a), the FY14 Directors' Opinion to ASX was materially misleading.

Particulars

- i) *Smedley, Roberts and Nankervis ought reasonably to have known what a reasonably competent director would have known.*
- ii) *A reasonably competent director acting with reasonable care and skill would have known that the FY14 Directors' Opinion to ASX was not the product of an exercise of reasonable skill and care, as pleaded in paragraph 99.*
- iii) *A reasonably competent director acting with reasonable care and skill would have known that the FY14 Directors' Opinion to ASX was not based upon reasonable grounds as pleaded in paragraph 100.*
- iv) *Such a reasonably competent director would thereby have known that the FY14 Directors' Opinion to ASX was materially misleading.*

109. By reason of the matters pleaded in paragraphs 104 to 108, by expressing the FY14 Directors' Opinion to ASX, Smedley, Roberts and Nankervis contravened s 1041E of the Corporations Act (this also being a Directors' s FY14 Accounts Contravention).

L.1.4 Section 1041E liability in respect of the FY14 Directors' Representation to ASX

110. By reason of the matters pleaded in paragraphs 26, 27, 28, 95, and 96(b), Smedley, Roberts and Nankervis made a statement or disseminated information, being the FY14 Directors' Representation to ASX.

111. By reason of the matters pleaded in paragraphs 97 to 100, the FY14 Directors' Representation to ASX was a statement made or information disseminated by Smedley, Roberts and Nankervis which was materially misleading.

Particulars

- i) *The FY14 Directors' Representation to ASX was a statement, or alternatively, information which was materially misleading because of the matters pleaded in paragraphs 97 to 100.*
- ii) *Smedley, Roberts and Nankervis did not have reasonable grounds for the FY14 Directors' Opinion to ASX for the reasons pleaded and particularised in paragraphs 97 to 100.*

112. The FY14 Directors' Representation to ASX was likely to be relied upon by Arrium shareholders in deciding whether to acquire, dispose of or retain Arrium Shares.

113. By reason of the matters pleaded in paragraph 112, the FY14 Directors' Representation to ASX was likely to have the effect of increasing, maintaining or stabilising the price for trading in Arrium Shares on the ASX.

Particulars

- i) *Statements or information which were likely to be relied upon by Arrium shareholders in deciding whether to acquire, dispose of or retain Arrium Shares were also likely to cause the market price for Arrium Shares to be increased, maintained or stabilised, because the FY14 Financial Results Announcement (including the FY14 Financial Report):*
 - A) *contained positive information about Arrium's financial performance and financial position, namely the matters pleaded in paragraph 30, and the market would assume that the financial information so presented complied with Accounting Standards and presented a true and fair view of the financial performance and position of the consolidated entity*

comprising Arrium and its subsidiaries, having regard to Arrium's Statutory Reporting Obligations and Arrium's ASX Reporting Obligations; and

B) did not contain adverse information, namely the information referred to in paragraphs 44 to 48.

114. As at 19 August 2014, when making the FY14 Directors' Representation to ASX Smedley, Roberts and Nankervis ought reasonably to have known that:

(a) the FY14 Directors' Opinion to ASX was not:

(i) the product of an exercise of reasonable skill and care, as pleaded in paragraph 99; and/or

(ii) based upon reasonable grounds, as pleaded in paragraph 100; and

(b) by reason of sub-paragraph (a), the FY14 Directors' Representation to ASX was materially misleading.

Particulars

i) *A reasonably competent director acting with reasonable care and skill would have known that the FY14 Directors' Opinion to ASX was not the product of an exercise of reasonable skill and care, as pleaded in paragraph 99.*

ii) *A reasonably competent director acting with reasonable care and skill would have known that the FY14 Directors' Opinion to ASX was not based upon reasonable grounds as pleaded in paragraph 100.*

iii) *Such a reasonably competent director would thereby have known that the FY14 Directors' Opinion to ASX was materially misleading.*

115. By reason of the matters pleaded in paragraphs 110 to 114, by making the FY14 Directors' Representation to ASX, Smedley, Roberts and Nankervis contravened s 1041E of the Corporations Act (this also being a Directors' FY14 Accounts Contravention).

L.1.5 Continuing nature of the Directors' FY14 Accounts Misleading Conduct Contraventions

116. Each of the Directors' FY14 Accounts Contraventions was a continuing contravention which of its nature continued during the Relevant Period until such time as the inaccuracy or the falsity of the representations underlying the contraventions was revealed to the Affected Market.

L.2 Directors' liability in respect of the Capital Raising

L.2.1 Directors' liability in respect of the Capital Raising Representations

117. By reason of the matters pleaded in:

- (a) paragraphs 44 to 48, and/or
- (b) paragraphs 49 to 53,

the making of the statements pleaded in paragraphs 56 to 58, and 60 to 61 (the **Capital Raising Representations**) was misleading or deceptive, or likely to mislead or deceive.

118. On or about 15 September 2014, Smedley, Roberts, Nankervis and Maycock authorised, or participated in authorising, the making and lodgement by Arrium with the ASX of the:

- (a) Capital Raising Announcement;
- (b) Capital Raising Presentation; and
- (c) First Capital Raising Notice.

Particulars

- i) *Smedley's authorisation is to be inferred from his position as a director, and Chairman, of Arrium and his statement in the Capital Raising Announcement that:*

"This positions the company for current markets. Debt reduction is a key priority for the company and today's announced capital raising reduces our debt significantly in a single step.

While the company last month reported it had achieved significant progress with debt reduction, iron ore prices have fallen significantly in the last month to 5 year lows and there is increased uncertainty over the extent and timing of recovery. We are taking this action to position Arrium with a more appropriate capital structure in the current environment.

In addition, we believe the Offer provides shareholders with a good opportunity to increase their investment in Arrium on attractive terms. The company will have a strengthened balance sheet with significant leverage to improved iron ore prices, a sustained lower Australian dollar, increased steel

volumes including from stronger investment in infrastructure and recovery in steel margins.”

- ii) *Roberts’ authorisation is to be inferred from his position as a director Chief Executive Officer and Managing Director of Arrium.*
- iii) *Nankervis and Maycock’s authorisation is to be inferred from their position as directors of Arrium.*

119. On or about 18 September 2014, Smedley, Roberts, Nankervis and Maycock authorised, or participated in authorising, the making and lodgement by Arrium with the ASX of the Retail Offer Booklet.

Particulars

- i) *Smedley’s authorisation is to be inferred from his position as a director, and Chairman, of Arrium, and the “Letter from the Chairman” contained on page 3 of the Retail Offer Booklet.*
- ii) *Roberts’ authorisation is to be inferred from his position as a director Chief Executive Officer and Managing Director of Arrium.*
- iii) *Nankervis and Maycock’s authorisation is to be inferred from their position as directors of Arrium.*

120. On or about 26 September 2014, Smedley, Roberts, Nankervis and Maycock authorised, or participated in authorising, the making and lodgement by Arrium with the ASX of the Second Capital Raising Notice.

Particulars

- i) *The particulars to paragraph 118 are repeated.*

121. By reason of the matters pleaded in paragraphs 118 to 120, Smedley, Roberts, Nankervis and Maycock authorised, or participated in authorising, the making and publication of the Capital Raising Representations.

122. The conduct pleaded in paragraphs 56 to 58 (including the making of the Capital Raising Representations) and 118 to 121, was conduct engaged in by Smedley, Roberts, Nankervis and Maycock:

- (a) in relation to financial products (being Arrium Shares), within the meaning of ss 1041H(1) and 1041H(2)(b) of the Corporations Act;
- (b) in trade or commerce, in relation to financial services within the meaning of s 12DA(1) of the ASIC Act; and

(c) in trade or commerce, within the meaning of s 18 of the Australian Consumer Law.

123. By reason of the matters pleaded in paragraphs 118 to 122, Smedley, Roberts, Nankervis and Maycock in authorising, or participating in authorising, the making and publication of the Capital Raising Representations, contravened:

(a) s 1041H of the Corporations Act;

(b) s 12DA(1) of the ASIC Act; and/or

(c) s 18 of the Australian Consumer Law,

(the **Directors' Capital Raising Contraventions**).

L.2.2 Continuing nature of the Directors' Capital Raising Contraventions

124. The Directors' Capital Raising Contraventions were continuing contraventions which of their nature continued during the Relevant Period until such time as the inaccuracy or the falsity of the representations underlying the contraventions was revealed to the Affected Market (which did not occur prior to completion of the Capital Raising).

L.3 Directors' Misleading or Deceptive Representations in 1H15

L.3.1 Directors' Representations

125. On or about 18 February 2015, Roberts, Nankervis and Maycock authorised, or participated in authorising, the making and lodgement by Arrium with the ASX of the 1H15 Financial Report.

Particulars

- i) *The Plaintiffs refer to the HY15 Directors' Declaration in the HY15 Financial Report, p.29 and to the resolution of the directors of Arrium referred to therein.*
- ii) *Further, Maycock's authorisation is to be inferred from his position as a director, and Chairman, of Arrium.*
- iii) *Further, Roberts' authorisation is to be inferred from his position as a director Chief Executive Officer and Managing Director of Arrium*
- iv) *Nankervis's authorisation is to be inferred from his position as a director of Arrium.*

126. On or about 18 February 2015, by reason of the matters pleaded in paragraphs 67, 68, 69 and 125 Roberts, Nankervis and Maycock:

(a) stated to the members of Arrium, and to the Affected Market, that in their opinion, the 1H15 Financial Report:

(i) gave a true and fair view of the financial position and performance of Arrium (and of the consolidated group comprising Arrium and its controlled entities) in 1H15; and

(ii) complied with Australian Accounting Standards,

(1H15 Directors' Opinion to ASX);

(b) represented to the members of Arrium, and to the Affected Market, that the 1H15 Directors' Opinion to ASX was based upon reasonable grounds and was the product of an exercise of reasonable skill and care **(1H15 Directors' Representation to ASX).**

Particulars

- i) *The 1H15 Directors' Opinion to ASX was express, and was contained in writing in the 1H15 Directors' Declaration.*
- ii) *The 1H15 Directors' Representation to ASX was implied from the conduct of Roberts, Nankervis and Maycock in giving the 1H15 Directors' Opinion to ASX, coupled with the absence of any or any adequate reservation or qualification to that opinion.*

L.3.2 Misleading or deceptive conduct

127. At the time Roberts, Nankervis and Maycock expressed the 1H15 Directors' Opinion to ASX and made the 1H15 Directors' Representation to ASX, the financial information contained in the 1H15 Financial Report was not prepared in compliance with Australian Accounting Standards and/or did not give a true and fair view of Arrium by reason of the matters pleaded in paragraphs 76 to 80 above.

Particulars

- i) *The particulars to paragraphs 76 to 80 are repeated.*

128. At all material times in the Relevant Period on and after 18 February 2015, Roberts, Nankervis and Maycock ought reasonably to have been aware of the matters pleaded in paragraphs 76 to 79 and/or 80 above (the **1H15 Impairment Information**).

Particulars

- i) *Roberts, Nankervis and Maycock ought reasonably to have become aware of the 1H15 Impairment Information in the course of carrying out their duties.*
129. As at 18 February 2015, the 1H15 Directors' Opinion to ASX was not the product of an exercise of reasonable skill and care by reason of the matters pleaded in paragraphs 76 to 80, and 127 to 128 above.
130. As at 18 February 2015, by reason of the matters pleaded in paragraphs 127 and/or 129, the 1H15 Directors' Opinion to ASX was not based upon reasonable grounds.
131. The conduct of Roberts, Nankervis and Maycock in expressing the 1H15 Directors' Opinion to ASX and making the 1H15 Directors' Representation to ASX was conduct which was:
- (a) in relation to financial products (being Arrium Shares) or a financial service within the meaning of subsections 1041H(1) and 1041H(2)(b) of the Corporations Act; and/or
 - (b) in trade or commerce in relation to financial services within the meaning of section 12DA of the ASIC Act; and/or
 - (c) in trade or commerce within the meaning of section 2 of the Australian Consumer Law.
132. As at 18 February 2015, by reason of the matters pleaded in paragraphs 129 and/or 130, and 131, the conduct of Roberts, Nankervis and Maycock in expressing the 1H15 Directors' Opinion to ASX (and in failing to correct or qualify that opinion) was misleading or deceptive or likely to mislead or deceive, in contravention of:
- (a) s 1041H of the Corporations Act;
 - (b) s 12DA(1) of the ASIC Act; and/or
 - (c) s 18 of the Australian Consumer Law,
- (each such contravention of such provisions being a **Directors' 1H15 Accounts Contravention**).
133. As at 18 February 2015, by reason of the matters pleaded in paragraphs 129 and/or 130, and 131, the conduct of Roberts, Nankervis and Maycock in making the 1H15

Directors' Representation to ASX (and in failing to correct or qualify that representation), was misleading or deceptive or likely to mislead or deceive, and comprised a Directors' 1H15 Accounts Contravention.

L.3.3 Section 1041E liability in respect of the 1H15 Directors' Opinion to ASX

134. By reason of the matters pleaded in paragraphs 67, 68, 69, 125, and 126(a), Roberts, Nankervis and Maycock made a statement or disseminated information, being the HY15 Directors' Opinion to ASX.
135. By reason of the matters pleaded in paragraphs 129 and/or 130, the HY15 Directors' Opinion to ASX was a statement made or information disseminated by Roberts, Nankervis and Maycock which was materially misleading.

Particulars

- i) *The HY15 Directors' Opinion to ASX was a statement (of an opinion), or alternatively, information which was materially misleading because the persons expressing it did not have reasonable grounds for it.*
 - ii) *Roberts, Nankervis and Maycock did not have reasonable grounds for the HY15 Directors' Opinion to ASX for the reasons pleaded in paragraphs 129 and/or 130.*
136. The 1H15 Directors' Opinion to ASX was likely to be relied upon by Arrium shareholders in deciding whether to acquire, dispose of or retain Arrium Shares.
137. By reason of the matters pleaded in paragraph 136, the 1H15 Directors' Opinion to ASX was likely to have the effect of increasing, maintaining or stabilising the price for trading in Arrium Shares on the ASX.

