Henry Walker Eltin Group Limited ("HWE")
(ACN 007 710 483)

And 25 of its subsidiaries

ACN 009 366 036 Pty Limited (ACN 009 366 036)
Bridge Autos Pty Limited (ACN 009 625 816)
Bulumba Pty Limited (ACN 008 060 240)
Capnorth Developments Pty Limited (ACN 009 640 251)
Castlemaine Wastewater Treatment Pty Limited (ACN 081 417 030)
Castleton Pty Limited (ACN 081 417 030)
Dover Investments Pty Limited (ACN 009 637 914)
Eltin International Pty Limited (ACN 009 211 456)
Eltin Open Pit Operations Pty Limited (ACN 008 918 278)
Eltin Surface Mining Pty Limited (ACN 062 450 113)
Eltin Underground Operations Pty Limited (ACN 008 906 849)
Henry Walker Eltin Contracting Pty Limited (ACN 009 625 138)
Henry Walker Environmental Pty Limited (ACN 009 627 490)
Henry Walker Underground Pty Limited (ACN 007 649 274)
HWE Civil Pty Limited (ACN 106 551 302)
HWE Cockatoo Pty Limited (ACN 009 639 285)
HWE Finance Pty Limited (ACN 009 593 668)
HWE Land Pty Limited (ACN 009 614 788)
HWGL Services Pty Limited (ACN 009 615 436)
HWIO Pty Limited (ACN 072 445 179)
Inventive Pty Limited (ACN 009 639 310)
LSM Projects Pty Limited (ACN 106 580 134)
Northaust Auto Hire Pty Limited (ACN 009 639 490)
Simon Engineering (Australia) Pty Limited (ACN 000 117 000)
Simon Engineering (Australia) Holdings Pty Limited (ACN 000 142 165)

(All Administrators Appointed)

Report to Creditors

Pursuant to Section 439A
of the Corporations Act 2001

June 2005

Contents

List of Appendices

Glossary of terms

The Act	Corporations Act 2001
The Administrators	Tony McGrath, Scott Kershaw, Joseph Hayes and Shaun Fraser of McGrathNicol + Partners
Ashton	HWE's Ashton Mining contract with White Mining in New South Wales
AAR	Allens Arthur Robinson lawyers
ANZ	ANZ Banking Group
ASIC	Australian Securities and Investment Commission
ASX	Australian Stock Exchange
ATO	Australian Taxation Office
Bengalon Project	The KPC project, a coal mining contract with PT Bumi Resources (Indonesia)
Capex	Capital expenditure
CEO	Chief Executive Officer
CFO	Chief Financial Officer
Civil	HWE's Civil Engineering division
Class Order	ASIC Class Order 98/1418
Class Order Group Entities	Those Australian HWE Companies which are parties to the ASIC Class Order Deed of Cross Guarantee
Cross Guarantee	ASIC Class Order Deed of Cross Guarantee
CST	Central Standard Time
Deloitte	Deloitte Touche Tohmatsu
DOCA	Deed of Company Arrangement
EBIT	Earnings before Interest and Taxes
EBITDA	Earnings before Interest, Taxes, Depreciation and Amortisation

EST	Eastern Standard Time
Financial Creditors	Domestic financial institutions and US bond holders, both lenders to HWE
Glencore	Glencore Finance AG
Glencore transaction	Proposal to inject $100 million of fresh equity into HWE through a rights issue and the issue of preference shares
Guarantor companies	Those companies within the HWE Administration Group that have guaranteed the obligations of HWE Finance under the Syndicated Loan Agreement and the bondholders' note and Guarantee Agreement to the Financial Creditors
HWE	Henry Walker Eltin Group Limited
HWE Administration Group	Henry Walker Eltin Group Limited and 25 of its Australian subsidiaries in Administration
HWE Board	The Board of Directors of HWE Group Ltd and its Australian subsidiaries
HWE Consolidated Group	Henry Walker Eltin Group Limited and all of its subsidiaries, including companies not in Administration
HWE Contracting	Henry Walker Eltin Contracting Pty Limited
HWE Environmental	Henry Walker Environmental Pty Limited
HWE Finance	HWE Finance Pty Limited
JV	Joint Venture
KPC Project	Same as the Bengalon project
McN+	McGrathNicol + Partners
Mining Australia	Provider of mine development, drilling, blasting, loading and haulage services, in both surface and underground mines, mainly in Western Australia

New Zealand Operations	Branch operation of HWE Contracting in New Zealand, principal operations are conducted for Solid Energy, the nationalised NZ power generator
Ngarda	Ngarda Civil & Mining Pty Limited
Non-Class Order Group Entities	Those Australian HWE Administration Group Companies which are not parties to the ASIC Class Order Deed of Cross Guarantee
NT	Northern Territory
OH & S	Occupational Health & Safety
PBT	Profit Before Tax
P/L	Pty Limited
Pooled entities	The entities in the HWE Administration Group which are parties to the Deed of Cross Guarantee
PT Bumi	PT Bumi Resources
QLD	Queensland
RATA	Report as to Affairs
RMBCF	RMB Corporate Finance Ltd
SA	South Australia
Simon Engineering	Simon Engineering (Australia) Pty Limited
USD	US Dollars
WA	Western Australia
Westpac	Westpac Banking Corporation
WIP	Work in progress
WST	Western Standard Time
YTD	Year to date

1. Executive summary

It is recommended that creditors read this report in its entirety, but for convenience certain observations and findings are summarised below.

1.1 Context

This Report to Creditors deals with HWE and the 25 Australian subsidiaries in administration. It is efficient and cost-effective to prepare one consolidated report rather than 26 separate reports. Consequently, different sections of the report consolidate information on HWE entities in a number of ways. In this regard, throughout the report the entities in Administration are considered as:

- Individual legal entities;
- Part of a particular business unit (namely HWE Mining, Engineering Services, Operations and Maintenance Services or Non-core activities);
- A particular business (such as the Bridge Autos motor vehicle dealership);
- Part of all the companies in administration ("the HWE Administration Group"); or
- Part of all group companies, including those overseas and those not in any insolvency procedure ("the HWE Consolidated Group").

These categorisations reflect the requirements of the Administration from a statutory reporting perspective, as well as the nature of the asset realisation strategy (which is undertaken by business unit) and the requirements of the DOCA.

1.2 Reasons for companies' failure and appointment of Administrators

Having investigated the HWE Administration Group's business, financial affairs and assets, the Administrators consider that while many factors contributed to the companies' failure, the key reason was the decision taken in May 2004 to execute the Indonesian coal-mining (KPC contract) with PT Bumi Resources requiring funding of USD130 million, without committed financing facilities in place.

By the time Administrators were appointed to the HWE Administration Group on 31 January 2005, USD70.6 million had been invested in the project, with another USD84.4 million due by April 2005. This investment placed considerable pressure on the Group's cash resources, even after accounting for a capital raising in mid 2004 which injected $42 million of equity into HWE.

Other contributing factors were:

- Poor internal planning, reporting and control procedures;

- The development of strategy at management rather than at Board level; and
- A lack of integration of newly acquired businesses.

1.3 Administrators' realisations

At the date of this report, the Administrators had realised the following assets:

Asset	**Realisations ($A million or equivalent)**
HWE's interest in KPC project	40.0
African Mining Services (50% JV with Ausdrill in Ghana)	3.6
Simon Engineering Businesses	17.5
Bridge Autos	12.0
Ashton Mining contract assets	8.8
HWE Contracting pre-Administrators debtors (as at 6 May 2005)	44.3
Simon Engineering debtors (as at 6 May 2005)	17.0
Other debtors (as at 6 May 2005)	2.2
HWE Northern Territory Civil business (plus up to $1 million contingency payment)	3.1

This information is presented before adjustments against the purchase prices for employees transferred with the various businesses. In this regard, as part of business sales to date in excess of 1,500 jobs have been preserved, with a benefit to the Administration in excess of $15 million through savings in redundancy payments.

1.4 Mining Services

The Mining Services business unit is the largest business unit in terms of value of asset value, and includes operations in Australia, New Zealand and in part, Jamaica. It is also the most significant in terms of number of employees and turnover. Realisation of value from the Mining Services business unit will therefore be central to realisations available to all creditors.

The Administrators have commenced a sale process. Macquarie Bank has been appointed as our advisors in the sale process. The recommended transaction structure is for a dual-track trade sale / recapitalisation process.

There is currently strong interest in the industry and consequently we expect a number of interested parties to express an interest and proceed to the due diligence phase of the sale process.

1.5 Outcomes from Administrators' investigations

The Administrators have conducted detailed investigations into the failure of the HWE Consolidated Group. The focus of most of the work has been to ascertain whether there are actions which would only be available to a Liquidator and therefore would be directly relevant to the decision of creditors at the Second Meeting of Creditors as to whether to vote in favour of a DOCA or liquidation in respect of any of the entities in the HWE Administration Group.

The Administrators are of the opinion that given the circumstances that it is unlikely that there are any material actions which would only be available to a Liquidator.

1.6 Options available to creditors

At a meeting to be held on 8 July 2005, the creditors of each of the 26 entities will be able to consider the options available for each entity, which include:

- To end the administration and return the company to the control of the Directors; or
- To pass a resolution to wind the company up; or
- To resolve that the company should execute a Deed of Company Arrangement ("DOCA") proposed at the meeting.

In addition, creditors are entitled to adjourn the meeting for up to 60 days.

The Administrators have prepared a proposed DOCA for each company which will be recommended to all creditors of the entities at the meetings on 8 July 2005, subject to the need to adjourn the meetings.

1.7 Administrators' recommendation

In our opinion, it is in the best interests of all creditors to vote in favour of the DOCA outlined in detail in section 10 of this report, as a DOCA will produce the equivalent or better outcome for creditors of each entity than would be achieved in a liquidation. We note that a DOCA:

- Permits the sale of HWE's Mining Services business without the detrimental effects a liquidation could have on that process;
- Provides more flexibility to enable Administrators to either sell or recapitalise Mining Services, depending on which course maximises value;
- Simplifies the management of creditor claims and therefore reduce administration costs; and

- Facilitates the prospect of accelerated interim distributions to certain creditors.

The Administrators have modelled likely outcomes for creditors under a liquidation and under a DOCA. This can be found at **Appendix AD** of this report, and is reproduced below:

HWE Administration Group
Comparison of Administrators' estimated outcomes to creditors

	Liquidation % distribution	**Group DOCA** % distribution
Class order companies		
Henry Walker Eltin Group Limited	32.2%	55.8%
Henry Walker Eltin Contracting P/L	32.2%	55.8%
Henry Walker Environmental P/L	32.2%	55.8%
Henry Walker Underground P/L	32.2%	55.8%
HWIO P/L	32.2%	55.8%
Other Mining Pool companies		
HWE Cockatoo P/L	1.9%	55.8%
Eltin Underground Operations P/L	0.0%	55.8%
Eltin Surface Mining P/L	5.8%	55.8%
Non-core asset companies		
Bridge Autos P/L	5.3%	10.0%
Bulumba P/L	1.0%	10.0%
Capnorth Developments P/L	0.0%	10.0%
Castlemaine Wastewater Treatment P/L	9.9%	10.0%
Dover Investments P/L	100.0%	100.0%
HWE Civil P/L	0.0%	10.0%
HWE Finance P/L	18.5%	20.0%
HWE Land P/L	2.5%	10.0%
HWGL Services P/L	0.0%	10.0%
Inventive P/L	0.0%	10.0%
LSM Projects P/L	0.0%	10.0%
Northaust Auto Hire P/L	100.0%	100.0%
Simon Engineering (Australia) P/L	4.2%	10.0%
Simon Engineering (Australia) Holdings P/L	0.0%	10.0%
ACN 009 366 036 P/L	63.5%	100.0%
Eltin Open Pit Operations P/L	0.0%	10.0%
Castleton P/L	0.0%	10.0%
Eltin International P/L	5.8%	10.0%

At the meeting on 8 July 2005, the Administrators will explain to creditors the mechanics of the proposed DOCA.

As detailed above, whilst the Administrators recommend that creditors of all companies vote to adopt the proposed DOCA, they may call for an adjournment of meetings for certain entities. In that regard, depending on the progress of the sale of Mining Services, the meetings of those entities in the Mining Pool (as detailed in section 10) will, if appropriate, be adjourned, whereas the Administrators may seek resolutions approving a DOCA for those entities in the Non core Trade Creditor, Solvent Entity and Eltin pools. This matter will be discussed further at the meetings.

2. Introduction

To assist readers of this report, please note the following definitions:

HWE Consolidated Group	**Represents Henry Walker Eltin Group Limited and all 41 of its subsidiaries, including those which are not in administration.**
HWE Administration Group	**Represents Henry Walker Eltin Group Limited and its 25 Australian subsidiaries to which Voluntary Administrators were appointed.** See **Appendix A** for a complete listing of these entities.

A complete glossary is included at page 4 of this report.

2.1 Appointment of Administrators

The HWE Board resolved to appoint Administrators to the HWE Administration Group after Glencore withdrew from a proposed $100 million recapitalisation transaction on 30 January 2005. Without funding the Board could not be certain that the HWE Administration Group could continue to meet its debts as and when they became due.

On 31 January 2005, Messrs John Gibbons, Jack Crumlin and Keiran Hutchison of Ernst & Young were appointed Administrators to the HWE Administration Group pursuant to Part 5.3A of the Act.

On 1 February 2005, Messrs Gibbons, Crumlin and Hutchison tendered their resignation as Administrators of the HWE Administration Group on the grounds that they were potentially conflicted from taking the appointment (as Ernst & Young had previously audited the HWE Consolidated Group). Messrs Tony McGrath, Scott Kershaw, Joseph Hayes and Shaun Fraser of McN+ were then appointed Administrators to each of the companies in the HWE Administration Group.

Administrators have not been appointed to three of HWE's subsidiaries in Australia and its overseas subsidiaries in France, British Virgin Isles, Hong Kong, Chile, Denmark, Jamaica, New Zealand, Singapore and Indonesia. These entities are not subject to any form of insolvency procedure with the exception of PT Eltin Indonesia, which is in voluntary liquidation (initiated by the directors before the appointment of the Administrators).

2.2 Correspondence to creditors

The first meetings of creditors of the HWE Administration Group were held on 8 February 2005. At those meetings the creditors appointed committees of creditors for certain entities in the HWE Administration Group. The various committees of creditors have consulted with the Administrators about matters relating to the administrations and have regularly received and considered reports by the Administrators.

Since the first meeting of creditors on 8 February 2005, the Administrators have held meetings with the committees of creditors on four occasions and mailed updates to all known creditors on 14 March 2005 and 24 May 2005.

Minutes of the first meetings of creditors, a copy of these updates and copies of all media releases can be found on the Administrators' website: (www.mcgrathnicol.com.au).

2.3 Object of Administration

The object of the Administrations is to provide for the businesses, property and affairs of the entities to be administered in a way that:

- Maximises the chances of the entities, or as much as possible of their businesses, continuing in existence; or
- Results in a better return for the companies' creditors and members than would result from an immediate winding up of the companies.

2.4 Purpose of report

The purpose of this report is to inform creditors about the companies' businesses, property, affairs and financial circumstances in preparation for the second meetings of creditors, and to provide creditors with our opinion as to the course of action which should be adopted.

Pursuant to section 439A of the Act, the Administrators must convene meetings of creditors of each entity in the HWE Administration Group and provide:

- A report about the business, property, affairs and financial circumstances of each entity in the HWE Administration Group; and
- A statement setting out the Administrators' opinion, supported by their reasons, on each of the following matters:
  - Whether it would be in the creditors' interests for each entity to execute a DOCA;
  - Whether it would be in the creditors' interests for each entity for the administrations to end; or
  - Whether it would be in the creditors' interests for each entity to be wound up; and
  - If a DOCA is proposed in respect of any entity in the HWE Administration Group, a statement setting out details of the proposed DOCA.

The creditors of each entity in the HWE Administration Group may vote at the second meeting of creditors on the options outlined above concerning the future of those entities.

Sections 4 to 9 of this report set out information about the business, property, affairs and financial circumstances of the HWE Administration Group and, where appropriate, each entity in the HWE Administration Group. Relevant information concerning each entity in the HWE Administration Group is also contained in **Appendices B to AA** of this report.

The Administrators' opinion concerning the options available to creditors in relation to each entity in the HWE Administration Group is set out in section 10 of this report.

2.5 Acknowledgement

The Administrators wish to acknowledge the support of the HWE Administration Group employees, their unions, creditors, customers and suppliers, and to recognise the specific assistance provided by the creditors' committees.

2.6 Nature of forecasts and estimates

In considering the options available to creditors and formulating their recommendation, the Administrators have necessarily made forecasts of asset realisations, and have been required to make estimates of the ultimate quantum of creditor claims for each entity in the HWE Administration Group. These forecasts and estimates will change as asset realisations progress and as creditor claims are made and then adjudicated upon. Whilst the forecasts and estimates are the Administrators' best assessment in the circumstances, creditors should note that the ultimate deficiency in each entity and so the outcome for creditors could differ from the information provided in this report.

