

15 July 2013

TO THE CREDITOR AS ADDRESSED

Central Mining & Contracting Pty Ltd (Administrator Appointed) ACN: 113 050 678
As Trustee for the Smith Family Trust
("the Company")

EXECUTIVE SUMMARY

I write to advise that I, Kim Wallman, was appointed as Administrator of the above named Company on 20 June 2013 by the Company under section 436A of the Corporations Act 2001.

Since my appointment, I have continued to trade the business, albeit in a reduced capacity.

At the upcoming meeting of creditors to be held on Tuesday, 23 July 2013, creditors will vote on the future direction of the Company. I advise creditors that a Deed of Company Arrangement (DOCA) has been proposed by a third party (Multiplant Holdings).

If the DOCA is accepted by creditors and executed by the Company, I anticipate that priority creditors (former employees) will be paid in full in early October 2013.

Under the DOCA terms, in addition to all asset realisations, Multiplant will contribute a further \$500,000; however this payment is conditional upon Multiplant and the Company's Director receiving a joint venture contract (from a major mining company) on or before 30 September 2013.

Given the above, I anticipate that unsecured creditors may receive between ten and twenty cents in the dollar under a DOCA scenario. The timing of the return to unsecured creditors under either a DOCA scenario or Liquidation is anticipated to take place in early 2014; however, an interim dividend could be paid as early as late November 2013.

If the Company is placed into Liquidation, in addition to other asset realisations, some \$200,000 to \$500,000 may be recoverable from creditors who received preferential payments (this is subject to potential defences from payment recipients and likely legal actions).

Creditors can expect to be paid in the same time frame in a Liquidation as under a DOCA scenario (aside from moneys potentially recoverable from creditors as a result of alleged preferential payments).

I anticipate that unsecured creditors will receive between five and fifteen cents in the dollar under a Liquidation scenario, plus any preferential payment recoveries. Under a DOCA, an additional five cents in the dollar is expected to be available (ignoring any funds recovered from creditors as a result of preferential payments).

In brief, my report recommends that creditors adopt the proposed DOCA. I believe this would be in the best interests of creditors as it is likely to yield greater certainty of a return in a quicker time frame given that preference recoveries under a Liquidation could take several months.

Please refer to the enclosed report for further detail on the above matters.

Please contact the writer if you have any questions.

Yours faithfully



Kim Wallman – Administrator
Central Mining & Contracting Pty Ltd (Administrator Appointed)
ACN: 113 050 678

HLB Mann Judd (Insolvency WA) ABN 54 686 879 814

Ground Floor, 15 Rheola Street West Perth WA 6005 | PO Box 622 West Perth WA 6872 | Telephone +61 8 9215 7900 | Fax +61 8 9321 0429

Email: kwallman@hlbinsol.com.au | Website: www.hlbinsolvencywa.com.au

Liability limited by a scheme approved under Professional Standards Legislation



Chartered Accountant

15 July 2013

TO THE CREDITOR AS ADDRESSED

**Central Mining & Contracting Pty Ltd (Administrator Appointed) ACN: 113 050 678
As Trustee for the Smith Family Trust
("the Company")**

I write to advise that I was appointed as Administrator of the above named Company on 20 June 2013 by the Company under section 436A of the Corporations Act.

Please find enclosed the following for your information:

- Notice of Meeting (Form 529)
- Administrator's Report to Creditors
- Appendix A – Financial Statements
- Appendix B – Deed of Company Arrangement Proposal
- Remuneration Report
- Information Sheet for Creditors
- Proof of Debt for Voting Purposes (Form 535)
- Proxy Form (Form 532)

Please complete the Proof of Debt Form for Voting Purposes at the meeting and return this to me preferably by 5.00pm on the day before the meeting. If you need to complete the Proxy Form, I also request this preferably by 5.00pm on the day before the meeting.

At the meeting, creditors may be asked to vote on the following:

1. The Company executing a Deed of Company Arrangement (hereinafter DOCA);
2. The Company being voluntarily wound up;
3. The Administration ending;
4. The meeting being adjourned for a period not exceeding 45 business days.

Administrator's Recommendation

In brief, my report recommends that creditors adopt the proposed DOCA.

I believe this would be in the best interests of creditors as it is likely to yield a greater certainty of a return than the alternatives.