Particulars

- i) *Statements or information which were likely to be relied upon by Arrium shareholders in deciding whether to acquire, dispose of or retain Arrium Shares (such as the 1H15 Directors Opinion to ASX) were likely to cause the market price for Arrium Shares to be increased, maintained or stabilised, because it accompanied the 1H15 Financial Results Announcement (including the 1H15 Financial Report) which:*
 - A) *contained positive information about Arrium's financial performance and financial position, namely the matters pleaded in paragraph 71, and the market would assume that the financial information so presented complied with Accounting Standards and presented a true and fair view of the financial*

performance and position of the consolidated entity comprising Arrium and its subsidiaries, having regard to Arrium's Statutory Reporting Obligations and Arrium's ASX Reporting Obligations; and

B) did not contain adverse information, namely the information referred to in paragraphs 76 to 80.

138. As at 18 February 2015, when expressing the 1H15 Directors' Opinion to ASX Roberts, Nankervis and Maycock ought reasonably to have known that:

(a) the 1H15 Directors' Opinion to ASX was not:

(i) the product of an exercise of reasonable skill and care, as pleaded in paragraph 129; and/or

(ii) based upon reasonable grounds, as pleaded in paragraph 130; and

(b) by reason of sub-paragraph (a), the 1H15 Directors' Opinion to ASX was materially misleading.

Particulars

i) *Roberts, Nankervis and Maycock ought reasonably to have known what a reasonably competent director would have known.*

ii) *A reasonably competent director acting with reasonable care and skill would have known that the 1H15 Directors' Opinion to ASX was not the product of an exercise of reasonable skill and care, as pleaded in paragraph 129;.*

iii) *A reasonably competent director acting with reasonable care and skill would have known that the 1H15 Directors' Opinion to ASX was not based upon reasonable grounds as pleaded in paragraph 130.*

iv) *Such a reasonably competent director would thereby have known that the 1H15 Directors' Opinion to ASX was materially misleading.*

139. By reason of the matters pleaded in paragraphs 134 to 138, by expressing the 1H15 Directors' Opinion to ASX, Roberts, Nankervis and Maycock contravened s 1041E of the Corporations Act (this also being a Directors' 1H15 Accounts Contravention).

L.3.4 Section 1041E liability in respect of the 1H15 Directors' Representation to ASX

140. By reason of the matters pleaded in paragraphs 67, 68, 69, 125, and 126(b), Roberts, Nankervis and Maycock made a statement or disseminated information, being the 1H15 Directors' Representation to ASX.

141. By reason of the matters pleaded in paragraphs 127 to 130 the 1H15 Directors' Representation to ASX was a statement made or information disseminated by Roberts, Nankervis and Maycock which was materially misleading.

Particulars

- i) *The 1H15 Directors' Representation to ASX was a statement, or alternatively, information which was materially misleading because of the matters pleaded in paragraphs 127 to 130.*
 - ii) *Roberts, Nankervis and Maycock did not have reasonable grounds for the 1H15 Directors' Opinion to ASX for the reasons pleaded and particularised in paragraphs 127 to 130.*
142. The 1H15 Directors' Representation to ASX was likely to be relied upon by Arrium shareholders in deciding whether to acquire, dispose of or retain Arrium Shares.
143. By reason of the matters pleaded in paragraph 142, the 1H15 Directors' Representation to ASX was likely to have the effect of increasing, maintaining or stabilising the price for trading in Arrium Shares on the ASX.

Particulars

- i) *Statements or information which were likely to be relied upon by Arrium shareholders in deciding whether to acquire, dispose of or retain Arrium Shares were also likely to cause the market price for Arrium Shares to be increased, maintained or stabilised, because the 1H15 Financial Results Announcement (including the 1H15 Financial Report):*
 - A) *contained positive information about Arrium's financial performance and financial position, namely the matters pleaded in paragraph 71, and the market would assume that the financial information so presented complied with Accounting Standards and presented a true and fair view of the financial performance and position of the consolidated entity comprising Arrium and its subsidiaries, having regard to Arrium's Statutory Reporting Obligations and Arrium's ASX Reporting Obligations; and*
 - B) *did not contain adverse information, namely the information referred to in paragraphs 76 to 80.*
144. As at 18 February 2015, when making the 1H15 Directors' Representation to ASX Roberts, Nankervis and Maycock ought reasonably to have known that:
- (a) the 1H15 Directors' Opinion to ASX was not:

- (i) the product of an exercise of reasonable skill and care, as pleaded in paragraph 129; and/or
 - (ii) based upon reasonable grounds, as pleaded in paragraph 130; and
- (b) by reason of sub-paragraph (a), the 1H15 Directors' Representation to ASX was materially misleading.

Particulars

- i) *A reasonably competent director acting with reasonable care and skill would have known that the 1H15 Directors' Opinion to ASX was not the product of an exercise of reasonable skill and care, as pleaded in paragraph 129.*
- ii) *A reasonably competent director acting with reasonable care and skill would have known that the 1H15 Directors' Opinion to ASX was not based upon reasonable grounds as pleaded in paragraph 130.*
- iii) *Such a reasonably competent director would thereby have known that the 1H15 Directors' Opinion to ASX was materially misleading.*

145. By reason of the matters pleaded in paragraphs 140 to 144, by making the 1H15 Directors' Representation to ASX, Roberts, Nankervis and Maycock contravened s 1041E of the Corporations Act (this also being a Directors' 1H15 Accounts Contravention).

L.3.5 Continuing nature of the Directors' 1H15 Accounts Misleading Conduct Contraventions

146. Each of the Directors' 1H15 Accounts Contraventions was a continuing contravention which of its nature continued during the Relevant Period until such time as the inaccuracy or the falsity of the representations underlying the contraventions was revealed to the Affected Market.

L.4 Directors' Misleading or Deceptive Representations in FY15

L.4.1 Directors' Representations

147. On or about 19 August 2015, Roberts, Nankervis and Maycock authorised, or participated in authorising, the making and lodgement by Arrium with the ASX of the FY15 Financial Report.

Particulars

- i) *The Plaintiffs refer to the FY15 Directors' Declaration in the FY15 Financial Report, p.125 and to the resolution of the directors referred to therein.*
- ii) *Further, Maycock's authorisation is to be inferred from his position as a director, and Chairman, of Arrium.*
- iii) *Further, Roberts' authorisation is to be inferred from his position as a director Chief Executive Officer and Managing Director of Arrium.*
- iv) *Further, Nankervis's authorisation is to be inferred from his position as a director of Arrium.*

148. On or about 19 August 2015, by reason of the matters pleaded in paragraphs 81, 82, 83 and 147, Roberts, Nankervis and Maycock:

(a) stated to the members of Arrium, and to the Affected Market, that in their opinion, the FY15 Financial Report:

- (i) gave a true and fair view of the financial position and performance of Arrium (and of the consolidated group comprising Arrium and its controlled entities) in FY15; and
- (ii) complied with Australian Accounting Standards,

(FY15 Directors' Opinion to ASX);

(b) represented to the members of Arrium, and to the Affected Market, that the FY15 Directors' Opinion to ASX was based upon reasonable grounds and was the product of an exercise of reasonable skill and care **(FY15 Directors' Representation to ASX).**

Particulars

- i) *The FY15 Directors' Opinion to ASX was express, and was contained in writing in the FY15 Directors' Declaration.*
- ii) *The FY15 Directors' Representation to ASX was implied from the conduct of Roberts, Nankervis and Maycock in giving the FY15 Directors' Opinion to ASX, coupled with the absence of any or any adequate reservation or qualification to that opinion.*

L.4.2 Misleading or deceptive conduct

149. At the time Roberts, Nankervis and Maycock expressed the FY15 Directors' Opinion to ASX and made the FY15 Directors' Representation to ASX, the financial information contained in the FY15 Financial Report was not prepared in compliance with Australian

Accounting Standards and/or did not give a true and fair view of Arrium by reason of the matters pleaded in paragraphs 90 to 94 above.

Particulars

- i) *The particulars to paragraphs 90 to 94 are repeated.*

150. At all material times in the Relevant Period on and after 19 August 2015, Roberts, Nankervis and Maycock ought reasonably to have been aware of the matters pleaded in paragraphs 90 to 93 and/or 94 above (the **FY15 Impairment Information**).

Particulars

- i) *Roberts, Nankervis and Maycock ought reasonably to have become aware of the FY15 Impairment Information in the course of carrying out their duties.*

151. As at 19 August 2015, the FY15 Directors' Opinion to ASX was not the product of an exercise of reasonable skill and care by reason of the matters pleaded in paragraphs 90 to 94, and 149 to 150 above.

152. As at 19 August 2015, by reason of the matters pleaded in paragraphs 149 and/or 151, the FY15 Directors' Opinion to ASX was not based upon reasonable grounds.

153. The conduct of Roberts, Nankervis and Maycock in expressing the FY15 Directors' Opinion to ASX and making the FY15 Directors' Representation to ASX was conduct which was:

- (a) in relation to financial products (being Arrium Shares) or a financial service within the meaning of subsections 1041H(1) and 1041H(2)(b) of the Corporations Act; and/or
- (b) in trade or commerce in relation to financial services within the meaning of section 12DA of the ASIC Act; and/or
- (c) in trade or commerce within the meaning of section 2 of the Australian Consumer Law.

154. As at 19 August 2015, by reason of the matters pleaded in paragraphs 151 and/or 152, and 153, the conduct of Roberts, Nankervis and Maycock in expressing the FY15 Directors' Opinion to ASX (and in failing to correct or qualify that opinion) was misleading or deceptive or likely to mislead or deceive, in contravention of:

- (a) s 1041H of the Corporations Act;

(b) s 12DA(1) of the ASIC Act; and/or

(c) s 18 of the Australian Consumer Law,

(each such contravention of such provisions being a **Directors' FY15 Accounts Contravention**).

155. As at 19 August 2015, by reason of the matters pleaded in paragraphs 151 and/or 152, and 153 the conduct of Roberts, Nankervis and Maycock in making the FY15 Directors' Representation to ASX (and in failing to correct or qualify that representation), was misleading or deceptive or likely to mislead or deceive, and comprised a Directors' FY15 Accounts Contravention.

L.4.3 Section 1041E liability in respect of the FY15 Directors' Opinion to ASX

156. By reason of the matters pleaded in paragraphs 81, 82, 83, 147, and 148(a), Roberts, Nankervis and Maycock made a statement or disseminated information, being the FY15 Directors' Opinion to ASX.

157. By reason of the matters pleaded in paragraphs 151 and/or 152, the FY15 Directors' Opinion to ASX was a statement made or information disseminated by Roberts, Nankervis and Maycock which was materially misleading.

Particulars

- i) *The FY15 Directors' Opinion to ASX was a statement (of an opinion), or alternatively, information which was materially misleading because the persons expressing it did not have reasonable grounds for it.*
- ii) *Roberts, Nankervis and Maycock did not have reasonable grounds for the FY15 Directors' Opinion to ASX for the reasons pleaded in paragraphs 151 and/or 152.*

158. The FY15 Directors' Opinion to ASX was likely to be relied upon by Arrium shareholders in deciding whether to acquire, dispose of or retain Arrium Shares.

159. By reason of the matters pleaded in paragraph 158, the FY15 Directors' Opinion to ASX was likely to have the effect of increasing, maintaining or stabilising the price for trading in Arrium Shares on the ASX.

Particulars

- i) *Statements or information which were likely to be relied upon by Arrium shareholders in deciding whether to*

acquire, dispose of or retain Arrium Shares (such as the FY15 Directors Opinion to ASX) were likely to cause the market price for Arrium Shares to be increased, maintained or stabilised, because it accompanied the FY15 Financial Results Announcement (including the FY15 Financial Report) which:

- A) contained positive information about Arrium's financial performance and financial position, namely the matters pleaded in paragraph 85 and the market would assume that the financial information so presented complied with Accounting Standards and presented a true and fair view of the financial performance and position of the consolidated entity comprising Arrium and its subsidiaries, having regard to Arrium's Statutory Reporting Obligations and Arrium's ASX Reporting Obligations; and*
- B) did not contain adverse information, namely the information referred to in paragraphs 90 to 94.*

160. As at 19 August 2015, when expressing the FY15 Directors' Opinion to ASX Roberts, Nankervis and Maycock ought reasonably to have known that:

- (a) the FY15 Directors' Opinion to ASX was not:
 - (i) the product of an exercise of reasonable skill and care, as pleaded in paragraph 151; and/or
 - (ii) based upon reasonable grounds, as pleaded in paragraph 152; and
- (b) by reason of sub-paragraph (a), the FY15 Directors' Opinion to ASX was materially misleading.

Particulars

- i) *Roberts, Nankervis and Maycock ought reasonably to have known what a reasonably competent director would have known.*
- ii) *A reasonably competent director acting with reasonable care and skill would have known that the FY15 Directors' Opinion to ASX was not the product of an exercise of reasonable skill and care, as pleaded in paragraph 151.*
- iii) *A reasonably competent director acting with reasonable care and skill would have known that the FY15 Directors' Opinion to ASX was not based upon reasonable grounds as pleaded in paragraph 152.*
- iv) *Such a reasonably competent director would thereby have known that the FY15 Directors' Opinion to ASX was materially misleading.*

161. By reason of the matters pleaded in paragraphs 156 to 160, by expressing the FY15 Directors' Opinion to ASX, Roberts, Nankervis and Maycock contravened s 1041E of the Corporations Act (this also being a Directors' s FY15 Accounts Contravention).

L.4.4 Section 1041E liability in respect of the FY15 Directors' Representation to ASX

162. By reason of the matters pleaded in paragraphs 81, 82, 83, 147, and 148(b), Roberts, Nankervis and Maycock made a statement or disseminated information, being the FY15 Directors' Representation to ASX.

