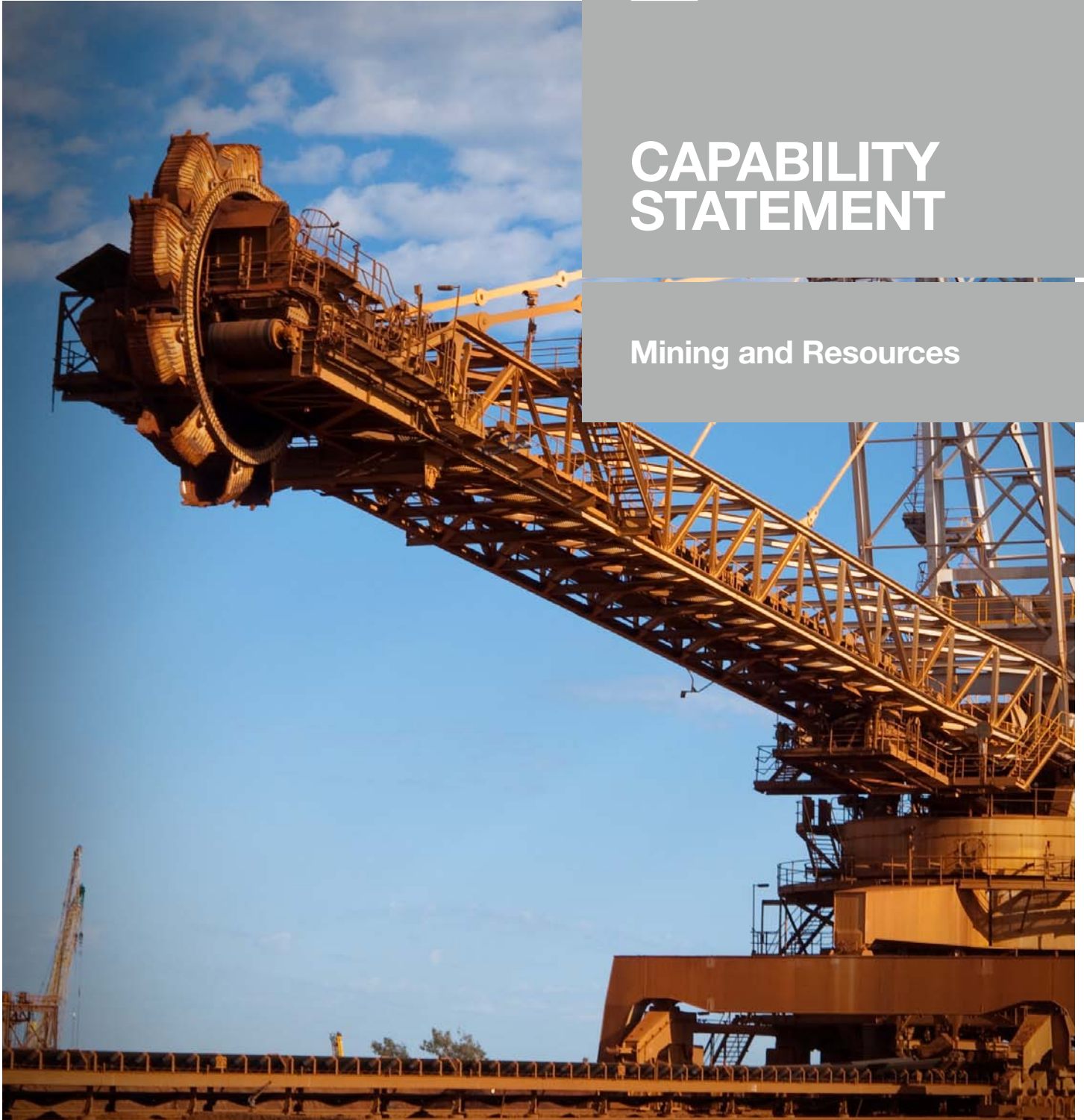


# CAPABILITY STATEMENT

Mining and Resources



## INDUSTRY SUMMARY

The Australian mining and resources industry is a significant global supplier of many commodities. It is the economic lifeblood of Western Australia and Queensland, and is a major contributor to the economies of other states.