Creditors who have previously provided me with a Statement of Claim need not complete another claim form. **However, a fresh proxy form will be required at this second creditors meeting.** Please refer to section 10 of the enclosed report for additional information in this regard.

Please contact the writer if you have any questions.

Yours faithfully

A handwritten signature in black ink that reads 'Kim Wallman'.

Kim Wallman – Administrator
Central Mining & Contracting Pty Ltd (Administrator Appointed)
ACN: 113 050 678

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HLB Mann Judd Insolvency (WA) Pty Ltd is a member of  International. A world-wide network of accounting firms and business advisers.

**Form 529
Corporations Act 2001**

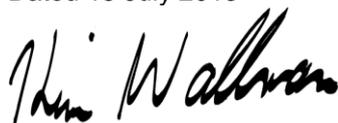
**Notice of a Meeting of Creditors of
Central Mining & Contracting Pty Ltd (Administrator Appointed) ACN: 113 050 678
As Trustee for the Smith Family Trust
("the Company")**

Notice is given that a Meeting of the Creditors of the Company will be held on Tuesday, 23 July 2013 at 10:00am at Gound Floor, 15 Rheola Street, West Perth.

AGENDA

1. The purpose of the meeting is to receive the Administrator's Report about the Company's business, property, affairs and financial circumstances and for creditors to resolve either:
 - a) That the Company execute a Deed of Company Arrangement; or
 - b) That the Administration should end; or
 - c) That the Company should be wound up; or
 - d) That the business of the meeting be adjourned for a period not to exceed forty five (45) business days.
2. For creditors to resolve to appoint the Administrator as Liquidator of the Company.
3. For creditors to resolve to approve the Administrator's remuneration pursuant to Section 449E(1)(a) of the Corporations Act.
4. For creditors to resolve to approve the future remuneration of the Administrator and or Deed Administrator/Liquidator if one is appointed.
5. If the Company is wound up, and if appropriate, appoint a Committee of Inspection.
6. If the Company is wound up, for creditors to resolve to approve the early destruction of the books and records of Central Mining & Contracting Pty Ltd ACN: 113 050 678, subject to approval from ASIC.
7. Any other relevant business.

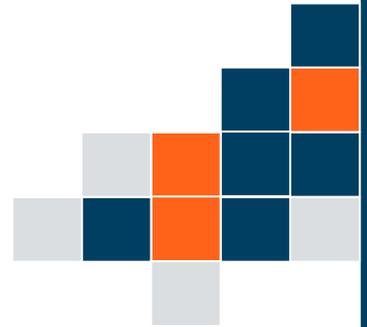
Dated 15 July 2013



Kim Wallman – Administrator
Central Mining & Contracting Pty Ltd (Administrator Appointed) ACN: 113 050 678



Chartered Accountant



**Central Mining & Contracting Pty Ltd
(Administrator Appointed) ACN: 113 050 678
As Trustee for the Smith Family Trust**

(“THE COMPANY”)

**SECTION 439A REPORT TO CREDITORS
BY THE ADMINISTRATOR**

15 July 2013

Kim Wallman
HLB Mann Judd (Insolvency WA)
Chartered Accountant
Ground Floor, 15 Rheola Street
West Perth WA 6005

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1 Introduction

On 20 June 2013, in accordance with a resolution of the Director of Central Mining & Contracting Pty Ltd (Administrator Appointed) ACN 113 050 678 and Part 5.3A of the Corporations Act 2001 (the Act), I, Kim Wallman, was appointed as the Administrator of the Company.

The purpose of the appointment of an Administrator is to allow for an independent Insolvency Practitioner to take control of and investigate the affairs of an Insolvent Company. During that time, creditors' claims are put on hold.

At the end of that period, I am required to provide creditors with information and recommendations to assist creditors to decide upon the Company's future.

The purpose of this report therefore is to provide creditors with sufficient information for them to make an informed decision about the future of the Company, including:

- Background information about the Company;
- The asset and liability position of the Company;
- The results of my preliminary investigations into the past affairs and dealings of the Company and its officers;
- The estimated returns to creditors under a Liquidation and DOCA scenario;
- Details of the proposed DOCA; and
- The options available to creditors and my opinion on each of these options including which option is in the creditors' interests.

2 Background

The Company operated in the mining industry and civil earthworks contracting field in Western Australia.

It held a significant fleet of plant and had up to 200 employees at its peak.