3. Second creditors' meeting

3.1 Extension of convening period

The first meeting of creditors was held on 8 February 2005. A second meeting of creditors to determine the future of the companies is normally held within four weeks of the appointment of the Administrators.

The Administrators have obtained Federal Court orders from His Honour, Justice Hely, extending the period for convening the second meetings of creditors initially to 23 May 2005 and then to 5 July 2005. The applications were made on the basis that additional time was required to progress the sale process and conduct investigations into the companies' affairs and financial circumstances to a stage where the Administrators would be in a position to express an informed opinion in regard to the options available to creditors.

The second creditors meetings are being held on 8 July 2005.

3.2 Meeting details

The table overleaf sets out venue information for the second creditors' meetings.

The meeting venues will be linked via video conferencing and creditors are able to participate in the meetings from **ANY** of the following venues.

Location	Administration Company	Venue	Registration Time	Meeting Time
Perth	▪ Henry Walker Eltin Group Limited ▪ ACN 009 366 036 Pty Limited ▪ Bulumba Pty Limited ▪ Capnorth Developments Pty Limited ▪ Castlemaine Wastewater Treatment Pty Limited ▪ Castleton Pty Limited ▪ Eltin International Pty Limited ▪ Eltin Open Pit Operations Pty Limited ▪ Eltin Surface Mining Pty Limited ▪ Eltin Underground Operations Pty Limited ▪ Henry Walker Eltin Contracting Pty Limited ▪ Henry Walker Underground Pty Limited ▪ HWE Civil Pty Limited ▪ HWE Cockatoo Pty Limited ▪ HWE Finance Pty Limited ▪ HWGL Services Pty Limited ▪ HWIO Pty Limited ▪ Inventive Pty Limited ▪ LSM Projects Pty Limited ▪ Northaust Auto Hire Pty Limited ▪ Simon Engineering (Australia) Pty Limited ▪ Simon Engineering (Australia) Holdings Pty Limited.	Sheraton Perth Hotel 207 Adelaide St, Perth, WA	From 10:30am (WST)	12 noon (WST)
Darwin	• Bridge Autos Pty Limited • HWE Land Pty Limited • Dover Investments Pty Limited	Holiday Inn Esplanade Darwin The Esplanade, Darwin, NT	From 11.30am (CST)	1:30pm (CST)
Sydney	No meetings will be convened in Sydney. However creditors of all companies are able to attend the Sydney venue AND participate in the meetings for all the companies in the HWE Administration Group via video link.	Wesley Conference Centre 220 Pitt Street, Sydney, NSW	From 12 noon (EST)	2pm (EST)

The various meetings of the companies will be convened in the locations specified above. The Chairman of the Darwin meeting will then propose a resolution that the meetings for the Darwin based companies be held concurrently with the Perth meetings. Provided the resolution is carried, the business of all meetings for the HWE Administration Group will be conducted from Perth.

Creditors who have lodged a proof of debt and a proxy form (where required), will be entitled to vote and ask questions of the Chairman from **ANY** of the three meeting locations.

The Administrators are considering the practical requirement for additional facilities to assist New Zealand creditors, and will report to those creditors separately in relation to that issue.

3.3 Submission of proofs of debt and proxy forms

Creditors who have already lodged a proof of debt for voting purposes do not need to complete a new proof.

However, the proxy forms lodged by creditors for the first meeting cannot be used for the second meeting. Accordingly, creditors who are unable to attend the meeting and wish to be represented should ensure that a proxy form, power of attorney or evidence of appointment of a company representative is completed. Documents may be lodged with Computershare prior to the meeting or may be brought to the meeting.

In accordance with the Act, ALL corporate creditors are required to submit a proxy should they wish to be represented.

A formal notice of meeting, proof of debt form and proxy form are included in the pack of information sent to creditors with this report.

Creditors are requested to return the completed proof of debt form and proxy forms to Computershare by 12 noon **Thursday 7 July 2005** by:

- Fax: +61 2 8235 8220; OR
- Post: Computershare Investor Services Pty Limited
  GPO Box 4195
  Sydney NSW 2001
  Australia

Creditors who require further details should please contact the HWE Creditors Meeting hotline on +61 (0) 2 9887 6425.

4. Background

4.1 History of the HWE Consolidated Group

HWE is a public company listed on the ASX. It is the ultimate parent company of 41 other companies, comprising 27 Australian companies and 14 foreign companies, and is also involved in a number of joint ventures. The Group operates primarily in the engineering, construction, mining and maintenance services sectors.

The business of Henry Walker commenced operation in 1962 as a civil engineering contracting business and branched into contract mining in 1987. The company's head office facilities are currently located in North Ryde, Sydney (New South Wales) and have previously been located in Adelaide (South Australia) and Darwin (Northern Territory).

Henry Walker listed on the ASX on 1 June 1980 under the name Hollandier Limited and twice changed its name, firstly to Henry & Walker Limited (18 March 1981) and then to Henry Walker Group Limited (19 December 1986). A merger with Eltin Limited (a listed underground contract mining business) in May 1999 created Henry Walker Eltin Group Limited.

The Group, as presently structured, evolved as a result of a series of acquisitions over the last 10 years. A timeline of the evolution of the HWE Consolidated Group is as follows:

February 1995	Acquisition of Roxbury Underground in Kalgoorlie (WA).
June 1997	Acquisition of the water process engineering group Tubemakers of Australia Limited in Australia and Thailand. The Thailand operations were subsequently closed.
November 1997	Acquisition of Trinity Cairns, a motor vehicle dealership in Cairns.
May 1999	Henry Walker Group Limited merged with Eltin Limited.
May 2000	Acquisition of Simon Engineering – a mechanical, process and electrical engineering services business.
December 2002	Acquisition of LSM Projects - a civil engineering project management business.
April 2004	Acquisition of the Total Machining and Fabrication business in WA ("TMF").
May 2004	Acquisition of aiM Maintenance business in WA – to access employees for Simon Engineering.

Over the same period there were also a number of non-core divestments including:

- Rossair;
- An Avis franchise in Darwin;
- The Trinity Cairns motor vehicle dealership;
- Agserv equipment dealerships in Darwin and Kadina (SA) (aircraft service and maintenance);
- A Coomera land development (QLD); and
- Triwater water treatment assets.

4.2 Structure of the HWE Consolidated Group

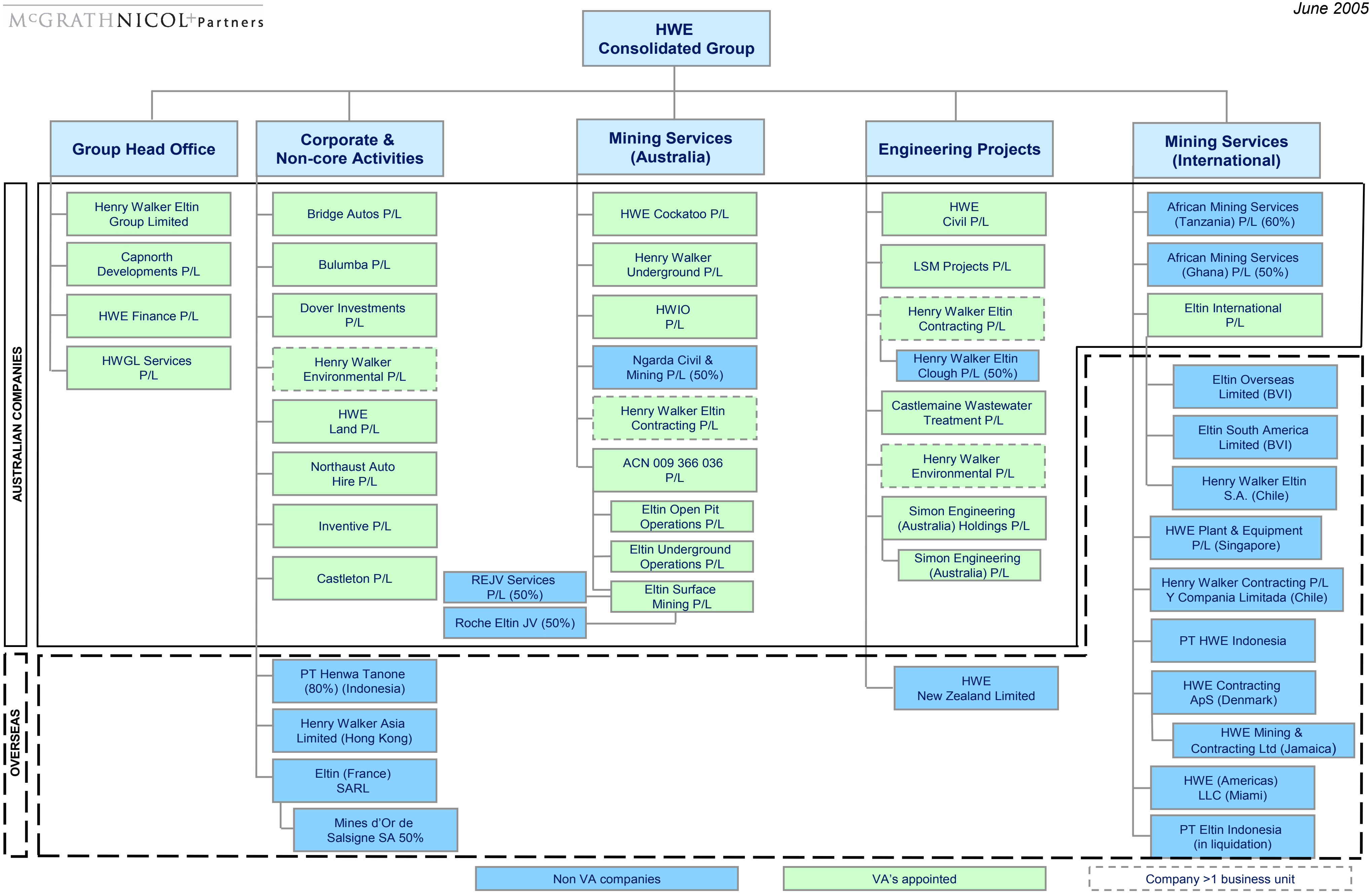
4.2.1 Business Units

At the time of the Administrators' appointment, the HWE Consolidated Group conducted its operations in four key business units:

Mining Services	Contract mining operations (Australian and International)
Engineering Projects	Civil engineering and construction projects (primarily HWE Civil and Simon Engineering's Projects business)
Operations and Maintenance Services	Comprising Simon Engineering's Services business (TMF, AIM and water treatment plants)
Non-core Activities	Includes the operations of Bridge Autos, land investments and other investments

4.2.2 Corporate structure

The following chart provides an outline of the HWE Consolidated Group corporate structure as at 31 January 2005. Those companies under administration are identified with light shading. We have also separately marked those entities which operate in both mining and engineering business units (HWE Contracting and HWE Environmental).


HWE
Consolidated Group
Group Head Office
Corporate &
Non-core Activities
Mining Services
(Australia)
Engineering Projects
Mining Services
(International)
AUSTRALIAN COMPANIES
OVERSEAS
Henry Walker Eltin
Group Limited
Capnorth
Developments P/L
HWE Finance P/L
HWGL Services
P/L
Bridge Autos P/L
Bulumba P/L
Dover Investments
P/L
Henry Walker
Environmental P/L
HWE
Land P/L
Northaust Auto
Hire P/L
Inventive P/L
Castleton P/L
REJV Services
P/L (50%)
Roche Eltin JV (50%)
PT Henwa Tanone
(80%) (Indonesia)
Henry Walker Asia
Limited (Hong Kong)
Eltin (France)
SARL
Mines d'Or de
Salsigne SA 50%
HWE Cockatoo P/L
Henry Walker
Underground P/L
HWIO
P/L
Ngarda Civil &
Mining P/L (50%)
Henry Walker Eltin
Contracting P/L
ACN 009 366 036
P/L
Eltin Open Pit
Operations P/L
Eltin Underground
Operations P/L
Eltin Surface
Mining P/L
HWE
Civil P/L
LSM Projects P/L
Henry Walker Eltin
Contracting P/L
Henry Walker Eltin
Clough P/L (50%)
Castlemaine Wastewater
Treatment P/L
Henry Walker
Environmental P/L
Simon Engineering
(Australia) Holdings P/L
Simon Engineering
(Australia) P/L
HWE
New Zealand Limited
African Mining Services
(Tanzania) P/L (60%)
African Mining Services
(Ghana) P/L (50%)
Eltin International
P/L
Eltin Overseas
Limited (BVI)
Eltin South America
Limited (BVI)
Henry Walker Eltin
S.A. (Chile)
HWE Plant & Equipment
P/L (Singapore)
Henry Walker Contracting P/L
Y Compania Limitada (Chile)
PT HWE Indonesia
HWE Contracting
ApS (Denmark)
HWE Mining &
Contracting Ltd (Jamaica)
HWE (Americas)
LLC (Miami)
PT Eltin Indonesia
(in liquidation)
Non VA companies
VA's appointed
Company >1 business unit

In addition to the Australian companies HWE had subsidiaries registered in overseas jurisdictions, including New Zealand, France, British Virgin Islands, Hong Kong, Chile, Denmark, Jamaica, Singapore and Indonesia, which are not in Administration. The Administrators have undertaken independent reviews of those operations where appropriate.

Summary information for those entities to which Administrators have been appointed are detailed in **Appendix A**. More detailed statutory and financial information for companies under Administration on an entity-by-entity basis are outlined in **Appendices B to AA**.

4.3 Overseas operations

As at 31 January 2005, HWE's principal overseas trading operations were:

- HWE Mining and Contracting Limited ("HWE Jamaica") – providing mining and civil engineering services. Glencore is an equity partner in both joint ventures.
- Henry Walker Eltin SA ("HWE Chile") – an equipment hire business located in Santiago. Equipment is currently employed on short-term hire contracts to various mining interests within Chile.
- African Mining Services (Ghana) Pty Limited ("AMS") – a 50% JV with Ausdrill Limited, operating several mining services contracts in Ghana.
- PT HWE Indonesia and PT Henwa Tanone (principally "the Bengalon Project", or "the KPC Project") **–** a 10-year coal-mining contract with PT Bumi Resources.

Further information on these entities is provided in section 8 of this report.

4.4 Outstanding winding up applications

No winding up applications were filed against HWE or its Australian subsidiaries prior to our appointment.

4.5 Charges

The following charges are currently registered against HWE or its Australian subsidiaries.

Company	Charges	Status
HWIO Pty Ltd	Equipment lease with Mining Equipment Company Pty Ltd	Facility still operational, charge still required
Dover Investments Pty Ltd	Company charge in favour of ANZ Bank (22 December 1998)	Facility still operational, charge still required
Castlemaine Wastewater Treatment Pty Ltd	Fixed charge in favour of Coliban Region Water Authority (19 March 1999)	Charge still required. Should be transferred with sale of business
Henry Walker Environmental Pty Ltd	Mortgage in favour of South Australia Water Corporation (18 November 1996)	Charge still required. Should be transferred with sale of business

4.6 Corporate entities by activity

For ease of reference, the following table cross-references entities in the HWE Administration Group, to the business units they operate in, and then to the key assets in that particular entity.

Business Unit	Entity	Business Operation
Mining Services	ACN 009 366 036 Pty Limited	Former Eltin listed holding entity
	Eltin International Pty Limited	Dormant
	Eltin Open Pit Operations Pty Limited	Mining Entity
	Eltin Surface Mining Pty Limited	Mining Entity
	Eltin Underground Operations Pty Limited	Mining Entity
	Henry Walker Eltin Contracting Pty Limited	Principal mining entity
	Henry Walker Underground Pty Limited	Mining Entity
	HWE Cockatoo Pty Limited	Joint Venture for Cockatoo Island Project
Engineering Projects and Operations & Maintenance	Castlemaine Wastewater Treatment Pty Limited	Owns water infrastructure assets at Castlemaine and Bendigo
	Henry Walker Environmental Pty Limited	Owns Aldinga (South Australia) water infrastructure assets
	Simon Engineering (Australia) Pty Limited	Main Simon Engineering operating entity
	Simon Engineering (Australia) Holdings Pty Limited	Simon Engineering holding entity
Non-Core Activities	Bridge Autos Pty Limited	Toyota dealership in Northern Territory
	Bulumba Pty Limited	Holds interest in Ascot Waters development
	Dover Investments Pty Limited	Holds interest in Bayview Haven development in the Northern Territory
	HWE Land Pty Limited	Land holder/developer in Northern Territory
	Inventive Pty Limited	Dormant
Group Head Office	Henry Walker Eltin Group Limited	Listed holding entity and ultimate parent company
	Capnorth Developments Pty Limited	Vehicle for provision of loans to employees share scheme
	Castleton Pty Limited	Holds small equity parcels
	HWE Civil Pty Limited	Dormant
	HWE Finance Pty Limited	Finance vehicle borrowing externally and provide Intercompany loans
	HWGL Services Pty Limited	Administration Entity
	HWIO Pty Limited	Dormant
	LSM Projects Pty Limited	Dormant
	Northaust Auto Hire Pty Limited	Dormant

5. Mining Services

A separate section of this report is devoted to Mining Services as it is the most significant business unit in the HWE Administration Group, and the majority of the assets are yet to be realised by the Administrators.