163. By reason of the matters pleaded in paragraphs 149 to 152, the FY15 Directors' Representation to ASX was a statement made or information disseminated by Roberts, Nankervis and Maycock which was materially misleading.

Particulars

- i) *The FY15 Directors' Representation to ASX was a statement, or alternatively, information which was materially misleading because of the matters pleaded in paragraphs 149 to 152,.*
- ii) *Roberts, Nankervis and Maycock did not have reasonable grounds for the FY15 Directors' Opinion to ASX for the reasons pleaded and particularised in paragraphs 149 to 152.*

164. The FY15 Directors' Representation to ASX was likely to be relied upon by Arrium shareholders in deciding whether to acquire, dispose of or retain Arrium Shares.

165. By reason of the matters pleaded in paragraph 164, the FY15 Directors' Representation to ASX was likely to have the effect of increasing, maintaining or stabilising the price for trading in Arrium Shares on the ASX.

Particulars

- i) *Statements or information which were likely to be relied upon by Arrium shareholders in deciding whether to acquire, dispose of or retain Arrium Shares were also likely to cause the market price for Arrium Shares to be increased, maintained or stabilised, because the FY15 Financial Results Announcement (including the FY15 Financial Report):*
 - A) *contained positive information about Arrium's financial performance and financial position, namely the matters pleaded in paragraph 85, and the market would assume that the financial information so presented complied with Accounting Standards and presented a true and fair view of the financial performance and position of the consolidated entity*

comprising Arrium and its subsidiaries, having regard to Arrium's Statutory Reporting Obligations and Arrium's ASX Reporting Obligations; and

B) did not contain adverse information, namely the information referred to in paragraphs 90 to 94.

166. As at 19 August 2015, when making the FY15 Directors' Representation to ASX Roberts, Nankervis and Maycock ought reasonably to have known that:

- (a) the FY15 Directors' Opinion to ASX was not:
 - (i) the product of an exercise of reasonable skill and care, as pleaded in paragraph 151; and/or
 - (ii) based upon reasonable grounds, as pleaded in paragraph 152; and
- (b) by reason of sub-paragraph (a), the FY15 Directors' Representation to ASX was materially misleading.

Particulars

- i) *A reasonably competent director acting with reasonable care and skill would have known that the FY15 Directors' Opinion to ASX was not the product of an exercise of reasonable skill and care, as pleaded in paragraph 151.*
- ii) *A reasonably competent director acting with reasonable care and skill would have known that the FY15 Directors' Opinion to ASX was not based upon reasonable grounds as pleaded in paragraph 152.*
- iii) *Such a reasonably competent director would thereby have known that the FY15 Directors' Opinion to ASX was materially misleading.*

167. By reason of the matters pleaded in paragraphs 162 to 166, by making the FY15 Directors' Representation to ASX, Roberts, Nankervis and Maycock contravened s 1041E of the Corporations Act (this also being a Directors' s FY15 Accounts Contravention).

L.4.5 Continuing nature of the Directors' FY15 Accounts Misleading Conduct Contraventions

168. Each of the Directors' FY15 Accounts Contraventions was a continuing contravention which of its nature continued during the Relevant Period until such time as the inaccuracy or the falsity of the representations underlying the contraventions was revealed to the Affected Market.

M. KPMG'S CONTRAVENING CONDUCT

M.1 KPMG's Representations in FY14

169. On or about 19 August 2014, by reason of the matters pleaded in paragraphs 26, 27, and 29, Young and KPMG (through Young):

(a) stated to the members of Arrium, and to the Affected Market, that in their opinion, the FY14 Financial Report:

(i) gave a true and fair view of the financial position and performance of Arrium (and of the consolidated group comprising Arrium and its controlled entities) in FY2014; and

(ii) complied with Australian Accounting Standards,

(FY14 KPMG Opinion to ASX);

(b) represented to the members of Arrium, and to the Affected Market, that the FY14 KPMG Opinion to ASX was based upon reasonable grounds and was the product of an exercise of reasonable skill and care **(FY14 KPMG Representation to ASX).**

Particulars

- i) *The FY14 KPMG Opinion to ASX was express, and was contained in writing in the FY14 Audit Report.*
- ii) *The FY14 KPMG Representation to ASX was implied from the conduct of KPMG (through Young) in giving the FY14 KPMG Opinion to ASX, coupled with the absence of any or any adequate reservation or qualification to that opinion.*

M.2 Misleading or deceptive conduct in FY14

M.2.1 Misleading or deceptive conduct in respect of the FY14 KPMG Opinion to ASX

170. At the time Young and KPMG (through Young) expressed the FY14 KPMG Opinion to ASX and made the FY14 KPMG Representation to ASX, the financial information contained in the FY14 Financial Report was not prepared in compliance with Australian Accounting Standards and/or did not give a true and fair view of Arrium by reason of the matters pleaded in paragraphs 44 to 48 above.

Particulars

i) *The particulars to paragraphs 44 to 48 are repeated.*

171. As at 19 August 2014, the FY14 KPMG Opinion to ASX was not the product of an exercise of reasonable skill and care by reason of the matters pleaded in paragraphs 44 to 48 above.

Particulars

- i) *The particulars to paragraph 170 are repeated.*
- ii) *KPMG failed to ascertain that the FY14 Mining Assets, FY14 Mining Consumables Assets, FY14 Steel Assets, FY14 Recycling Assets, FY14 Arrium Assets, the FY14 Mining Earnings, the FY14 Mining Consumables Earnings, the FY14 Steel Earnings, the FY14 Recycling Earnings, and the FY14 Operating Profit as at 30 June 2014 were materially misstated (refer to paragraphs 44 to 48) and thereby breached ASA200, ASA220, ASA240, ASA260, ASA300, ASA315, ASA330, ASA450, ASA500, ASA540, ASA560, ASA570, ASA 700, ASA701, ASA705 and ASA706.*
- iii) *KPMG failed to design or perform audit procedures so as to obtain sufficient appropriate audit evidence upon which to justify the value of the FY14 Mining Assets, FY14 Mining Consumables Assets, FY14 Steel Assets, FY14 Recycling Assets, FY14 Arrium Assets, the FY14 Mining Earnings, the FY14 Mining Consumables Earnings, the FY14 Steel Earnings, the FY14 Recycling Earnings and the FY14 Operating Profit and thereby breached ASA300, ASA315, ASA330, ASA450, ASA500, ASA540*
- iv) *KPMG failed to obtain sufficient appropriate audit evidence upon which to justify the value of the FY14 Mining Assets, FY14 Mining Consumables Assets, FY14 Steel Assets, FY14 Recycling Assets, FY14 Arrium Assets, the FY14 Mining Earnings, the FY14 Mining Consumables Earnings, the FY14 Steel Earnings, the FY14 Recycling Earnings, and the FY14 Operating Profit and thereby breached ASA500, and ASA540.*
- v) *KPMG failed to conduct the audit of the FY14 Financial Report in relation to the valuation of the, FY14 Mining Assets, FY14 Mining Consumables Assets, FY14 Steel Assets, FY14 Recycling Assets and FY14 Arrium Assets, with a sufficient level of professional scepticism, recognising that circumstances may exist that cause the financial report to be materially misstated and thereby breached ASA200.*
- vi) *KPMG issued an incorrect audit opinion and thereby breached ASA200, ASA700, ASA701, and ASA705.*

172. As at 19 August 2014, by reason of the matters pleaded in paragraphs 170 and/or 171, the FY14 KPMG Opinion to ASX was not based upon reasonable grounds.

173. The conduct of Young and KPMG (through Young) in expressing the FY14 KPMG Opinion to ASX and making the FY14 KPMG Representation to ASX was conduct which was:
- (a) in relation to financial products (being Arrium Shares) or a financial service within the meaning of subsections 1041H(1) and 1041H(2)(b) of the Corporations Act; and/or
 - (b) in trade or commerce in relation to financial services within the meaning of section 12DA of the ASIC Act; and/or
 - (c) in trade or commerce within the meaning of section 2 of the Australian Consumer Law.
174. As at 19 August 2014, by reason of the matters pleaded in paragraphs 171 and/or 172, and 173, the conduct of Young in expressing the FY14 KPMG Opinion to ASX (and in failing to correct or qualify that opinion) was misleading or deceptive or likely to mislead or deceive, in contravention of:
- (a) s 1041H of the Corporations Act;
 - (b) s 12DA(1) of the ASIC Act; and/or
 - (c) s 18 of the Australian Consumer Law,
- (each such contravention of such provisions being a **KPMG FY14 Accounts Contravention**).
175. Further, or alternatively, as at 19 August 2014 the conduct of Young in expressing the FY14 KPMG Opinion to ASX (and in failing to correct or qualify that opinion):
- (a) was conduct which was, by reason of the matters pleaded in paragraphs 171 and/or 172, misleading or deceptive or likely to mislead or deceive;
 - (b) was conduct engaged in on behalf of, and as agent of, every other partner of KPMG, within the meaning of s 769B(4) of the Corporations Act, and so is taken to have been conduct engaged in also by each other partner of KPMG as pleaded in paragraph 22(a);
 - (c) by reason of sub-paragraphs (a) and (b), gave rise to a contravention of s 1041H(1) of the Corporations Act on the part of KPMG, which is taken by

reason of s 761F(1)(b) of the Corporations Act to be a contravention by Young, being a partner of KPMG who was party to the act of expressing the FY14 KPMG Opinion to ASX (and the omission of failing to correct or qualify that opinion), within the meaning of s 761F(1)(b) of the Corporations Act, as pleaded in paragraph 9(d); and

(d) by reason of sub-paragraphs (a) and (b), gave rise to a contravention of s 1041H(1) of the Corporations Act by every other partner of KPMG,

(each such contravention of such provisions also being a KPMG FY14 Accounts Contravention).

M.2.2 Misleading or deceptive conduct in respect of the FY14 KPMG Representation to ASX

176. As at 19 August 2014, by reason of the matters pleaded in paragraphs 171 and/or 172, the conduct of Young in making the FY14 KPMG Representation to ASX (and in failing to correct or qualify that representation), was misleading or deceptive or likely to mislead or deceive, and comprised a KPMG FY14 Accounts Contravention.

177. Further, or alternatively, as at 19 August 2014 the conduct of Young in making the FY14 KPMG Representation to ASX (and in failing to correct or qualify that representation):

(a) was conduct which was, by reason of the matters pleaded in 171 and/or 172, misleading or deceptive or likely to mislead or deceive;

(b) was conduct engaged in on behalf of, and as agent of, every other partner of KPMG, within the meaning of s 769B(4) of the Corporations Act, and so is taken to have been conduct engaged in by each other partner of KPMG, as pleaded in paragraph 22(a);

(c) by reason of sub-paragraphs (a) and (b), gave rise to a contravention of s 1041H(1) of the Corporations Act on the part of KPMG, which is taken by reason of s 761F(1)(b) of the Corporations Act to be a contravention by Young, being a partner of KPMG who was party to the act of making the FY14 KPMG Representation to ASX (and the omission of failing to correct or qualify that representation), within the meaning of s 761F(1)(b) of the Corporations Act, as pleaded in paragraph 9(d); and

(d) by reason of sub-paragraphs (a) and (b), gave rise to a contravention of s 1041H(1) of the Corporations Act by every other partner of KPMG, (each such contravention of such provisions also being a KPMG FY14 Accounts Contravention).

M.2.3 Section 1041E liability in respect of the FY14 KPMG Opinion to ASX

178. By reason of the matters pleaded in paragraphs 29 and 169(a), Young and KPMG (through Young) made a statement or disseminated information, being the FY14 KPMG Opinion to ASX.
179. By reason of the matters pleaded in paragraphs 171 and/or 172, the FY14 KPMG Opinion to ASX was a statement made or information disseminated by Young (and KPMG (through Young)) which was materially misleading.

Particulars

- i) *The FY14 KPMG Opinion to ASX was a statement (of an opinion), or alternatively, information which was materially misleading because the person expressing it did not have reasonable grounds for it.*
 - ii) *Young did not have reasonable grounds for the FY14 KPMG Opinion to ASX for the reasons pleaded and particularised in paragraphs 171 and/or 172.*
180. The FY14 KPMG Opinion to ASX was likely to be relied upon by Arrium in deciding whether to:
- (a) release the FY14 Financial Results Announcement to the ASX; or
 - (b) not release to the ASX a financial report which contained information or statements to the effect of the matters pleaded in paragraph 30.

Particulars

- i) *This was inherently likely.*
181. By reason of the matters pleaded in paragraph 180, the FY14 KPMG Opinion to ASX was likely to have the effect of increasing, maintaining or stabilising the price for trading in Arrium Shares on the ASX.

Particulars

- i) *Statements or information which were likely to be relied upon by Arrium in deciding whether and in what form to release the FY14 Financial Results Announcement*

(including the FY14 Financial Report) were also likely to cause the market price for Arrium Shares to be increased, maintained or stabilised, because the FY14 Financial Results Announcement (including the FY14 Financial Report):

- A) contained positive information about Arrium's financial performance and financial position, namely the matters pleaded in paragraph 30, and the market would assume that the financial information so presented complied with Accounting Standards and presented a true and fair view of the financial performance and position of the consolidated entity comprising Arrium and its subsidiaries, having regard to Arrium's Statutory Reporting Obligations and Arrium's ASX Reporting Obligations; and*
- B) did not contain adverse information, namely the information referred to in paragraphs 44 to 48.*

182. As at 19 August 2014, when expressing the FY14 KPMG Opinion to ASX Young ought reasonably to have known that:

- (a) the FY14 KPMG Opinion to ASX was not:
 - (i) the product of an exercise of reasonable skill and care, as pleaded in paragraph 171; and/or
 - (ii) based upon reasonable grounds, as pleaded in paragraph 172; and
- (b) by reason of sub-paragraph (a), the FY14 KPMG Opinion to ASX was materially misleading.