# SPECIALIST SERVICES IN THE AREAS OF RESTRUCTURING, CORPORATE RECOVERY, ADVISORY AND TRANSACTION SERVICES AND FORENSIC ACCOUNTING.

The mining and resources industry, which employs up to 20 per cent of the working population in Western Australia and Queensland, generates approximately 50 per cent of all Australian exports. The majority of exports are coal and iron and, increasingly, oil and gas. With an estimated \$100 billion of new projects at an advanced stage, a further \$250 billion under consideration and annual capital expenditure and exploration expenditures at around \$50 billion, this industry is set to grow ever larger.

There are several issues affecting the mining and resources industry as a whole, including:

- volatility of commodity prices
- availability of equity and debt funding
- operational skills shortages and increasing wage costs
- management skill shortages
- construction costs/delays/cost over-runs
- access to capital
- infrastructure development and access
- local content/overseas competition
- uncertainty over the form and ultimate reach of the proposed Minerals Resource Rent Tax (MRRT)

This industry, which can be sub-categorised into exploration, mining, and oil and gas services, is fully exposed to global economic conditions and has historically been highly cyclical.

While there are many opportunities in the expanding market with generally buoyant commodity prices, the nature of the industry brings risks which, if not adequately identified and managed, can result in business failure.

## KEY RISKS

### START-UP PHASE

- unsuccessful, inaccurate or fraudulent exploration programme and results
- poor feasibility study methodology
- inability to obtain necessary permits
- delays/overspends and commissioning difficulties
- failure to meet funding milestones

### PRODUCTION PHASE

- sale price and off take issues
- volatile commodity prices and currencies (including the effect on hedgebook positions)
- often complex operational and joint-venture contractual issues
- obtaining and maintaining operational and corporate efficiencies
- mining and milling difficulties affecting grade, throughput and recovery levels
- reserve downgrades affecting mine life and therefore debt and hedgebook obligations
- operating high-cost mines reliant on continuing buoyant commodity prices
- regulatory issues including environmental and safety risk management
- the funding of rehabilitation liabilities

### OIL AND GAS COMPANIES

- success rates of exploration and development wells
- uniquely greater geological and production uncertainty
- stricter occupational health and safety regulatory environment

### MINING SERVICE OPERATORS

- reliance upon a small number of customers
- high capex/borrowing requirements relative to often short-term customer contracts
- significant exposure to cyclical commodity price and capex cycles
- underdeveloped operational and financial reporting
- underdeveloped financial management
- underdeveloped business and strategic planning, including how the business owners (usually the key managers) will exit the business on retirement
- reliance on key personnel
- management inexperience in managing a down-turn
- working capital funding difficulties, including over-trading and the banking sector's reluctance to increase funding above certain levels



## OUR EXPERTISE

Taylor Woodings has extensive experience in advising, trading-on and providing formal insolvency services to the mining and resources industry. Our services include:

- **investigating accountant services**
- **monitoring agent services**
- **formal appointments**
- **strategic recovery advice**
- **workout and restructuring assistance**
- **pre-lending reviews**

We have worked with national and regional retail banks, investment banks, current or prospective investors, companies and other stakeholders in relation to existing or proposed funding. We assist our clients to identify risks, sub-optimal performances and areas for improvement in profitability and cashflow to manage restructuring and sales processes, and in negotiating and maximising the recovery of debts.

In undertaking assignments in the mining and resources industry, we often work in a project team environment with specialised mining consultants and legal advisors. Given our general experience in the industry, we are able to effectively work with these experts to develop high value strategies. Taylor Woodings offers clients an in-depth understanding of the mining and resources industry's culture, operating environment and processes. We have an experienced investigating team and a reputation for change-management delivery in both formal insolvency appointments and informal advisory.