5.1 Background

Although predominantly operating as a division within HWE Contracting, the Group's domestic Mining operations also operates through the following additional corporate entities, all of which are in voluntary administration with the exception of Ngarda:

- Eltin Surface Mining Pty Ltd
- Eltin Underground Operations Pty Ltd
- Henry Walker Underground Pty Limited
- HWE Cockatoo Pty Ltd
- Ngarda Civil & Mining Pty Ltd ("Ngarda")

The majority of mining contracts and predominantly all the plant and equipment, and supplier and employee contracts are held within HWE Contracting, with a small number of mining contracts and a joint venture interest held in the corporate entities detailed above.

The Group also has international mining operations in Indonesia, Ghana, Chile, Jamaica and New Zealand. These interests are held in a number of domestic and overseas entities as shown on the corporate structure of the HWE Consolidated Group shown earlier in this report.

5.2 Nature of business

Mining Services specialises in providing contract mining services to the mining industry. It is Australia's largest contract mining services provider to the iron ore sector and is active in gold, coal, nickel and bauxite mining. Mining Service's international operations currently include mining coal in New Zealand for Solid Energy (a New Zealand energy provider), gold mine development in New Zealand for Newmont Mining, and bauxite mining in Jamaica for Windalco (a joint venture between Glencore International and the Jamaican Government). The Mining Services business unit also operates through a number of joint venture arrangements in Australia including the Cockatoo Island JV, a joint venture with Portman, and Ngarda Civil and Mining, a company owned in partnership with indigenous business interests.

Mining Services provides a wide spectrum of services for mining projects, including;

- Mine preparation – including development earthworks and construction, site preparation, pre-strip site infrastructure, storage facilities and bulk earthworks;

- Surface mining – including drilling and blasting, loading and hauling, grade control, materials handling and conveying, de-watering and environmental management;

- Underground mining – including decline/mine development, diamond drilling, longhole drilling, ground support, load and haul, raise boring, shotcreting, dewatering and mine production;

- Processing – including plant design and construction, operation and maintenance, crushing and screening, landing and product handling, concentrating, pelletising and ship and train loading;

- Rehabilitation – including mine closure, revegetation, site remediation and site rehabilitation; and

- Technical advice and analysis – including analysis and problem solving for various aspects of mine planning and processing.

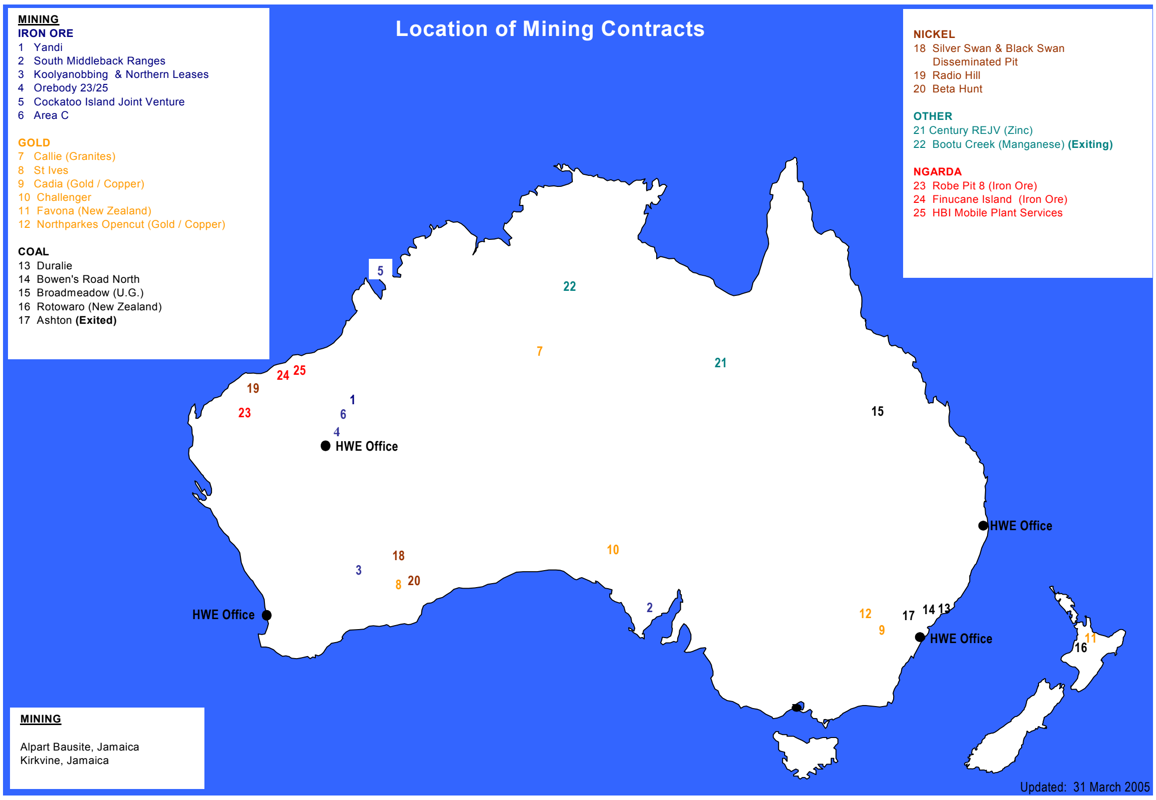
Mining Services is headquartered in Perth and maintains regional offices in Newman (WA) and Rotowaro (New Zealand) in addition to site offices at each of its current operations.

Mining Services currently manages and operates a number of surface and underground mining projects throughout Australia which has generated approximately $700 million of revenue per annum.

Details, including the sector and activity, of each of the eighteen continuing mining contracts are summarised below:

Sector	Client	Project	Activity
Iron ore	BHP Billiton Iron Ore Pty Limited	Area C	Surface mining & processing
		Orebody 25	Surface mining & processing
		Yandi	Surface mining & processing
	Portman Iron Ore Limited	Koolyanobbing & Northern Leases	Surface mining & processing
		Cockatoo Island JV	Surface mining & processing
	Onesteel Manufacturing Pty Ltd	South Middleback Ranges	Surface mining & processing
Gold	Newmont Tanami Pty Limited	Callie	Underground mining
	Newmont Waihi Gold Pty Ltd	Favona NZ	Underground mining
	Dominion Gold Operations Pty Ltd	Challenger	Underground mining
	Gold Fields Australia Limited	St Ives	Processing
	Rio Tinto Ltd	North Parkes Open Cut	Surface and underground mining
	Newcrest Mining Ltd	Cadia	Plant hire
Coal	BHP Billiton Mitsubishi Alliance	Broadmeadow	Underground mining
	Gloucester Coal Limited	Duralie	Surface mining
		Bowens Road North	Surface mining
	Solid Energy New Zealand Ltd	Rotawaro and Awaroa NZ	Surface mining
Nickel	Fox Resources Ltd	Radio Hill	Underground mining
	Reliance Operations Ltd	Beta Hunt	Underground mining

The map below indicates the location of each of the continuing mining contracts in Australia and New Zealand, together with those exited since the appointment of Administrators. It does not include the Chile, Indonesia and other international contracts and joint ventures.



5.3 Schedule of assets

As noted above, Mining Services' Australian operations are principally conducted through the entity HWE Contracting. HWE Contracting therefore holds the majority of the Australian mining assets as well as certain assets allocated to other business units such as Engineering Services. Summarised below is the net book value of assets as at 31 January 2005 taken from the Directors' HWE Contracting RATA, along with those specifically attributable to Mining Services.

Asset	**HWE Contracting Total**	**Mining Services Australia**
	$m	**$m**
Land and buildings	0.4	0.4
Fixed plant	14.9	14.3
Mobile plant	94.9	92.9
Office and IT equipment	2.6	0.3
Stock	11.1	11.1
WIP	14.4	4.0
Debtors	110.1	77.1
Cash at bank	28.4	0.1
Other assets	19.8	1.5
Total assets not subject to charge	**296.6**	**201.7**

Source: Directors' HWE Contracting Report as to Affairs and Administrators analysis

As detailed later in this report, the Administrators have realised certain of these assets and have commissioned valuations for others.

5.4 Administrators' actions to date

The key actions taken to date by the Administrators included:

- Retaining key managerial staff, who are reporting to the Administrators with respect to day-to-day operations;
- Reviewing each of the mining contracts, resulting in re-pricing of certain contracts and negotiations for other contracts to agree either increased schedules of rates or cost-plus pricing arrangements. Contract negotiation is a complex and time-consuming task that requires intensive customer liaison;
- Exiting the Ashton coal mining contract via the sale of equipment to the mine owner;
- Exiting the Bootu Creek manganese mining contract. The principal engaged an alternate operator to continue the design and construct phase of this project;
- Ongoing dialogue with all major customers, most of whom are supportive of the Administrators' strategy;

- Reviewing the capital expenditure requirements necessary to maintain the business operations in the short and medium term. Due to a delivery lead-time of up to 18 months for much of the mobile plant required to maintain operations, and the market shortage of such equipment, it has been necessary for the Administrators to place purchase orders with original equipment manufacturers to secure delivery of equipment in a timely manner and avoid disruption to ongoing operations;

- Maintaining a close working relationship with major suppliers. The majority of suppliers have been supportive during the period of administration, and have continued to supply with a minimum of disruption to operations;

- Reviewing certain accounting and supply chain processes. As a consequence a number of additional controls and procedures have been introduced;

- Implementing an employee retention program to assist in retaining key employees that are critical to the ongoing business operations;

- Maintaining safety and insurance protocols to the required standards, and obtaining an independent review of safety and OH & S procedures;

- Working with management to prepare a Business Plan and financial forecasts to support the sale process. The long-term financial model supporting HWE's Mining Services strategy must be sufficiently robust to support scrutiny by potential purchasers. In this regard, the Administrators, in conjunction with KPMG, have tested the financial model focussing on its rigidity along with reasonableness of its assumptions, accounting policies and costing measures;

- Assisting in the preparation of the Information Memorandum being prepared by Macquarie Bank for the sale of the Mining Services businesses;

- Preparing the Data Room for the sales process. These activities are overseen by a Due Diligence committee including representatives of the Administrators, experienced HWE staff and our legal, financial and other advisers; and

- Ongoing negotiation of operating and finance lease facilities with several financiers including put/call security arrangements with clients on the relevant equipment.

As mentioned above, the Administrators have prepared an Information Memorandum, which will be released to interested parties subject to strict confidentiality arrangements. There is more information on this process in the 'Administrators Strategy' section below.

6. Financial statements

6.1 Context

This section of the report sets out historical financial information for the HWE Consolidated Group as recommended by the IPAA Statement of Best Practice for Administrators. HWE Consolidated Group numbers have been used as they are more readily available and have been independently audited for complete financial years.

Effective comparisons between the statements in this section and the following section summarising the RATA's are impacted by:

- Full year and YTD figures are prepared at 30 June and 31 December whereas data for RATA's are prepared as at 31 January 2005;
- Accounting data, which reflects appropriate treatment on consolidation, whereas figures in the RATA section of the report are book values taken from financial systems, together with Directors' adjustments for estimated realisable values; and
- Consolidated data below, which includes financial information for companies that are not in Administration but are wholly owned subsidiaries.

Nevertheless, we believe that the statements included in this section are the most appropriate to use for a historical analysis of the financial performance and position of HWE.

Individual financial information for the 26 entities in administration is included in the appendicies to this report. This includes entity by entity statements of financial performance, financial position and a summarised Directors' RATA.

The historical financial results for HWE and its subsidiaries for the financial years ending 30 June 2003 and 2004 have been sourced from the audited annual reports of the HWE Consolidated Group. Ernst & Young were the external auditors for the 2003 financial year and PricewaterhouseCoopers were the external auditors for the 2004 financial year.

YTD covers the period 1 July 2004 to 31 December 2004. Figures have been provided by management and were not audited prior to the appointment of Administrators. This information has not been verified by the Administrators.

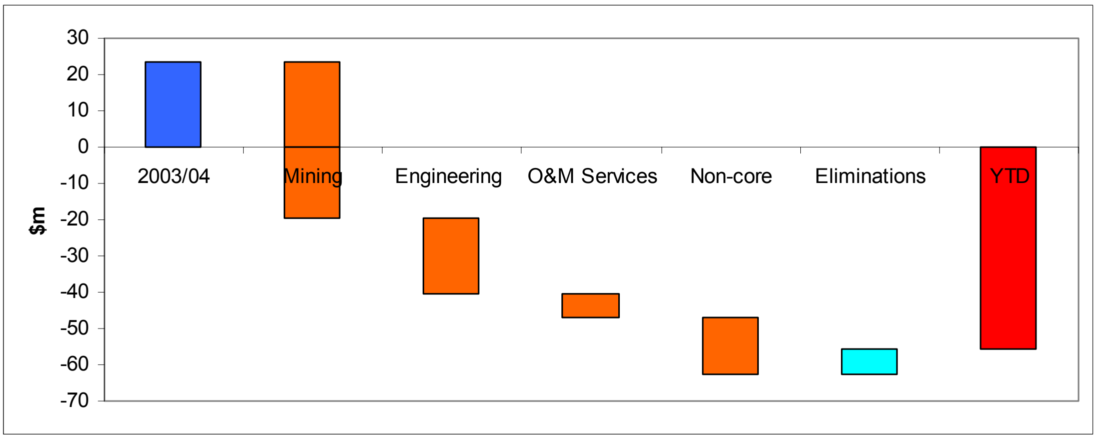
6.2 Statements of financial performance

A summary of recent financial performance for the HWE Consolidated Group is shown below.

	2002/03 $m	2003/04 $m	YTD $m
Revenue	1,081.5	1,126.3	673.1
EBITDA	78.5	97.9	(25.8)
EBIT	**(24.7)**	**23.5**	**(55.8)**
Profit Before Tax (Controlled Entities)	(48.3)	0.3	(65.2)
Share of net profits of associates and joint ventures	9.9	10.9	2.5
Profit Before Tax	**(38.4)**	**11.2**	**(62.8)**
Net Profit After Tax - Ordinary Activities	(24.5)	15.9	(59.4)

Source: Audited annual reports & management accounts

The YTD EBIT loss of $55.8 million, when compared to the 2004 EBIT of $23.5 million represents a significant decline in performance on a comparable basis. The chart below shows the variance in performance by business unit and seeks to reconcile the 2003/04 consolidated financial performance to the YTD consolidated financial performance.



The decline in performance from the 2003/04 financial year to the six months to 31 December 2004 appears to be due to a decline in performance from all key business units, and is largely due to one-off adjustments to more accurately state HWE's WIP and other asset values. The details for each divisional operation are dealt with elsewhere in this section. The key points in respect of consolidated performance include:

- The earnings of the HWE Consolidated Group have been volatile in recent years because of significant one-off adjustments to reported results. No material adjustments were necessary for the year ending 30 June 2004 and accordingly there was positive EBIT and PBT in that year;
- The major revenue contributor has historically been core mining operations which accounted for approximately 63% of total revenue in the year ending 30 June 2003 and 62% of total revenue in the year ending 30 June 2004;

- For the year ending 30 June 2004, the HWE Consolidated Group generated EBIT of \$23.5 million and PBT of \$11.2 million. The annual report indicates that PBT from controlled subsidiaries was only \$0.3 million with the balance of \$10.9 million coming from joint ventures and associates. However, according to management, the allocation of overheads (and so the proportionate PBT) as between JV's and controlled entities could have been stated differently; and

- Despite increased YTD revenue (on a comparable basis with prior years), there was a significant decline in EBIT performance from previous periods. Management have attributed the EBIT losses of \$55.8 million to write-downs of property plant and equipment, goodwill and investments and other write-offs and trading losses.

- The YTD EBIT losses of \$55.8 million are set out below:

	\$m
Trading losses	18.6
Property, plant and equipment write downs	11.7
Goodwill write-downs	8.1
Investment downgrades	6.0
Other	11.4
Total	**55.8**

Source: HWE Management

Further analysis on a business unit basis is detailed below.

6.2.1 Mining Services

	2002/03 \$m	**2003/04 \$m**	**YTD \$m**
Revenue - ordinary activities	690.0	695.7	427.7
EBITDA	65.0	95.2	7.7
EBIT	**(33.2)**	**24.3**	**(18.8)**

Source: Management Accounts

For the year ended 30 June 2004 Mining Services revenue of \$695.7 million accounted for approximately 62% of the HWE Consolidated Group's revenue. Mining Services EBIT was \$24.3 million, relative to total HWE Consolidated Group EBIT of \$23.5 million. As such the Group's overall results were materially impacted by the poor performance of other business unit operations.

In the six months to 31 December 2004, Mining Services revenue of \$427.7 million accounted for 63% of total revenue earned by the HWE Consolidated Group. However, it generated an EBIT loss of \$18.8 million, a significant decline on prior year performance. The major factors causing the decline were:

- Unrecoverable work in progress on the Ashton mining contract (\$10.4 million);

- Write-downs of property plant and equipment ($5.7 million);
- One-off adjustments to the annual leave provision ($3.0 million);
- Start-up costs for the KPC/Bengalon project ($2.9 million);
- Trading losses resulting from production shortfalls in Jamaica ($2.2 million); and
- Write-off of an international withholding tax receivable ($1.1 million).