Particulars

- i) *Young ought reasonably to have known what a reasonably competent auditor would have known.*
- ii) *A reasonably competent auditor acting with reasonable care and skill would have known that the FY14 KPMG Opinion to ASX was not the product of an exercise of reasonable skill and care, as pleaded in paragraph 171.*
- iii) *A reasonably competent auditor acting with reasonable care and skill would have known that the FY14 KPMG Opinion to ASX was not based upon reasonable grounds as pleaded in paragraph 172.*
- iv) *Such a reasonably competent auditor would thereby have known that the FY14 KPMG Opinion to ASX was materially misleading.*

183. By reason of the matters pleaded in paragraphs 178 to 182, by expressing the FY14 KPMG Opinion to ASX, Young and KPMG (through Young) contravened s 1041E of the Corporations Act (this also being a KPMG FY14 Accounts Contravention).
184. Further, or alternatively, as at 19 August 2014 the conduct of Young in expressing the FY14 KPMG Opinion to ASX (and in failing to correct or qualify that opinion):
- (a) was conduct engaged in on behalf of, and as agent of, every other partner of KPMG, within the meaning of s 769B(4) of the Corporations Act, and so is taken to have been conduct engaged in also by each other partner of KPMG as pleaded in paragraph 22(a);
 - (b) by reason of sub-paragraph (a), gave rise to a contravention of s 1041E of the Corporations Act on the part of KPMG, which is taken by reason of s 761F(1)(b) of the Corporations Act to be a contravention by Young, being a partner of KPMG who was party to the act of expressing the FY14 KPMG Opinion to ASX (and the omission of failing to correct or qualify that opinion), within the meaning of s 761F(1)(b) of the Corporations Act, as pleaded in paragraph 9(d); and
 - (c) by reason of sub-paragraphs (a) and (b), gave rise to a contravention of s 1041E of the Corporations Act by every other partner of KPMG,
- (each such contravention of such provisions also being a KPMG FY14 Accounts Contravention).

M.2.4 Section 1041E liability in respect of the FY14 KPMG Representation to ASX

185. By reason of the matters pleaded in paragraphs 29 and 169(b), Young and KPMG (through Young) made a statement or disseminated information, being the FY14 KPMG Representation to ASX.
186. By reason of the matters pleaded in paragraphs 171 and/or 172, the FY14 KPMG Representation to ASX was a statement made or information disseminated by Young (and KPMG (through Young)) which was materially misleading.

Particulars

- i) *The FY14 KPMG Representation to ASX was a statement, or alternatively, information which was materially misleading because of the matters pleaded in paragraphs 170 to 172.*

- ii) *Young did not have reasonable grounds for the FY14 KPMG Opinion to ASX for the reasons pleaded and particularised in paragraphs 170 to 172.*

187. The FY14 KPMG Representation to ASX was likely to be relied upon by Arrium in deciding whether to:

- (a) release the FY14 Financial Results Announcement to the ASX; or
- (b) not release to the ASX a financial report which contained information or statements to the effect of the matters pleaded in paragraph 30.

Particulars

- i) *This was inherently likely.*

188. By reason of the matters pleaded in paragraph 187, the FY14 KPMG Representation to ASX was likely to have the effect of increasing, maintaining or stabilising the price for trading in Arrium Shares on the ASX.

Particulars

- i) *Statements or information which were likely to be relied upon by Arrium in deciding whether and in what form to release the FY14 Financial Results Announcement (including the FY14 Financial Report) were also likely to cause the market price for Arrium Shares to be increased, maintained or stabilised, because the FY14 Financial Results Announcement (including the FY14 Financial Report):*
 - A) *contained positive information about Arrium's financial performance and financial position, namely the matters pleaded in paragraph 30, and the market would assume that the financial information so presented complied with Accounting Standards and presented a true and fair view of the financial performance and position of the consolidated entity comprising Arrium and its subsidiaries, having regard to Arrium's Statutory Reporting Obligations and Arrium's ASX Reporting Obligations; and*
 - B) *did not contain adverse information, namely the information referred to in paragraphs 44 to 48.*

189. As at 19 August 2014, when making the FY14 KPMG Representation to ASX Young ought reasonably to have known that:

- (a) the FY14 KPMG Opinion to ASX was not:

- (i) the product of an exercise of reasonable skill and care, as pleaded in paragraph 171; and/or
 - (ii) based upon reasonable grounds, as pleaded in paragraph 172; and
- (b) by reason of sub-paragraph (a), the FY14 KPMG Representation to ASX was materially misleading.

Particulars

- i) *Young ought reasonably to have known what a reasonably competent auditor would have known.*
 - ii) *A reasonably competent auditor acting with reasonable care and skill would have known that the FY14 KPMG Opinion to ASX was not the product of an exercise of reasonable skill and care, as pleaded in paragraph 171.*
 - iii) *A reasonably competent auditor acting with reasonable care and skill would have known that the FY14 KPMG Opinion to ASX was not based upon reasonable grounds as pleaded in paragraph 172.*
 - iv) *Such a reasonably competent auditor would thereby have known that the FY14 KPMG Representation to ASX was materially misleading.*
190. By reason of the matters pleaded in paragraphs 185 to 189, by making the FY14 KPMG Representation to ASX, Young and KPMG (through Young) contravened s 1041E of the Corporations Act (this also being a KPMG FY14 Accounts Contravention).
191. Further, or alternatively, as at 19 August 2014 the conduct of Young in making the FY14 KPMG Representation to ASX (and in failing to correct or qualify that opinion):
- (a) was conduct engaged in on behalf of, and as agent of, every other partner of KPMG, within the meaning of s 769B(4) of the Corporations Act, and so is taken to have been conduct engaged in also by each other partner of KPMG as pleaded in paragraph 22(a);
 - (b) by reason of sub-paragraph (a), gave rise to a contravention of s 1041E of the Corporations Act on the part of KPMG, which is taken by reason of s 761F(1)(b) of the Corporations Act to be a contravention by Young, being a partner of KPMG who was party to the act of expressing the FY14 KPMG Representation to ASX (and the omission of failing to correct or qualify that opinion), within the meaning of s 761F(1)(b) of the Corporations Act, as pleaded in paragraph 9(d); and

(c) by reason of sub-paragraphs (a) and (b), gave rise to a contravention of s 1041E of the Corporations Act by every other partner of KPMG,

(each such contravention of such provisions also being a KPMG FY14 Accounts Contravention).

M.3 Continuing nature of the KPMG FY14 Accounts Contraventions

192. Each of the KPMG FY14 Accounts Contraventions was a continuing contravention which of its nature continued during the Relevant Period until such time as the inaccuracy or the falsity of the representations underlying the contraventions was revealed to the Affected Market.

M.4 KPMG's Representations in 1H15

193. On or about 18 February 2015, by reason of the matters pleaded in paragraphs 67, 68, and 70, Young and KPMG (through Young):

(a) stated to the members of Arrium, and to the Affected Market, that in their opinion, the 1H15 Financial Report:

(i) gave a true and fair view of the financial position and performance of Arrium (and of the consolidated group comprising Arrium and its controlled entities) in 1H15; and

(ii) complied with Australian Accounting Standards,

(1H15 KPMG Opinion to ASX);

(b) represented to the members of Arrium, and to the Affected Market, that the 1H15 KPMG Opinion to ASX was based upon reasonable grounds and was the product of an exercise of reasonable skill and care **(1H15 KPMG Representation to ASX).**

Particulars

- i) *The 1H15 KPMG Opinion to ASX was express, and was contained in writing in the 1H15 Review Report.*
- ii) *The 1H15 KPMG Representation to ASX was implied from the conduct of KPMG (through Young) in giving the 1H15 KPMG Opinion to ASX, coupled with the absence of any or any adequate reservation or qualification to that opinion.*

M.5 Misleading or deceptive conduct in 1H15

M.5.1 Misleading or deceptive conduct in respect of the 1H15 KPMG Opinion to ASX

194. At the time Young and KPMG (through Young) expressed the 1H15 KPMG Opinion to ASX and made the 1H15 KPMG Representation to ASX, the financial information contained in the 1H15 Financial Report was not prepared in compliance with Australian Accounting Standards and/or did not give a true and fair view of Arrium by reason of the matters pleaded in paragraphs 76 to 80 above.

Particulars

i) *The particulars to paragraphs 76 to 80 are repeated.*

195. As at 18 February 2015, the 1H15 KPMG Opinion to ASX was not the product of an exercise of reasonable skill and care by reason of the matters pleaded in paragraphs 76 to 80 above.

Particulars

i) *The particulars to paragraph 194 are repeated.*

ii) *KPMG failed to ascertain that the 1H15 Mining Assets, 1H15 Mining Consumables Assets, 1H15 Steel Assets, 1H15 Recycling Assets, 1H15 Arrium Assets, the 1H15 Mining Earnings, the 1H15 Mining Consumables Earnings, the 1H15 Steel Earnings, the 1H15 Recycling Earnings, and the 1H15 Operating Profit as at 31 December 2014 were materially misstated (refer paragraphs 76 to 80) and thereby breached ASA200, ASA220, ASA240, ASA260, ASA300, ASA315, ASA330, ASA450, ASA500, ASA540, ASA560, ASA570, ASA 700, ASA701, ASA705 and ASA706.*

iii) *KPMG failed to design or perform audit procedures so as to obtain sufficient appropriate audit evidence upon which to justify the value of the 1H15 Mining Assets, 1H15 Mining Consumables Assets, 1H15 Steel Assets, 1H15 Recycling Assets, 1H15 Arrium Assets, the 1H15 Mining Earnings, the 1H15 Mining Consumables Earnings, the 1H15 Steel Earnings, the 1H15 Recycling Earnings and the 1H15 Operating Profit and thereby breached ASA300, ASA315, ASA330, ASA450, ASA500, ASA540*

iv) *KPMG failed to obtain sufficient appropriate audit evidence upon which to justify the value of the 1H15 Mining Assets, 1H15 Mining Consumables Assets, 1H15 Steel Assets, 1H15 Recycling Assets, 1H15 Arrium Assets, the 1H15 Mining Earnings, the 1H15 Mining*

Consumables Earnings, the 1H15 Steel Earnings, the 1H15 Recycling Earnings, and the 1H15 Operating Profit and thereby breached ASA500, and ASA540.

v) *KPMG failed to conduct the audit of the 1H15 Financial Report in relation to the valuation of the, 1H15 Mining Assets, 1H15 Mining Consumables Assets, 1H15 Steel Assets, 1H15 Recycling Assets and 1H15 Arrium Assets, with a sufficient level of professional scepticism, recognising that circumstances may exist that cause the financial report to be materially misstated and thereby breached ASA200.*

vi) *KPMG issued an incorrect audit opinion and thereby breached ASA200, ASA700, ASA701, and ASA705.*

196. As at 18 February 2015, by reason of the matters pleaded in paragraphs 194 and/or 195, the 1H15 KPMG Opinion to ASX was not based upon reasonable grounds.

197. The conduct of Young and KPMG (through Young) in expressing the 1H15 KPMG Opinion to ASX and making the 1H15 KPMG Representation to ASX was conduct which was:

(a) in relation to financial products (being Arrium Shares) or a financial service within the meaning of subsections 1041H(1) and 1041H(2)(b) of the Corporations Act; and/or

(b) in trade or commerce in relation to financial services within the meaning of section 12DA of the ASIC Act; and/or

(c) in trade or commerce within the meaning of section 2 of the Australian Consumer Law.

198. As at 18 February 2015, by reason of the matters pleaded in paragraphs 195 and/or 196, and 197, the conduct of Young in expressing the 1H15 KPMG Opinion to ASX (and in failing to correct or qualify that opinion) was misleading or deceptive or likely to mislead or deceive, in contravention of:

(d) s 1041H of the Corporations Act;

(e) s 12DA(1) of the ASIC Act; and/or

(f) s 18 of the Australian Consumer Law,

(each such contravention of such provisions being a **KPMG 1H15 Accounts Contravention**).

199. Further, or alternatively, as at 18 February 2015 the conduct of Young in expressing the 1H15 KPMG Opinion to ASX (and in failing to correct or qualify that opinion):

- (a) was conduct which was, by reason of the matters pleaded in paragraphs 195 and/or 196, misleading or deceptive or likely to mislead or deceive;
- (b) was conduct engaged in on behalf of, and as agent of, every other partner of KPMG, within the meaning of s 769B(4) of the Corporations Act, and so is taken to have been conduct engaged in also by each other partner of KPMG as pleaded in paragraph 22(a);
- (c) by reason of sub-paragraphs (a) and (b), gave rise to a contravention of s 1041H(1) of the Corporations Act on the part of KPMG, which is taken by reason of s 761F(1)(b) of the Corporations Act to be a contravention by Young, being a partner of KPMG who was party to the act of expressing the 1H15 KPMG Opinion to ASX (and the omission of failing to correct or qualify that opinion), within the meaning of s 761F(1)(b) of the Corporations Act, as pleaded in paragraph 9(d); and
- (d) by reason of sub-paragraphs (a) and (b), gave rise to a contravention of s 1041H(1) of the Corporations Act by every other partner of KPMG,

(each such contravention of such provisions also being a KPMG 1H15 Accounts Contravention).

M.5.2 Misleading or deceptive conduct in respect of the 1H15 KPMG Representation to ASX

200. As at 18 February 2015, by reason of the matters pleaded in paragraphs 195 and/or 196, the conduct of Young in making the 1H15 KPMG Representation to ASX (and in failing to correct or qualify that representation), was misleading or deceptive or likely to mislead or deceive, and comprised a KPMG 1H15 Accounts Contravention.

