

RCR Asset Maintenance Pty Ltd

A.C.N. 060 002 968 Pty Ltd (formerly known as RCR Resources (Heat Treatment) Pty Ltd)

(Both Administrators Appointed)

Second Meetings of Creditors

26 March 2019



McGrathNicol



Agenda

- **Introduction**
 - Meeting formalities and overview of voting process
 - Meetings to be held concurrently
 - Purpose of meetings
 - Overview of the RCR Group
 - Financial performance of the RCR Group
- **Overview of Voluntary Administration of the RCR Group**
 - Administrators' actions to date
 - Administrators' sale process
 - Reasons for failure
 - Potential claims
 - Estimated return to creditors
- **Administrators' recommendation for the future of the RCR Group**
- **Resolutions**
- **Questions**



Meetings being held:

6. RCR Asset Maintenance Pty Ltd
32. A.C.N. 060 002 968 Pty Ltd (formerly known as RCR Resources (Heat Treatment) Pty Ltd)

Other RCR entities:

1. RCR Tomlinson Ltd
2. A.C.N. 076 421 755 Pty Limited
3. Applied Laser Pty Ltd
4. Positron Group Pty Ltd
5. Positron Power Pty. Ltd.
- 6.**
7. RCR Building Products (Holdings) Pty Ltd
8. RCR Building Services (Egan Bros) Pty Ltd
9. RCR Corporate Pty. Ltd.
10. RCR Energy (Gladstone) Pty Ltd
11. RCR Energy (Stelform VRBT) Pty Ltd
12. RCR Energy (Stelform) Pty Ltd
13. RCR Energy Pty Ltd
14. RCR Energy Service Pty Ltd
15. RCR Haden (Holdings) Pty Ltd
16. RCR Haden (Telco) Pty Ltd
17. RCR Haden Pty Ltd
18. RCR Infrastructure (Corporate) Pty Ltd
19. RCR Infrastructure Group (XNFK) Pty Ltd
20. RCR Infrastructure Pty Ltd
21. RCR Laser Pty Ltd
22. A.C.N. 060 002 940 Pty Ltd (formerly known as RCR Mining Pty Ltd)
23. A.C.N. 111 148 835 Pty Ltd (formerly known as RCR O'Donnell Griffin (Holdings) Pty Ltd)
24. A.C.N. 151 990 573 Pty Ltd (formerly known as RCR O'Donnell Griffin (Projects) Pty Ltd)
25. A.C.N. 003 905 093 Pty Ltd (formerly known as RCR O'Donnell Griffin Pty Ltd)
26. RCR Oil & Gas Pty Ltd
27. RCR Power Pty Ltd
28. RCR Rel Corp Management Services Pty Ltd
29. RCR Resolve FM (Engineering) Pty Ltd
30. RCR Resolve FM (Holdings) Pty Ltd
31. RCR Resolve FM Pty Ltd
- 32.**
33. RCR Resources (Tripower) Pty Ltd
34. RCR Resources Pty Ltd
35. RCR Tomlinson (Custodian) Pty Ltd
36. RCR Trafalgar Building Products Pty Ltd
37. RCR Water (WA) Pty Ltd
38. RCR Water Pty. Ltd.
39. RCReate Pty Ltd
40. Sartap Pty Ltd
41. Stelform Piping Systems Pty Ltd

Meetings were held in Sydney earlier today

Meeting formalities

- Open meeting
- Administrator Chairperson: IPR 75-50
- Introductions
 - Rob Brauer (Chairperson – Administrator)
 - Matthew Caddy (Administrator)
- Attendance register
- Quorum: IPR 75-105
- Time and place convenient: IPR 75-30
- Administrators' report to creditors pursuant to IPR 75-225 (**the Administrators' Report**)
- Proofs of debt and proxies
- Updated Declaration of Independence, Relevant Relationships and Indemnities (**DIRRI**)
- Voting

Meeting formalities

- Quorum: Insolvency Practice Rules 75-105

6. RCR Asset Maintenance Pty Ltd

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Voting

On the voices

By poll

How to
vote



Hold up voting slip

On your voting slip, tick "In favour of" or "Against", add your name and (for proxy holders) the creditor you represent

Hand voting slip to Administrators' staff

Voting
via
proxy



Each creditor/proxy holder in the room gets one vote, regardless of how many proxies they hold

General proxies: fill in a voting slip for each general proxy you hold

Special proxies: we already have your creditor's vote (provided in advance or at sign-in)

How the
resolution
is passed



When more creditors/ proxy holders vote for it than vote against it

When more creditors (either in the room or via proxy) vote for it than vote against it

AND

When those who vote for it are owed a greater amount of money than those who vote against it

Propose for meetings to be held concurrently

6. RCR Asset Maintenance Pty Ltd
32. A.C.N. 060 002 968 Pty Ltd (formerly known as RCR Resources (Heat Treatment) Pty Ltd)

