



Client / Matter

The client, a syndicate of three investment banks, were the principal lenders to an ASX publicly-listed company. The company operated a large open-cut gold mine and had an extensive holding of exploration tenements.

Appointment

We were appointed by the syndicate as Investigating Accountants to examine and advise on the company's ability to repay its debts. Following our initial reporting to the syndicate we were then appointed as Monitoring Accountants.

Issue

The company had severe cash-flow difficulties resulting from poor mine planning, low mined grades, previous selective 'high-grading' and high corporate overheads. Consequently, the company had to cease mining operations such that, in the short term, it was reliant upon processing low-grade stockpiles.

The syndicate's debts related to out-of-the-money hedge positions which were not being materially delivered into, which were in default, and which had been crystallised.

The company could not pay out the hedge positions from operational cash-flow and on first view it appeared that asset sales were necessary.

The company was reluctant to sell assets and instead sought to hold off the syndicate for two years until full-scale operations could resume.

The syndicate appointed us to review the company's solvency, cash-flow forecasts, financial position and surplus assets; also to broadly assess its operations and management and advise on the company's ability to repay the debt over a shorter time-frame.

Solution/Outcome

Taylor Woodings:

- managed the prompt preparation of a plant valuation
- arranged for, and managed, a mining engineer's and a tenement consultant's review
- concluded that the treatment of stockpiles could be undertaken profitably
- concluded that there were sufficient readily-marketable surplus assets (mainly near-new haul paks and excavators) that could be sold in an orderly manner to repay the debts owing to the syndicate within six months
- completed the Investigating Accountant assignment approximately three weeks from appointment
- facilitated an asset-sale agreement between the company and the syndicate
- accepted appointment as Monitoring Accountant to monitor operational budget variances and asset-sale progress, reporting fortnightly to the syndicate

Asset-sales sufficient to repay the syndicate in full were achieved within five months.



Client / Matter

The client, an investment bank, was one of the primary lenders to an ASX listed, multi-mine, multi-commodity mining group.

Appointment

We were appointed as Investigating Accountants and, later, ongoing advisors.

Issue

The group had been loss-making for four years, had entered into a standstill agreement with its US\$ bondholder creditors and had out-of-the-money hedge-book (both commodity and currency) exposures totalling AUD\$30m.

The bank considered there was a risk that the group was insolvent. A snap-shot of the group's position was urgently required to give the bank a better understanding of the group's position, its forecasts and its plans going forward.

Solution/Outcome

Taylor Woodings:

- completed an initial report within seven days of our first meeting with the group
- reviewed the financial position of the group
- considered the work of the group's auditors on its financial modelling
- reviewed in detail the flow of commodity-sale income through the intra-group treasury function/loan accounts, having identified this as materially relevant to the bank in the event of receivership
- broadly reviewed financial systems, controls and reporting
- worked with the group's bank and its solicitors to restructure the group's overall debt position, including commenting on a proposed stand-still agreement and advising on dealing with the bank's securities as part of that restructure

The bank ultimately recovered its debt in full.



Client / Matter

The matter involved an ASX listed group of companies with assets in Australia and Papua New Guinea (“PNG”).

Appointment

We were appointed as Voluntary Administrators and subsequently Liquidators.

Issue

The group had been loss-making in recent years. The group had grown quickly and had made a number of acquisitions. The combined cost of these acquisitions, a high cost head-office structure and the need to fund an aggressive exploration budget led to severe cash-flow problems.

The group had attempted to resolve these cash-flow difficulties by entering into derivative contracts, including the sale of call options.

The group’s derivative contracts became heavily out of the money due to a rapid rise in the relevant commodity price. At the same time the group faced a cashflow squeeze. These events resulted in the group being unable to raise further funds.

The group’s main operating asset was held in a subsidiary company. An investment bank held first ranking security over this company’s asset. The holding company’s assets included large gold/silver exploration tenements in PNG which were not subject to any security.