Excluding the above one-off adjustments totalling $25.3 million, Mining Services would have reported an EBIT surplus of $6.5 million, still well below 2004 results on a comparable basis.

6.2.2 Engineering Services

	2002/03	**2003/04**	**YTD**
	$m	**$m**	**$m**
Revenue - ordinary activities	180.4	211.0	131.3
EBITDA	0.5	(3.7)	(27.3)
EBIT	**(3.5)**	**(7.7)**	**(28.6)**

Source: Management Accounts

For the year ended 30 June 2004, division revenue of $211 million accounted for 19% of the HWE Consolidated Group's revenue generating an EBIT loss of $7.7 million. In the six months to 31 December 2004 the division revenue of $131.3 million accounted for 19.5% of total consolidated revenue, but generated an EBIT loss of $28.6 million.

Management attribute the poor performance to:

- Write-offs of non-recoverable amounts of Civil WIP at Fisherman Island ($10.2 million); Telfer ($2.5 million); Altona Water Treatment ($2.2 million); Bass Gas electrical contract ($1.4 million) and Entrance Road Upgrade ($0.5 million);
- Write-off of LSM goodwill ($8.1 million); and
- Write-off of obsolete plant and equipment ($6.0 million).

6.2.3 Operations and Maintenance Services

	2002/03	**2003/04**	**YTD**
	$m	**$m**	**$m**
Revenue – ordinary activities	76.1	116.3	83.6
EBITDA	1.3	2.0	(3.3)
EBIT	**1.0**	**1.7**	**(4.7)**

Source: Management Accounts

For the year ended 30 June 2004, division revenue of $116.3 million accounted for 10% of the HWE Consolidated Group's revenue generating an EBIT of $1.7 million. In the six months to 31 December 2004 the division revenue of $83.6 million accounted for 12% of total consolidated revenue, and generated an EBIT loss of $4.7 million.

Management attribute the EBIT loss to one-off adjustments for the write-down of asset values; primarily the write-down in the carrying value of the Coliban water treatment assets by $6.0 million.

6.2.4 Bridge Autos

	2002/03	2003/04	YTD
	$m	$m	$m
Revenue - ordinary activities	95.4	92.3	50.9
EBITDA	4.0	2.0	1.5
EBIT	**3.8**	**1.7**	**1.3**

Source: Management Accounts

For the year ended 30 June 2004, division revenue of $92.3 million accounted for 8% of the total HWE Consolidated Group's revenue and generated EBIT of $1.7 million. Revenue of $50.9 million for the six months to 31 December 2004 accounted for 7.5% of the total HWE Consolidated Group revenue and generated EBIT of $1.3 million.

6.2.5 Other non-core activities

	2002/03	2003/04	YTD
	$m	$m	$m
Revenue - ordinary activities	34.5	38.7	3.1
EBITDA	7.6	4.1	(11.2)
EBIT	**7.2**	**3.5**	**(11.7)**

Source: Management Accounts

Other non-core activities largely comprise land development investments and activities. For the year ended 30 June 2004, division revenue of $38.7 million accounted for 3.4% of HWE Consolidated Group's total revenue, generating EBIT of $3.5 million. YTD revenue of $3.1 million for the six months to 31 December 2004 accounted for only 0.4% of total HWE Consolidated Group revenue, generating an EBIT loss of $11.7 million.

Management attribute the majority of this EBIT loss to:

- Divestments of non core assets;
- Corporate finance costs, fees and charges associated with the proposed recapitalisation ($3.5 million);
- Redundancy costs ($2.0 million); and

- Inter-company foreign exchange losses ($4.7 million), which were eliminated on consolidation.

6.2.6 Inter-company eliminations

Solely for the purpose of reconciling financial performance by business unit to the consolidated position we set out below inter-company eliminations.

	2002/03	**2003/04**	**YTD**
	$m	**$m**	**$m**
Revenue - ordinary activities	5.1	(27.7)	(23.6)
EBITDA	0.0	(1.6)	6.8
EBIT	**0.0**	**0.0**	**6.8**

Source: Management Accounts

Inter-company eliminations represent transactions between members of the HWE Consolidated Group. These are required to be eliminated in full on consolidation to reflect only the Group's results from trading activities with external parties.

6.3 Statement of financial position

A summary of the HWE Consolidated Group's statement of financial position for the last two financial years ending 30 June 2003 and 2004, and for the six months to 31 December 2004, is summarised below.

Consolidated statement of financial position	30 June 2003 $m	30 June 2004 $m	31 Dec 2004 $m
Current Assets			
Cash	106.0	125.4	85.1
Receivables	146.6	185.3	152.4
Inventories	34.5	69.7	66.5
Other	16.4	40.6	73.2
Total Current Assets	**303.5**	**421.0**	**377.1**
Current Liabilities			
Payables	134.1	174.1	169.7
Interest Bearing Liabilities	60.5	51.1	48.9
Provisions	18.5	21.1	29.8
Other	10.7	9.3	14.5
Total Current Liabilities	**223.8**	**255.6**	**262.9**
Working Capital	**79.7**	**165.4**	**114.2**
Non-current Assets			
Investments accounted for using the equity method	10.2	13.5	12.4
Property, Plant & Equipment	295.1	251.7	238.5
Intangible assets	22.1	23.8	14.2
Deferred tax assets	10.7	12.0	12.0
Other	23.6	6.5	11.2
Total Non-Current Assets	**361.7**	**307.6**	**288.2**
Non-Current Liabilities			
Payables	23.6	21.1	0.0
Deferred tax liabilities	24.6	19.7	15.0
Provisions	2.6	1.9	5.2
Interest Bearing Liabilities	193.1	179.3	192.1
Total Non-Current Liabilities	**243.8**	**222.0**	**212.3**
Total Assets	**665.2**	**728.7**	**665.3**
Total Liabilities	**467.6**	**477.7**	**475.2**
Net Assets	**197.6**	**251.0**	**190.1**

Source: Audited annual reports & management accounts

Key points:

- Net assets declined by $60.9 million in the six months to December 2004, which represents a fall of 24.3%;

- The decline in available working capital of $51.2 million from 30 June 2004 ($165.4 million) to 31 December 2004 ($114.2 million) was a result of reductions in cash and receivables based on aggressive collection procedures, to fund capex and KPC requirements; and

- The reductions in non-current asset values include the write downs discussed previously.

6.4 Statements of cash flow

Summarised below is the statutory cash flow for the HWE Consolidated Group for the years ending 30 June 2003 and 2004. Included for comparative purposes is the YTD cash flow for the six months ending 31 December 2004.

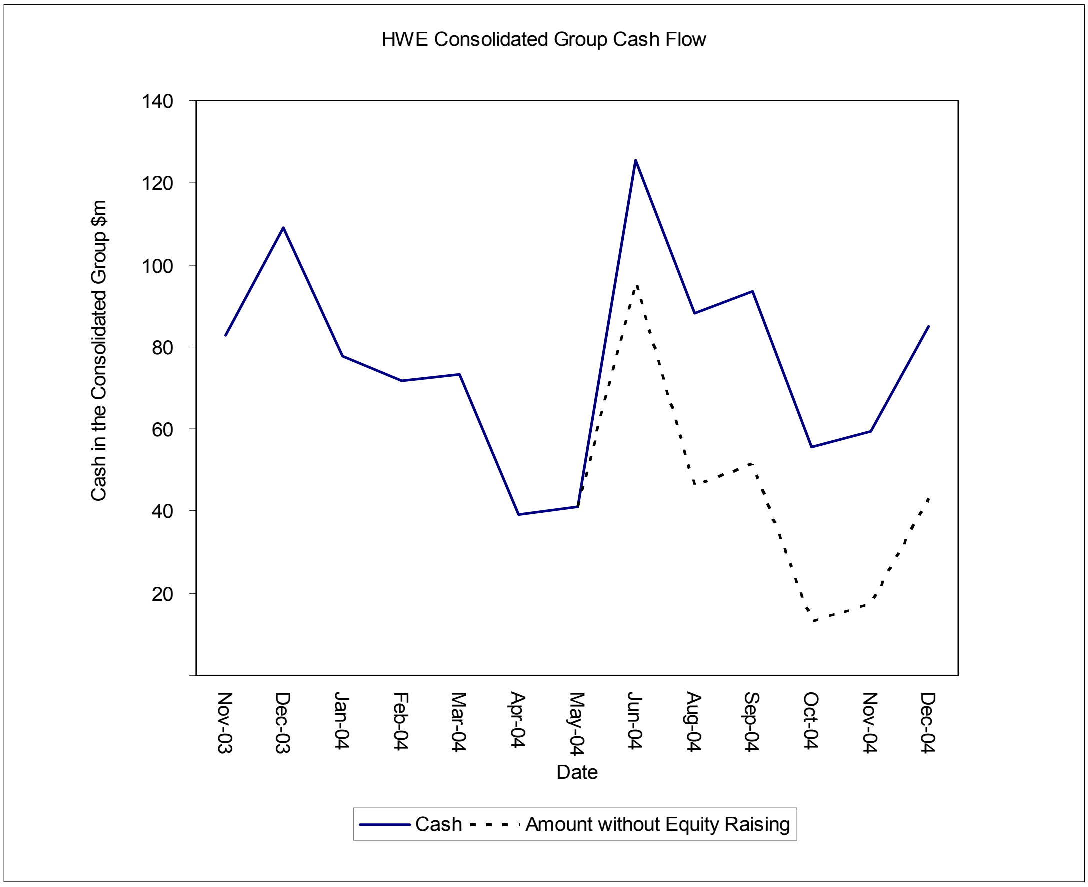
	2003	**2004**	**YTD**
	$m	**$m**	**$m**
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and Other Income Received	1,135.3	1,121.1	672.3
Payments to suppliers and employees	(1,045.7)	(1,069.5)	(632.8)
Interest	(14.9)	(12.6)	(4.8)
Dividends received	6.8	10.1	0.3
Income tax	(1.0)	(4.4)	(0.9)
Net cash flow from operating activities	**80.4**	**44.6**	**34.1**
CAPITAL EXPENDITURE			
Acquisition of property, plant and equipment	(96.3)	(53.5)	(62.9)
Proceeds from sale of property, plant and Equipment	23.4	35.3	33.1
Net cash flow from capital expenditure	**(73.0)**	**(18.2)**	**(29.7)**
CASH FLOWS FROM INVESTMENT ACTIVITIES			
Purchase and sale of investments	(9.0)	7.6	(0.4)
Associates loans and contributions	6.2	(0.3)	(3.3)
Dealings in Short Term cash deposits	(10.1)	(23.4)	(35.1)
Net cash flows (used in) investing activities	**(12.9)**	**(16.1)**	**(38.7)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Issue of shares	0.0	29.8	12.3
Proceeds from borrowings	22.9	28.1	0.0
Dividends paid	0.0	0.0	(3.3)
Borrowing repayments - other	(38.2)	(49.2)	(14.7)
Net cash flows from financing activities	**(15.4)**	**8.7**	**(5.7)**
Net increase/(decrease) in cash held	**(20.8)**	**19.1**	**(40.1)**
Add opening cash brought forward	128.2	106.0	125.4
Effects of exchange rate changes on cash	(1.4)	0.3	(0.3)
Closing cash carried forward	**106.0**	**125.4**	**85.1**

Source: Audited annual reports & management accounts

During 2003, the business used its net operating cashflow to invest in capital expenditure and repay borrowings. During 2004, diminished cash flow from operating activities resulted in lower levels of capital expenditure. Funds of $29.8 million were generated from the issue of shares.

In the six months to 31 December 2004 net cash from operating activities was above, on a like-for-like basis, cashflow in the prior twelve months predominantly due to accelerated collections from customers. The additional funds were used to fund capex resulting from the investment in the KPC project, and to repay borrowings which declined by $14.7 million.

As a result, the cash balance declined by approximately $40.3 million during the six months to 31 December 2004 partly as a result of the significant investment in KPC. The graph below shows the deteriorating liquidity position over the 6 months to 31 December 2004, despite the equity raisings.



Without the injection of significant equity the cash position would have deteriorated to $13.4 million in October 2004 which would have had a significant impact on the ability of the business to fund its operations during late 2004.

7. Reports as to Affairs

7.1 Summary

It is a requirement of the Act that the Directors of a company under administration provide the Administrators with a Report as to Affairs ("RATA") within 7 days of the appointment of Administrators. The RATA sets out the Directors' view of the company's assets and liabilities at the commencement of the administration. Due to the complexities involved in completing a RATA for each of the 26 companies to which Administrators were appointed, the Directors were granted a number of extensions.

A RATA for each of the HWE Administration Companies as at 31 January 2005 has been prepared by the Directors of each company. The RATAs were received by the Administrators in full on 6 May 2005. Summaries of each RATA for each entity are attached at **Appendices B to AA**.

A consolidated summary of the assets and liabilities disclosed by the RATAs for the HWE Administration Group is set out in the following table. To present the analysis on a consolidated basis, transactions within the HWE Administration group (i.e. loans, investments and borrowings) have been eliminated, based on the information provided in the individual RATAs. As such, the purpose of the analysis below is to provide creditors with an appreciation of the position of the HWE Administration Group as a whole, based on the RATA's presented:

	Notes	Book Value $m	Directors Estimated Realisable Value $m
Assets			
Cash at bank	1	63	63
Trade & other debtors	2	146	130
Inventory	3	42	29
Plant & Equipment	4	148	141
Land & Buildings	5	4	5
Investment in subsidiaries and Associates	6	7	7
Intercompany and Joint Venture loans	6	140	90
Assets Subject to Specific Charge		29	-
Less Amounts owing under Specific Charge	7	(27)	-
Other assets		28	23
Contingent Assets		36	24
Total		**617**	**512**
Liabilities			
Employee priority claims	8	30	30
Preferential Creditors		1	1
Unsecured Creditors			
Cross-guarantee			
Bond holders	9	177	177
Bank debt	9	30	30
Class Order			
Trade and Other	10	167	167
Non HWE Administration Group Intercompany debts	6	0.2	0.2
Assets subject to specific charge		-	26
Less amounts owing under specific charge		-	(27)
Contingent Creditors			
Operating lease liabilities	11	123	123
Deferred tax and other liabilities		22	22
Total		**550**	**551**
Estimated Surplus/(Deficiency) (Subject to costs of the administration/liquidation)		**66**	**(39)**

Source: Directors' Reports as to Affairs

Comments on individual company RATAs (in their complete form) are included in the Appendices.

7.2 Assets

We have not disclosed complete details of estimated realisable values in this report as a number of sale processes, including that of Mining Services, are ongoing and full disclosure may affect the prices ultimately obtained. Additionally, there remains considerable uncertainty as to the ultimate realisations achievable from the sale of a number of assets.

Those asset classes on which we can provide further details regarding estimated realisable values are discussed below.

Note 1 – Cash

At the date of the Administrators' appointment, the HWE Administration Group held cash balances at a number of financial institutions. Westpac, ANZ and BNP Paribas have claimed a contractual right to set-off certain balances held in the HWE Administration Group's trading and deposit accounts against amounts owing to them and other financial institutions under their facilities. Details of the set-off applied is summarised in the table below:

	Westpac $m	ANZ $m	BNP Paribas $m	Total $m
Cash held upon appointment	**39.6**	**12.8**	**18.6**	**71.0**
Derivatives set-off	(7.3)	-	(14.3)	(22.7)
Collateralise guarantee exposure	(12.1)	(12.8)	-	(23.8)
Syndicated debt facility set-off	(7.8)	-	(1.8)	(9.6)
Other costs and facilities	(0.8)	-	-	(0.8)
Balance returned to Administrators	**11.6**	**-**	**2.6**	**14.2**

In addition to the above balances, HWE Administration Group companies that are not guarantors of the debts due to the banks held cash of approximately $1.1 million at the date of the Administrators' appointment. These amounts have been recovered by the Administrators. As at 10 June 2005 Westpac had paid a further $3.4 million to the Administrators as cash-backed bank guarantees expired or were released.

Note 2 – Debtors

The realisable value of sundry debtors included in the Directors' RATAs totals approximately $130 million. The Administrators believe this is overstated as:

- Certain receivables included are tax receivables, which may be diminished as the ATO may seek to offset tax liabilities;
- Prepayments are not likely to be recovered; and
- Considerable disputed debtors will not be recoverable and offsets for damages will ultimately be claimed.

As at 6 May 2005 the Administrators had realised $53.5 million of pre-appointment debtors from the following business/entities:

Division/Entity	**$m**
Mining Services	44.3
Simon Engineering	17.0
Bridge Autos	2.2
Other	0.3
Total	**63.8**

Collection of pre-appointment debts can be problematic in these circumstances, as debtors will seek to set-off amounts due to them, and submit written claims for potential breaches of contract. The Administrators will all continue to progress further collection of pre-appointment debtors while it remains cost-effective to do so.