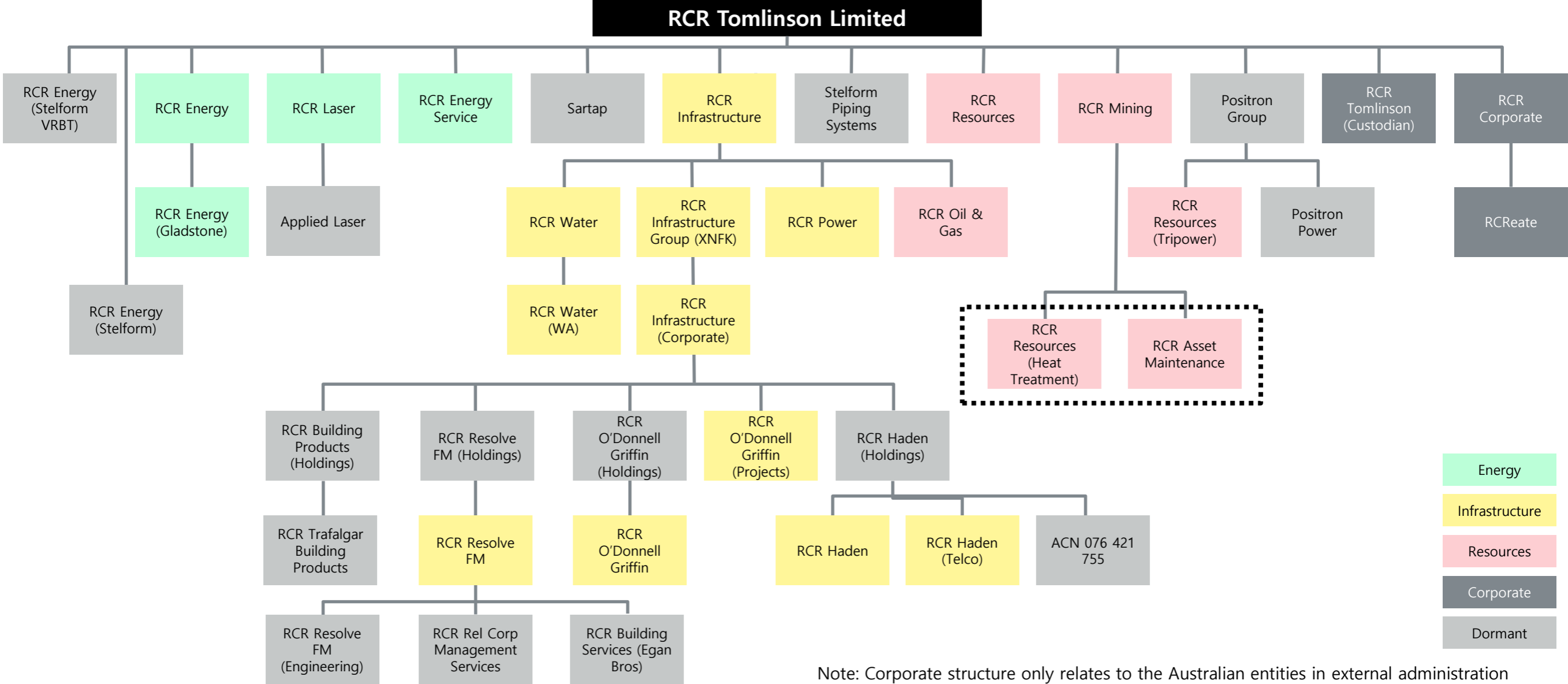
Purpose of meetings

1 The RCR Group enter into a Deed of Company Arrangement

2 The RCR Group enter liquidation

3 The RCR Group be returned to the current directors

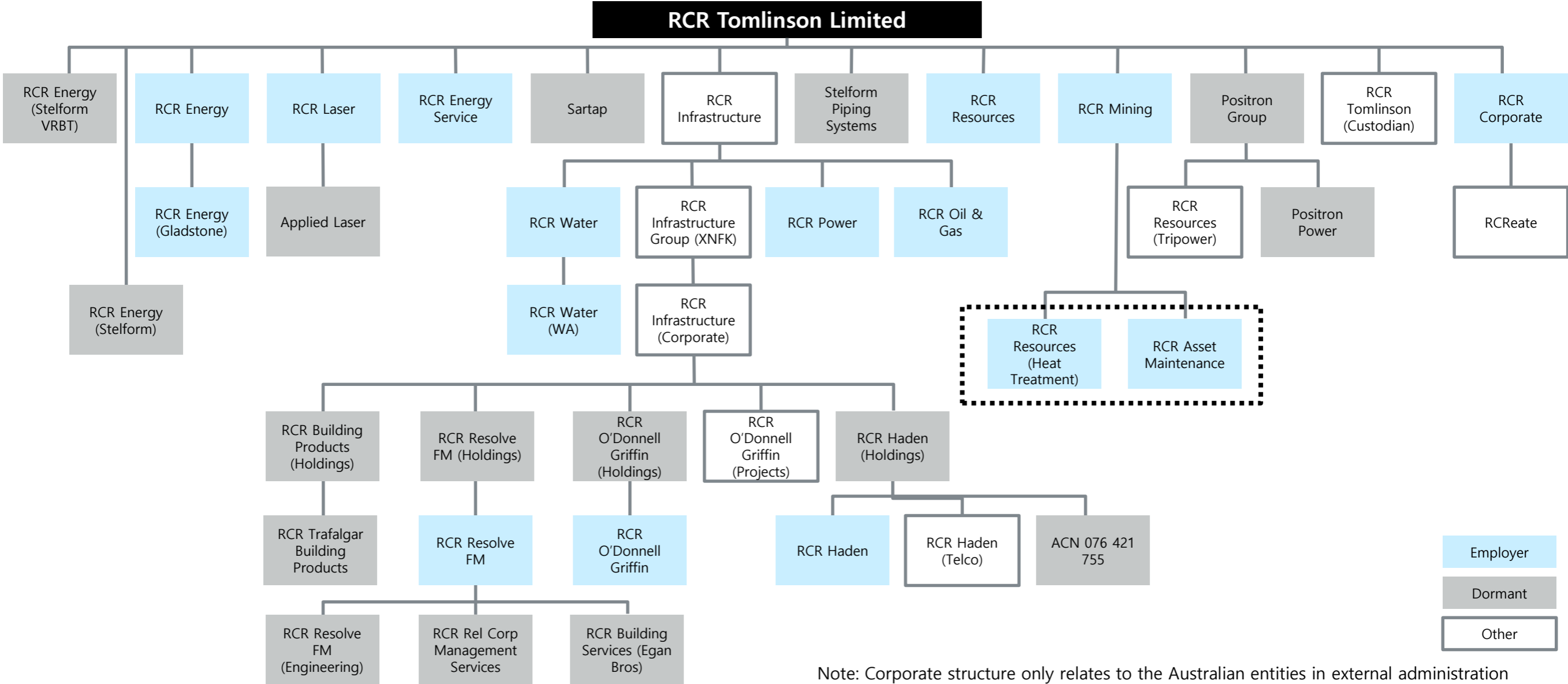
Overview of the RCR Group – By division



Note: Corporate structure only relates to the Australian entities in external administration