201. Further, or alternatively, as at 18 February 2015 the conduct of Young in making the 1H15 KPMG Representation to ASX (and in failing to correct or qualify that representation):

- (a) was conduct which was, by reason of the matters pleaded in 195 and/or 196, misleading or deceptive or likely to mislead or deceive;
- (b) was conduct engaged in on behalf of, and as agent of, every other partner of KPMG, within the meaning of s 769B(4) of the Corporations Act, and so is taken to have been conduct engaged in by each other partner of KPMG, as pleaded in paragraph 22(a);
- (c) by reason of sub-paragraphs (a) and (b), gave rise to a contravention of s 1041H(1) of the Corporations Act on the part of KPMG, which is taken by reason of s 761F(1)(b) of the Corporations Act to be a contravention by Young, being a partner of KPMG who was party to the act of making the 1H15 KPMG Representation to ASX (and the omission of failing to correct or qualify that representation), within the meaning of s 761F(1)(b) of the Corporations Act, as pleaded in paragraph 9(d); and
- (d) by reason of sub-paragraphs (a) and (b), gave rise to a contravention of s 1041H(1) of the Corporations Act by every other partner of KPMG,

(each such contravention of such provisions also being a KPMG 1H15 Accounts Contravention).

M.5.3 Section 1041E liability in respect of the 1H15 KPMG Opinion to ASX

- 202. By reason of the matters pleaded in paragraphs 70 and 193(a) Young and KPMG (through Young) made a statement or disseminated information, being the 1H15 KPMG Opinion to ASX.
- 203. By reason of the matters pleaded in paragraphs 195 and/or 196, the 1H15 KPMG Opinion to ASX was a statement made or information disseminated by Young (and KPMG (through Young)) which was materially misleading.

Particulars

- i) *The 1H15 KPMG Opinion to ASX was a statement (of an opinion), or alternatively, information which was materially misleading because the person expressing it did not have reasonable grounds for it.*
- ii) *Young did not have reasonable grounds for the 1H15 KPMG Opinion to ASX for the reasons pleaded and particularised in paragraphs 195 and/or 196.*

204. The 1H15 KPMG Opinion to ASX was likely to be relied upon by Arrium in deciding whether to:

- (a) release the 1H15 Financial Results Announcement to the ASX; or
- (b) not release to the ASX a financial report which contained information or statements to the effect of the matters pleaded in paragraph 71.

Particulars

- i) *This was inherently likely.*

205. By reason of the matters pleaded in paragraph 204, the 1H15 KPMG Opinion to ASX was likely to have the effect of increasing, maintaining or stabilising the price for trading in Arrium Shares on the ASX.

Particulars

- i) *Statements or information which were likely to be relied upon by Arrium in deciding whether and in what form to release the 1H15 Financial Results Announcement (including the 1H15 Financial Report) were also likely to cause the market price for Arrium Shares to be increased, maintained or stabilised, because the 1H15 Financial Results Announcement (including the 1H15 Financial Report):*
 - A) *contained positive information about Arrium's financial performance and financial position, namely the matters pleaded in paragraph 71, and the market would assume that the financial information so presented complied with Accounting Standards and presented a true and fair view of the financial performance and position of the consolidated entity comprising Arrium and its subsidiaries, having regard to Arrium's Statutory Reporting Obligations and Arrium's ASX Reporting Obligations; and*
 - B) *did not contain adverse information, namely the information referred to in paragraphs 76 to 80.*

206. As at 18 February 2015, when expressing the 1H15 KPMG Opinion to ASX Young ought reasonably to have known that:

- (a) the 1H15 KPMG Opinion to ASX was not:
 - (i) the product of an exercise of reasonable skill and care, as pleaded in paragraph 195; and/or
 - (ii) based upon reasonable grounds, as pleaded in paragraph 196; and

- (b) by reason of sub-paragraph (a), the 1H15 KPMG Opinion to ASX was materially misleading.

Particulars

- i) *Young ought reasonably to have known what a reasonably competent auditor would have known.*
- ii) *A reasonably competent auditor acting with reasonable care and skill would have known that the 1H15 KPMG Opinion to ASX was not the product of an exercise of reasonable skill and care, as pleaded in paragraph 195.*
- iii) *A reasonably competent auditor acting with reasonable care and skill would have known that the 1H15 KPMG Opinion to ASX was not based upon reasonable grounds as pleaded in paragraph 196.*
- iv) *Such a reasonably competent auditor would thereby have known that the 1H15 KPMG Opinion to ASX was materially misleading.*

207. By reason of the matters pleaded in paragraphs 202 to 206, by expressing the 1H15 KPMG Opinion to ASX, Young and KPMG (through Young) contravened s 1041E of the Corporations Act (this also being a KPMG 1H15 Accounts Contravention).

208. Further, or alternatively, as at 18 February 2015 the conduct of Young in expressing the 1H15 KPMG Opinion to ASX (and in failing to correct or qualify that opinion):

- (a) was conduct engaged in on behalf of, and as agent of, every other partner of KPMG, within the meaning of s 769B(4) of the Corporations Act, and so is taken to have been conduct engaged in also by each other partner of KPMG as pleaded in paragraph 22(a);
- (b) by reason of sub-paragraph (a), gave rise to a contravention of s 1041E of the Corporations Act on the part of KPMG, which is taken by reason of s 761F(1)(b) of the Corporations Act to be a contravention by Young, being a partner of KPMG who was party to the act of expressing the 1H15 KPMG Opinion to ASX (and the omission of failing to correct or qualify that opinion), within the meaning of s 761F(1)(b) of the Corporations Act, as pleaded in paragraph 9(d); and
- (c) by reason of sub-paragraphs (a) and (b), gave rise to a contravention of s 1041E of the Corporations Act by every other partner of KPMG,

(each such contravention of such provisions also being a KPMG 1H15 Accounts Contravention).

M.5.4 Section 1041E liability in respect of the 1H15 KPMG Representation to ASX

209. By reason of the matters pleaded in paragraphs 70 and 193(b), Young and KPMG (through Young) made a statement or disseminated information, being the 1H15 KPMG Representation to ASX.
210. By reason of the matters pleaded in paragraphs 195 and/or 196, the 1H15 KPMG Representation to ASX was a statement made or information disseminated by Young (and KPMG (through Young)) which was materially misleading.

Particulars

- i) *The 1H15 KPMG Representation to ASX was a statement, or alternatively, information which was materially misleading because of the matters pleaded in paragraphs 194 to 196.*
 - ii) *Young did not have reasonable grounds for the 1H15 KPMG Opinion to ASX for the reasons pleaded and particularised in paragraphs 194 to 196.*
211. The 1H15 KPMG Representation to ASX was likely to be relied upon by Arrium in deciding whether to:
- (a) release the 1H15 Financial Results Announcement to the ASX; or
 - (b) not release to the ASX a financial report which contained information or statements to the effect of the matters pleaded in paragraph 71.

Particulars

- i) *This was inherently likely.*
212. By reason of the matters pleaded in paragraph 211, the 1H15 KPMG Representation to ASX was likely to have the effect of increasing, maintaining or stabilising the price for trading in Arrium Shares on the ASX.

Particulars

- i) *Statements or information which were likely to be relied upon by Arrium in deciding whether and in what form to release the 1H15 Financial Results Announcement (including the 1H15 Financial Report) were also likely to cause the market price for Arrium Shares to be increased, maintained or stabilised, because the 1H15 Financial Results Announcement (including the 1H15 Financial Report):*
 - A) *contained positive information about Arrium's financial performance and financial position, namely*

the matters pleaded in paragraph 71, and the market would assume that the financial information so presented complied with Accounting Standards and presented a true and fair view of the financial performance and position of the consolidated entity comprising Arrium and its subsidiaries, having regard to Arrium's Statutory Reporting Obligations and Arrium's ASX Reporting Obligations; and

B) did not contain adverse information, namely the information referred to in paragraphs 76 to 80.

213. As at 18 February 2015, when making the 1H15 KPMG Representation to ASX Young ought reasonably to have known that:

(a) the 1H15 KPMG Opinion to ASX was not :

(i) the product of an exercise of reasonable skill and care, as pleaded in paragraph 195; and/or

(ii) based upon reasonable grounds, as pleaded in paragraph 196; and

(b) by reason of sub-paragraph (a), the 1H15 KPMG Representation to ASX was materially misleading.

Particulars

- i) *Young ought reasonably to have known what a reasonably competent auditor would have known.*
- ii) *A reasonably competent auditor acting with reasonable care and skill would have known that the 1H15 KPMG Opinion to ASX was not the product of an exercise of reasonable skill and care, as pleaded in paragraph 195.*
- iii) *A reasonably competent auditor acting with reasonable care and skill would have known that the 1H15 KPMG Opinion to ASX was not based upon reasonable grounds as pleaded in paragraph 196.*
- iv) *Such a reasonably competent auditor would thereby have known that the 1H15 KPMG Representation to ASX was materially misleading.*

214. By reason of the matters pleaded in paragraphs 209 to 213, by making the 1H15 KPMG Representation to ASX, Young and KPMG (through Young) contravened s 1041E of the Corporations Act (this also being a KPMG 1H15 Accounts Contravention).

215. Further, or alternatively, as at 18 February 2015 the conduct of Young in making the 1H15 KPMG Representation to ASX (and in failing to correct or qualify that opinion):

- (a) was conduct engaged in on behalf of, and as agent of, every other partner of KPMG, within the meaning of s 769B(4) of the Corporations Act, and so is taken to have been conduct engaged in also by each other partner of KPMG as pleaded in paragraph 22(a);
- (b) by reason of sub-paragraph (a), gave rise to a contravention of s 1041E of the Corporations Act on the part of KPMG, which is taken by reason of s 761F(1)(b) of the Corporations Act to be a contravention by Young, being a partner of KPMG who was party to the act of expressing the 1H15 KPMG Representation to ASX (and the omission of failing to correct or qualify that opinion), within the meaning of s 761F(1)(b) of the Corporations Act, as pleaded in paragraph 9(d); and
- (c) by reason of sub-paragraphs (a) and (b), gave rise to a contravention of s 1041E of the Corporations Act by every other partner of KPMG,

(each such contravention of such provisions also being a KPMG 1H15 Accounts Contravention).

M.6 Continuing nature of the KPMG 1H15 Accounts Contraventions

216. Each of the KPMG 1H15 Accounts Contraventions was a continuing contravention which of its nature continued during the Relevant Period until such time as the inaccuracy or the falsity of the representations underlying the contraventions was revealed to the Affected Market.

M.7 KPMG's Representations in FY15

217. On or about 19 August 2015, by reason of the matters pleaded in paragraphs 81, 82 and 84, Young and KPMG (through Young):

- (a) stated to the members of Arrium, and to the Affected Market, that in their opinion, the FY15 Financial Report:
 - (iii) gave a true and fair view of the financial position and performance of Arrium (and of the consolidated group comprising Arrium and its controlled entities) in FY15; and
 - (iv) complied with Australian Accounting Standards,

(FY15 KPMG Opinion to ASX);

- (b) represented to the members of Arrium, and to the Affected Market, that the FY15 KPMG Opinion to ASX was based upon reasonable grounds and was the product of an exercise of reasonable skill and care (**FY15 KPMG Representation to ASX**).

Particulars

- i) *The FY15 KPMG Opinion to ASX was express, and was contained in writing in the FY15 Audit Report.*
- ii) *The FY15 KPMG Representation to ASX was implied from the conduct of KPMG (through Young) in giving the FY15 KPMG Opinion to ASX, coupled with the absence of any or any adequate reservation or qualification to that opinion.*

M.8 Misleading or deceptive conduct in FY15

M.8.1 Misleading or deceptive conduct in respect of the FY15 KPMG Opinion to ASX

218. At the time Young and KPMG (through Young) expressed the FY15 KPMG Opinion to ASX and made the FY15 KPMG Representation to ASX, the financial information contained in the FY15 Financial Report was not prepared in compliance with Australian Accounting Standards and/or did not give a true and fair view of Arrium by reason of the matters pleaded in paragraphs 90 to 94 above.

Particulars

- i) *The particulars to paragraphs 90 to 94 are repeated.*
219. As at 19 August 2015, the FY15 KPMG Opinion to ASX was not the product of an exercise of reasonable skill and care by reason of the matters pleaded in paragraphs 90 to 94 above.

Particulars

- i) *The particulars to paragraph 218 are repeated.*
- ii) *KPMG failed to ascertain that the FY15 Mining Assets, FY15 Mining Consumables Assets, FY15 Steel Assets, FY15 Recycling Assets, FY15 Arrium Assets, the FY15 Mining Earnings, the FY15 Mining Consumables Earnings, the FY15 Steel Earnings, the FY15 Recycling Earnings, and the FY15 Operating Profit as at 30 June 2015 were materially misstated (refer paragraphs 90 to 94) and thereby breached ASA200, ASA220, ASA240, ASA260, ASA300, ASA315, ASA330, ASA450, ASA500, ASA540, ASA560, ASA570, ASA 700, ASA701, ASA705 and ASA706.*

- iii) *KPMG failed to design or perform audit procedures so as to obtain sufficient appropriate audit evidence upon which to justify the value of the FY15 Mining Assets, FY15 Mining Consumables Assets, FY15 Steel Assets, FY15 Recycling Assets, FY15 Arrium Assets, the FY15 Mining Earnings, the FY15 Mining Consumables Earnings, the FY15 Steel Earnings, the FY15 Recycling Earnings and the FY15 Operating Profit and thereby breached ASA300, ASA315, ASA330, ASA450, ASA500, ASA540*
- iv) *KPMG failed to obtain sufficient appropriate audit evidence upon which to justify the value of the FY15 Mining Assets, FY15 Mining Consumables Assets, FY15 Steel Assets, FY15 Recycling Assets, FY15 Arrium Assets, the FY15 Mining Earnings, the FY15 Mining Consumables Earnings, the FY15 Steel Earnings, the FY15 Recycling Earnings, and the FY15 Operating Profit and thereby breached ASA500, and ASA540.*
- v) *KPMG failed to conduct the audit of the FY15 Financial Report in relation to the valuation of the, FY15 Mining Assets, FY15 Mining Consumables Assets, FY15 Steel Assets, FY15 Recycling Assets and FY15 Arrium Assets, with a sufficient level of professional scepticism, recognising that circumstances may exist that cause the financial report to be materially misstated and thereby breached ASA200.*
- vi) *KPMG issued an incorrect audit opinion and thereby breached ASA200, ASA700, ASA701, and ASA705.*

220. As at 19 August 2015, by reason of the matters pleaded in paragraphs 218 and/or 219, the FY15 KPMG Opinion to ASX was not based upon reasonable grounds.