The Company worked primarily for major mining companies on projects in the north-west of Western Australia.

The Company also worked for smaller mining companies, again on projects in Western Australia.

Recently the Company's major client did not release funds due to the Company as a result of a dispute over progress claims made.

The dispute significantly reduced the Company's cash flow and as a result, the Director elected for the appointment of a Voluntary Administrator.

I have undertaken the following tasks and investigations to prepare this report and formulate my opinion:

- Review of the recent trading of the Company;
- Meetings and communications with current and former members of the Company's staff in relation to Company operations;
- Analysis of the financial position of the Company including any security held by financiers, and various other charge holders to obtain an estimate of potential funds available for unsecured creditors;
- Meetings and communications with clients of the Company;
- Review of the assets and liabilities position of the Company and the potential to recover funds from various parties in relation to preferential payments and insolvent trading;
- Meetings with parties to discuss the potential for a DOCA to be proposed.

At the meeting of creditors to be held on Tuesday, 23 July 2013, creditors will be asked to make a decision regarding the future direction of the Company by passing an ordinary resolution in respect of options available to them.

In this report, I have recommended to creditors that the Company enter a DOCA. I have provided details of why this option is, in my opinion, in the best interests of creditors.

2.1 Shareholders, Officers and Charges

Director	Appointed	Status
Charle Smith	28 September 2007	Current
Eric Thompson	15 September 2005	Ceased – 25 March 2010
Koy Smith	15 September 2005	Ceased – 25 March 2010
Clinton Bradley Wolf	21 February 2005	Ceased – 15 September 2005
Tony Adekunle Wright	21 February 2005	Ceased – 15 September 2005

Shareholder	No. of Shares	Class
Charles Smith	2	Ordinary

Incorporation date: 21 February 2005

Registered Office: C/- Market City Commercial Centre
Unit 6/280 Bannister Road
Canningvale WA 6155

Principal Place of Business: Suite 3/107 Abernethy Road
Belmont WA 6104

Registered Charges

My search of the PPSR database revealed the following security interests registered against the Company:

Security Interest Holder	Start Date	Collateral Class	PMSI
Freo Group Limited	30 January 2012	Other Goods	Yes
National Australia Bank Limited	3 April 2012	Motor Vehicle	Yes
National Australia Bank Limited	3 April 2012	Other Goods	Yes
National Australia Bank Limited	4 April 2012	Motor Vehicle	Yes
National Australia Bank Limited	31 May 2012	Motor Vehicle	Yes
Australia and New Zealand Banking Group Limited	31 May 2012	Motor Vehicle	Yes
Westpac Equipment Finance Limited	7 June 2012	Motor Vehicle	Yes
Emeco International Pty Ltd	19 June 2012	Other Goods	Yes
Westpac Banking Corporation	16 August 2012	Motor Vehicle	Yes
Australia and New Zealand Banking Group Limited	20 November 2012	All Present and After-Acquired Property	NA
Toyota Finance Australia P/L	10 December 2012	Motor Vehicle	Yes
National Australia Bank Limited	18 December 2012	Motor Vehicle	No
D&L Cox Pty Ltd	24 January 2013	Motor Vehicle	No

2.2 Books and Records

The Company originally maintained a computerised MYOB accounting system and then a more mature software package known as Navision. This should have enabled the Director to ascertain a perspective of the Company's financial position as required by the Act.

Prima facie, it appears there is no breach of Section 286 of the Act with regard to the maintenance of the books and records of the Company.

2.3 Financial Statements

I have obtained the most current financial statements prepared for the Company which were for the 2011/12 financial years.

I have included at the end of this report a copy of the balance sheet and profit and loss statement at **Appendix A** for your information.

2.4 Historical Financial Performance

As stated above, the latest historical financial reports prepared for the Company were for the year ended 30 June 2012.

An extract of some of the recent key figures for 2012 and 2011 financial years are set out below.

No formal financials are available for the 2013 year. Please note that the 2012/13 figures displayed below have been extracted from the Company's management accounting software.

The internal accounting system reflected a 2013 turnover of \$41,073,935 with a gross loss of \$5,764,116 and net loss of \$8,481,268. Given my comments below, the veracity of all these figures, should be viewed with caution.

However, it is fair to say, given the serious deterioration in the overall financial position; there must have been significant losses in the 2013, year-end, or indeed before that.