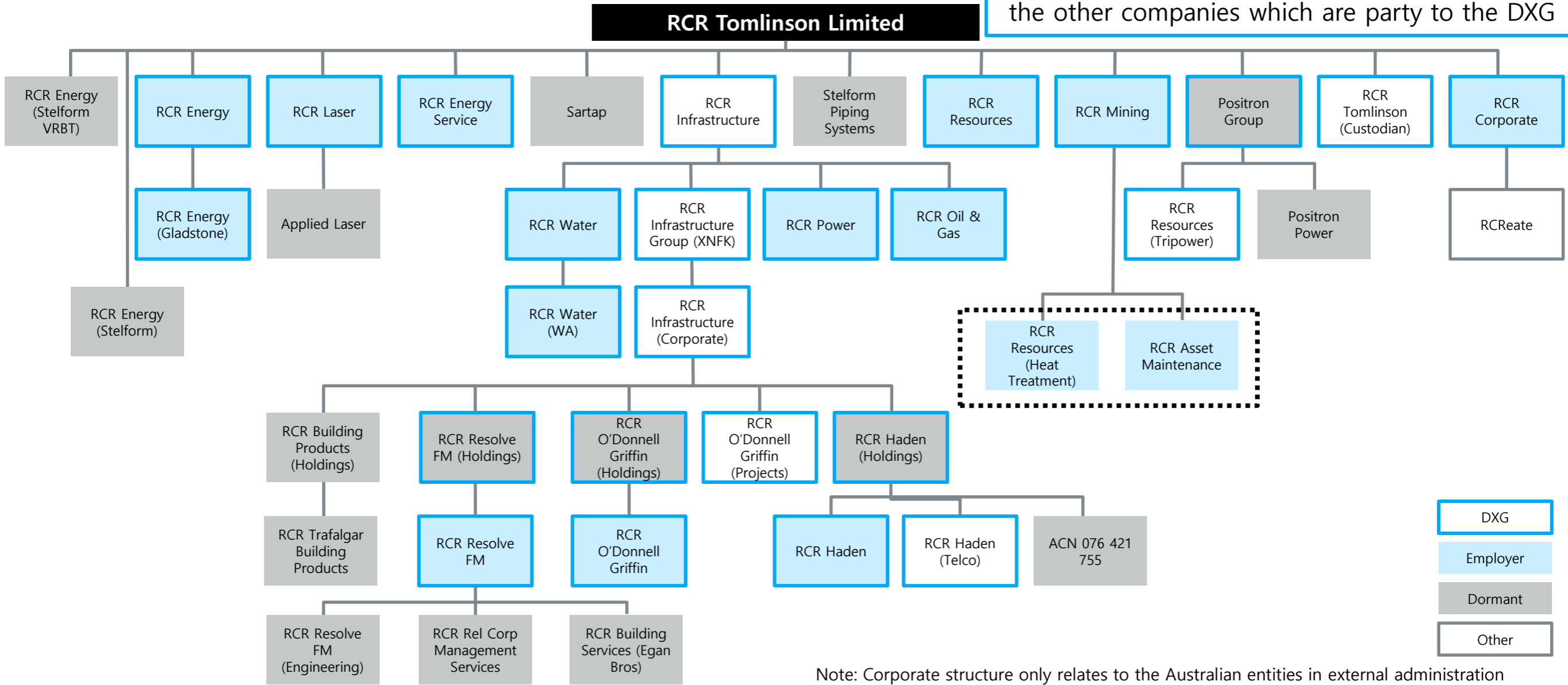


Overview of the RCR Group – Employing entities



Overview of the RCR Group – DXG Companies

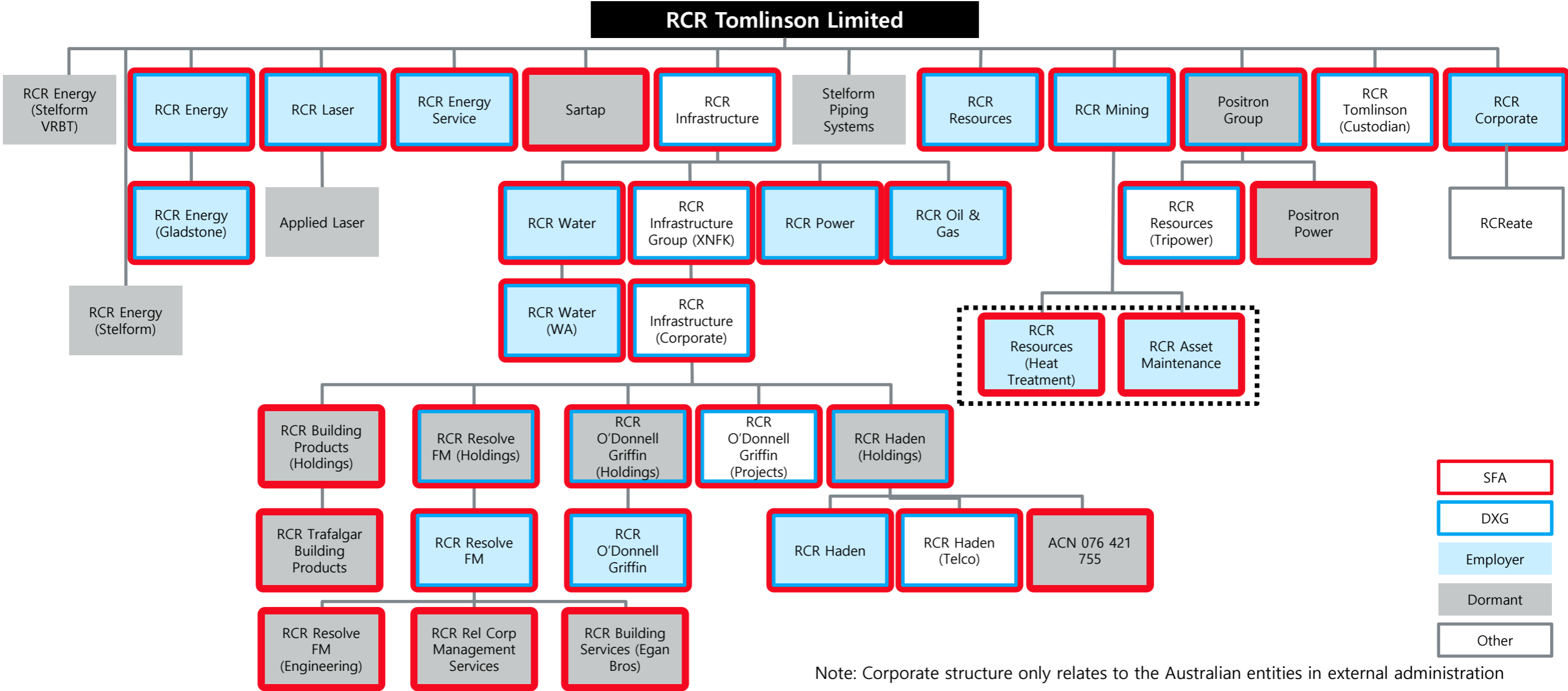
Creditors of companies party to the Deed of Cross Guarantee (**DXG**) are contingent creditors of all the other companies which are party to the DXG



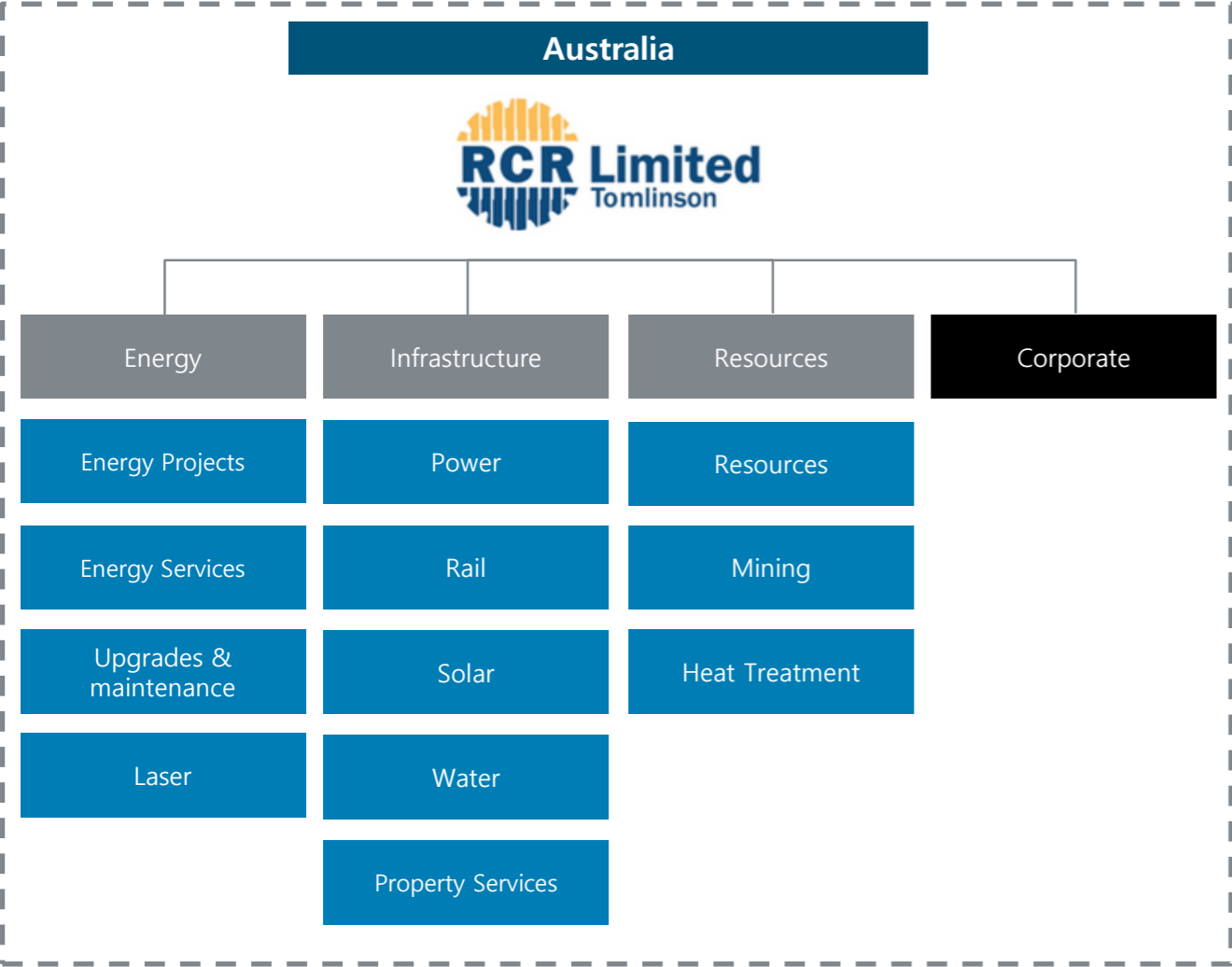
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Overview of the RCR Group – Syndicated Facility Agreement (SFA)

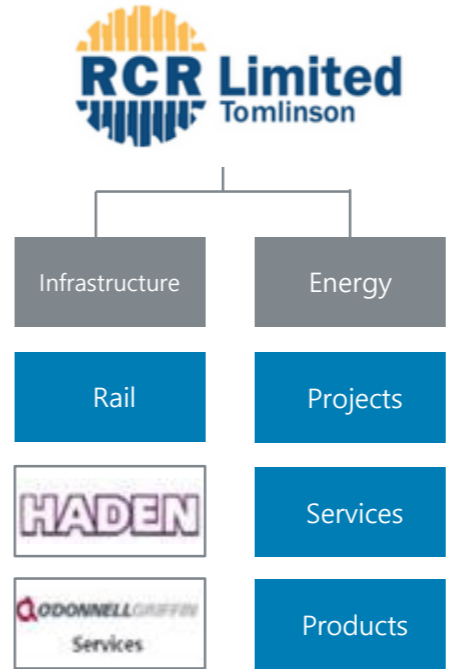


Overview of the RCR Group – Business unit structure



Australian entities subject to Voluntary Administration

New Zealand



Asia



Financial performance of the RCR Group

Summary of financial performance

\$'m	FY16	FY17	FY18	Pro forma FY18	YTD Oct-18
Revenue	890.5	1,263.2	1,998.5	2,069.6	489.9
Cost of goods sold	(845.0)	(1,189.7)	(1,971.8)	(2,058.3)	(482.7)
Gross profit	45.5	73.5	26.7	11.3	(7.2)
Gross margin	5.1%	5.8%	1.3%	0.5%	(1.5%)
Operating expense	(32.9)	(35.7)	(39.1)	(43.5)	(37.9)
EBIT	12.7	37.8	(12.4)	(32.2)	(45.1)
Interest expense	(4.0)	(3.9)	(2.8)	(2.7)	(1.4)
Net profit before tax	8.7	33.8	(15.2)	(34.9)	(46.5)
Income tax expense	0.4	(6.3)	6.4	12.3	13.8
Net profit from continued operations	9.1	27.5	(8.8)	(22.6)	(32.7)
Earnings from discontinued operations	(25.2)	(1.8)	(7.3)	(7.3)	-
Net Income	(16.1)	25.7	(16.1)	(29.9)	(32.7)