Note 3 – Inventory

The consolidated summary combines WIP with inventory. The realisable value for inventories will be impacted by:

- The inherent difficulties with collection of construction WIP subject to disputes;
- The obsolescence of certain inventory that may have been carried at book values in excess of their realisable value; and
- The suppliers who have established valid Retention of Title clauses in their trading contracts, resulting in their goods being returned by the Administrators. The Administrators have received 67 retention of title claims to date, totalling $8.7 million. As at 31 May 2005, the Administrators had accepted 30 claims, having a value of $2.4 million, and rejected 10 claims totalling $0.4 million. The remainder of claims are still being investigated.

As such, we consider the RATA realisable values of inventory and WIP over-stated.

Note 4 – Plant and Equipment

The Administrators have commissioned a valuation of owned plant and equipment which principally resides in the Mining Services businesses. The details of that valuation remain confidential. As set out in section 8, the Administrators consider the best method of disposal of HWE's plant and equipment assets are by way of a going concern sale of the Mining Services businesses.

Note 5 – Land and Buildings

The Group has a variety of property assets located principally in the Northern Territory. The land bank and portfolio of investment properties held by HWE Land Pty Ltd has been considered as "inventory" in the RATA for that entity. Other property assets, including interests in joint ventures and property trusts, are included under the "inter-company and joint ventures" headings of the consolidated RATA.

The realisable value of property assets remains uncertain at this stage of the Administration.

Note 6 – Investments in Subsidiaries and Intercompany Loans

Inter-company loans, investments and borrowings made with the HWE Administration Group as detailed in the Directors' RATAs have been eliminated in the summary. The remaining values represent the values of those investments, debtors and borrowings due to and owed by the HWE Administration Group. The realisable value of the assets remain uncertain at this stage of the administration.

Appendix AC summarises the HWE Administration Group's intercompany loan position as reflected in the RATAs. We note that the majority of intercompany creditors will be barred from proving their claims in a liquidation until the Australian Financial Creditors are paid in full.

Note 7 – Amounts owing under specific charge

Assets subject to specific charge represent assets subject to hire purchase agreements in favour of Caterpillar Finance, GE Commercial and Komatsu in respect of HWE Contracting. This class also includes vehicles captured under the floor plan arrangement in favour of Esanda Limited in respect of Bridge Autos Pty Limited.

7.3 Liabilities

Upon consolidation of the Directors RATAs unsecured liabilities total in excess of $550 million, inclusive of non HWE Administration Group inter-company loans. The total is likely to be significantly overstated as claims are ultimately admitted, provided the sale processes proceed satisfactorily.

Note 8 – Employee Entitlements

Employee entitlements include those entitlements assumed by the purchasers of Simon Engineering, the HWE NT Civil business and Bridge Autos which totalled $13.4 million (including redundancy allowances) as set out below. The values differ from those presented in the RATAs which was inaccurate:

Employee Entitlements	**Gross Amount $m**	**Transferred $m**	**Net Amount $m**
HWE Group Ltd Pty	44.9	3.2	41.7
Simon Engineering	10.9	9.7	1.2
Bridge Autos	0.6	0.5	0.1
Total	**56.4**	**13.4**	**43.0**

We expect the majority of the remaining employee entitlements to be transferred with the sale of Mining Services.

Note 9 – Bondholders and Lenders' debt

The table below summarises the estimated Lenders' debt position as at 31 January 2005. The position set out in the RATAs was incorrect and so is re-stated below.

Estimated Claims from Financial Creditors as at Administrators' appointment ($m)						
	Debt	**Guarantees**	**Derivatives**	**Other**	**Cash swept on appt**	**Total**
Bondholders	166.1	-	-	-	-	166.1
Westpac	7.8	12.1	7.3	0.8	(22.7)	5.3
NAB	12.6	12.1	-	-	(4.1)	20.7
CBA	4.2	-	-	-	(1.3)	2.9
HSBC	3.0	9.7	-	-	(1.0)	11.7
ANZ	-	13.9	-	-	(12.8)	1.1
BNP Paribas	2.4	-	14.3	-	(15.0)	1.7
Deutsche	-	-	4.1	-	-	4.1
	196.1	**47.8**	**25.7**	**0.8**	**(56.8)**	**213.6**

A schedule of the institutions making up the bondholder group is included in **Appendix AB** to this report.

The bondholders provided finance in the form of fixed and floating rate notes totalling USD115 million but with 'make whole' provisions. The notes have maturity dates between 2005 and 2010 and noteholders have historically received interest payments every six months.

The level of claims against the HWE Administration Group by the domestic and other banks is ultimately dependent on the extent to which performance bonds or guarantees are called upon. We anticipate that a successful going concern sale of Mining Services will result in the return of many of these guarantees. As noted above, certain banks have collateralised their exposure with cash swept upon the appointment of the Administrator. An equivalent amount of cash will be refunded to the Administrators as guarantees are returned or replaced.

Note 10 – Trade Creditors

The Directors' RATAs provide for a consolidated trade creditor figure of $167 million. From our investigations of company records and proofs of debt received to date this figure appears to be reasonable and has been utilised for DOCA modelling purposes, with further allowances for damages claims that may emerge.

Note 11 – Operating lease liabilities

Operating lease liabilities primarily relate to mining equipment leases held in HWE Contracting for the Mining Services business unit. Contingent operating lease commitments represent the future payments due to finance companies for the balance of the lease as at 31 January 2005.

These lease liabilities are contingent and are unlikely to crystallise. Should the assets subject to these leases be sold, amounts due under the leases would be required to be satisfied from the proceeds before other claims. Any surplus would then be available for other creditors, and shortfalls would rank as unsecured creditor claims. When Mining Services is sold or recapitalised it is anticipated that these leases will be assumed by a purchaser, and so surpluses/shortfalls have not been included in the presentation of the Administrators' DOCA proposal detailed later in the report.

7.4 Conclusion

Having regard to the adjustments we have made to present the consolidation, the directors disclosed a deficiency of assets to liabilities, before the costs of the Administration, of $39 million. The deficiency differs from the net asset position disclosed in the accounts at section 6.3, of $190 million, by $219 million. The difference can be broadly attributed to:

- A reduction in the value of debtors, inventory and plant and equipment on a realisable basis;
- The impact of the write-down in realisation by the directors of Intercompany loans, (which represents up to $100 million of the deficiency) which would otherwise be apportioned across the carrying value of all other assets; and
- Revisions to carrying value of investments in subsidiaries and joint ventures.

The Administrators consider the deficiency may exceed $39 million. In this regard we note:

- The estimated realisable value of assets from the HWE Group will not achieve $512 million, notwithstanding strong realisations to date;
- Trade creditors may exceed the RATA estimates; and
- Unless the businesses are successfully sold, significant lease liabilities may crystallise.

Given the nature of the Group, the varying rights of creditors' classes and the fact that we are unable to attribute an accurate value to the Mining Services business until indicative offers are received, it is difficult to accurately predict the deficiency at this stage.

8. Administrators' strategy

8.1 Stabilisation of operations

At the commencement of the Voluntary Administration of this large and complex group of companies, there were a number of matters that required immediate attention. On appointment, the Administrators:

- Took control of the management and operations of all of the companies to which they were appointed;
- Retained key management and staff to assist the Administration and ongoing operations of the businesses;
- Put in place arrangements to ensure there are sufficient controls over HWE's overseas operations, which are not in any form of insolvency;
- Gave directions to HWE representatives on the sites of each Australian operating business, as well as liaising closely with the directors and management of the various overseas operations;
- Established a Managerial Steering Committee to manage operational issues and employee communication in order to address concerns and queries.
- Contacted the companies' key customers and suppliers to ensure smooth ongoing trading in administration;
- Safeguarded assets, addressed retention of title claims, obtained asset valuations and notified statutory and government authorities;
- Conducted viability assessments of the range of businesses and ventures carried out by the HWE Administration Group;
- Continued, where appropriate, sale mandates commenced prior to our appointment for key businesses;
- Commenced negotiations to exit the KPC contract;
- Renegotiated or exited various unprofitable contracts;
- Established a Disputes Team, comprising Administrators' staff and former HWE legal staff, to realise problem debts, bank guarantees and disputed claims;
- Reviewed all insurance policies and arranged increased cover where necessary; and
- Reviewed the HWE Administration Group's occupational health and safety ("OH&S ") procedures with the advice of Richard Oliver International, in order to ensure safety procedures were adequate.

8.2 Continued trading of operations

All of the operations of the HWE Administration Group have continued to operate since our appointment as Administrators with the following exceptions for HWE Civil:

- The Fisherman Islands project in Brisbane;
- The Entrance Road upgrade at Erina; and
- The Waste Water Treatment Plant design and construction contract at Altona.

The Administrators have sought to continue all contracts as long as it would not be to the detriment of creditors, with a view to the sale of business units wherever possible.

After an initial review of the profitability of all contracts, the Administrators contacted the counterparties of those contracts that were forecast to be unprofitable. The Administrators have endeavoured to come to an agreement to re-price the unprofitable contracts and to continue the work under Administration in order to maintain jobs for employees and subcontractors to minimise disruption to clients and to maintain the value of the businesses.

The non-continuing contracts were terminated either on the Administrators' initiative (as they were unprofitable), or by the counterparties pursuant to the contractual terms. In those cases, Administrators are considering the most appropriate course of action and the matters have been referred separately to the Administrators' Disputes Team, which has been formed to deal with disputed claims and other legal matters.

8.3 Business performance

A number of HWE businesses have been sold during the Administration to date. The remaining businesses are Mining Services, some residual HWE Civil contracts, the Water Treatment Assets and non-core land investments. The table below summarises the cash receipts and payments, by business unit, for the period 31 January to 6 May 2005.

HWE Administration Group					
Receipts and Payments statement for the period 1 February to 6 May 2005					
	Mining Services	**Engineering Projects and OH&M**	**Non-core activities**	**Corporate**	**Total**
	$m	**$m**	**$m**	**$m**	**$m**
Cash available on or after appointment	**11.6**	**1.1**	**0.0**	**2.6**	**15.3**
Receipts					
Debtor collections	152.3	36.9	23.0	0.4	212.6
Interest	-	0.1	-	0.3	0.4
Joint Venture receipts	9.6	-	-	-	9.6
Asset realisations	43.0	15.1	11.6	-	69.7
Other receipts	0.3	1.9	0.0	1.2	3.4
Total Receipts	**205.3**	**53.9**	**34.6**	**1.9**	**295.6**
Payments					
Trade creditors	73.7	15.1	17.0	6.5	112.2
Capital expenditure	5.8	-	-	-	5.8
Payroll costs	47.1	10.2	1.5	-	58.8
Lease payments	7.4	0.3	-	-	7.7
GST	4.9	1.4	1.3	-	7.6
Professional fees	0.9	1.7	0.4	-	3.0
Joint Venture payments	3.5	-	-	-	3.5
Other Payments	-	3.3	-	-	3.3
Total Payments	**143.3**	**32.0**	**20.2**	**6.5**	**201.9**
Net receipts and payments	**62.0**	**21.9**	**14.4**	**(4.6)**	**93.7**
Cash at bank 6 May 2005	**73.6**	**23.0**	**14.4**	**(2.0)**	**109.0**

We note that corporate trade creditors includes costs to be allocated across business units (e.g. insurance of $3.7 million), and debtor collections include both pre and post appointment debtors.

Based on business performance to date and after accounting for asset sales, we expect to trade cash-positively during the course of the Administration.

8.4 Sale strategy

8.4.1 Businesses sold

At the time of our appointment the Directors had commenced sales processes for certain non-core businesses as part of a restructuring of the Group. These sales together with the sales initiated and concluded by the Administrators are detailed below.

PT HWE Indonesia

PT HWE Indonesia held HWE Mining Services interest in the KPC project. By January 2005 HWE had invested USD70.6 million in the project with another USD84.4 million due to be funded by April 2005.

With no means to fund the development and given the terms of the mining services agreement, the practical option available to the Administrators appeared limited to liquidation or a disposal of the interest to PT Bumi.

On 28 February 2005, HWE and PT Bumi signed an agreement for the disposal of the entire issued and paid-up capital of PT HWE Indonesia and for the release or assignment of all indebtedness due to the HWE Administration Group Lenders for a total consideration of USD32 million (AUD$40 million). The sale completed on 6 May 2005.

African Mining Services ("AMS")

AMS was a 50% joint venture with Ausdrill operating several mining services contracts in Ghana. When Administrators were appointed AMS required funding from its shareholders to tender for new contracts and to replace existing equipment. As HWE was unable to provide its share of the funds required, it was at risk of defaulting on the shareholder agreement. The solvency of AMS was threatened if funding was not provided and restrictive covenants effectively prevented the disposal of the HWE Administration Group's 50% interest to parties other than Ausdrill.

The HWE Administration Group's interest in AMS was sold to Ausdrill on 10 March 2005 for a consideration of $3.5 million, which was satisfied by an issue of 2,179,492 Ausdrill shares at 62.8 cents each, along with the repayment of the inter-company loan account of $2.2 million.

Simon Engineering

Simon Engineering comprised the Simon Projects business, which was part of the Operations and Maintenance business unit, and the Simon Services business a part of the Engineering Services business unit.

Prior to the appointment of the Administrators, Deloitte had been engaged by the HWE Board to manage the sale process for Simon Engineering. A draft Information Memorandum had been prepared by Deloitte and AAR had begun to compile a data room for due diligence to be undertaken by interested parties. The Administrators continued the sales process, which needed to be expedited.

On 10 March 2005 the Simon Engineering business was sold to Abigroup Asset Services Pty Ltd, a subsidiary of Abigroup Limited. The sale price was $17.5 million, and estimated net proceeds will be about $15 million, after allowing for employee entitlement adjustments.

HWE Civil NT

HWE's Northern Territory Civil business was sold to MacMahon Contractors Pty Ltd, a subsidiary of MacMahon Holdings Ltd, on 16 March 2005. The gross purchase price was $3.1 million (plus a contingency payment of up to $1 million if the purchaser successfully tendered for the Darwin Waterfront Project on threshold pricing). Employee entitlements will be deducted from the gross purchase price.

Bridge Autos

Bridge Autos is a motor vehicle dealership in Darwin (NT), dealing in Toyota, Mercedes Benz and Lexus vehicles. The HWE Board had commenced a sale process for the dealership prior to the appointment of Administrators, and this process continued. The sale of the Bridge Autos business was completed on 6 May 2005. Sale proceeds were approximately $12 million, including $8.9 million of goodwill.

8.5 Summary

The table below summarises asset realisations by business unit, consistent with the table presented earlier in the report.

Business Unit	Business Operation	Status	Realisation $A or equivalent before adjustments
Mining Services	Mining Services – Australia/NZ	See section 8.6	To be determined
	Mining Services – Jamaica	See section 8.6	To be determined
	Mining Services – Chile	Underway	To be determined
	Mining Services – Indonesia	Sold	$40 million
	Mining Services – Ghana	Sold	$3.6 million
Engineering Services and Operations & Maintenance	Water infrastructure: Castlemaine and Bendigo	Underway	To be determined
	Water infrastructure: Aldinga	Underway	To be tendered
	Main Simon operating entity	Sold	$17.5 million
	HWE Civil NT	Sold	$3.1 million (plus up to $1 million)
	HWE Civil WA	Underway	To be determined
Non-core activities	Toyota dealership in NT	Sold	$12 million
	Interest (units) in Ascot Waters	In negotiations	To be determined
	Interest in Bayview Haven	In negotiations	To be determined
	Farrar/Katherine Land	In negotiations	To be determined
	Western Diesel loan and equity	Under offer	To be determined
	Cambodian motor vehicle dealership (<25% equity)	Exploring options	To be determined

In addition to the above, there have, and will be further realisations of debtors and receipts for contract close-outs, along with further realisations from the categories where our work is underway. As set out earlier we cannot disclose estimated proceeds for unsold assets, as we do not wish to prejudice sale processes.

Finally, there are a number of surplus assets to the Mining Services businesses that will be sold on a case-by-case basis. Appropriate estimates have been made for the purposes of our DOCA analysis below.

8.6 Mining Services

The Administrators have commenced a sale process for the HWE's Mining Services operations. This includes HWE's mining operations in Australia, New Zealand and Jamaica. The Administrators appointed Macquarie Bank as advisors to this sale process. The recommended transaction structure is for a dual track sale process whereby either 100% of the business is sold (trade sale) or whereby less than 50% of the business is sold with the remaining HWE shares sold in 18 to 24 months (recapitalisation).

This dual track process will enable us to take advantage of current strong industry interest, resource prices and sector growth opportunities. It effectively involves conducting both of these processes contemporaneously, with trade/financial buyers and potential equity investors conducting due diligence in parallel.

Interested parties will be invited to submit bids under a 2-stage bidding process:

- Indicative bids – based on an Information Memorandum; and
- Final bids – based on full due diligence.

In line with this, the Administrators have appointed valuers to undertake a valuation of the assets of the mining business.

The current sales process timetable is as follows:

Milestone	Timing
Finalise transaction structure and preliminary planning	May 2005
Draft Information Memorandum and finalise buyer/investor marketing	May/June 2005
Approach potential buyers/investors	June 2005
Distribute Information Memorandum	June 2005
Preliminary due diligence	June/July 2005
Indicative bids	July 2005
Short listing of bidders	July 2005
Comprehensive due diligence and site visits	July to September 2005
Final bids due	Mid September 2005

9. Investigations

9.1 Overview

9.1.1 Administrators' obligations

Under the Act, an Administrator is obliged to investigate a company's business, property, affairs and financial circumstances. These investigations are to be performed as soon as practicable after the Administration begins in order to enable the Administrator to form an opinion about the future of the company.