	2012/13	2011/12	2010/11
	\$	\$	\$
Turnover	41,073,935	31,183,453	23,356,801
Gross Profit	(5,764,116)	4,514,418	16,912,228
Gross Profit %		14%	72%
Operating Result	Loss (8,481,268)	Profit 650,214	Profit 2,376,992
Net %		2%	10%

2.5 Administrator's Prior Involvement

I first met with the Company's Director and the Company's Accountant on 19 June 2013 to discuss, in general, the options for the future direction of the Company.

I met again with the Company's Director on 20 June 2013 and shortly after this meeting, at a Meeting of the Director, the Director resolved that an Administrator should be appointed and that I should act as the Administrator.

Prior to such meetings, and to the best of the my knowledge, no prior relationship existed within the Company, its Director an any associated business or related companies within the meaning of Corporate Groups or any major creditors.

2.6 Comparison of Director's Report as to Affairs with Administrator's Estimated Realisable Values

As at 20 June 2013, the assets and liabilities of the Company according to the Director's Report as to Affairs were estimated to be as follows:

	As per Director's RATA Form 507	Administrator's Estimated Realisable Values	Notes
	\$	\$	
ASSETS			
Cash on Hand	130	130	
Other Assets - Insurance Recovery	163,000	163,300	
Work in Progress	527,351	100,000	1
Sundry Debtors	2,800,000	2,384,000	1
Cash at Bank	1,090,382	500,000	2
Equity in Financed Plant & Equipment	1,462,767	-	3
Plant & Equipment	3,437,950	100,000	3
TOTAL ASSETS	9,481,580	3,247,430	
LIABILITIES			
<u>Priority Creditors</u>			
Wages	-	-	
Superannuation	214,000	200,000	
Annual Leave	321,870	200,000	4
Pay in Lieu of Notice/Redundancy	-	600,000	4
<u>Secured Creditor</u>			
ANZ Bank	950,000	100,000	5
<u>Estimated Assets Available for Unsecured Creditors</u>		2,147,430	6
<u>Unsecured Creditors</u>			
Trade Creditors	7,215,037	7,500,000	
Australian Taxation Office	1,700,000	2,200,000	
Payroll Tax	-	400,000	
<u>Contingent Liabilities</u>			
Leases Premises	159,138	170,000	
Shortfall on Financed Plant & Equipment	-	350,000	3
UNSECURED CREDITORS ESTIMATED TO PROVE		10,620,000	
PRELIMINARY ESTIMATED DIVIDEND TO UNSECURED CREDITORS (SUBJECT TO COSTS, ASSET REALISATIONS AND FINAL CLAIMS ADMITTED) - Cents in the dollar			
		\$0.20	

NOTES:

1. These amounts are comprised of retention and variation claims against Rio Tinto, along with work in progress that existed as at the date of my appointment.

Further investigation and recovery actions are required in order to realise these amounts; however I advise that some \$800,000 of debtors and retention monies have already been recovered.

An amount of approximately \$1.1M in relation to the Rio Tinto Fuel Infrastructure Project (FIP is yet to be fully quantified and recovery of this claim will subject to further investigation in the coming weeks).

2. At the date of my appointment, the Company held the following funds in bank accounts:

Bank Name	Amount held (approx)
Westpac	\$154K
ANZ	\$965K

Shortly after my appointment, the Westpac bank applied the \$154K in funds held against their plant and equipment finance contracts.

The ANZ bank released \$500K to my account set up for the Administration to cover initial trading costs and expenses (hence the figure listed above); however I advise creditors that pursuant to a guarantee provided to Garuwarra Investments Pty Ltd (Garuwarra), the ANZ bank is now holding the balance of funds (\$465K) pursuant to their rights to offset.

For the sake of completeness, I advise creditors that the Director of Garuwarra is Charles Smith's wife.

The Company sold approximately \$1M of its plant and equipment to Garuwarra in late 2012. Garuwarra financed this purchase from funds borrowed from the ANZ.

The sale provided cash flow to the Company; however Garuwarra financed the sale with the ANZ bank and the Company provided a guarantee plus collateral security for the liability Garuwarra had with the ANZ bank.

3. The Company has financed a number of items of plant in its fleet. Preliminary analysis of these assets and corresponding estimated values (taking into account the rights of offset of the finance companies and the costs of realising the assets and the current market conditions) will likely leave a shortfall of approximately \$350K.