Source: Annual audited accounts, the Prospectus and October 2018 management accounts

Financial position of the RCR Group

Summary of financial position

\$'m	Jun-16	Jun-17	Jun-18	Pro forma Jun-18	Oct-18
Cash and equivalents	15.6	29.7	89.9	178.9	(24.3)
Trade receivables	111.9	131.1	130.2	130.2	142.3
Accrued revenue	81.8	285.4	359.9	179.3	199.5
Inventory and other	20.0	20.8	29.6	32.5	15.7
Total current assets	229.3	466.9	609.6	520.9	333.1
Property, plant and equipment	47.1	50.9	65.1	65.1	62.6
Other Intangibles	72.1	65.8	69.6	69.6	68.0
Goodwill	141.4	141.4	141.4	141.4	141.4
Other assets (incl. DTA)	54.6	50.8	76.4	91.0	106.0
Non-current assets	315.1	309.0	352.6	367.1	378.1
Total assets	544.4	775.9	962.2	888.0	711.2
Current liabilities	(227.0)	(424.7)	(576.7)	(439.7)	(290.0)
Non-current liabilities	(29.5)	(39.5)	(4.5)	(4.5)	(61.0)
Total liabilities	(256.5)	(464.3)	(581.3)	(444.3)	(351.0)
Net assets	288.0	311.6	380.9	443.7	360.2

Source: Annual audited accounts, the Prospectus and Oct-18 management accounts

Statement of cash flows of the RCR Group

Statement of cash flows

\$'m	FY16	FY17	FY18
Receipts from customers	1,045.2	1,179.3	2,089.4
Payments to suppliers and employees	(1,050.0)	(1,130.8)	(2,039.5)
Finance costs	(4.1)	(4.3)	(3.1)
Other	0.2	1.0	0.7
Net cash generated from/(used in) operating activities	(8.7)	45.2	47.5
Net payments for PPE	(10.0)	(15.9)	(30.4)
Other	(10.3)	0.1	(9.9)
Net cash used in investing activities	(20.3)	(15.9)	(40.3)
Net proceeds from issuing shares	-	-	87.9
Proceeds from borrowings	30.0	35.0	-
Repayment of borrowings	(20.0)	(50.0)	(20.0)
Dividends paid	(13.0)	-	(14.1)
Other	(2.2)	(0.2)	(0.9)
Net cash generated from/(used in) financing activities	(5.1)	(15.2)	52.9
Net increase/(decrease) in cash and cash equivalents	(34.0)	14.1	60.2
Cash and cash equivalents in the beginning of the year	49.2	15.6	29.7
FX movements	0.4	(0.0)	(0.0)
Cash and cash equivalents at the end of the year	15.6	29.7	89.8