Our offices are geographically well placed to manage assignments in Australia's main mining regions of Western Australia, the Northern Territory and Queensland. With offices around Australia, Taylor Woodings can call on a national pool of resources who can travel at short notice and who understand the need for prompt reporting and turnarounds. In addition, we regularly deploy our resources for overseas assignments.

Clients benefit from our high-quality, cost-effective corporate advisory and formal insolvency work in the mining and resources industry, as well as our broad base of industry contacts who we can draw on to provide specific advice.

## WHAT TAYLOR WOODINGS OFFERS

### TRACK RECORD

For many years Taylor Woodings has provided corporate advisory and corporate restructuring advice for many financiers and businesses. Our experience includes mining services businesses, gold and copper producers, mineral sands projects, oil and gas producers, earth moving contractors and engineering groups. We have the experience to deal with all the types of businesses in this industry.

### COMPREHENSIVE ADVICE

Taylor Woodings provides a comprehensive and seamless service to clients. We identify and assess problems and then propose and, where required, implement resolutions and monitor results.

We successfully achieve this through:

- investigation and analysis
- industry understanding
- identification of problems, risks and improvements
- assessment of options
- the driving of outcomes and negotiations

### SPEED OF RESOLUTION

With often highly-g geared operators, high fixed-cost operations and real time operational issues, the speed of resolution is vital in this industry. Taylor Woodings delivers resolutions quickly through:

- offices in WA and QLD, the key mining states, and across Australia
- experienced staff
- an extensive network of contacts in the sector
- up-to-date knowledge of the issues facing the sector

### THE RIGHT RELATIONSHIPS

Taylor Woodings has extensive relationships with geological and processing experts, contract managers, valuers, trade unions and other external consultants in the mining and resources industry. This national network of relationships allows us to be effective and efficient in our role.

# CASE STUDIES

## Oil and Gas Business – Extensive Review

01

Taylor Woodings undertook an extensive investigating accountants review on behalf of a retail bank proposing to lend further funds to a highly geared, capital-intensive customer in the oil and gas services sector. Taylor Woodings' report highlighted:

- key risks and issues, including further funding required for ongoing capital expenditure requirements, the potential for increased competition, high exposure to the spot-market, lack of fixed term customer contracts and its position as a subcontractor rather than a main contractor
- low asset utilisation rates, and resulting cashflow difficulties, due to the lack of fixed-term contracts during the global financial crisis shock period
- underdeveloped key performance indicators and financial reporting
- a mismatch of customer contract and financing tenures
- undocumented or expired contractual arrangements
- some creditors and tax arrears
- an underdeveloped business plan

However, our report noted the company had recently returned to profitability and recommended a number of improvements to address the concerns highlighted. Following our report the bank provided the requested further funding, subject to a number of conditions and covenants.

## Austral Pacific Energy, Taranaki NZ

02

Taylor Woodings was appointed to complete an urgent investigating accountants report on Austral Pacific Energy, a listed New Zealand-based on-shore oil producer on behalf of its financier, an investment bank. With input from production consultants, our report identified:

- forecast production decline rates which would lead to inadequate cashflow to maintain a new-well drilling programme
- a costly and inefficient financial reporting process and excessive overheads
- a complex group corporate structure, with some entities holding significant rehabilitation obligations
- numerous disputes with joint venture partners arising from administrative and financial-reporting failings
- limited progress in raising capital from equity markets and selling non-core assets

Taylor Woodings recommended monitoring future operational and corporate performance against agreed benchmarks and provided a monitoring agent service. During the monitoring period, improved budgeting procedures were implemented and overheads were reduced, a capital raising was achieved and non-core assets were sold.