221. The conduct of Young and KPMG (through Young) in expressing the FY15 KPMG Opinion to ASX and making the FY15 KPMG Representation to ASX was conduct which was:

- (a) in relation to financial products (being Arrium Shares) or a financial service within the meaning of subsections 1041H(1) and 1041H(2)(b) of the Corporations Act; and/or
- (b) in trade or commerce in relation to financial services within the meaning of section 12DA of the ASIC Act; and/or
- (c) in trade or commerce within the meaning of section 2 of the Australian Consumer Law.

222. As at 19 August 2015, by reason of the matters pleaded in paragraphs 219 and/or 220, and 221, the conduct of Young in expressing the FY15 KPMG Opinion to ASX (and in failing to correct or qualify that opinion) was misleading or deceptive or likely to mislead or deceive, in contravention of:

(g) s 1041H of the Corporations Act;

(h) s 12DA(1) of the ASIC Act; and/or

(i) s 18 of the Australian Consumer Law,

(each such contravention of such provisions being a **KPMG FY15 Accounts Contravention**).

223. Further, or alternatively, as at 19 August 2015 the conduct of Young in expressing the FY15 KPMG Opinion to ASX (and in failing to correct or qualify that opinion):

(a) was conduct which was, by reason of the matters pleaded in paragraphs 219 and/or 220, misleading or deceptive or likely to mislead or deceive;

(b) was conduct engaged in on behalf of, and as agent of, every other partner of KPMG, within the meaning of s 769B(4) of the Corporations Act, and so is taken to have been conduct engaged in also by each other partner of KPMG as pleaded in paragraph 22(a);

(c) by reason of sub-paragraphs (a) and (b), gave rise to a contravention of s 1041H(1) of the Corporations Act on the part of KPMG, which is taken by reason of s 761F(1)(b) of the Corporations Act to be a contravention by Young, being a partner of KPMG who was party to the act of expressing the FY15 KPMG Opinion to ASX (and the omission of failing to correct or qualify that opinion), within the meaning of s 761F(1)(b) of the Corporations Act, as pleaded in paragraph 9(d); and

(d) by reason of sub-paragraphs (a) and (b), gave rise to a contravention of s 1041H(1) of the Corporations Act by every other partner of KPMG,

(each such contravention of such provisions also being a **KPMG FY15 Accounts Contravention**).

M.8.2 Misleading or deceptive conduct in respect of the FY15 KPMG Representation to ASX

224. As at 19 August 2015, by reason of the matters pleaded in paragraphs 219 and/or 220, the conduct of Young in making the FY15 KPMG Representation to ASX (and in failing to correct or qualify that representation), was misleading or deceptive or likely to mislead or deceive, and comprised a KPMG FY15 Accounts Contravention.
225. Further, or alternatively, as at 19 August 2015 the conduct of Young in making the FY15 KPMG Representation to ASX (and in failing to correct or qualify that representation):
- (a) was conduct which was, by reason of the matters pleaded in 219 and/or 220, misleading or deceptive or likely to mislead or deceive;
 - (b) was conduct engaged in on behalf of, and as agent of, every other partner of KPMG, within the meaning of s 769B(4) of the Corporations Act, and so is taken to have been conduct engaged in by each other partner of KPMG, as pleaded in paragraph 22(a);
 - (c) by reason of sub-paragraphs (a) and (b), gave rise to a contravention of s 1041H(1) of the Corporations Act on the part of KPMG, which is taken by reason of s 761F(1)(b) of the Corporations Act to be a contravention by Young, being a partner of KPMG who was party to the act of making the FY15 KPMG Representation to ASX (and the omission of failing to correct or qualify that representation), within the meaning of s 761F(1)(b) of the Corporations Act, as pleaded in paragraph 9(d); and
 - (d) by reason of sub-paragraphs (a) and (b), gave rise to a contravention of s 1041H(1) of the Corporations Act by every other partner of KPMG,
- (each such contravention of such provisions also being a KPMG FY15 Accounts Contravention).

M.8.3 Section 1041E liability in respect of the FY15 KPMG Opinion to ASX

226. By reason of the matters pleaded in paragraphs 84 and 217(a) Young and KPMG (through Young) made a statement or disseminated information, being the FY15 KPMG Opinion to ASX.

227. By reason of the matters pleaded in paragraphs 219 and/or 220, the FY15 KPMG Opinion to ASX was a statement made or information disseminated by Young (and KPMG (through Young)) which was materially misleading.

Particulars

- i) *The FY15 KPMG Opinion to ASX was a statement (of an opinion), or alternatively, information which was materially misleading because the person expressing it did not have reasonable grounds for it.*
 - ii) *Young did not have reasonable grounds for the FY15 KPMG Opinion to ASX for the reasons pleaded and particularised in paragraphs 219 and/or 220.*
228. The FY15 KPMG Opinion to ASX was likely to be relied upon by Arrium in deciding whether to:
- (a) release the FY15 Financial Results Announcement to the ASX; or
 - (b) not release to the ASX a financial report which contained information or statements to the effect of the matters pleaded in paragraph 85.

Particulars

- i) *This was inherently likely.*
229. By reason of the matters pleaded in paragraph 228, the FY15 KPMG Opinion to ASX was likely to have the effect of increasing, maintaining or stabilising the price for trading in Arrium Shares on the ASX.

Particulars

- i) *Statements or information which were likely to be relied upon by Arrium in deciding whether and in what form to release the FY15 Financial Results Announcement (including the FY15 Financial Report) were also likely to cause the market price for Arrium Shares to be increased, maintained or stabilised, because the FY15 Financial Results Announcement (including the FY15 Financial Report):*
 - A) *contained positive information about Arrium's financial performance and financial position, namely the matters pleaded in paragraph 85, and the market would assume that the financial information so presented complied with Accounting Standards and presented a true and fair view of the financial performance and position of the consolidated entity comprising Arrium and its subsidiaries, having regard to Arrium's Statutory Reporting Obligations and Arrium's ASX Reporting Obligations; and*

B) *did not contain adverse information, namely the information referred to in paragraphs 90 to 94.*

230. As at 19 August 2015, when expressing the FY15 KPMG Opinion to ASX Young ought reasonably to have known that:

- (a) the FY15 KPMG Opinion to ASX was not:
 - (i) the product of an exercise of reasonable skill and care, as pleaded in paragraph 219; and/or
 - (ii) based upon reasonable grounds, as pleaded in paragraph 220; and
- (b) by reason of sub-paragraph (a), the FY15 KPMG Opinion to ASX was materially misleading.

Particulars

- i) *Young ought reasonably to have known what a reasonably competent auditor would have known.*
- ii) *A reasonably competent auditor acting with reasonable care and skill would have known that the FY15 KPMG Opinion to ASX was not the product of an exercise of reasonable skill and care, as pleaded in paragraph 219.*
- iii) *A reasonably competent auditor acting with reasonable care and skill would have known that the FY15 KPMG Opinion to ASX was not based upon reasonable grounds as pleaded in paragraph 220.*
- iv) *Such a reasonably competent auditor would thereby have known that the FY15 KPMG Opinion to ASX was materially misleading.*

231. By reason of the matters pleaded in paragraphs 226 to 230, by expressing the FY15 KPMG Opinion to ASX, Young and KPMG (through Young) contravened s 1041E of the Corporations Act (this also being a KPMG FY15 Accounts Contravention).

232. Further, or alternatively, as at 19 August 2015 the conduct of Young in expressing the FY15 KPMG Opinion to ASX (and in failing to correct or qualify that opinion):

- (a) was conduct engaged in on behalf of, and as agent of, every other partner of KPMG, within the meaning of s 769B(4) of the Corporations Act, and so is taken to have been conduct engaged in also by each other partner of KPMG as pleaded in paragraph 22(a);

- (b) by reason of sub-paragraph (a), gave rise to a contravention of s 1041E of the Corporations Act on the part of KPMG, which is taken by reason of s 761F(1)(b) of the Corporations Act to be a contravention by Young, being a partner of KPMG who was party to the act of expressing the FY15 KPMG Opinion to ASX (and the omission of failing to correct or qualify that opinion), within the meaning of s 761F(1)(b) of the Corporations Act, as pleaded in paragraph 9(d); and
- (c) by reason of sub-paragraphs (a) and (b), gave rise to a contravention of s 1041E of the Corporations Act by every other partner of KPMG,

(each such contravention of such provisions also being a KPMG FY15 Accounts Contravention).

M.8.4 Section 1041E liability in respect of the FY15 KPMG Representation to ASX

- 233. By reason of the matters pleaded in paragraphs 84 and 217(b), Young and KPMG (through Young) made a statement or disseminated information, being the FY15 KPMG Representation to ASX.
- 234. By reason of the matters pleaded in paragraphs 219 and/or 220, the FY15 KPMG Representation to ASX was a statement made or information disseminated by Young (and KPMG (through Young)) which was materially misleading.

Particulars

- i) *The FY15 KPMG Representation to ASX was a statement, or alternatively, information which was materially misleading because of the matters pleaded in paragraphs 219 and/or 220.*
 - ii) *Young did not have reasonable grounds for the FY15 KPMG Representation to ASX for the reasons pleaded and particularised in paragraphs 219 and/or 220.*
- 235. The FY15 KPMG Representation to ASX was likely to be relied upon by Arrium in deciding whether to:
 - (a) release the FY15 Financial Results Announcement to the ASX; or
 - (b) not release to the ASX a financial report which contained information or statements to the effect of the matters pleaded in paragraph 85.

Particulars

- i) *This was inherently likely.*

236. By reason of the matters pleaded in paragraph 235, the FY15 KPMG Representation to ASX was likely to have the effect of increasing, maintaining or stabilising the price for trading in Arrium Shares on the ASX.

Particulars

- i) *Statements or information which were likely to be relied upon by Arrium in deciding whether and in what form to release the FY15 Financial Results Announcement (including the FY15 Financial Report) were also likely to cause the market price for Arrium Shares to be increased, maintained or stabilised, because the FY15 Financial Results Announcement (including the FY15 Financial Report):*
 - A) *contained positive information about Arrium's financial performance and financial position, namely the matters pleaded in paragraph 85, and the market would assume that the financial information so presented complied with Accounting Standards and presented a true and fair view of the financial performance and position of the consolidated entity comprising Arrium and its subsidiaries, having regard to Arrium's Statutory Reporting Obligations and Arrium's ASX Reporting Obligations; and*
 - B) *did not contain adverse information, namely the information referred to in paragraphs 90 to 94.*

237. As at 19 August 2015, when making the FY15 KPMG Representation to ASX Young ought reasonably to have known that:

- (a) the FY15 KPMG Opinion to ASX was not :
 - (i) the product of an exercise of reasonable skill and care, as pleaded in paragraph 219; and/or
 - (ii) based upon reasonable grounds, as pleaded in paragraph 220; and
- (b) by reason of sub-paragraph (a), the FY15 KPMG Representation to ASX was materially misleading.

Particulars

- ii) *Young ought reasonably to have known what a reasonably competent auditor would have known.*
- iii) *A reasonably competent auditor acting with reasonable care and skill would have known that the FY15 KPMG Opinion to ASX was not the product of an exercise of reasonable skill and care, as pleaded in paragraph 219.*

- iv) *A reasonably competent auditor acting with reasonable care and skill would have known that the FY15 KPMG Opinion to ASX was not based upon reasonable grounds as pleaded in paragraph 220.*
- v) *Such a reasonably competent auditor would thereby have known that the FY15 KPMG Representation to ASX was materially misleading.*

238. By reason of the matters pleaded in paragraphs 213 to 217, by making the FY15 KPMG Representation to ASX, Young and KPMG (through Young) contravened s 1041E of the Corporations Act (this also being a KPMG FY15 Accounts Contravention).

239. Further, or alternatively, as at 19 August 2015 the conduct of Young in making the FY15 KPMG Representation to ASX (and in failing to correct or qualify that opinion):

(a) was conduct engaged in on behalf of, and as agent of, every other partner of KPMG, within the meaning of s 769B(4) of the Corporations Act, and so is taken to have been conduct engaged in also by each other partner of KPMG as pleaded in paragraph 22(a);

(b) by reason of sub-paragraph (a), gave rise to a contravention of s 1041E of the Corporations Act on the part of KPMG, which is taken by reason of s 761F(1)(b) of the Corporations Act to be a contravention by Young, being a partner of KPMG who was party to the act of expressing the FY15 KPMG Representation to ASX (and the omission of failing to correct or qualify that opinion), within the meaning of s 761F(1)(b) of the Corporations Act, as pleaded in paragraph 9(d); and

(c) by reason of sub-paragraphs (a) and (b), gave rise to a contravention of s 1041E of the Corporations Act by every other partner of KPMG,

(each such contravention of such provisions also being a KPMG FY15 Accounts Contravention).

M.9 Continuing nature of the KPMG FY15 Accounts Contraventions

240. Each of the KPMG FY15 Accounts Contraventions was a continuing contravention which of its nature continued during the Relevant Period until such time as the inaccuracy or the falsity of the representations underlying the contraventions was revealed to the Affected Market.

N. CONTRAVENING CONDUCT CAUSED LOSS

N.1 What happened after the contraventions

241. On and after the beginning of the Relevant Period, the price of Arrium Shares declined substantially on occasions after the Affected Market was informed that Arrium's assets were to be subject to material impairment charges.