The Administrators initiated a range of investigations in order to ascertain the events leading to the appointment of the Administrators and to identify potential causes of action which may increase the funds available to creditors of the HWE Administration Group.

9.1.2 Focus of work

The primary focus of the investigations undertaken to date has been to ascertain whether there are actions which would only be available to a Liquidator, and therefore would be directly relevant to the decision of creditors at the second meetings of creditors as to whether to vote in favour of a DOCA or liquidation, in respect of any of the entities in the HWE Administration Group.

9.1.3 Solvency findings

The Administrators are of the opinion that, having regard to all of the circumstances, it is unlikely that any companies in the HWE Administration Group were insolvent at a date prior to 31 January 2005. Given this conclusion, as discussed further below, there is less prospect of any significant recoveries from actions which are only available to a Liquidator.

Accordingly, creditors of entities in the HWE Administration Group would not be advantaged by voting that those entities be placed in liquidation so as to pursue such actions.

9.2 Key events leading to Administration

The key events in the eighteen months prior to the appointment of Administrators are set out below.

Date	Key Event
August 2003	The HWE Board engaged RMB Corporate Finance Ltd ("RMBCF") to provide strategic advice, including a review of HWE's five-year strategic business plan and advise on the long term capital structure of the HWE Consolidated Group.

January 2004 Negotiation commenced with PT Bumi for the KPC contract which required approximately USD110 million of equipment and USD20 million of working capital funding. Negotiations were initiated with a number of banks for the working capital finance.

February 2004 The Board determined that the Group required an equity capital injection to fund future capex requirements, other than capex for the KPC project, and to ease pressure on its banking facility financial covenants at the end of the 2004 and in 2005.

The Board proceeded with a raising of ordinary equity, with RMBCF providing advice on the form of the capital raising and assisting in the selection and appointment of a manager of the capital raising (Paterson Securities).

With HWE's $70 million domestic debt facility totalling due to expire on 30 June 2004, negotiations commenced in February 2004 to replace the facilities, with facilities with larger limits and more flexible terms and conditions to meet HWE's future needs. RMBCF was engaged to assist in these discussions with a range of banks and Deloitte was engaged to assist in the preparation and presentation of financial and other information required by the banks. A detailed information package was distributed in April 2004 and the banks interested in participating in the new domestic facility undertook detailed due diligence on HWE projections.

April 2004 HWE engaged TC Capital as its financial advisor to assist with the sourcing of working capital finance and equipment finance for the KPC project from the Asian financial markets. Discussions also commenced in April 2004 with Macquarie Bank for the provision of finance for the working capital element of the KPC project.

May 2004 HWE was awarded the KPC contract. The contract and HWE's proposed capital raising was announced to the ASX immediately.

HWE ceased negotiations with original equipment suppliers given their inability to deliver equipment within the timeframes required under the KPC contract and sourced alternate suppliers from Australia, Europe and the USA. HWE began to expend existing cash reserves to fund working capital, secure production slots on capital equipment with long lead times, and meet associated progress payments under the KPC contract on a short term basis. The Directors intended to use the additional headroom being negotiated in the new domestic debt facility as bridging finance pending finalisation of the KPC facilities.

June 2004 HWE reduced the existing domestic debt facility limit from $70 million to the drawn amount of $30 million. The existing banking syndicate agreed to extend the existing domestic debt facility beyond 30 June 2004 while HWE continued negotiations with the proposed new domestic facility providers.

July 2004 A capital raising of $45 million was completed via a share placement and a Share Purchase Plan.

September 2004 HWE appointed Macquarie Bank to provide the KPC working capital facility.

October 2004 Discussions with the proposed new banking syndicate were finalised and offers of finance were received from several banks which the Directors advise were expected to provide sufficient facilities for HWE to draw upon, pending the completion of the two lines of KPC financing.

On 14 October 2004 Macquarie Bank's KPC working capital mandate was cancelled by HWE, which the Directors advise was due to an inability to satisfactorily resolve terms and conditions. Discussions commenced directly with TCW.

In late October 2004 Fortis was appointed as the lead arranger and financier for the equipment required for the KPC contract.

On 25 October 2004 the Board called a trading halt on HWE shares and on 28 October 2004 a profit warning was issued to the ASX following an internal review of all contracts. Revised forecasts for the 2004/05 financial year were approximately $16 million lower, primarily relating to two contracts (Ashton and Fisherman Islands). HWE announced the resignation of the CEO, and the appointment of an interim CEO, the same day. Following these announcements the proposed banking syndicate withdrew their offers of new facilities. At this stage, HWE had spent approximately $86 million on equipment and working capital for the KPC contract from its existing cash and facilities.

November 2004 Following the withdrawal of the proposed new domestic banking syndicate, Investec were appointed to assist with a recapitalisation. At the same time Deloitte were appointed by the Board to provide advice to the board; project manage and report on the various board initiatives for HWE's restructure; report on the short-term weekly cash flow and monthly trading forecast; and to assist with the information requests made by the banking syndicate.

HWE appointed KordaMentha on 23 November 2004 to perform a strategic and financial review of HWE on behalf of the banks. This included a review of weekly cash forecasts and monitoring the board's progress on the initiatives for HWE's restructure.

On 21 November 2004, HWE's Chairman flew to Switzerland to make an approach to Glencore for recapitalisation.

December 2004 On 7 December 2004, ASIC's National Insolvency Coordination Unit ("NICU") issued a notice to HWE's CFO and Finance Director to produce documents regarding the affairs of the group.

Glencore commenced their formal due diligence on 11 December 2004, started term sheet negotiations on 15 December 2004, were granted exclusivity by the Board on 21 December 2004 and agreed a term sheet on 23 December 2004.

On 23 December 2004 an announcement was issued to the ASX advising of a proposed $100 million recapitalisation transaction with Glencore. The transaction was subject to pre-conditions including certain asset disposals, the establishment of a facility for the KPC equipment financing, and certain new domestic debt facilities.

On 23 December 2004, ASIC's NICU issued a letter to the Board requesting further information be submitted to ASIC to demonstrate that the Group had not traded while insolvent. ASIC reviewed the Board's submission dated 14 January 2005 and responded on 28 January 2005 requesting that they be informed immediately of any event that might adversely affect the financial position of the group.

January 2005

During late December 2004 and January 2005 HWE entered into various small bridging finance transactions in order to meet the capital commitments on the KPC contract.

In late January 2005 the Directors determined that write-downs were required to the carrying values of certain assets. This significantly affected the forecast trading results for the year ended 30 June 2005 from a small loss to a $25 million loss. These write-downs were largely related to the carrying value of goodwill, idle plant and various Simon Engineering assets.

In late January 2005 Fortis advised that due to the circumstances facing HWE any facility they provided would be conditional on the successful conclusion of the Glencore recapitalisation.

Having reviewed details of write-downs and latest cash flow forecasts Glencore withdrew from the recapitalisation transaction on 30 January 2005. Their withdrawal constituted a breach by HWE of both the domestic bank extension and inter-creditor agreement and the Fortis proposed financing.

The Directors advise that as HWE was facing a withdrawal of support from Fortis and the banking syndicate as well as KPC cash commitments due in early February, they resolved to appoint John Gibbons, Jack Crumlin and Keiran Hutchison of Ernst & Young as Administrators to the HWE Administration Group on 31 January 2005.

February 2005	Due to a potential conflict of interest with Ernst & Young the Directors appointed Tony McGrath, Scott Kershaw, Joseph Hayes and Shaun Fraser of McN+ as Administrators on 1 February 2005.

9.3 Reasons for the companies' failure

Having investigated the HWE Administration Group's business, financial affairs and assets the Administrators have formed the opinion that while a number of factors contributed to the companies failure, the key catalyst was the decision taken in May 2004 to undertake the Indonesian coal-mining KPC contract with PT Bumi without adequate finance in place.

By the time Administrators were appointed to the HWE Administration Group on 31 January 2005 USD70.6 million had been invested in the project with another USD84.4 million due to be funded by April 2005. This high level of capex placed considerable pressure on the Group's cash resources even after a capital raising in mid 2004 injected over $40 million of new equity.

Additionally, we note the following issues contributing to HWE's failure:

- Poor financial reporting – financial information from the various business units proved difficult to aggregate and integrate and so the true position of the business was difficult to assess;
- Inadequate financial planning – renegotiations with the banking syndicate began late and became contingent on external recapitalisation seven months after expiry.
- Poor integration of acquisitions – recently acquired businesses such as LSM projects and Simon Engineering did not perform as expected, and new business did not emerge as expected;
- Lack of controls in the tender process – significant write-offs were necessary for numerous contracts including the Ashton Mining and Fisherman Islands contracts. These two contracts were the catalyst for the October 2004 profit-warning; and
- Drive to enter the East Coast Civil business – to break into this market HWE Civil tendered at prices that resulted in losses.

9.4 Establishing insolvency dates

A finding of insolvency and establishing the date at which a company became insolvent is a critical threshold to recoveries from actions which are only available to a Liquidator.

Section 95A(2) of the Act effectively states that a company that is not solvent is insolvent. Section 95A(1) states that a company is solvent if, and only if, the company is able to pay all the company's debts as and when they become due and payable.

Insolvency is a question of fact to be ascertained from a consideration of a company's financial position as a whole and must have regard to commercial realities. A cash flow test, not a balance sheet test is to be applied when determining insolvency. Where an Administrator has been appointed, assessment of the issue of insolvent trading can be important to creditors if they are being asked to choose between a DOCA and a liquidation.

Unless a claim for insolvent trading is brought by ASIC, a DOCA cannot include proceeds from insolvent trading actions because, apart from ASIC, only a Liquidator has standing to pursue such actions directly or to consent to creditors taking such action. Therefore the return to creditors in a liquidation would include the proceeds of any successful insolvent trading action. A liquidation also preserves the possibility of individual creditors taking action in their own right.

The Act provides that a Liquidator may seek to recover from each of the Directors of the company, as a debt due to the company, an amount equal to the loss or damage suffered by a creditor in relation to the debt incurred.

A case against the Directors of each entity in the HWE Administration Group for insolvent trading would require establishing a date of insolvency before the appointment of Administrators on 31 January 2005.

As Administrators, a number of areas were reviewed at the consolidated group level to reach a conclusion as to the overall solvency of the HWE Administration Group, including profitability, cash flow, covenants, assets and creditor pressure.

9.4.1 Profitability

As indicated in section 6 of this report, the performance of the HWE Consolidated Group as a whole declined over the 6 months prior to the appointment of Administrators, recording an EBIT loss of $55.8 million for the six months to 31 December 2004. The decline in profit was a result of various factors including trading losses and write-downs of goodwill and plant and equipment, but was significantly due to write downs as opposed to decline in core business operating performance.

9.4.2 Cash flow basis

A review of the cash flows has been conducted for the period of 1 January 2004 to 31 January 2005 focusing on whether the cash generated by the business was sufficient to meet obligations as and when they became due. Below is a summary of the quarterly cash flow analysis which highlights the sources and applications of funds in 2004.

HWE Consolidated Group – Condensed Cash Flow – Quarterly Analysis	**1 Jan 04 31 Mar 04**	**1 Apr 04 30 Jun 04**	**1 Jul 04 30 Sep 04**	**1 Oct 04 31 Dec 04**
	$m	**$m**	**$m**	**$m**
Inflows				
Receipts from customers	247.6	306.7	321.6	346.1
Interest, dividends & other income received	6.4	9.8	4.5	2.9
Sale of property, plant and equipment	8.8	18.7	19.5	13.6
Sale of investments	-	14.0	-	0.1
Cash proceeds from issue of shares	-	29.8	12.3	-
Proceeds from borrowings	-	10.5	-	-
Total Inflows	**262.8**	**389.5**	**357.9**	**362.7**
Outflows				
Payments to suppliers and employees	(266.6)	(271.0)	(315.2)	(317.6)
Interest paid and other borrowing costs	(1.1)	(8.1)	(0.8)	(6.6)
Borrowing repayments	(8.6)	(4.4)	(6.9)	(7.7)
Income tax paid	(3.2)	(0.2)	-	(0.9)
Acquisition of business assets	(17.6)	(32.3)	(36.5)	(26.9)
Short Term cash deposits lodged	(0.1)	(23.1)	(25.5)	(9.5)
Loans/Contributions (to)/from associates	(1.6)	0.7	(1.7)	(1.6)
Dividends paid	-	-	(3.3)	-
Total Outflows	**(298.9)**	**(338.5)**	**(390.0)**	**(370.7)**
Opening cash brought forward	**108.9**	**73.4**	**125.4**	**93.5**
Net increase/(decrease) in cash held	(36.1)	51.0	(32.1)	(8.0)
Effects of exchange rate changes on cash	0.6	1.0	0.1	(0.4)
Closing cash carried forward	**73.4**	**125.4**	**93.5**	**85.1**

Source: Management Accounts

A review of the cash flow on a month-by-month basis for the period 1 December 2003 to 31 January 2005 reveals that:

- Cash balances fluctuated during the period, relative to the timing of customer receipts ad payments and increasing KPC commitments;
- The cash balance at 28 January 2005 was approximately $85 million;
- Strategies such as sale and lease back of assets and equity raising were adopted to meet forecast cash flow deficiencies;
- Capital expenditure programs were revised; and
- Two statutory demands made by creditors were satisfied or otherwise dealt with.

9.4.3 Bank and Bond Holder Covenants

The HWE Consolidated Group had previously negotiated facilities from US Bond holders and a syndicate of local bankers. These facilities were subject to common financial and non-financial covenants. In the event of a breach of these covenants the banks and/or bond holders could serve notice requesting the repayment of the loans.

The Administrators' investigations have shown the Board were mindful of covenant obligations and monitored them regularly for both actual and forecast performance.

Draft December 2004 accounts were presented to the Board at a meeting on 21 January 2005. The Administrators performed covenant calculations using these accounts which revealed potential breaches of the covenants as at 31 December 2004. Normal practice for the Board was to review management accounts roughly five weeks after month-end. Therefore, in the normal course of business, the December 2005 accounts would have been presented to the Board with covenant calculations in early February 2005.

Due to the appointment of Administrators this did not occur, any covenant breaches relating to December 2005 were not reported to the bondholders or banks and a notice of default was not issued. As such, facilities did not become due and payable until Administrators were appointed on 31 January 2005.

9.4.4 Net asset basis

In addition to cash flow solvency tests, the strength of the HWE Administration Group's balance sheet is a relevant factor in determining solvency.

The statements of financial position of the HWE Consolidated Group show a decline of $51.2 million in working capital (current assets less current liabilities) from $165.4 million to $114.2 million for the period of 30 June 2004 to 31 December 2004, but there remains a working capital surplus. The decline predominately relates to a reduction in cash balances. The total net asset position (total assets less total liabilities) declined from $251.0 million to $190.1 million during the same period, but remains a surplus.

The decline in cash and net assets is illustrated in the Consolidated Statement of Financial Position and the Consolidated Cash Flow Statement in the Financial Statements section of this report.

9.4.5 Creditor pressures

The Administrators' investigations did not reveal that the group experienced any material trade creditor pressure in the period leading up to the appointment of the Administrators.

9.4.6 Subsidiary solvency

The Administrators' review of the 26 companies which represent the HWE Administration Group determined that all companies within the Group were reliant upon inter-group funding to ensure that all debts were paid. Therefore, any subsidiary company solvency concerns relating to profitability, cash flow and net assets were negated whilst inter-company funding continued. It is unlikely that any subsidiary was insolvent prior to 31 January 2005 as it would have had support from the Group as a whole.

9.4.7 Defences to insolvent trading

As stated above, insolvency is a question of fact to be ascertained from a consideration of a company's financial position as a whole. We note that:

- The key indicators of insolvency reveal that while the HWE Consolidated Group experienced a decline in trading performance and liquidity prior to the appointment of Administrators, this alone does not support a conclusion of insolvency prior to the appointment of the Administrators on 31 January 2005.

- Although the banking facilities had not been renewed after expiry on 30 June 2004, they were rolled-over (under revised terms) for a further seven months, and negotiations remained current, during the majority of the period, for new facilities. The availability of bank funding is considerable evidence of solvency.

- The HWE Board had taken legal advice from late 2004 and were aware of their duties and obligations as officers of the various companies, and we understand believed that the Glencore transaction would complete. We also note that other external parties were prepared to offer terms to supply funding (subject to due diligence) which supports this view.

- The Board believed that they had taken the necessary steps to focus the HWE Consolidated Group on its core businesses (through the divestment program), and that once re-capitalisation was achieved and the KPC project began to pay dividends in June 2005, the businesses would have stabilised.

- As soon as Glencore notified the Board that they would not be proceeding with the recapitalisation transaction on 30 January 2004, it was known that the Fortis funding for working capital for the KPC Project and the extensions of the syndicated banking facility would not be forthcoming, as both had become contingent on a successful outcome to the Glencore transaction. The Directors of each of the entities in the HWE Administration Group immediately took action to stop incurring further debt by appointing Administrators.