Taylor Woodings was subsequently appointed Receiver and Manager to Austral Pacific Energy. During our appointment we:

- conducted an extensive international marketing campaign
- re-contracted with key operational suppliers
- oversaw operations, including capex installations
- dramatically cut non-core overheads, including sub-letting head office space
- implemented a detailed forecasting and reporting regime
- liaised extensively with government regulators
- in conjunction with legal advisors and tax experts, developed and implemented a tax-efficient recovery structure

Taylor Woodings successfully negotiated the sale of non-core assets to third parties and, after extensive negotiations, sold the core asset to a joint venture partner. The consideration included a sizable production royalty.

## Allstate Exploration, Beaconsfield TAS

03

Taylor Woodings was appointed Voluntary Administrator of Allstate Exploration, an underground mine suffering grade and processing issues which had led to inadequate funding for further underground development. During our appointment we:

- negotiated a funding arrangement with the joint venture partner in the mine
- negotiated a deferment of repayments with the secured creditor
- investigated and reported on the cause of the Company's failure
- analysed scenarios going forward

With the approval of creditors we traded-on the business for five years and attended to ASX and other reporting requirements. We sold the Company and paid all employees and trade creditors out in full.

# CASE STUDIES

## Rock n Tails, Kalgoorlie WA

04

Taylor Woodings was appointed Voluntary Administrator of Rock n Tails, a mid-sized mining services contractor based in Kalgoorlie by the Company's bank, following the collapse of one of the Company's major debtors. Our investigations identified:

- work opportunities and a supportive customer market that could return the company to profitability
- efficient business operations and timely and efficient maintenance of its fleet
- a supportive creditor base which recognised the Administration resulted from a failure of the Company's main customer rather than from direct failings of the Company or its management

Taylor Woodings negotiated a Deed of Company Arrangement (DOCA), which was accepted by creditors and involved the injection of funds from a related entity (from refinancing available equity in its assets) to provide an initial dividend to creditors, with further dividends funded from future profits. The Company later emerged from DOCA and refinanced its business.

## Australian Kaolin, Northern QLD

05

Taylor Woodings was engaged by an investment bank to conduct an investigating accountants report due to concerns over its customer's progress with development of a mineral sands project in remote Northern Queensland. Our investigating accountants report highlighted:

- significant delays and costs overruns in the minesite and plant construction
- insufficient funding to complete the mine/plant development
- concerns as to reserves and the ability to overcome forecast mining difficulties
- incomplete product sale arrangements
- incomplete infrastructure and land rights agreements
- creditor arrears

Taylor Woodings was subsequently appointed Receiver and, after an extensive international search, sold the incomplete project.

## Tamaya Resources Limited, Chile, Portugal, Armenia and Australia

06

Taylor Woodings was appointed Receiver and Manager of Tamaya Resources Limited, an ASX listed mining company with projects in Chile, Portugal, Armenia and Australia. The Company's major projects were an underground copper mine and an iron ore exploration project located in Chile. Initially, Taylor Woodings conducted an investigating accountants report using in-country lawyers and mining consultants to assist with legal and language issues. This report highlighted to the secured creditors a greater level of unsecured creditors than they previously thought. Following the Company's last minute unsuccessful efforts to raise funds to reduce the secured creditors' exposure and provide working capital, the situation became untenable and voluntary administrators were appointed. The secured creditors then appointed Taylor Woodings as Receiver and Manager. During the period of our appointment we:

- met with local unsecured creditors in Chile and attempted to implement an informal moratorium to allow a sale process to be undertaken
- arranged the sale of the non-core iron-ore exploration leases, including the sale of shares in a BVI domiciled entity
- met with a number of parties interested in purchasing the project assets
- established the position of the company's mining and exploration leases and took steps to improve their tenure of same
- negotiated with hostile employee groups
- arranged for a trustee in bankruptcy to be appointed to the Chilean subsidiary
- located and arranged for one of the Chilean subsidiaries to re-open a closed gold-mine and enter into a mining contract for the development of the mine
- reviewed and arranged the sale and/or disclaimer of the Australian assets

Ultimately, the secured creditors concluded the sale of the copper project and entered into a more long-term joint venture arrangement for the gold project.