Source: Annual audited accounts

Overview of the Voluntary Administration



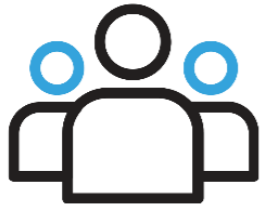
Trade-on management



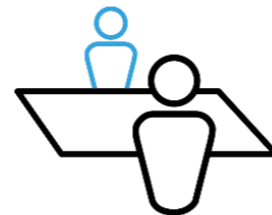
Sale of business process



Cessation of certain operations



Employees

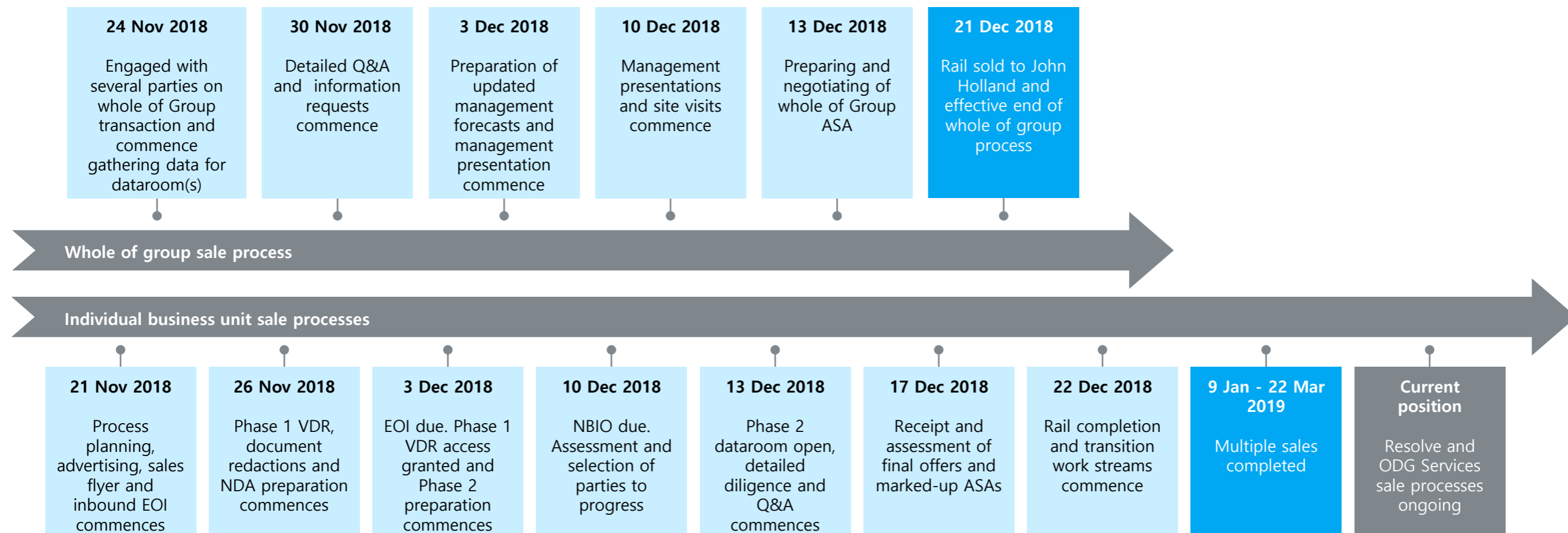


Creditors

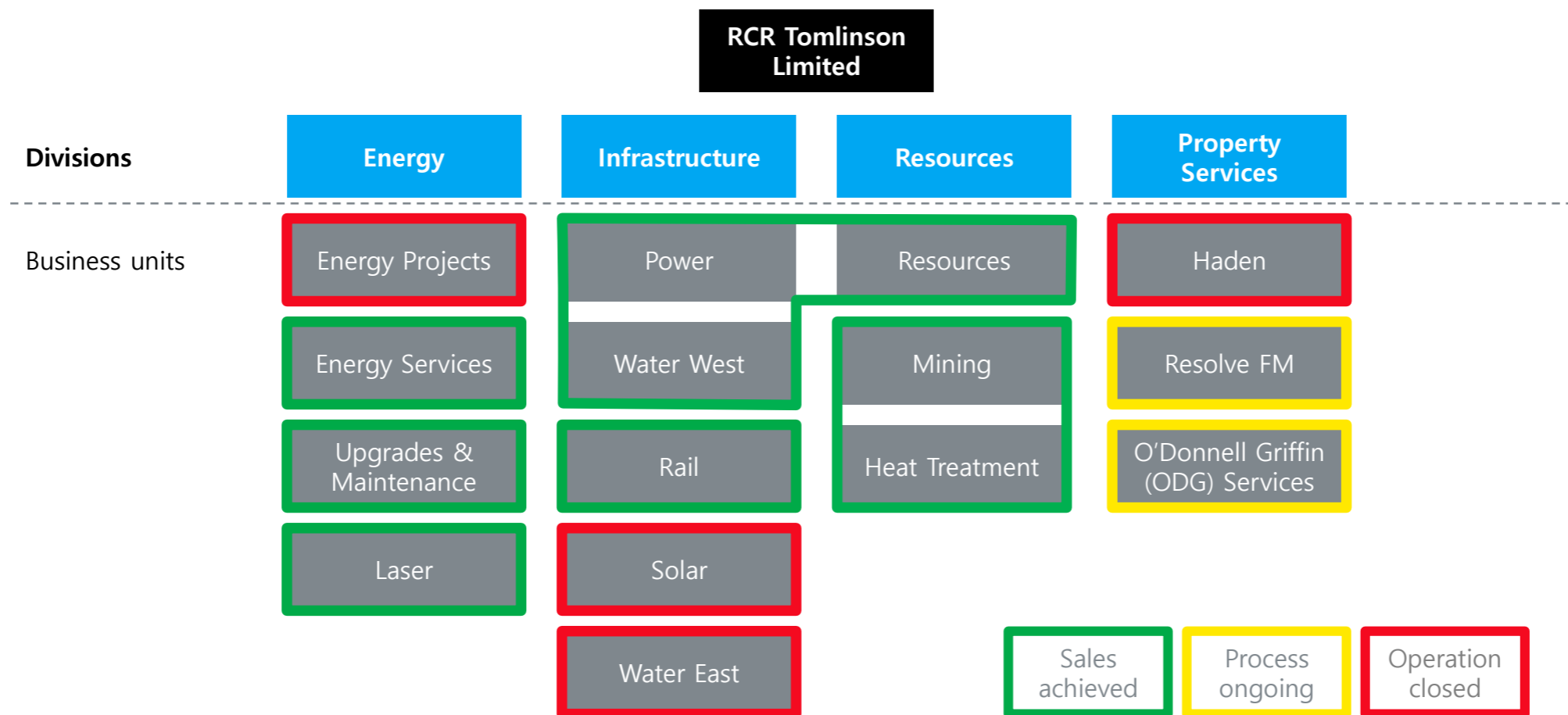


Statutory obligations/
investigations

Administrators' sale process



Administrators' sale process



Note 1: Property Services, while reported within RCR as part of the Infrastructure division, was marketed for sale as a stand-alone division.
Note 2: The closure of Haden Property Services excluded the Tasmania and Mount Gambier operations.

Administrators' sale process

Executed sales								
	Rail	Energy Services	Laser	Mining, Heat Treatment	Power, Resources, Water West	U&M	Haden Tasmania	Haden Mount Gambier
Purchaser	John Holland	EGL	Unique Metal Works	NRW	Avid Resources	UGL	ETS	Elec-Air Pty Ltd
Consideration	\$19.3 million	\$3.0 million	\$10.6 million	\$10.0 million	\$5.375 million (\$375k cash up front + \$5m earn out)	\$8.0 million	\$5,000	\$1 (one dollar)
Completion	Completed	Completed	Completed	Completed	Completed	Completed	Completed	Completed
Employee entitlements assumed	\$4.5 million	\$1.1 million	\$1.6 million	\$4.2 million	\$3.5 million	\$1.9 million	\$0.2 million	\$0.1 million
Redundancy entitlements avoided	\$6.7 million	\$1.1 million	\$2.4 million	\$5.8 million	\$4.7 million	\$2.2 million	\$0.2 million	\$0.1 million
FY19 forecast earnings before interest, tax and corporate recharges	\$2.3 million	\$2.1 million	\$2.2 million	\$7.3 million	(\$1.0 million)	\$7.8 million	\$0.3 million	\$0.2 million
PPE value included	\$0.2 million	\$0.02 million	\$4.9 million	\$3.5 million	\$2.7 million	\$0.6 million	\$4,000	\$9,000

Administrators' sale process

Summary of employee movements

Employing entity	At Appointment	Redundancies	Resignations	Transferring	Remaining
RCR Tomlinson Ltd	4	-	-	-	4
RCR Asset Maintenance Pty Ltd	69	(2)	(27)	(40)	-
RCR Corporate Pty Ltd	140	(42)	(21)	(4)	73
RCR Energy (Gladstone) Pty Ltd	21	(17)	(3)	(1)	-
RCR Energy Pty Ltd	507	(5)	(371)	(128)	3
RCR Energy Service Pty Ltd	58	-	(8)	(50)	-
RCR Haden Pty Ltd	203	(113)	(47)	(20)	23
RCR Laser Pty Ltd	194	-	(12)	(182)	-
RCR Mining Pty Ltd	242	(19)	(38)	(185)	-
RCR O'Donnell Griffin Pty Ltd	949	(416)	(79)	(370)	84
RCR Oil & Gas Pty Ltd	3	-	(1)	(2)	-
RCR Power Pty Ltd	63	(8)	(14)	(38)	3
RCR Resolve FM Pty Ltd	142	(53)	(11)	-	78
RCR Resources (Heat Treatment) Pty Ltd	29	-	(1)	(28)	-
RCR Resources Pty Ltd	106	(58)	(18)	(15)	15
RCR Water (WA) Pty Ltd	51	(3)	(3)	(44)	1
RCR Water Pty Ltd	41	(2)	(9)	(30)	-
Total	2,822	(738)	(663)	(1,137)	284

Reasons for failure

- 1** Risk profile of RCR entering into fifteen solar related EPC contracts
- 2** Timing delays and cost overruns on solar contracts
- 3** The adverse reputational impact of the voluntary share suspension

Reasons for failure

Timeline of key events

Date	Description
2016 to early 2018	<ul style="list-style-type: none">Over an 18 month period, the RCR Group entered into agreements to deliver 15 solar farm projects.
July 2018	<ul style="list-style-type: none">The RCR Board met to discuss cost overruns identified on the Daydream and Hayman solar projects.
30 July 2018 / 1 August 2018	<ul style="list-style-type: none">RCR shares were placed into trading halt and subsequently suspended from quotation, pending the release of an announcement regarding the impact of the cost overruns on its FY18 financial results.
First week of August 2018	<ul style="list-style-type: none">The RCR Group confirmed significant cost overruns of approximately \$57 million recently discovered on the Daydream and Hayman solar projects.The Board resolved to initiate a capital raise.Paul Dalgleish stepped down as Managing Director and Chief Executive Officer (CEO) and Bruce James appointed as interim CEO.
14 August 2018	<ul style="list-style-type: none">McGrathNicol engaged to:<ul style="list-style-type: none">assess RCR Group's short-term cash flow forecast;review the forecasting process of the RCR Group; andundertake contingency planning for a potential appointment of voluntary administrators to the RCR group.
28 August 2018	<ul style="list-style-type: none">RCR announced FY18 results, revised to reflect the \$57 million Project Gretel cost overruns and a capital raise of \$100 million to strengthen its balance sheet.RCR reported:<ul style="list-style-type: none">revenue growth (\$2.0 billion, up 58.2% on the prior comparative period);an EBIT loss of \$4.2 million;a statutory net loss after tax of \$16.1 million; andno final dividend.