For information purposes, set out below are the statutory defences available to Directors for insolvent trading set out in section 588 of the Act.

- Reasonable grounds to expect company solvent

  - At the time of incurring debts, the person had reasonable grounds to expect that the company was solvent.

- Reliance on other person

  - The person relied on information provided from a competent and reliable person which concluded that the company was solvent at the time debts were incurred.

- Illness

  - The Director was ill at the time the debts were incurred and could not take part in the management of the company.

- Reasonable steps to prevent incurring of debt

9.4.8 Administrators' solvency conclusions

The Administrators are of the opinion that given a consideration of all the factors, it is difficult to conclude that any company in the HWE Administration Group was clearly insolvent at a date prior to 31 January 2005. As such, there is a low prospect of recoveries from actions which are only available to a Liquidator (assuming such actions had merit).

Accordingly, we consider creditors of entities in the HWE Administration Group would not be advantaged by voting that those entities be placed in liquidation so as to pursue such actions.

9.5 Preference payments

A Liquidator is able to recover payments made by a company to a creditor where:

- the company is insolvent at the time of payment or becomes insolvent because of payments to a creditor;
- the payment results in the creditor receiving more than it would in a winding up;
- the transaction occurred within six months prior to the liquidation (or prior to any administration occurring immediately before liquidation);

provided that:

- the creditor did not become a party to the transaction in good faith;
- the creditor or a reasonable person in the creditor's position had or would have had no reasonable grounds to suspect the company was insolvent; and
- the creditor did not provide consideration under the transaction or change position in reliance on the transaction.

A review of payments made during the relation back period (31 July 2004 to 31 January 2005) determined that a number of payments, prima facie, could be material preference payments. These payments total approximately $2 million. If any of the HWE Administration Group companies are placed into liquidation, the matter would be further investigated.

9.6 Uncommercial transactions

A Liquidator is able to recover money or property associated with transactions entered into by a company where:

- A reasonable person in the company's circumstances would not have entered into the transaction having regard to the benefit and detriment of the transaction;
- The company is insolvent or becomes insolvent because of the transaction; and
- The transaction occurred within 2 years of the liquidation (or earlier appointment of an Administrator), or 4 years if the transaction was with a related party, or 10 years if the transaction was made to defeat creditors.

The Administrators considered areas of concern and carried out high-level investigations to determine whether there were any uncommercial transactions. The Administrators' investigations did not uncover examples of transactions which may potentially be uncommercial transactions.

9.7 Unfair loans

Pursuant to section to 588FD of the Act, a Liquidator is able to treat as voidable an unfair loan. A loan is considered unfair if:

- The interest on the loan was or is extortionate; or
- The charges associated with the loan were or are extortionate.

The Administrators' investigations did not reveal any voidable unfair loans.

9.8 Unreasonable director related transactions

A Liquidator is able to treat as voidable an unreasonable director related transaction. Such a transaction is one where:

- a payment made by the company;
- a disposal by the company of its property;
- the issue of securities by the company;
- an obligation to do any of the above;
- is made to a director or close associate of a director or a person on their behalf.

Unreasonable means that a reasonable person in the company's circumstances would not have entered into the transaction having regard to:

- the benefits (if any) to the company of entering the transaction;

- the detriment to the company of entering into the transaction;
- the respective benefits to other parties to the transaction of entering into it; and
- any other relevant matter.

The Administrators' investigations to date have not revealed any unreasonable director related transactions.

9.9 Adequacy of books and records

The Act requires that a company maintain financial records that:

- Correctly record and explain its transactions and financial position and performance; and
- Would enable true and fair financial statements to be prepared and audited.

Failure to maintain books and records in accordance with section 286 of the Act provides a rebuttable presumption of insolvency. This presumption can be relied upon by a Liquidator in an application for compensation for insolvent trading and other actions for recoveries pursuant to the Act from related parties, including directors.

The Administrators' review of the HWE Administration Group's records indicates that appropriate transactional financial records were maintained and the presumption of insolvency on this ground is not available.

As Administrators, we are also required to complete and lodge a report with ASIC (Section 438D of the Act) if we believe that:

- A past or present officer, or member of the Company may have been guilty of an offence in relation of the Company; or
- If a person who has taken part in the formation, promotion, administration, management or winding up of the Company;
  - may have misappropriated money or property of the Company; or
  - may be guilty of negligence, default, breach of duty or breach of trust in relation to the Company.

We have not lodged any such report to date.

9.10 Directors' duties

Sections 180 and 181 of the Act

The directors and other officers of a Company have fiduciary duties to the Company. Broadly, directors and officers must exercise their powers and discharge their duties:

- With reasonable care and diligence (Section 180); and
- In good faith and in the best interests of the corporation and for proper purpose (Section 181).

These duties are subject to the business judgement rule, whereby if the directors or other officers believe that they have acted in good faith and the judgement was in the best interests of the corporation then they are taken to have acted rationally, unless a reasonable person in their position would not exercise the same judgement.

Directors also owe a fiduciary obligation to the creditors of the Company. That is, in discharging their duties to the Company, they must take into account the interest of its creditors in the circumstances where the Company is doubtful of solvency.

The Administrators' investigations to date have determined that the directors exercised their duties with a degree of diligence, and sought professional advice on occasions. Investigations have not determined any breaches of fiduciary duties.

Sections 182 and 183 of the Act

A director or officer must not improperly use their position to:

- Gain an advantage for themselves or someone else; or,
- Cause detriment to the corporation (Section 182).

Furthermore directors, other officers and employees who obtain information because of their position must not improperly use the information to:

- Gain an advantage for themselves or someone else; or
- Cause detriment to the corporation (Section 183).

To date, the Administrators' investigations have not revealed any incidents where directors, other officers or employees had improperly used their position.

9.11 Continuing investigations

Investigations may continue into certain areas of the businesses, but there are no material continuing investigations. If any issues emerge that are considered to have merit they will be considered at the appropriate time.

10. Options available to creditors

10.1 Summary

Pursuant to section 438A of the Act, we are required to provide creditors with a statement of our opinion about each course of action that creditors are entitled to vote upon at the meeting on 8 July 2005. The options available to creditors are as follows:

- To end the Administration and return the company to the control of its directors; or
- To pass a resolution to wind the company up; or
- To resolve that the company should execute a Deed of Company Arrangement ("DOCA") proposed at the meeting.

In addition, creditors are entitled to adjourn the meeting for up to 60 days.

In our opinion, it is in the best interests of all creditors that each company in the HWE Administration Group becomes party to a DOCA. A discussion of each option is set out below, together with an outline of the proposed DOCA.

10.2 Administration of a company to end

Creditors may resolve that the Administration of a company should come to an end, following which control of the relevant company will be returned to its directors.

For the majority of entities within the HWE Administration Group there is no justification for this course. It is clear that all of the Guarantor Companies are now insolvent and it would be improper to return an insolvent company to the control of its directors. Accordingly, in our opinion it is not in the interests of creditors of Guarantor Companies to end the Administration.

Although there are a number of companies in the HWE Administration Group that are not Guarantor Companies, many of these are still insolvent by virtue of debts due to unsecured and inter-company creditors. Accordingly, in our opinion it is not in the interests of creditors of these companies to end the Administration.

Based on the RATA's received from the Directors, the following companies may ultimately prove to be solvent:

- Dover Investments Pty Limited
- Northaust Auto Hire Pty Limited

However, in the case of Dover Investments Pty Limited, the company has no liquid assets with which to meet ongoing obligations and will be unable to pay its debts until the disposal of property assets is completed. Northaust Auto Pty Limited may have sufficient funds to discharge its current obligations, however until proofs of debt are called for and adjudicated upon, the solvency of this company cannot be confirmed.

Given the above circumstances, the directors have indicated an unwillingness to regain control of these companies, and at this stage have insufficient confidence in the financial position of each company to swear a declaration of solvency that would enable those entities to go into Members Voluntary Liquidation. Accordingly, in our opinion it is not in the interests of creditors of these companies to return the company to the directors.

10.3 Passing a resolution for the winding-up of a company

An Administrator would usually recommend liquidation of an insolvent company to creditors in the absence of a DOCA. An Administrator may also recommend liquidation in preference to a DOCA if there is a likelihood that recoveries in the liquidation, including from actions which are only available to a liquidator (for example, from voidable transactions or actions against directors for insolvent trading) may improve the return to creditors in comparison to the return expected under a DOCA.

Section 9 of this report outlines my conclusion that it is difficult to conclude that the HWE Administration Group could be found to be insolvent for a significant period prior to the appointment of the Administrators, therefore substantially removing the prospects of any recoveries from voidable transactions or insolvent trading actions. Moreover, the appointment of a Liquidator to the Mining Pool Entities is likely to significantly diminish the pool of assets, in particular:

- Winding-up any of the Mining Pool Entities is likely to have an adverse impact on key business agreements (in particular mining contracts and lease agreements) which may affect the value realised for HWE Mining;
- It is more difficult to continue to operate HWE Mining with the companies in liquidation. HWE Mining may need to trade for an extended period until a sale is achieved and, if a sale is not possible at all, extended trading may allow a business to continue trading profitably while an orderly wind-down of the business is achieved;
- Liquidation will be significantly more costly in the administration and management of creditor claims, because separate proof of debt admission processes, accounts and distributions would need to be undertaken for each HWE Administration Group entity;
- Liquidation does not provide sufficient flexibility to effect a share sale which is an option for the HWE Mining business; and
- In the event that Financial Creditors are paid in full, liquidations will require a complex and costly process to determine the rights of subrogation and co-contribution available to Guarantor Companies in respect of amounts they have paid to Financial Creditors under their guarantees.

Certain of the domestic banks hold bilateral guarantees provided by ACN 009 366 036 Pty Ltd (formerly Eltin Ltd), which is not a guarantor of the bondholders, nor of the syndicate facility. The bilateral guarantees provide, amongst other things, that the beneficiaries are entitled to "step in" and claim, on behalf of ACN 009 366 036 Pty Ltd, any debts due to that entity in a winding up.

Subject to formal adjudication of its proof of debt, this may have the effect of substantially increasing the level of the banks claims, notwithstanding that any distributions to the banks would be capped at the level of their own indebtedness.

Should all companies proceed into liquidation, the likely returns to creditors are as follows:

▪ Priority creditors	100 c/$
▪ Financial Creditors	60-65 c/$
▪ Banks holding bilateral guarantees	60-100 c/$
▪ Class Order creditors	30-35 c/$
▪ All other creditors	0-5 c/$

Set out in **Appendix AD** is a detailed schedule setting out the likely return to creditors on a company-by-company basis should each company proceed into liquidation.

10.4 Execution of a Deed of Company Arrangement

In our opinion it is in the best interests of creditors of all companies in the HWE Administration Group to enter into a DOCA in substantially the form proposed by the Administrators.

The key objectives of the proposed DOCA are as follows:

- Provide an enhanced return to creditors of all companies in the HWE Administration Group;
- Reduce the costs of the Administration by simplifying the process of proving claims and making distributions;
- Ensure that HWE Mining can continue to trade under the Administrators' control with minimum interruption until a sale or recapitalisation is finalised;
- Retain maximum flexibility in the sale of HWE Mining, including the ability to sell the shares in one or more HWE Administration Group entities;
- Accelerate the timing of interim distributions to creditors; and
- Preserve potential tax structuring benefits in the sale of HWE Mining.

However, by entering a DOCA, any opportunity to pursue recoveries from insolvent trading claims or unfair preferences will be foregone. As noted above, in our opinion the prospect of any realisations from such sources is considered low. Executing a DOCA would also preclude a liquidator from investigating whether appropriate corporate benefit was received by all Guarantor Companies in return for providing their guarantees.

10.5 Proposed Deed of Company Arrangement

10.5.1 Effect of the ASIC Class Order

Under ASIC Class Order 98/1418, relief is available to certain wholly owned subsidiaries of the same holding company from various reporting requirements under Chapter 2M of the Act if, among other things, the subsidiaries become a party to a prescribed form of Deed of Cross Guarantee with their holding company. HWE and four other HWE Administration Group companies are party to such a Deed of Cross Guarantee.

The ASIC Class Order Deed of Cross Guarantee operates such that each Class Order Entity guarantees to every creditor of the other Class Order Entities payment in full of their debts. The Cross Guarantee becomes enforceable in respect of such a debt upon a winding up of the Class Order Entity.

As such, if the creditors of a Class Order Entity resolve to wind the company up, the creditors of that Class Order Entity would be entitled to rely on the Cross Guarantee to prove for their debt or claim not only against that Class Order Entity which is primarily liable for the debt or claim, but also against each of the other Class Order Entities.

If the creditors of each of the other Class Order Entities also resolved to wind up each of those entities, the end result would be that every creditor would be a creditor of each Class Order Entity.

Accordingly, the financial effect of the operation of the Cross Guarantee is to pool all of the liabilities of all of the Class Order Entities, which then claim against the assets of each Class Order Entity. For this reason, the Class Order Entities must be considered as one unit when considering the options available to creditors of those companies.

10.6 Summary of Proposed Deed of Company Arrangement

In our opinion it is in the best interests of creditors of the HWE Administration Group entities for the HWE Administration Group entities to enter into a DOCA. Accordingly, a DOCA has been prepared by the Administrators to be tabled at the second creditors meeting on 8 July 2005 to which the Administrators recommend all HWE Administration Group entities, with the exception of ACN 009 366 036, should execute ("the Group DOCA") for reasons discussed below. We consider it in the interests of the creditors of ACN 009 366 036 that it enter into a separate DOCA ("the Eltin DOCA"). A summary of the features of the Group DOCA, together with a summary of the benefit of this course of action is outlined below.

Key objectives

The Group DOCA has been drafted having regard to the following key issues:

- The objective of enhancing returns to all creditors;
- Mirroring, where possible, the operation and effect of the ASIC Class Order;

- Presenting the effect of the guarantees executed by the Guarantor Companies in favour of the Financial Creditors;
- The need to preserve the flexibility to sell the shares in one or more of the Mining Pool Entities; and
- Dealing with the potential complexity of future rights of subrogation.

Release and substitution of creditor claims

The proposed DOCA effectively bars all creditor claims against the HWE Administration Group entities and substitutes them with a claim of equal value against the assets of Deed Funds created in the HWE Administration Group, which will derive two principal benefits:

- It will effectively "clean up" the subsidiary companies by extinguishing their liabilities, which means the shares in those companies can be sold to potential purchasers; and
- It will pool all of the HWE Administration Group's liabilities in a single Deed Fund, resulting in a more streamlined and cost effective claims management process.

Certain liabilities to be excluded from release and substitution process

If a sale of HWE Mining is completed, certain contingent and future liabilities will remain in the Mining Pool Entities. These include accrued employee entitlements and future lease liabilities ("Excluded Claims"). If a sale of HWE Mining is completed that results in the transfer of employees and leased equipment, a share sale that leaves employee entitlements and lease liabilities in their existing entities will be simpler to administer and will enable a smoother business transition.

If a sale of HWE Mining is not possible, or if such a sale takes the form of an asset sale, the release and substitution of these Excluded Claims with a claim against the pooled Deed Fund will proceed in the same way as the other HWE Administration Group claims.

Assets to remain in existing entities

The Group DOCA contemplates that the assets of each HWE Administration Group entity will remain in those companies until such time as they are sold.

Upon a sale of any assets within the HWE Administration Group, the sale proceeds will be deposited in the Deed Fund with Henry Walker Eltin Group Limited and held as part of the Deed Fund pending distribution to the various classes of creditors in accordance with the distribution profile set out below.

Creation of Creditor Classes

The Group DOCA recognises that creditors would have a range of different rights to claim against the assets of the HWE Administration Group in a liquidation. For example:

- Financial Creditors would, subject to their various guarantees, be entitled to prove their full claims in the estates of multiple entities within the HWE Administration Group by virtue of the guarantees provided by the Guarantor Companies;

- Class Order Trade Creditors would be entitled to prove their claims against all companies party to the ASIC Cross Guarantee;

- Trade creditors of entities not party to the Class Order would be restricted to claiming against the assets of the company to whom they are a creditor; and

- Certain inter-company claims would be entitled to prove in a liquidation.

We have sought to address this issue by creating five separate classes of creditors who will have different rights to claim against the assets of the HWE Administration Group. The creditor classes are as follows:

- Priority Creditors;

- Financial Creditors;

- Mining Pool Trade Creditors;

- Non-core Trade Creditors; and

- Solvent Entity Trade Creditors.

The following definitions will be used when discussing the proposed outline of the Deed of Company Arrangement and the options available to creditors:

"Class Order Entities" means those entities within the HWE Administration Group that are party to the ASIC Deed of Cross Guarantee. These entities are highlighted in **Appendix A**.

"Class Order Trade Creditors" means trade and other unsecured creditors (but not Financial Creditors) of the Class Order Entities.

"Eltin" means ACN 009 366 036 Pty Ltd (formerly Eltin Ltd).

"Financial Creditors" means the Australian based financial institutions being parties to the Inter-Creditor Agreement and US-based bondholders that are the largest creditors of the HWE Administration Group. As explained in section 7 or this report, many entities within the Group are guarantors of the debts due to these creditors.