## OUR TEAM



### Mark Englebert

Partner, Perth – Team Leader  
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Mark has significant corporate advisory and corporate restructuring experience, providing strategic advice to financiers regarding new and distressed loans. Mark has particular experience in the mining and oil and gas sectors (including mining services). He has a strong understanding of operational issues, forecasting and monitoring regimes, hedge book issues, business asset sale negotiations, managing operations, contract negotiations, complex joint venture arrangements, liaising and negotiating with government authorities and ASX reporting requirements. Mark has undertaken mining and resources assignments throughout Australia, New Zealand and South America.



### Matt Adams

Partner, Sydney  
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Matt has been involved in a number of appointments in the mining and resources industry and has a formal education in mining valuation. He has been involved in the voluntary administration and liquidation of an open cut goldmine in Kalgoorlie where he operated and sold the mine and the gold plant. This enabled the secured creditor to be paid in full. Matt also acted as an expert witness in a dispute between an international bank (who he was acting for) and a large gold mining company regarding a voluntary administration and a Deed of Company Arrangement that prejudiced the bank. The dispute was ultimately settled in favour of the bank.



### Stefan Dopking

Partner in Charge, Brisbane  
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Stefan is a senior practitioner with over 20 years working in insolvency and advisory services. He focuses on corporate receiverships, business reviews and financial health assessments for lenders and directors. Stefan has worked on many transactions covering a diverse range of industries in Australia, including mining and resources, manufacturing, agriculture, retail and tourism.



### Michael Ryan

Managing Partner, Perth  
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Michael has developed an extensive understanding of the issues to be addressed in dealing with businesses in this industry both in Australia and off-shore. As a result, Michael is able to bring both a technically appropriate and pragmatic approach to developing solutions and strategies in this industry.



### Nathan Landrey

Associate Director, Sydney  
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Nathan has worked in conjunction with secured lenders on appointments to a number of mining services companies to achieve operational improvements as well as going concern sales. In trading on these businesses, Nathan has obtained a thorough understanding of the financial, statutory and external issues and pressures driving this industry.

## ABOUT US

Taylor Woodings is an independent, national Chartered Accounting firm providing clients specialist services in Restructuring, Corporate Recovery, Advisory and Transaction Services and Forensic Accounting. With offices in Sydney, Perth, Melbourne and Brisbane, we offer our clients a truly national service.

Taylor Woodings is committed to delivering timely, relevant and innovative strategies to meet our individual clients' needs. With our *one-firm, one-focus* philosophy, we share resources, technical staff and specialist knowledge to ensure clients receive a full-service offering regardless of their geographic location.

Our experience extends across Australia's key industries of agriculture, manufacturing, health, mining and property. We work with all types of organisations within Australia and overseas, from small family businesses to publicly listed ASX and multinational companies, on both complex and straightforward assignments.

Taylor Woodings has established working relationships, essential to delivering successful outcomes for clients, with national and regional retail banks, investment banks, corporate advisory firms, law firms, accounting firms and specialist consultants.

Taylor Woodings is a national partnership that is supported by a dedicated and expert team of advisers. We maintain an efficient internal structure and allocate the most appropriate resource to assignments. This approach provides clients with direct access to senior, specialist advice and cost effective solutions that place our clients' objectives first.

We have an affiliation with TW Gerry Rea Partners, a specialist insolvency and litigation support firm in New Zealand. We also have a joint venture arrangement with Allen Capital, an independent corporate advisory and private equity investment firm. Taylor Woodings is a member of the international insolvency network, hww Insolvency Co-operation Partners, which is represented in 21 countries around the world.

RESTRUCTURING | CORPORATE RECOVERY | ADVISORY AND TRANSACTION SERVICES | FORENSIC ACCOUNTING

SYDNEY PERTH MELBOURNE BRISBANE

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