Solution/Outcome

Taylor Woodings:

- took control of the group’s PNG assets
- undertook a comprehensive investigation of the group’s derivative trading
- successfully negotiated compromises with certain creditors (including Malaysian and United States’ creditors) to reduce the group’s debt by approximately \$100m
- negotiated standstill arrangements with PNG creditors after gaining support of PNG government officials
- sold exploration tenements in PNG for over \$20m
- successfully promoted an agreement between the remaining creditors to pool their claims to streamline the administration

It is expected dividends to creditors will exceed initial estimates.



Client / Matter

The client, an investment bank, had provided a secured loan and hedging facilities to an ASX listed single-mine group.

Appointment

We were appointed to conduct a limited scope Investigating Accountant's report. The scope involved examining the solvency of the entities within the group and ascertaining progress with the sale of its major asset sale.

Issue

The group had experienced construction delays with the mine and was continuing to experience significant operational issues such that cash balances had been fully expended. The group had previously advised the bank of its intention to undertake the sale of its major asset but had not met earlier undertakings in relation to the sale and had provided very limited ongoing communication as to progress, to the frustration of the bank.

Solution/Outcome

Taylor Woodings:

- conducted a high level review of the financial position of the group, board papers, legal issues and documentation relevant to the proposed asset sale
- prepared and presented a broad outline of initial findings to the bank within three working days of appointment
- prepared and presented a written update to the bank after six working days
- advised the Bank as to the risks of various options

Following our report, a director injected additional funds into the group and the company completed its asset sale sufficient to repay the bank in full within two months.



Client / Matter

The matter involved an ASX-listed group which operated an underground gold mine as part of a joint venture.

Appointment

We were appointed as Voluntary Administrators, later Deed Administrators and then trustees of a Creditors' Trust

Issue

An inadequately commissioned treatment plant was operating below nameplate capacity such that gold recoveries were significantly lower than forecast. As a result, cashflow shortfalls were being experienced leading to default with the group's banker and insufficient funds to invest in ongoing production.

Following our appointment the other joint venture partner was placed into receivership.

Solution/Outcome

Taylor Woodings:

- negotiated arrangements with creditors to allow the company to continue to trade, including deferring debt repayments to allow funds to be used for necessary investments
- conducted an international sales campaign in conjunction with the Receiver and Manager of the other joint venture partner. The sales campaign did not deliver a satisfactory outcome and as a result the mine was traded in Deed of Company Arrangement ("DOCA") for a number of years during which time the majority of the group's debts were repaid. During this time all ASX requirements were complied with in order to keep the listed vehicle available for re-listing
- successfully negotiated with the treatment plant contractor's insurer to achieve settlement of a \$20m claim
- settled a \$29m litigated claim against the company such that the claim was withdrawn at minimal cost to the company
- dealt with an investigation following a fatality on site
- negotiated compromises with certain related party creditors and government creditors
- negotiated an outcome with the other joint venture partner such that it funded the repayment of the balance of the unsecured debts, and arranged a standstill agreement with the secured creditor regarding certain hedging commitments and a bank guarantee, allowing the group to emerge from DOCA
- the secured creditor's principal debt (with interest) and the claims of trade creditors were paid 100c/\$. Employee entitlements of \$4m were protected by way of cash security

The company emerged from administration and continues to trade.

**Client / Matter**

The client, an investment bank, was the secured lender to an ASX listed company. The company had completed construction of a major industrial minerals project in a remote location in northern Australia.

Appointment

We were initially appointed as Investigating Accountants. We were subsequently appointed as Receivers and Managers. The secured creditor also appointed Voluntary Administrators to the company.

Issue

The project was in its final stages of commissioning but had encountered problems in producing marketable product and also with general commissioning issues. These issues led to cashflow problems.

The secured creditor would not provide further funding and no further debt or equity could be raised by the company in a reasonable time period.

Solution/Outcome

The project was traded on for a number of months on a care and maintenance basis.

During this period an international sales campaign was conducted, including meetings with a number of prospective purchasers in the United States. Meetings were also held with major creditors in Europe to discuss options.

The project was sold as a going concern to another ASX listed public company.

A Deed of Company Arrangement was proposed by the secured creditor and subsequently entered into in order to protect the corporate structure from liquidation.

The sale resulted in a payment of cash and a royalty from, and an equity position, in the purchaser, for the secured creditor.