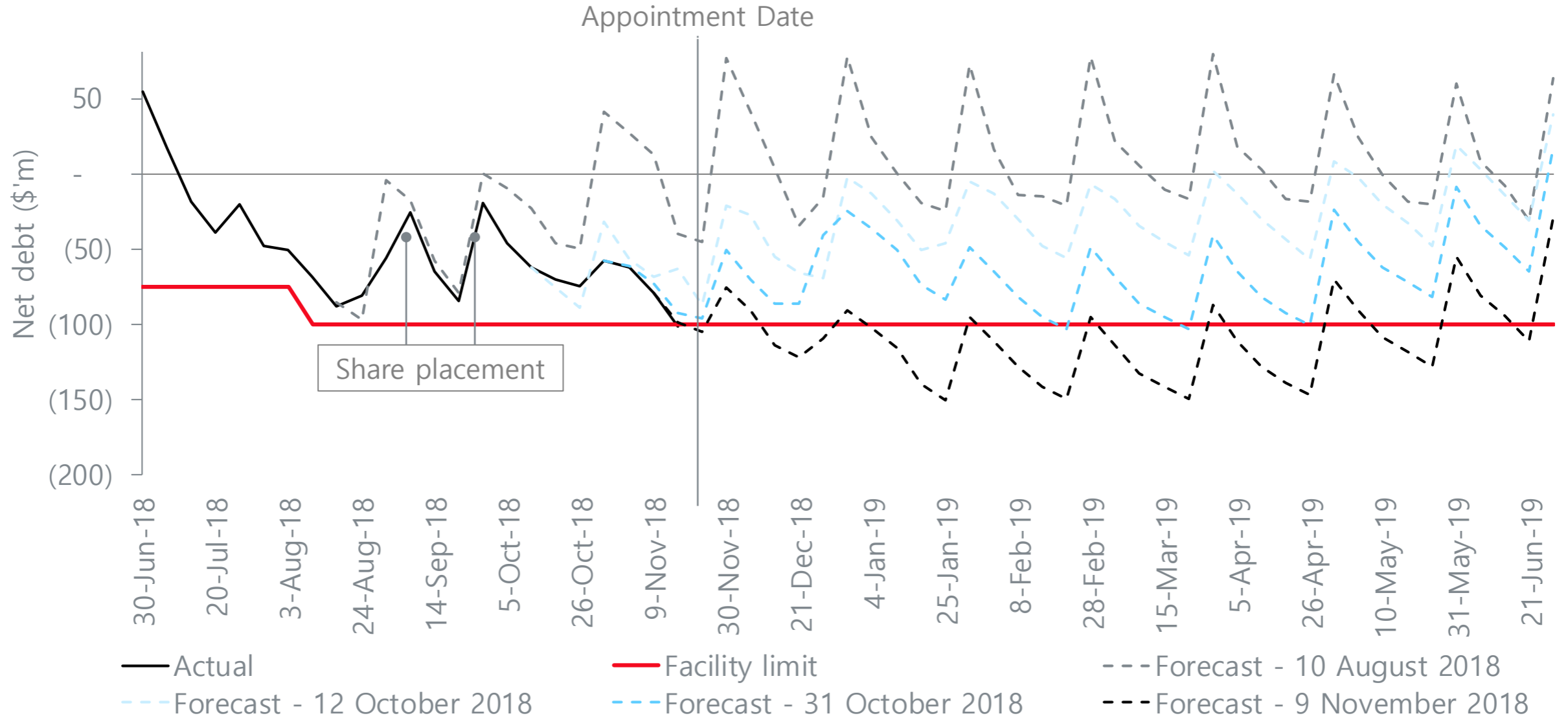
Reasons for failure

Timeline of key events (continued)

Date	Description
30 August 2018	<ul style="list-style-type: none"> ▪ The RCR Group recommenced trading on the ASX (29 days after suspension on 1 August 2018) and the Institutional Entitlement Offer completed successfully, raising \$70 million.
21 September 2018	<ul style="list-style-type: none"> ▪ The Retail Entitlement Offer completed, raising \$14.4 million with the balance of approximately \$15.6 million contributed by the underwriter.
30 October 2018	<ul style="list-style-type: none"> ▪ McGrathNicol engaged to provide further assistance in: <ul style="list-style-type: none"> - assessing the RCR Group's cash flow forecast; and - to update the contingency planning work undertaken as a part of McGrathNicol's initial phase of work.
7 November 2018	<ul style="list-style-type: none"> ▪ Andrew Phipps resigned as Chief Financial Officer (CFO) and Andrew Batch was appointed CFO.
12/14 November 2018	<ul style="list-style-type: none"> ▪ RCR shares were placed into trading halt and subsequently suspended from quotation, pending the release of an announcement regarding its earnings for FY19 and the associated consequences for its funding.
19 November 2018	<ul style="list-style-type: none"> ▪ RCR was served with a shareholder class action proceeding.
20 November 2018	<ul style="list-style-type: none"> ▪ RCR put a formal request for further funding to the Secured Creditors.
21 November 2018	<ul style="list-style-type: none"> ▪ The RCR Group was notified that the Secured Creditors determined that they would not provide the requested funding. ▪ CBA cancelled the group overdraft sub facility available under the MOFA and exercised its right of set-off in respect of certain of the Group's accounts maintained with the CBA. ▪ The RCR Board resolved to appoint Jason Preston, Jamie Harris, Matthew Caddy and Rob Brauer as Administrators of the RCR Group.