Particulars

- i) *Following the publication of the 23 January Announcement 2015 Announcement, Arrium's shares price declined from \$0.225 (the closing price on 22 January 2015) to \$0.205 (the closing share price on 23 January 2015), then to \$0.185 (the closing share price on 27 January 2015);*
- ii) *Further particulars may be provided.*

242. On 4 April 2016, Arrium entered into a trading halt.

Particulars

- i) *Announcement published and released to the ASX on 4 April 2016 entitled 'Trading Halt'.*

243. On 6 April 2016, Arrium was suspended from official quotation.

Particulars

- ii) *Announcement published and released to the ASX on 6 April 2016 entitled 'Suspension from Official Quotation'.*

244. On 7 April 2016, Arrium entered into voluntary administration.

Particulars

- i) *Announcement published and released to the ASX on 6 April 2016 entitled 'Appointment of Voluntary Administrators'.*

245. On and from 7 April 2016, following entry into voluntary administration, Arrium Shares had no value.

N.2 What would have happened but for the contraventions

246. Had the Directors' FY14 Accounts Contraventions, Directors' Capital Raising Contraventions, and KPMG FY14 Accounts Contraventions, or any of them, not occurred, the FY14 Financial Report would have:

- (a) contained an adverse audit opinion and therefore required Arrium under ss 296 and 297 of the Corporations Act to restate its financial statements such that they gave a true and fair view of the financial position and performance of Arrium (and of the consolidated group comprising Arrium and its controlled entities) in FY2014, and complied with Australian Accounting Standards; or
- (b) been issued in a form which gave a true and fair view of the financial position and performance of Arrium (and of the consolidated group comprising Arrium and its controlled entities) in FY2014, and complied with Australian Accounting Standards.

Particulars

- i) *A true and fair view of the financial position and performance of Arrium would have recorded the matters particularised in paragraphs 45 and 46 above.*

247. By reason of the matters pleaded in paragraph 246, had the Directors' FY14 Accounts Contraventions, Directors' Capital Raising Contraventions, and KPMG FY14 Accounts Contraventions, or any of them, not occurred, the Capital Raising would not have occurred or completed as pleaded in paragraphs 54 to 64, or at all.

Particulars

- i) *The Capital Raising, and in particular, the Offer Price and volume of shares offered, was predicated upon:*
 - A) *the content of the FY14 Report; and*
 - B) *the Capital Raising Representations.*

248. Further and alternatively, had the Directors' 1H15 Accounts Contraventions, and KPMG 1H15 Accounts Contraventions, or any of them, not occurred, the 1H15 Financial Report would have:

- (a) contained an adverse audit opinion and therefore required Arrium under ss 302 and 303 of the Corporations Act to restate its financial statements such that they gave a true and fair view of the financial position and performance of Arrium (and of the consolidated group comprising Arrium and its controlled entities) in 1H15, and complied with Australian Accounting Standards; or
- (b) been issued in a form which gave a true and fair view of the financial position and performance of Arrium (and of the consolidated group comprising Arrium and its controlled entities) in 1H15, and complied with Australian Accounting Standards.

Particulars

- i) *A true and fair view of the financial position and performance of Arrium would have recorded the matters particularised in paragraphs 77 and 78 above.*

249. Further and alternatively, had the Directors' FY15 Accounts Contraventions, and KPMG FY15 Accounts Contraventions, or any of them, not occurred, the FY15 Financial Report would have:

- (a) contained an adverse audit opinion and therefore required Arrium under ss 296 and 297 of the Corporations Act to restate its financial statements such that they gave a true and fair view of the financial position and performance of Arrium (and of the consolidated group comprising Arrium and its controlled entities) in FY2015, and complied with Australian Accounting Standards; or
- (b) been issued in a form which gave a true and fair view of the financial position and performance of Arrium (and of the consolidated group comprising Arrium and its controlled entities) in FY2015, and complied with Australian Accounting Standards.

Particulars

- i) *A true and fair view of the financial position and performance of Arrium would have recorded the matters particularised in paragraphs 91 and 92 above.*

N.3 Causation: acquisitions in the Capital Raising

250. The Second Plaintiff and some Group Members acquired an interest in Arrium Shares in the Capital Raising in a market of investors or potential investors in Arrium Shares:

- (a) regulated by, inter alia, Chapter 6D of the Corporations Act;
- (b) where the offer price of Arrium Shares in the Capital Raising would reasonably be expected by potential investors in Arrium Shares to have been reasonably determined by Arrium to represent a fair market value for Arrium Shares, based on:
 - (i) the anticipated number of Arrium Shares to be issued;
 - (ii) Arrium's then current market capitalisation;
 - (iii) Arrium's historical financial performance; and

- (iv) Arrium's expected financial performance;
 - (c) alternatively to (b), where the offer price for the Capital Raising was in fact determined by Arrium by reference to the then prevailing market price for Arrium Shares;
 - (d) where material information had not been disclosed, which a reasonable person would expect, had it been disclosed, would have had a material adverse effect on the price or value of Arrium Shares (namely the FY14 Impairment Information as pleaded in paragraphs 44 to 47 and/or 48, and paragraph 246 is repeated); and
 - (e) where misleading or deceptive conduct had occurred, namely (from 19 August 2014) the conduct the subject of the Directors' FY14 Accounts Contraventions, Directors' Capital Raising Contraventions, and KPMG FY14 Accounts Contraventions, (or any of them) that a reasonable person would expect to have a material effect on the price or value of Arrium Shares, in that:
 - (i) if they had not been made no investors or potential investors in Arrium Shares would have been in a position to read or rely upon them; and/or
 - (ii) if they had not been made, investors or potential investors in Arrium Shares would have been in a position where they learned of the FY14 Impairment Information pleaded in paragraphs 44 to 47 and/or 48, and paragraph 246 is repeated.
251. Each of the Directors' FY14 Accounts Contraventions, Directors' Capital Raising Contraventions, and KPMG FY14 Accounts Contraventions, caused or materially contributed to:
- (a) the market price of Arrium Shares being substantially greater than their true value and/or the market price that would have prevailed but for the Directors' FY14 Accounts Contraventions, Directors' Capital Raising Contraventions, and KPMG FY14 Accounts Contraventions; and
 - (b) the Offer Price for Arrium Shares under the Capital Raising being substantially higher than the Offer Price that would have pertained but for those Directors' FY14 Accounts Contraventions, Directors' Capital Raising Contraventions, and KPMG FY14 Accounts Contraventions, in that the Offer Price, was fixed by reference to a 26% (or any) discount to the closing price for Arrium Shares on 12

September 2014, and that Offer Price would need to have been further discounted in order to remain competitively discounted to the market price which would have prevailed, as pleaded in sub-paragraph (a),

such that the price at which Arrium Shares were acquired in the Capital Raising was substantially greater than their true value and/or the market price that would otherwise have prevailed.

Particulars

i) *The extent to which the Directors' FY14 Accounts Contraventions, Directors' Capital Raising Contraventions, and KPMG FY14 Accounts Contraventions, caused or materially contributed to:*

A) the Offer Price under the Capital Raising to be substantially greater than their true value and/or the market price that would otherwise had prevailed (that is, inflated) during the Relevant Period; and

B) the Offer Price to be substantially greater than the price that would otherwise had prevailed (that is, inflated),

is a matter for evidence, particulars of which will be served immediately following the Plaintiffs filing opinion evidence in the proceeding;

252. Further, or in the alternative, in the decision to acquire an interest in Arrium Shares in the Capital Raising, the Second Plaintiff and some Group Members relied directly or indirectly on:

- (a) the FY14 Directors' Opinion to ASX;
- (b) the FY14 Directors' Representation to ASX;
- (c) the FY14 KPMG Opinion to ASX;
- (d) the FY14 KPMG Representation to ASX;
- (e) the Capital Raising Representations.

Particulars

i) *The Plaintiffs relied upon each of the FY14 Directors' Opinion to the ASX, the FY14 Directors' Representation to ASX, the FY14 KPMG Opinion to the ASX, the FY14 KPMG Representation to ASX, the Capital Raising Representation.*

- ii) *The identities of all those Group Members who relied directly on any or each of the FY14 Directors' Opinion to the ASX, the FY14 Directors' Representation to ASX, the FY14 KPMG Opinion to the ASX, the FY14 KPMG Representation to ASX, the Capital Raising Representations are not known within the current state of the Plaintiffs' knowledge and cannot be ascertained unless and until those advising the Plaintiffs take detailed instructions from all Group Members on individual issues relevant to the determination of those individual Group Members' claims; those instructions will be obtained (and particulars of the identity of those Group Members will be provided) following opt out, the determination of the Plaintiffs' claim and identified common issues at an initial trial and if and when it is necessary for a determination to be made of the individual claims of those Group Members.*

N.4 Market-based causation (on-market acquisitions)

253. The First Plaintiff and some Group Members acquired an interest in Arrium Shares in a market of investors or potential investors in Arrium Shares:

- (a) operated by the ASX;
- (b) regulated by, inter alia, sections 674(2) of the Corporations Act and ASX Listing Rule 3.1 and 4.5;
- (c) where the price or value of Arrium Shares would reasonably be expected to have been informed or affected by information disclosed in accordance with sections 674(2) of the Corporations Act and ASX Listing Rules 3.1 and 4.5, including the FY14 Financial Report, 1H15 Financial Report and FY15 Financial Report; and
- (d) where material information had not been disclosed, which a reasonable person would expect, had it been disclosed, would have had a material adverse effect on the price or value of Arrium Shares, namely:
 - (i) the FY14 Impairment Information as pleaded in paragraphs 44 to 47 and/or 48, and paragraph 246 is repeated;
 - (ii) the 1H15 Impairment Information as pleaded in paragraphs 76 to 79 and/or 80 above, and paragraph 248 is repeated; and/or
 - (iii) the FY15 Impairment Information as pleaded in paragraphs 90 to 93 and/or 94 above, and paragraph 249 is repeated; and

(e) where misleading or deceptive conduct had occurred, namely (from 19 August 2014) the conduct the subject of the Directors' FY14 Accounts Contraventions, Directors' Capital Raising Contraventions, and KPMG FY14 Accounts Contraventions, (from 18 February 2015) the conduct the subject of the Directors' 1H15 Accounts Contraventions, and KPMG 1H15 Accounts Contraventions, (from 19 August 2015) the conduct the subject of the Directors' FY15 Accounts Contraventions, and KPMG FY15 Accounts Contraventions, (or any of them) that a reasonable person would expect to have a material effect on the price or value of Arrium Shares, in that:

(i) if they had not been made no investors or potential investors in Arrium Shares would have been in a position to read or rely upon them; and/or

(ii) if they had not been made, investors or potential investors in Arrium Shares would have been in a position where they learned of:

(A) the FY14 Impairment Information pleaded in paragraphs 44 to 47 and/or 48, and paragraph 246 is repeated;

(B) the 1H15 Impairment Information as pleaded in paragraphs 76 to 79 and/or 80 above, and paragraph 248 is repeated; and

(C) the FY15 Impairment Information as pleaded in paragraphs 90 to 93 and/or 94 above, and paragraph 249 is repeated.

254. In the Relevant Period, each of the Directors' FY14 Accounts Contraventions, Directors' Capital Raising Contraventions, KPMG FY14 Accounts Contraventions, Directors' 1H15 Accounts Contraventions, KPMG 1H15 Accounts Contraventions, Directors' FY15 Accounts Contraventions, and KPMG FY15 Accounts Contraventions caused or materially contributed to the market price of Arrium Shares being substantially greater than their true value and/or the market price that would have prevailed but for the Directors' FY14 Accounts Contraventions, Directors' Capital Raising Contraventions, KPMG FY14 Accounts Contraventions, Directors' 1H15 Accounts Contraventions, KPMG 1H15 Accounts Contraventions, Directors' FY15 Accounts Contraventions, and/or KPMG FY15 Accounts Contraventions, in that:

(a) the market price of Arrium Shares was substantially greater than their true value and/or the market price that would have prevailed but for the Directors' FY14 Accounts Contraventions, Directors' Capital Raising Contraventions, KPMG

FY14 Accounts Contraventions, Directors' 1H15 Accounts Contraventions, KPMG 1H15 Accounts Contraventions, Directors' FY15 Accounts Contraventions, and KPMG FY15 Accounts Contraventions; and

- (b) the Offer Price for Arrium Shares under the Capital Raising was substantially higher than the Offer Price that would have pertained but for those Directors' FY14 Accounts Contraventions, Directors' Capital Raising Contraventions, and KPMG FY14 Accounts Contraventions, in that the Offer Price, was fixed by reference to a 26% (or any) discount to the closing price for Arrium Shares on 12 September 2014, and that Offer Price would need to have been further discounted in order to remain competitively discounted to the market price which would have prevailed, as pleaded in sub-paragraph (a) with the effect that the Capital Raising would have occurred differently or not at all (as pleaded in paragraph 247, and the market price after the time when the Capital Raising occurred would have been different to what it was,

such that the market price at which Arrium Shares were traded on the ASX (both shares issued prior to and as part of the Capital Raising) was at all times in the Relevant Period substantially greater than their true value and/or the market price that would otherwise have prevailed.

Particulars

- i) *The extent to which the Directors' FY14 Accounts Contraventions, Directors' Capital Raising Contraventions, KPMG FY14 Accounts Contraventions, Directors' 1H15 Accounts Contraventions, KPMG 1H15 Accounts Contraventions, Directors' FY15 Accounts Contraventions, and KPMG FY15 Accounts Contraventions caused or materially contributed to the market price of Arrium Shares to be substantially greater than their true value and/or the market price that would otherwise had prevailed (that is, inflated) during the Relevant Period is a matter for evidence, particulars of which will be served immediately following the Plaintiffs filing opinion evidence in the proceeding.*
- ii) *The decline in the market price of Arrium shares on and after 23 January 2015 (as pleaded in paragraph 241 above) is a proxy for the measure of part (but not all) of the inflation in the price of Arrium shares during the Relevant Period in that this decline:*
- (A) *was caused or materially contributed to by the market's reaction to the information communicated to the Affected Market in the January 2015 Announcement, and January 2015*

Presentation in the context of what had been communicated to the Affected Market prior to those announcements and the Directors' FY14 Accounts Contraventions, the Directors' Capital Raising Contraventions and/or the KPMG FY14 Accounts Contraventions; and

(B) would, to the extent it removed inflation from the price of Arrium, have occurred, or substantially occurred, earlier, were it not for those contraventions, and the extent to which inflation was removed from the price of Arrium Shares, and would have been removed at earlier points in time during the Relevant Period is a matter for evidence, particulars of which will be served immediately following the Plaintiffs filing expert evidence.