"Guarantor Companies" means those companies within the HWE Administration Group that have guaranteed the obligations of HWE Finance under the Syndicated Loan Agreement and the bondholders' note and Guarantee Agreement to the Financial Creditors. These entities are highlighted in **Appendix A**.

"Mining Pool Entities" means Class Order Entities plus HWE Cockatoo Pty Limited, Eltin Surface Mining Pty Limited and Eltin Underground Pty Limited.

"Mining Pool Trade Creditors" means trade and other unsecured creditors (but not Financial Creditors) of the Mining Pool Entities.

"Non-core Entities" means all other entities in the HWE Administration Group that are not Mining Pool Entities.

"Non-core Trade Creditors" means trade and other unsecured creditors (but not Financial Creditors) of the Non-core Entities.

"Priority Creditors" means those employee creditors whose claims receive a statutory priority under section 556 (1) of the Act.

"Solvent Entity Creditors" means the trade and other unsecured creditors of Dover Investments Pty Ltd and Northaust Auto Hire Pty Ltd.

"Group DOCA" means the DOCA proposal that the Administrators recommend is entered into by all group companies with the exception of ACN 009 366 036 Pty Ltd.

"Eltin DOCA" means the DOCA proposal that the Administrators recommend is entered into by ACN 009 366 036 Pty Ltd.

The majority of inter-company claims will be eliminated by the pooling of HWE Administration Group liabilities, however there is one key exception.

As detailed above, certain banks have the benefit of a guarantee from Eltin which is not party to the guarantee arrangements which effectively bar Intercompany claims from competing with the claims of financial creditors. The terms of that guarantee allow the banks either to claim amounts due to Eltin on their behalf or alternatively compel Eltin to prove for amounts due to it. Should the banks elect to claim on behalf of Eltin, the effective claim of the banks against the Mining Pool Assets of the HWE Administration Group will therefore be the sum of their own claims, plus that of Eltin, although their distributions will be capped at the level of their own indebtedness.

Creation of Asset Pools

The Group DOCA will create two separate pools of assets within the Deed Fund, against which different classes of creditors will have rights to claim. The two asset pools within the Deed Fund will be defined as Mining Pool Assets and Non-core Assets.

Mining Pool Assets represent the assets of the Mining Pool Entities and Non-core Assets represent the assets of the Non-core Entities.

Rights to claim against Asset Pools

Realisations from each asset pool will be distributed in a formula prescribed in the Group DOCA. The formula for distribution recognises the rights of different creditor classes, seeks to pre-empt potentially complex subrogation issues and provides an accelerated and enhanced return to creditors.

The table below summarises the proposed distribution of the Asset Pools:

	Mining Pool Assets	Non-core Assets
Priority Creditors	Will be paid in full	Will be paid in full
Financial Creditors	Will receive pro-rata distributions based on the total of admitted Financial Creditor and Mining Pool Trade Creditor claims, after payment of Priority Creditors	Receive all surplus funds after payment of Priority Creditors and fixed distributions to Non-core Trade Creditors and Non-guarantor creditors
Mining Pool Trade Creditors	Will receive pro-rata distributions based on the total of admitted Financial Creditor and Mining Pool Trade Creditor claims, after payment of Priority Creditors	No right to claim in this Asset Pool
Non-core Trade Creditors	No initial right to claim in this Asset Pool until Financial Creditors are paid in full	A fixed sum of approximately $4.3m will be allocated, that based on current information will provide a fixed distribution of 10 c/$ to non core trade creditors and 20 c/$ to creditors of HWE Finance Pty Ltd
Solvent Entity Creditors	No right to claim in this Asset Pool	Receive payment in full together with statutory interest

In the event that Financial Creditors are paid in full, the Group DOCA contemplates that Non-core Trade Creditors will be permitted to claim against the Mining Pool Assets. The balance of funds remaining from realisation of the Mining Pool Assets after Financial Creditors are paid in full would be distributed pro-rata between the remaining claims of Mining Pool Trade Creditors and Non-core Trade Creditors.

Anticipated return to Creditors

The sale price ultimately achieved for HWE Mining is the single largest influence on the ultimate outcome for creditors of the HWE Administration Group. The returns indicated below are indicative only and may vary within the range estimated.

Priority Creditors - Under the Group DOCA, the claims of Priority Creditors will be paid in full.

Financial Creditors - Under the Group DOCA, different classes of Financial Creditors are likely to receive between 65-100 c/$.

Mining Pool Trade Creditors – Under the Group DOCA, Mining Pool Trade Creditors are likely to receive 35-65c/$.

Non-core Trade Creditors – Under the Group DOCA, Non-core Trade Creditors will receive a distribution estimated to be 10c/$, except for HWE Finance creditors, who will receive a distribution estimated to be 20c/$.

Solvent Creditors – Under the Group DOCA, Non-guarantor Creditors will be paid in full.

Advantages of a DOCA

A detailed schedule is attached at **Appendix AE** comparing the estimated distribution to creditors in a liquidation and the proposed DOCA on a company by company basis. In summary, there is a financial advantage to a DOCA having regard to the assumptions made in the analysis.

The key advantages of the DOCA proposed by the Administrators include:

- It will make the ongoing trading of HWE Mining less problematic;
- It will facilitate a sale of HWE Mining that is likely to generate increased realisations compared to those achievable in a liquidation;
- It provides the framework to enable creditors of the HWE Administration Group to share in any potential upside should a recapitalisation of HWE Mining be pursued out of the dual track sale process;
- It removes the complexity of having to resolve potential subrogation and inter-company claims;
- It will provide simplicity in managing claims and distributing realisations by pooling asset realisations and creditor claims in one entity;
- It is likely to reduce the costs associated with administering 26 separate liquidations;
- It is likely to result in increased realisations to all creditors of the HWE Administration Group; and
- It will accelerate the timing of interim distributions to creditors.

Given our conclusions in Section 9 of the report, and the structure of the proposed DOCA, we do not consider there are any disadvantages to the DOCA strategy.

Monitoring and reporting arrangements

Creditors will be invited to form two committees at the second meeting to assist the Administrators in administering the Group DOCA. One committee will be formed by creditors of the Mining Pool entities, and another by creditors of the Non-core entities.

A separate committee of creditors for the Eltin DOCA will also be formed. The Administrators propose to hold quarterly committee meetings to update committee members on the progress of the Administration, and will post updates of significant events on the McGrathNicol+Partners website www.mcgrathnicol.com.au.

A report to all creditors will be issued every 6 months which will also be available on the McGrathNicol+Partners website.

Summary of financial information

Summaries of the RATAs prepared by the directors of the HWE Administration Group, together with our comments and estimates of realisable asset values and liabilities in each entity, are set out in **Appendices B to AA**. This information has provided the basis upon which we have prepared a financial model to estimate the returns to creditors noted above.

Until all of the assets have been sold, and proofs of debt called for and adjudicated upon, there will be continuing uncertainty as to the outcome for creditors. Until then, all estimates contained in the report remain indicative only, and the Administrators accept no liability to any party in respect of any reliance upon these estimates.

Details of creditors holding guarantees

As noted above, the Guarantor Companies have provided guarantees in support of the obligations of other HWE Administration Group companies, principally HWE Finance. Attached as **Appendix AE** is a schedule of creditors who hold guarantees from HWE Administration Group entities, and the amounts that have been guaranteed.

Administrators Remuneration

The Administrators propose to be remunerated on the basis of time incurred charged at scale rates appropriate to the skill and experience of the personnel involved. The Administrators propose hourly rates that represent a 15% discount to the standard rates charged by McGrathNicol+Partners'. Further information on this issue will be provided to creditors at the meeting.

We intend to approach the Federal Court to obtain directions as to the future approval of our remuneration under the proposed DOCA. We will request that the Court make an order conferring upon the DOCA Creditor Committees the power to approve the Administrators remuneration for all entities.

View of Committees

We note that in a meeting of the committees on 10 June 2005, the proposed DOCA was tabled and discussed. At the meeting, creditors indicated they did not object to the objectives of the DOCA.

Timing of distributions

The Administrators intend to call for formal proofs of debt within 30 days of executing the relevant DOCA, with a view to adjudicating claims and paying an interim distribution as soon as possible. The timing of further distributions (whether a second interim distribution or a final distribution) will depend upon the timing and nature of the sale of HWE Mining.

Release of entities from the DOCA

In the event of the sale of the shares of certain companies within the HWE Administration Group, those entities will no longer remain parties to the DOCA.

Termination of the DOCA

The DOCA will terminate once all of the Mining Pool Assets and Non-core Assets have been sold and the proceeds distributed to creditors in accordance with the terms of the DOCA. Upon termination, the Deed Administrator will apply to have all of the companies in the HWE Administration Group dissolved.

Failure of the DOCA

In the event that any of the terms of the DOCA are breached, or become inoperable, a meeting of creditors will be convened to vote on whether:

- The DOCA should be varied such that it can continue in operation; or
- Resolutions should be passed to wind up some or all of the HWE Administration Group companies.

11. Administrators' remuneration

11.1 Administrators' remuneration approved by Committees of Creditors

As outlined in the update to creditors dated 14 March 2005 and 24 May 2005, the Administrators sought Orders from the Federal Court authorising the creditors' committees to approve the Administrators' remuneration by resolution passed at meetings of the relevant company's creditors' committee. The orders sought were granted on Thursday 31 March 2005 for the following companies:

- Henry Walker Eltin Group Ltd
- Bulumba Pty Ltd
- Capnorth Developments Pty Ltd
- HWE Finance Pty Ltd
- HWE Land Pty Ltd
- HWGL Services Pty Ltd
- HWIO Pty Ltd
- Inventive Pty Ltd
- Simon Engineering (Australia) Pty Ltd
- Simon Engineering (Australia) Holdings Pty Ltd
- Bridge Autos Pty Ltd
- Eltin Surface Mining Pty Ltd
- Henry Walker Eltin Contracting Pty Ltd

Orders were not obtained for the other 13 entities, as committees were not established. These entities are:

- Castlemaine Wastewater Treatment Pty Ltd
- HWE Civil Pty Ltd
- LSM Projects Pty Ltd
- Northaust Auto Hire Pty Ltd
- Dover Investments Pty Ltd
- ACN 009 366 036 Pty Ltd
- Castleton Pty Ltd
- Eltin International Pty Ltd
- Eltin Open Pit Operations Pty Ltd
- Eltin Underground Operations Pty Ltd
- Henry Walker Environmental Pty Ltd
- Henry Walker Underground Pty Ltd
- HWE Cockatoo Pty Ltd

ASIC and creditors were also notified of the application seeking these orders and no objections were raised.

In accordance with the Order, the following information was provided to the committees:

- Details of staff classification, hourly rate and hours charged by each staff member;
- A description of the tasks completed by each staff member; and
- Details of the skills relevant to each staff classification.

The Administrators have obtained fee approval by the respective creditors' committees for the period 1 February 2005 to 29 April 2005. The total fees approved at the meetings has been $4,501,503.58 plus GST, as set out in the table below:

Company	**1 Feb to 25 Feb $**	**26 Feb to 1 April $**	**2 April to 29 April $**	**Total $**
HWE Group	221,575	292,877	292,269	**806,722**
Bulumba	1,967	6,456	17,926	**26,349**
Capnorth	1,967	1,509	723	**4,198**
HWE Finance	80,748	28,427	28,063	**137,237**
HWGL Services	1,967	340	255	**2,562**
HWIO	1,967	340	255	**2,562**
Inventive	1,967	732	323	**3,022**
Simon Holdings	7,364	340	276	**7,981**
Simon Engineering	400,068	297,568	143,402	**841,038**
Bridge Autos	70,864	68,821	43,051	**182,736**
HWE Land	26,926	23,734	11,962	**62,622**
Eltin Surface Mining	2,406	5,031	4,765	**12,201**
HWE Contracting	835,113	893,843	683,318	**2,412,275**
Total	**1,654,899**	**1,620,017**	**1,226,587**	**4,501,504**

These fees are based on the discounted hourly rates notified at the meetings of creditors held on 8 February as follows:

Table of hourly rates

Staff classification	**Standard $/hr**	**HWE Administration (15% discount) $/hr**
Partner	550	467.50
Director	450	382.50
Senior Manager	400	340
Manager	300 - 350	255 – 297.50
Assistant Manager	250	212.50
Senior Accountant	200	170
Accountant	160	136
Undergraduate	110	93.50
Secretary	130	110.50
Clerk	95	80.75

We note that the rates utilised for McN+ staff and partners from the Perth and Brisbane offices are lower than the rates set out above, and the lower rates have been utilised in respect of those partners and staff.

11.2 Administrators' remuneration to be fixed

11.2.1 Entities with no committees of creditors

At the meeting on 8 July 2005, the Administrators will seek approval of their remuneration based on time calculated in accordance with rates set by McGrathNicol+Partners and disclosed at the first meeting of creditors on 8 February 2005, for those 13 entities where committees of creditors have not been constituted. A summary of work performed during the administration, along with details of professional fees accrued will be presented at the meeting. The table below summarises the remuneration that will be sought for the 13 entities without creditors' committees:

Company	**1 Feb to 29 April $'000**	**30 April to 8 July $'000**	**9 July to 29 July $'000**	**Total $'000**
	(13 wk actual)	**(10 wk est)**	**(3 wk estimate)**	**(26 wk est)**
Castlemaine	27	22	7	**56**
HWE Civil	9	7	2	**18**
LSM Projects	3	2	1	**6**
Northaust Auto	3	3	1	**7**
Dover Investments	41	33	10	**84**
ACN 009 366 036	3	2	1	**6**
Castleton	3	2	1	**6**
Eltin International	66	53	16	**135**
Eltin Open Pit	3	3	1	**7**
Eltin Underground Operations	3	2	1	**6**
HWE Environmental	14	12	3	**29**
HWE Underground	3	2	1	**6**
HWE Cockatoo	18	15	4	**37**
Total	**197**	**158**	**49**	**404**

It is the intention of the Administrators to seek approval of these fees for these periods in the event a DOCA is executed. If creditors resolve the entities be liquidated, approval will only be sought for remuneration to 8 July 2005.

Detailed information will be provided to the creditors of these entities prior to the meeting and will also be available at the meeting, in respect of remuneration sought to 8 July 2005. Further information in respect of the estimate of remuneration sought for the period 9 July 2005 to 29 July 2005 will be provided to creditors at the meeting.

11.2.2 Remuneration for the entities with Committees of creditors

As creditors are aware, pursuant to the Court Orders, our remuneration, will be, or has been fixed by the creditors committees for certain entities.

In respect of our remuneration to 8 July 2005:

- The component to 29 April 2005 has been approved by the Creditors committees; and
- We will seek approval for the component from 30 April 2005 to 8 July 2005, at a meeting of the committees to be convened after the creditors meeting.

However, the Administrators intend to seek approval for a capped amount of remuneration for the period between the meeting and execution of a DOCA, in the event one is approved by creditors at the meeting for particular entities. Our estimate of fees for that period is $1.082 million, as set out in column 3 of the table below:

Company	**1 Feb to 29 April $'000**	**30 April to 8 July $'000**	**9 July to 29 July $'000**
	(13 wk actual)	**(10 wk est)**	**(3 wk estimate)**
HWE Group	807	645	194
Bulumba	26	21	6
Capnorth	4,	3	1
HWE Finance	137	110	33
HWGL Services	3	2	1
HWIO	3	2	1
Inventive	3	2	1
Simon Holdings	8	6	2
Simon Engineering	841	673	202
Bridge Autos	183	146	44
HWE Land	63	50	15
Eltin Surface	12	10	3
HWE Contracting	2,412	1,930	579
HWE Group	**4,502**	**3,600**	**1,082**

Again, further information in respect of the estimate of remuneration sought for the period 9 July 2005 to 29 July 2005 will be provided to creditors at the meeting.

12. Creditors' committees and committees of inspection

The committees continue to work well and comprise a cross-section of suppliers, employees, unions, financiers and government authorities.

However, the committees of creditors appointed at the first meeting of creditors automatically cease to have effect upon the passing of a resolution by creditors at the meeting on 8 July 2005, that the company is wound up, executes a Deed or that the administration should end.

In the event that creditors resolve any of the companies execute a Deed of Company Arrangement, then the Act provides that new creditors' committees may be formed. In the event that creditors resolve that any of companies be wound up, then the Act provides that committees of inspection may be formed. In both circumstances, a committee may be useful to provide the Administrator or Liquidator with a sounding board as to likely creditor views, and in approving any matters which require authorisation by the committee, creditors or the Court.

At the second meeting, creditors will be invited to consider whether committees should be formed, and if so, to nominate members.

As we have set out in the previous section, the Administrators will be proposing a DOCA and creditors may be invited to form committees at the second meeting to assist the Administrators in administering the DOCA. One committee will be formed by creditors of the Mining Pool entities, and another by creditors of the non-core entities.

13. Conclusion

Creditors are asked to consider the Administrators findings, conclusions and recommendations when reaching their decision to vote.

Any creditor aware of any material misstatement or omission in this report should contact the HWE creditors hotline on (02) 9887 6425.

J D Hayes
Administrator

S B Kershaw
Administrator