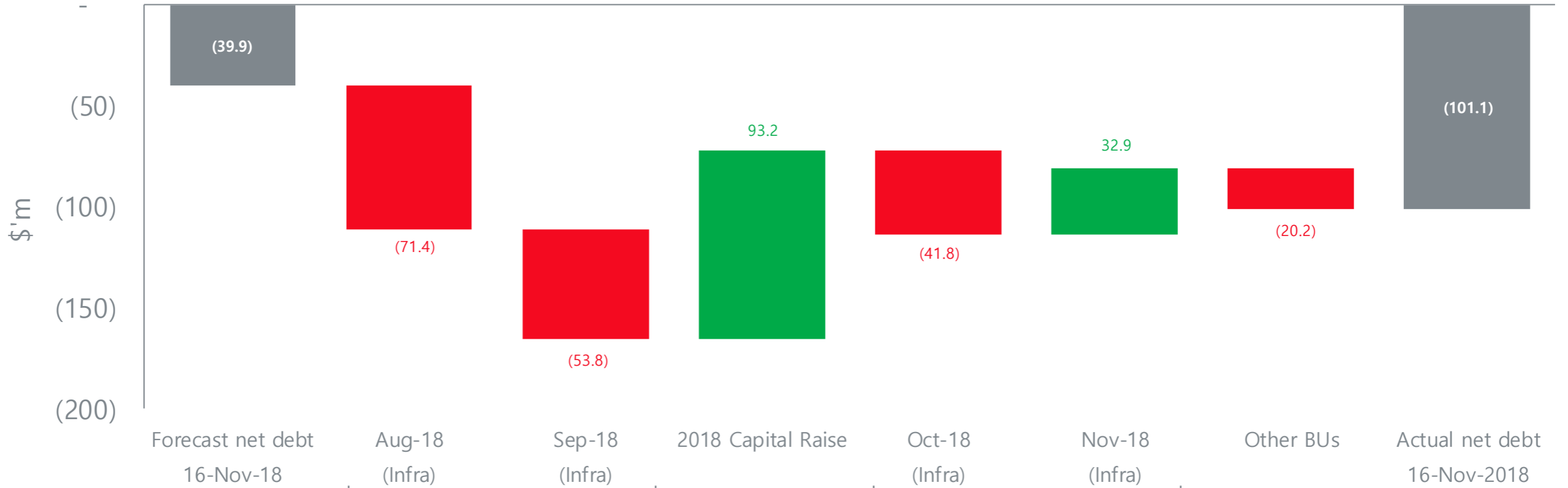
Reasons for failure

RCR Group net debt forecasts



Reasons for failure

Impact of infrastructure cash flow on forecast net debt

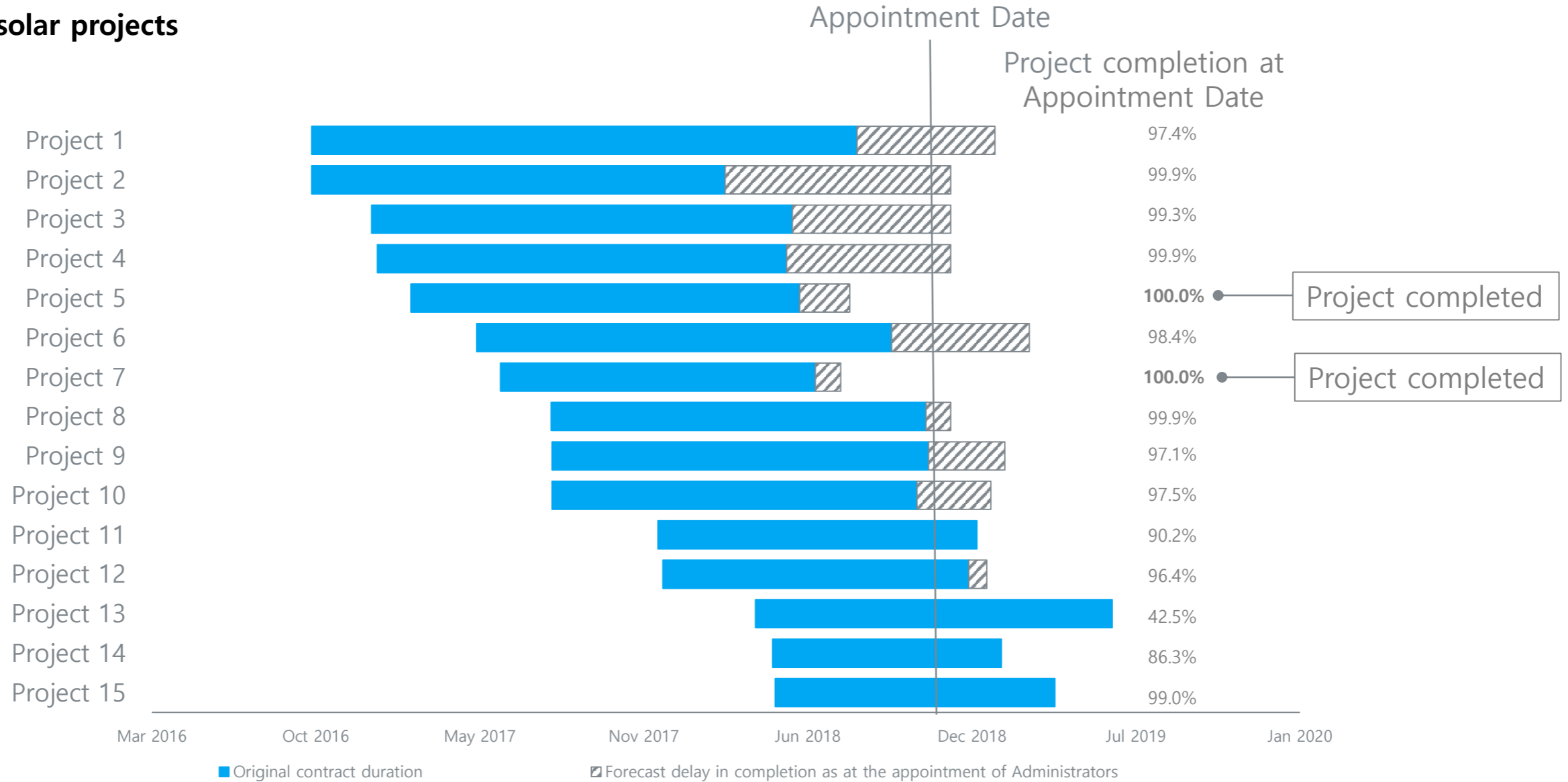


Variance	Aug-18	Sep-18
Receipts	(\$29.8m)	(\$17.1m)
Payments	(\$41.6m)	(\$36.7m)

Variance	Oct-18	Nov-18
Receipts	(\$92.4m)	(\$1.7m)
Payments	\$50.6m	\$34.6m

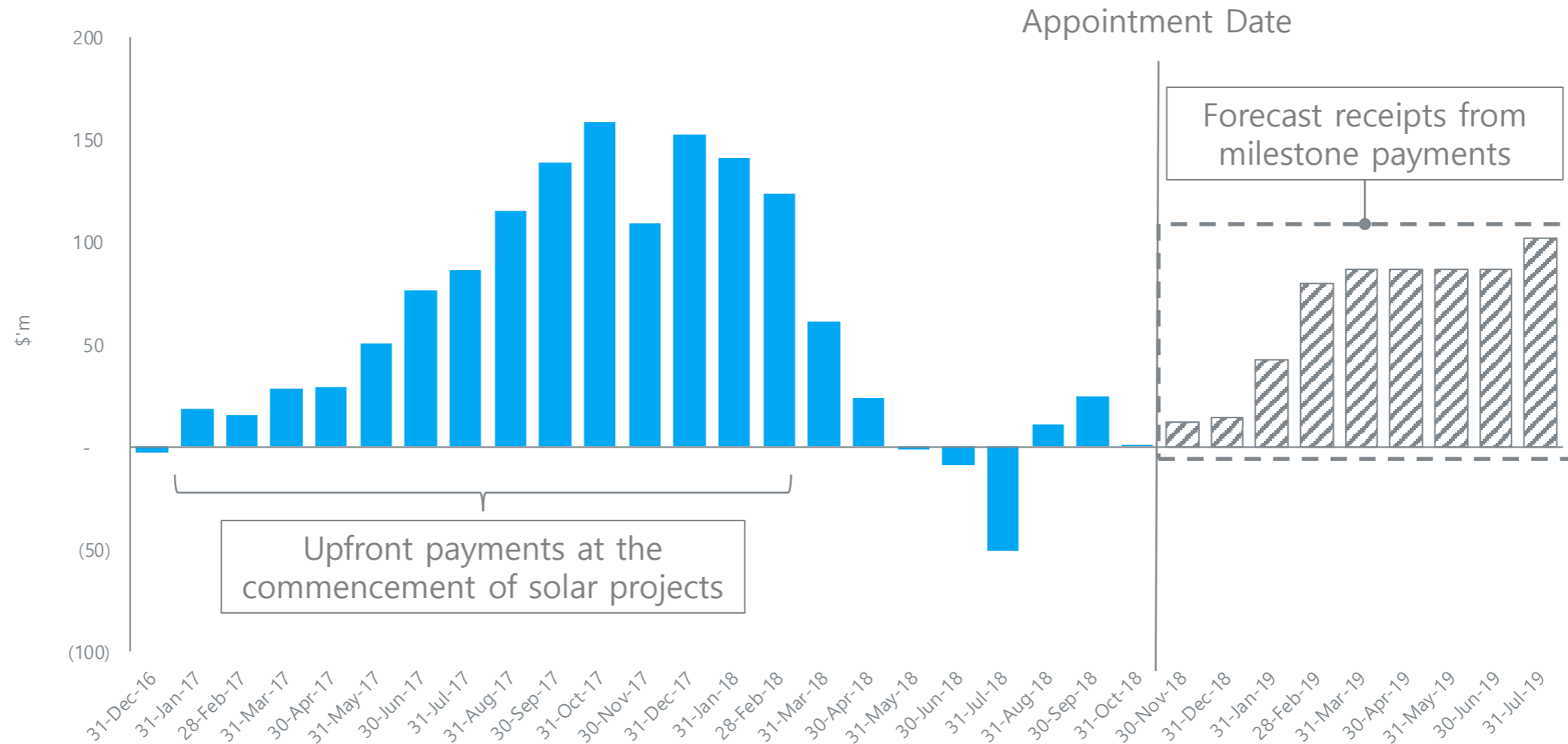
Reasons for failure

Timeline of solar projects



Reasons for failure

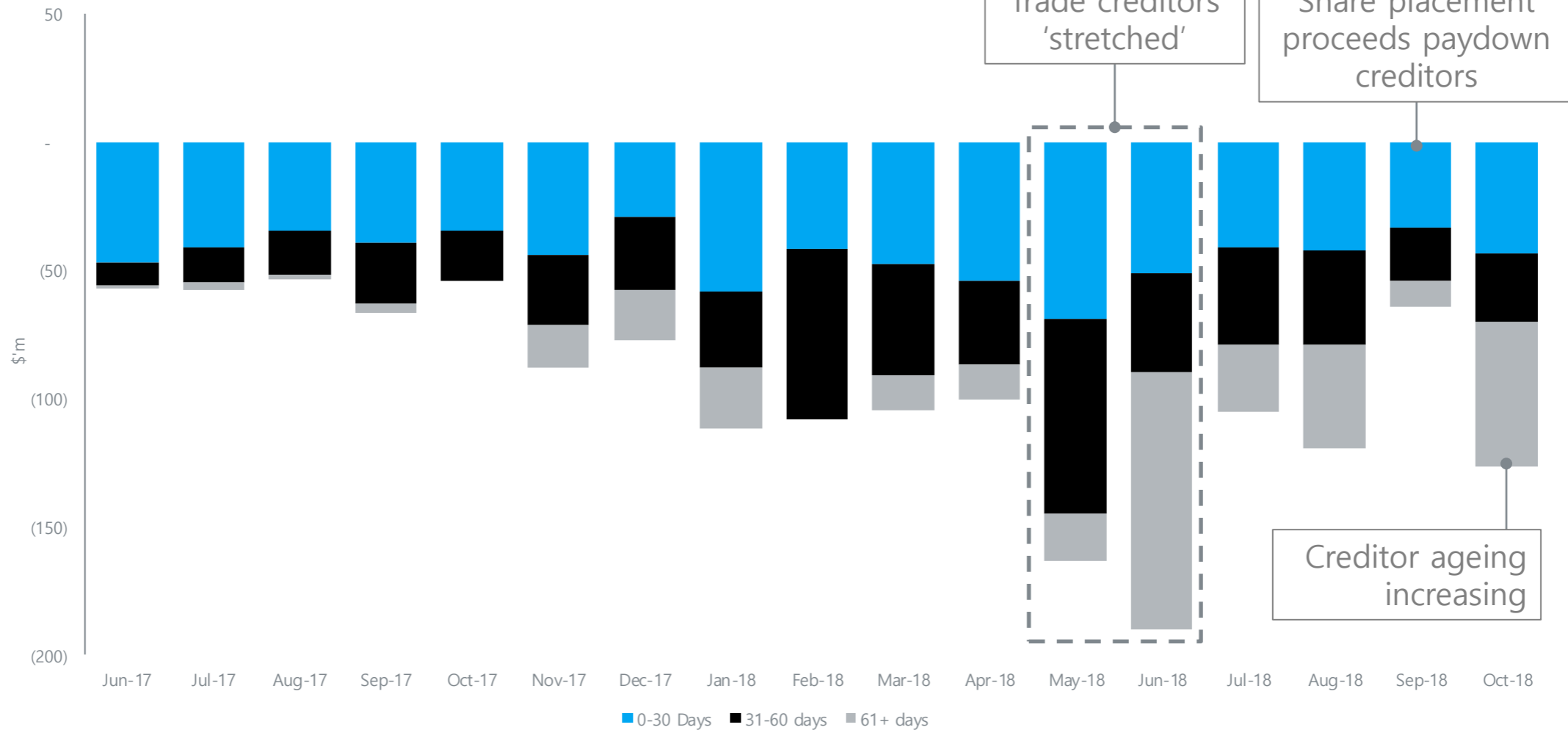
Net cumulative cash flows from solar projects



