

16 February 2005

## **NOTICE TO SHAREHOLDERS**

### **HENRY WALKER ELTIN GROUP LIMITED (Administrators appointed)**

Henry Walker Eltin Group Limited, the listed Australian mine contracting company, was placed into voluntary administration on Monday 31 January 2005 by its directors, together with 25 Australian subsidiaries and trading in its shares was suspended.

John Gibbons, Jack Crumlin and Kieran Hutchinson, of Ernst & Young were appointed Administrators. They resigned their position on 1 February 2005.

On 1 February 2005, Tony McGrath, Scott Kershaw and Joseph Hayes and Shaun Fraser of McGrathNicol+Partners, were appointed joint and several Administrators. They took management control of Henry Walker Eltin Group Limited and its 25 Australian subsidiaries ("HWE").

The first statutory meeting of creditors of each company in HWE was held on Tuesday 8 February 2005. The Administrators briefed creditors at the meetings on the background to the appointment and the strategy for the Administration.

The Administrators now provide an update on the Administration.

### **Overview of business operations**

The HWE businesses have in excess of 3,000 employees, and at the time of appointment of the Administrators likely had in excess of 15,000 other creditors and contractor arrangements. Key business activities include:

- Significant Australian contract mining operations, the majority of which are in Western Australia, primarily conducted through subsidiary Henry Walker Eltin Contracting Pty Limited;
- Overseas contract mining operations in Jamaica, Chile, Ghana and, most significantly, a contract mining agreement with PT Kaltim Prima Coal in Indonesia managed through HWE subsidiary PT Darma Henwa (recently renamed PT HWE Indonesia);
- Civil infrastructure, engineering and construction services, and project management activities, which operate nationwide as well as in New Zealand, much of which is conducted through divisions of HWE subsidiaries Simon Engineering (Australia) Pty Limited and Henry Walker Eltin Contracting Pty Limited; and,

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*Sydney • Canberra • Melbourne • Adelaide • Perth • Brisbane*

Level 9, 10 Shelley Street, Sydney NSW 2000, Australia GPO Box 9986, Sydney NSW 2001

T +61 2 9338 2600 F +61 2 9338 2699 ABN 419 459 827 61

[www.mcgrathnicol.com.au](http://www.mcgrathnicol.com.au)

- Other operations, including land development activities and car dealership operations in the Northern Territory.

The recent annual report indicated that revenue for the year to June 2004 was in excess of \$1.1 billion.

### **Initial activities**

Since their appointment the Administrators have focussed on:

- Stabilising operations, and making contact with the customers and the large number of people involved in the running and management of the many HWE mining and engineering contracts, to ensure, where possible, operations are maintained and preserved in the short term;
- Making contact with and commencing the process of determining the claims of the many creditors and employees of HWE;
- Conducting urgent viability assessments of the range of businesses and ventures carried on by HWE to determine the profitability or otherwise of various contracts;
- Assessing the saleability of business divisions based on an assessment of the broad range of contracts and operations in Australia and overseas;
- Where HWE had commenced a sale process for certain business operations, continuing those processes; and
- Taking immediate remedial action to renegotiate or exit unprofitable arrangements and to dispose of significant unfunded investments.

### **Short term asset realisations**

The Administrators have embarked upon the following immediate asset realisation initiatives:

- Securing an agreement for the sale of PT HWE Indonesia (formerly PT Darma Henwa), to a group co-ordinated by PT Bumi Resources the mine operators parent company. The operational control of PT HWE Indonesia is vested in the Mine Operator PT Kaltim Prima Coal until settlement. The timing of the decision reflected the immediate and significant ongoing financial commitment required, in particular substantial further cash funding for infrastructure works, working capital, wages and plant and equipment in the order of US\$110 million. Those funds required immediate commitment to maintain value in the Project. The financial arrangements (that is, funds received to exit the venture) at present remain confidential, but the sale results in the immediate assumption of all HWE's liabilities by PT Bumi Resources, significantly reducing the overall claims against the HWE Group. The deal is still contingent upon the approval of a number of parties;
- Consideration of certain mining contracts which were generating significant losses, including arrangements to sell equipment, assign leases and transfer employees;
- Continuity of the mandate for the sale of the assets of Bridge Autos Pty Limited, which operates a Toyota car dealership in Darwin. Horwath were retained prior to our appointment, to manage this sale process and submissions of expressions of interest are due by 28 February 2005; and

- Continuity of the mandates for the sale of contracts within Simon Projects and Simon Services, divisions of Simon Engineering. Deloitte were engaged prior to our appointment to manage this sale process. Expressions of interest were due on 10 February 2005, preliminary bids are being assessed and discussions with interested parties continue. In this regard the sale is impacted by the ongoing contract evaluation process, insofar as the Administrators may discontinue some contracts where this is in the interests of the sale program.

Given the requirement for significant funding to many parts of the business over an extended period, we consider it in the best interests of HWE's creditors to progress these sale programs expeditiously.

### **Longer-term objectives**

In addition to pursuing these initiatives, the Administrators will be focussing on:

- Preparing for the sale of certain contracts within HWE Civil, the engineering division of Henry Walker Eltin Contracting Pty Limited. These include earthworks, road, rail and infrastructure services contracts with government and other parties;
- Stabilising contract mining operations, and preparing for the sale or recapitalisation of HWE's Australian and New Zealand mining interests. These assets are of significant size and scale, and represent a substantial proportion of the HWE Group's revenue and earnings potential. We are liaising closely with HWE's customers to secure their ongoing support and are considering the options available to most appropriately market these assets;
- Considering options for the disposal of land development entities and other Northern Territory businesses; and,
- Unwinding and exiting HWE's other overseas joint venture operations.

The timetable for the marketing of these assets remains uncertain at this stage but will proceed relatively quickly.

### **Financial position and impact on creditors and employees**

The Administrators are reviewing the financial position of each of the 26 HWE entities in detail, taking into account the strategies outlined above, and will report on those matters as soon as possible. It is too early at this stage to release any information on the book and realisable value of assets in each entity, or the valid claims against those assets.

The position of employees of each entity, both in relation to the transferability of employment upon sale or the security of their entitlements also still requires evaluation. The Administrators continue to pay all employees and contractors for post-Administration liabilities while this assessment continues, and will work with unions and employees and creditor representatives as decisions are taken.

### **Second meetings of creditors**

The second meetings of creditors are due to be convened in the next two weeks. However, the Administrators will be applying to the Court for an extension of the period within which to convene the meetings, likely for a period of several months. Such an extension will provide the time necessary to report to creditors more fully on the outcomes of the Administration process and the likely returns to creditors.

## Conclusion

The affairs of HWE are complex and the affairs of the various entities inter-connected. As such, there is much work to be done before we can report with any certainty on the quantum and timing of dividends to creditors and other stakeholders.

The outcome for shareholders remains uncertain and is dependent upon the successful sale of businesses and assets within HWE and also on the extent of creditor claims.

At this time, the trading or transfer to shares is not permitted under the *Corporations Act 2001*. The Administrators will communicate with shareholders at a time when information specific to shareholders is available.

If you require further information, please visit [www.mcgrathnicol.com.au](http://www.mcgrathnicol.com.au)



Scott Kershaw  
Administrator



Tony McGrath  
Administrator