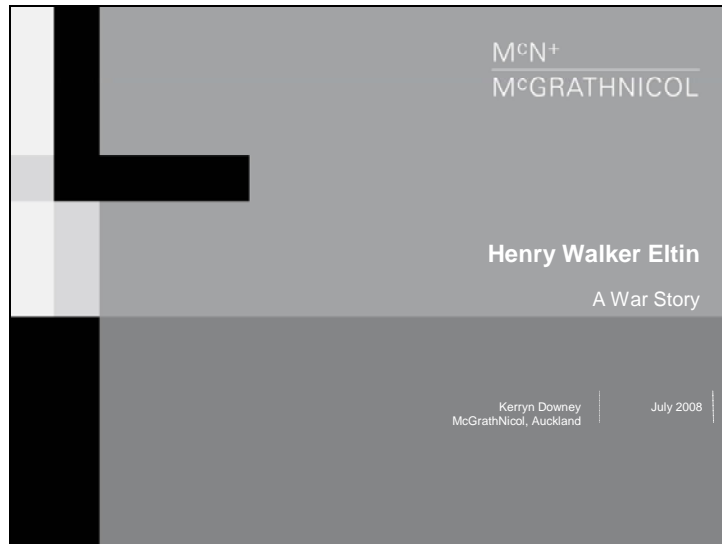


# Kerryn Downey, Managing Partner, McGrathNicol, Auckland

## Henry Walker Eltin – a War Story

Slide 1



Slide 2



Slide 3

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### Introduction

- + HWE – 31 January 2005 McGrathNicol partners appointed
- + 42 Companies, 2 in New Zealand
- + Registered in New Zealand as overseas company
- + First major Voluntary Administration in New Zealand
- + Unchartered waters

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### HWE - Key Data

|                |        |
|----------------|--------|
| + Total Assets | \$730m |
| + Net Profit   | \$15m  |
| + Bank Debt    | \$35m  |
| + Bondholders  | \$116m |
| + Employees    | 4000   |
| + Creditors    | 7000+  |

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### HWE - Reasons for Failure

- + Glencore refinancing withdrawn
- + Financing KPC Indonesia not committed
- + Weak financial planning/project management
- + Development of strategy at management, not board level
- + Deferral of essential CAPEX

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### HWE - Key VA Strategies

- + Sell non core assets and exit unprofitable contracts
- + Improve operational performance of HWE Mining
- + Implement profit improvement programmes
- + Focus on capital requirements – Mining
- + Align realisation strategies and explore alternatives under VA
- + Structure DOCA pools

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### HWE - NZ Business

- + 2 Companies
- + Profitable Contracts
- + Revenues \$6m per month
- + 3 major contracts
  - + Huntly – Solid Energy (New Zealand) Limited
  - + Frasers – Oceana Gold (New Zealand) Limited
  - + Waihi – Newmont Waihi Gold Limited

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### HWE – Key Legal/Other Issues in NZ

- + Stay ineffective against NZ creditors
- + VA not an event of default in contracts
- + VA not understood by customers or suppliers
- + Setoff risk
- + Funding operations

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### HWE – Oceana Contract

- + Low margin contract – loss minimisation
- + 5 collapses in first 4 months
- + Difficult customer relationship
- + Variation claim \$700k rejected
- + Contract suspended, equipment seized
- + Negotiated settlement \$2.7m

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### HWE – Solid Energy

- + \$420m contract over 7.5 years
- + Gross margin 13% - \$55m over term
- + Significantly behind in overburden stripping
- + Weather, labour, equipment factors
- + Remediation plan

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### HWE – Solid Energy - Termination

- + Default notice
- + Termination notice 11 March 2005
- + Stay under Australian law ineffective in NZ
- + Extensive take over rights

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### HWE – Solid Energy - Injunction

- + Interim injunction obtained 11 March 2005
- + Undertaking as to damages
- + Further bond posted
- + Work resumed within 48 hours
- + Supplemental Agreement took 5 months
- + Equity in contract preserved

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### HWE – Business Improvement

- + Exit Oceana Gold Contract
- + Conversion Newmont to alliance
- + Order new excavators
- + Recruitment of additional labour
- + Improve financial reporting
- + Independent review of mine plan

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### HWE – Sale of NZ Business

- + Independent valuation of assets
- + Macquarie Bank appointed as advisors
- + Trade sale or recapitalisation
- + Sale to Leighton Contractors Pty Limited \$215m
- + Novation of contracts

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### HWE – Outcome for Creditors

- + Convening period extended – 13 months
- + Video linkup for meetings
- + DOCA Approved – March 2006
- + Early estimated outcome mining pool - 35-65 cents
- + Final distribution all pools – 100 cents

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