Reasons for failure

Trade creditor ageing

Trade creditor ageing



Claims that may be available in a liquidation

Discharge of Directors' duties



Insolvent trading



Voidable transactions



Estimated return to creditors

Employees



Estimated shortfall of between \$15.9 million and \$25.9 million to employees (before FEG assistance). The rate of return to employees is subject to position of individual entities

Secured creditors



Estimated shortfall of \$69.5 million to \$151.0 million to the secured creditors

Unsecured creditors



A return to unsecured creditors appears unlikely due to the amount owing to secured creditors (subject to claims in liquidation)

Liquidation

Recommendation



The Administrators recommend creditors resolve that each entity within the RCR Group be placed into liquidation

Liquidation work to be undertaken



Statutory obligations



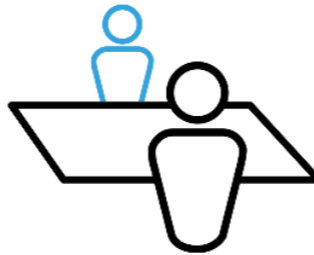
Residual trade on matters



Complete remaining business sales



Employees

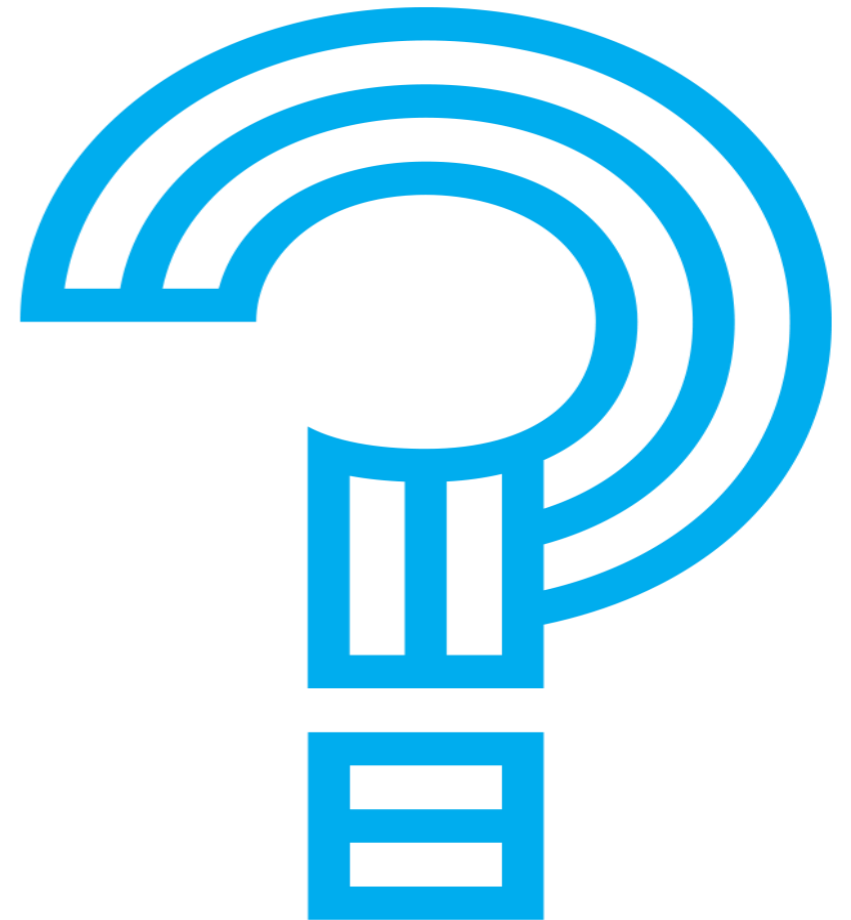


Creditors



Investigations / claims

Questions



Voting

On the voices

By poll

How to
vote



Hold up voting slip

On your voting slip, tick "In favour of" or "Against", add your name and (for proxy holders) the creditor you represent

Hand voting slip to Administrators' staff

Voting
via
proxy



Each creditor/proxy holder in the room gets one vote, regardless of how many proxies they hold

General proxies: fill in a voting slip for each general proxy you hold

Special proxies: we already have your creditor's vote (provided in advance or at sign-in)

How the
resolution
is passed

When more creditors/ proxy holders vote for it than vote against it

When more creditors (either in the room or via proxy) vote for it than vote against it

AND

When those who vote for it are owed a greater amount of money than those who vote against it

Resolutions – Retrospective remuneration

*“That the remuneration of the Voluntary Administrators of **RCR Asset Maintenance Ltd (Administrators Appointed)** for the period 21 November 2018 to 1 March 2019, calculated at hourly rates as detailed in the Initial Remuneration Notice dated 26 November 2018, is determined in the sum of \$192,192.81, exclusive of GST.”*

*“That the remuneration of the Voluntary Administrators of **A.C.N. 060 002 968 Pty Ltd (Administrators Appointed) (formerly known as RCR Resources (Heat Treatment) Pty Ltd)** for the period 21 November 2018 to 1 March 2019, calculated at hourly rates as detailed in the Initial Remuneration Notice dated 26 November 2018, is determined in the sum of \$295,080.36, exclusive of GST.”*

Resolutions – Prospective remuneration

*“That the future remuneration of the Voluntary Administrators of **RCR Asset Maintenance Pty Ltd (Administrators Appointed)** from 2 March 2019 to 26 March 2019 is determined at a sum equal to the cost of time spent by the Voluntary Administrators and their partners and staff, calculated at the hourly rates as detailed in Initial Remuneration Notice dated 26 November 2018, up to a capped amount of \$20,000.00, exclusive of GST.”*

*“That the future remuneration of the Voluntary Administrators of **A.C.N. 060 002 968 Pty Ltd (Administrators Appointed) (formerly known as RCR Resources (Heat Treatment) Pty Ltd)** from 2 March 2019 to 26 March 2019 is determined at a sum equal to the cost of time spent by the Voluntary Administrators and their partners and staff, calculated at the hourly rates as detailed in Initial Remuneration Notice dated 26 November 2018, up to a capped amount of \$40,000.00, exclusive of GST.”*

Resolutions – Enter into liquidation

*“That **RCR Asset Maintenance Pty Ltd (Administrators Appointed)** be wound up, with Jason Preston, Jamie Harris, Matthew Caddy and Rob Brauer being appointed as Joint and Several Liquidators.”*

*“That **A.C.N. 060 002 968 Pty Ltd (Administrators Appointed)** (formerly known as **RCR Resources (Heat Treatment) Pty Ltd**) be wound up, with Jason Preston, Jamie Harris, Matthew Caddy and Rob Brauer being appointed as Joint and Several Liquidators.”*

Resolutions – Compromise debts

*“That the Liquidators are authorised to compromise debts of **RCR Asset Maintenance Pty Ltd (In Liquidation)** greater than \$100,000 under Section 477(2A) of the Act.”*

*“That the Liquidators are authorised to compromise debts of **A.C.N. 060 002 968 Pty Ltd (In Liquidation) (formerly known as RCR Resources (Heat Treatment) Pty Ltd)** greater than \$100,000 under Section 477(2A) of the Act.”*

Resolutions – Enter into agreements

*“That the Liquidators are authorised to enter agreements on behalf of **RCR Asset Maintenance Pty Ltd (In Liquidation)** that may take longer than three months to complete under Section 477(2B) of the Act.”*

*“That the Liquidators are authorised to enter agreements on behalf of **A.C.N. 060 002 968 Pty Ltd (In Liquidation) (formerly known as RCR Resources (Heat Treatment) Pty Ltd)** that may take longer than three months to complete under Section 477(2B) of the Act.”*

Questions