255. Further, or alternatively, were it not for the Directors' FY14 Accounts Contraventions, Directors' Capital Raising Contraventions, KPMG FY14 Accounts Contraventions, Directors' 1H15 Accounts Contraventions, KPMG 1H15 Accounts Contraventions, Directors' FY15 Accounts Contraventions, and KPMG FY15 Accounts Contraventions the market price of Arrium Shares would have declined to their true value and/or a lower market price .

256. Further, or in the alternative, in the decision to acquire an interest in Arrium Shares the Plaintiffs and some Group Members relied directly or indirectly on:

- (a) the FY14 Directors' Opinion to ASX;
- (b) the FY14 Directors' Representation to ASX;
- (c) the FY14 KPMG Opinion to ASX;
- (d) the FY14 KPMG Representation to ASX;
- (e) the Capital Raising Representations;
- (f) the 1H15 Directors' Opinion to ASX;
- (g) the 1H15 Directors' Representation to ASX;
- (h) the 1H15 KPMG Opinion to ASX;
- (i) the 1H15 KPMG Representation to ASX;
- (j) the FY15 Directors' Opinion to ASX;

- (k) the FY15 Directors' Representation to ASX;
- (l) the FY15 KPMG Opinion to ASX; and/or
- (m) the FY15 KPMG Representation to ASX.

Particulars

- i) *The Plaintiffs relied upon each of the FY14 Directors' Opinion to the ASX, the FY14 Directors' Representation to ASX, the FY14 KPMG Opinion to the ASX, the FY14 KPMG Representation to ASX, the Capital Raising Representations, the 1H15 Directors' Representation to ASX, the 1H15 KPMG Opinion to ASX, the FY15 Directors' Representation to ASX, and the FY15 KPMG Opinion to ASX.*
- ii) *The identities of all those Group Members who relied directly on any or each of the FY14 Directors' Opinion to the ASX, the FY14 Directors' Representation to ASX, the FY14 KPMG Opinion to the ASX, the FY14 KPMG Representation to ASX, the Capital Raising Representations, the 1H15 Directors' Representation to ASX, the 1H15 KPMG Opinion to ASX, the FY15 Directors' Representation to ASX, and the FY15 KPMG Opinion to ASX are not known within the current state of the Plaintiffs' knowledge and cannot be ascertained unless and until those advising the Plaintiffs take detailed instructions from all Group Members on individual issues relevant to the determination of those individual Group Members' claims; those instructions will be obtained (and particulars of the identity of those Group Members will be provided) following opt out, the determination of the Plaintiffs' claim and identified common issues at an initial trial and if and when it is necessary for a determination to be made of the individual claims of those Group Members.*

N.5 Loss or damage suffered by the Plaintiffs and Group Members

257. By reason of the matters pleaded in paragraphs 241 and/or 242 to 244 and/or 245, and paragraphs 246 to 249 and:

- (a) paragraphs 248 to 251 and/or 252; and/or
- (b) paragraphs 253 to 255 and/or 256,

the Plaintiffs and Group Members have suffered loss and damage by and resulting from the Directors' FY14 Accounts Contraventions, Directors' Capital Raising Contraventions, KPMG FY14 Accounts Contraventions, Directors' 1H15 Accounts Contraventions, KPMG 1H15 Accounts Contraventions, Directors' FY15 Accounts

Contraventions, and KPMG FY15 Accounts Contraventions (or any one or combination of them).

Particulars

- i) *The loss suffered by the Plaintiffs will be calculated by reference to:*
 - A) *the difference between the price at which Arrium Shares were acquired by the Plaintiffs during the Relevant Period and the true value of that interest; or*
 - B) *the difference between the price at which the Plaintiffs acquired an interest in Arrium Shares and the market price that would have prevailed had the Directors' FY14 Accounts Contraventions, Directors' Capital Raising Contraventions, KPMG FY14 Accounts Contraventions, Directors' 1H15 Accounts Contraventions, KPMG 1H15 Accounts Contraventions, Directors' FY15 Accounts Contraventions, and KPMG FY15 Accounts Contraventions not occurred; or*
 - C) *alternatively, the days during the Relevant Period where the traded price of Arrium Units fell as a result of the disclosure information which had not previously been disclosed because of the Directors' FY14 Accounts Contraventions, Directors' Capital Raising Contraventions, KPMG FY14 Accounts Contraventions, Directors' 1H15 Accounts Contraventions, KPMG 1H15 Accounts Contraventions, Directors' FY15 Accounts Contraventions, and KPMG FY15 Accounts Contraventions, and the quantum of that fall; or*
- ii) *alternatively, the difference between the price at which Arrium Shares were acquired by the Plaintiffs and the price in left in hand, including following the events pleaded in paragraphs 241 to 249; Further particulars in relation to the Plaintiffs' losses will be provided after the service of evidence in chief.*
- iii) *Particulars of the losses of Group Members are not known within the current state of the Plaintiffs' knowledge and cannot be ascertained unless and until those advising the Plaintiffs take detailed instructions from all Group Members on individual issues relevant to the determination of those individual Group Member's claims; those instructions will be obtained (and particulars of the losses of those Group Members will be provided) following opt out, the determination of the Plaintiffs' claim and identified common issues at an initial trial and if and when it is necessary for a determination to be made of the individual claims of those Group Members.*

O. COMMON QUESTIONS OF LAW OR FACT

258. Whether:

- (a) the FY14 Financial Report;
- (b) the 1H15 Financial Report; and
- (c) the FY15 Financial Report,

were not prepared in compliance with Australian Accounting Standards and/or the Corporations Act, and did not give a fair view of Arrium's financial position and financial performance in FY14, 1H15, and FY15 respectively?

259. Whether the FY14 Impairment Information was:

- (a) material information; and
- (b) not generally available,

within the meaning of ASX Listing Rule 3.1 or Chapter 6CA of the Corporations Act that Arrium was obliged to disclose, but failed to disclose such that Arrium contravened ASX Listing Rule 3.1 and s 674(2) and/or ss 674(2) and 674(3) of the Corporations Act?

260. Whether Smedley and the Second to Fourth Defendants contravened section 1041H of the Corporations Act or section 12DA(1) of the ASIC Act or s 18 of the ACL by making, maintaining and/or failing to qualify:

- (a) the FY14 Directors' Opinion to ASX;
- (b) the FY14 Directors' Representation to ASX;
- (c) the Capital Raising Representations;
- (d) the 1H15 Directors' Opinion to ASX;
- (e) the 1H15 Directors' Representation to ASX;
- (f) the FY15 Directors' Opinion to ASX; and
- (g) the FY15 Directors' Representation to ASX?

261. Whether Smedley and the Second to Fourth Defendants contravened section 1041E of the Corporations Act by making:
- (a) the FY14 Directors' Opinion to ASX;
 - (b) the FY14 Directors' Representation to ASX;
 - (c) the 1H15 Directors' Opinion to ASX;
 - (d) the 1H15 Directors' Representation to ASX;
 - (e) the FY15 Directors' Opinion to ASX; and
 - (f) the FY15 Directors' Representation to ASX?
262. Whether the Fifth Defendant contravened section 1041H of the Corporations Act or section 12DA(1) of the ASIC Act or s 18 of the ACL by making, maintaining and/or failing to qualify:
- (a) the FY14 KPMG Opinion to ASX;
 - (b) the FY14 KPMG Representation to ASX;
 - (c) the 1H15 KPMG Opinion to ASX;
 - (d) the 1H15 KPMG Representation to ASX;
 - (e) the FY15 KPMG Opinion to ASX; and
 - (f) the FY15 KPMG Representation to ASX?
263. Whether the Fifth Defendant contravened section 1041E of the Corporations Act by making:
- (a) the FY14 KPMG Opinion to ASX;
 - (b) the FY14 KPMG Representation to ASX;
 - (c) the 1H15 KPMG Opinion to ASX;
 - (d) the 1H15 KPMG Representation to ASX;
 - (e) the FY15 KPMG Opinion to ASX; and

- (f) the FY15 KPMG Representation to ASX?
264. Whether the contraventions alleged had the effect that the price of acquisition for Arrium Shares was greater than their true value and/or the market price that would have prevailed but for the contraventions occurring and if so:
- (a) whether statutory compensation is recoverable by the Plaintiffs and some or all of the Group Members?
 - (b) the correct measure of the statutory compensation for which the Defendants may be liable to the Plaintiffs and some or all of the Group Members?
265. Whether any, and if so what, relief other than monetary relief should be granted in favour of the Plaintiffs and some or all of the Group Members?

AND THE PLAINTIFFS CLAIM on their own behalf and on behalf of the Group Members:

- A. A declaration that Smedley and the Second to Fourth Defendants contravened section 1041H of the Corporations Act or section 12DA(1) of the ASIC Act or s 18 of the ACL by making, maintaining and/or failing to qualify:
- (a) the FY14 Directors' Opinion to ASX;
 - (b) the FY14 Directors' Representation to ASX;
 - (c) the Capital Raising Representations;
 - (d) the 1H15 Directors' Opinion to ASX;
 - (e) the 1H15 Directors' Representation to ASX;
 - (f) the FY15 Directors' Opinion to ASX; and
 - (g) the FY15 Directors' Representation to ASX.
- B. A declaration that Smedley and the Second to Fourth Defendants contravened section 1041E of the Corporations Act by making:
- (a) the FY14 Directors' Opinion to ASX;
 - (b) the FY14 Directors' Representation to ASX;
 - (c) the 1H15 Directors' Opinion to ASX;

- (d) the 1H15 Directors' Representation to ASX;
 - (e) the FY15 Directors' Opinion to ASX; and
 - (f) the FY15 Directors' Representation to ASX.
- C. A declaration that the Fifth Defendant contravened section 1041H of the Corporations Act or section 12DA(1) of the ASIC Act or s 18 of the ACL by making, maintaining and/or failing to qualify:
- (a) the FY14 KPMG Opinion to ASX;
 - (b) the FY14 KPMG Representation to ASX;
 - (c) the 1H15 KPMG Opinion to ASX;
 - (d) the 1H15 KPMG Representation to ASX;
 - (e) the FY15 KPMG Opinion to ASX; and
 - (f) the FY15 KPMG Representation to ASX.
- D. A declaration that the Fifth Defendant contravened section 1041E of the Corporations Act by making:
- (a) the FY14 KPMG Opinion to ASX;
 - (b) the FY14 KPMG Representation to ASX;
 - (c) the 1H15 KPMG Opinion to ASX;
 - (d) the 1H15 KPMG Representation to ASX;
 - (e) the FY15 KPMG Opinion to ASX; and
 - (f) the FY15 KPMG Representation to ASX?
- E. An order pursuant to:
- (a) section 1041I of the Corporations Act that the Defendants pay compensation to the Plaintiffs and Group Members for damage caused by the conduct of the Defendants in contravention of section 1041H of the Corporations Act.

- (b) section 1041I of the Corporations Act that the Defendants pay compensation to the Plaintiffs and Group Members for damage caused by the conduct of the Defendants in contravention of section 1041E of the Corporations Act.
 - (c) section 12GF of the ASIC Act that the Defendants pay compensation to the Plaintiffs and Group Members for damage caused by the conduct of the Defendants in contravention of section 12DA(1) of the ASIC Act.
 - (d) section 236 of the ACL that the Defendants pay compensation to the Plaintiffs and Group Members for damage caused by the conduct of the Defendants in contravention of section 18 of the ACL.
- F. An order pursuant to:
- (a) section 33Z(1)(e) of the *Supreme Court Act 1986* (Vic) that the Defendants pay damages to the Plaintiffs and Group Members.
 - (b) section 33Z(1)(f) of the *Supreme Court Act 1986* (Vic) that the Defendants pay aggregate damages to the Plaintiffs and Group Members.
- G. Interest pursuant to statute.
- H. Costs.
- I. Such further order as the Court determines is appropriate.

Dated: 14 August 2020

W A D EDWARDS

D J FAHEY

Banton Group

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Banton Group
Solicitors for the Plaintiffs

1. Place of trial—

Melbourne

2. Mode of trial—

Trial will be before a Judge of the Court sitting alone.

3. This writ was filed—

for the plaintiff by Edward Ngai, solicitor, of CBL Business Lawyers, Level 40, 140 William Street MELBOURNE VIC 3000, as agent for Amanda Banton, solicitor, of Banton Group, Level 40, 140 William Street, Melbourne VIC 3000.

4. The address of the plaintiffs is—

ANTHONY BOGAN (First Plaintiff)

c/- Banton Group
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Melbourne VIC 3000

MICHAEL THOMAS WALTON (Second Plaintiff)

c/- Banton Group
Level 40, 140 William Street
Melbourne VIC 3000

5. The address for service of the plaintiffs is—

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c/- CBL Business Lawyers
Level 40, 140 William Street
MELBOURNE VIC 3000

6. The email address for service of the plaintiffs is—

amanda.banton@bantongroup.com

7. The address of the defendants is—

THE ESTATE OF PETER JOHN SMEDLEY DECEASED (First Defendant)

Christine Mary Smedley, executor of the estate of Peter John Smedley
c/- Hall & Wilcox Lawyers
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Melbourne VIC 3000

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MOSMAN NSW 2088

PETER GRAEME NANKERVIS (Third Defendant)
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JEREMY CHARLES ROY MAYCOCK (Fourth Defendant)
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