The unencumbered plant and equipment owned by the Company is listed in the records to be worth approximately \$365K. After taking into consideration current market conditions, demobilisation costs and the likely costs of realisation, I have discounted the value to \$100K.

4. These figures are considered to be best estimates and are subject to further investigations.
5. As noted above, the Company has guaranteed Garuwarra's debt of approximately \$1M with the ANZ bank.

The ANZ bank currently holds \$465K of the Company's cash at bank pursuant to their right of offset. I have also been advised that the ANZ bank holds approximately \$500K of Garuwarra's cash at bank.

The ANZ bank appears to hold sufficient assets to cover its exposure to Garuwarra.

The remaining \$100K figure I have estimated relates to likely shortfalls on plant that is financed with Esanda, which is a division of the ANZ bank.

6. This figure is the estimated funds available for distribution to unsecured creditors in a Liquidation scenario. Please note however that this amount is subject to the costs and expenses of the Administrator and/or Liquidator/Deed Administrator if one is to be appointed at the upcoming meeting of creditors.

Please refer to section 6 below for further information on the anticipated dividend rates under a Liquidation and DOCA scenario.

2.7 Explanations for Difficulties

The Director has advised that he first realised the Company may have had to be placed into external administration during the week ending 22 June 2013 after the Australian Taxation Office issued an unforeseen demand.

As a result of this, the Director sought advice from the Company's Accountant.

Below is an extract from the Director's Questionnaire outlining what were, in his opinion, the causes of the demise of the Company:

"Aggressive position taken by Rio Tinto to pay Claims in the last 4 months."

In my opinion, the substantive reason for the Company's demise is simply, significant trading losses that emerged during the 2013 financial year. According to the Company's records, something in the order of \$8M.

The reason for these losses is a little more difficult to ascertain; however, the quantum of the loss appears to have been aggravated by two factors.

The first factor, in my opinion, was a lack of management control.

The lack of administrative control over the operational and contractual obligations, including variations, has resulted in cost blowouts.

The difficulty for me as the Administrator is, most staff involved in the negotiating, estimating and pricing of the contract are no longer with the Company, therefore it is difficult to investigate these failings.

From an operational and administrative control aspect, there have been a number of staff members who have left the Company, where original project managers and contract administrators have moved on and left the incumbent staff members to take on the roles.

The job control has passed through a number of hands, resulting in interrupted control and inadequate source documentation and data to support claims.

In the limited time available to me, it appears the contractual requirements imposed by the contract documentation have not been adhered to and or maintained to the standard required.

As an example, I have examined the more recent work and the schedule of claims which disclosed claims of \$3.74M resulted in rejections of \$2.38M of that total.

These claims were rejected for various reasons including either lack of substantiation data, or a lack of adherence to contractual obligations.

The second reason that has contributed to prolonging the Company's demise is the major client had adopted a protocol of advancing funds to assist the Company's cash flow against claims. These were later proved to be unsubstantiated claims.

The Company had not anticipated that these advances would be deducted from future contract claims. This resulted in reduction of funds that were expected to come in from later progress claims.

As referred to in note 2 to section 2.6 above, in late 2012, the Company effectively refinanced some of its freehold plant by a sale to an associated Company, resulting in a \$1M cash inflow. This action again addressed short term problems only.

2.8 Outstanding or Previous Winding up Applications

As at the date of my appointment, there were no petitions to wind up the Company.

I have however examined a number of Statutory Demands issued against the Company.

3 Offences, Voidable Transactions and Insolvent Trading

3.1 Offences

Duty to ensure books and records are maintained in accordance with the Corporations Act (Section 286) – a company must keep written financial records that:

- a) *correctly record and explain its transactions and financial position and performance, and*
- b) *would enable true and fair financial statements to be prepared and audited.*

As discussed earlier in this report, I have formed the preliminary view that the Company maintained accurate books and records sufficient to enable the Directors to assess the Company's financial position from time to time.

This conclusion is based on the Company having maintained an electronic management accounting system and having prepared financial accounts to the end of the previous financial year (i.e. 2011/12).

3.2 Voidable Transactions

Unfair preferences (Section 588FA) – *these are transactions where the Company transacts with a Creditor resulting in that Creditor receiving more than the Creditor would receive if the transaction were set aside and the Creditor claimed the same amount in a liquidation.*

My investigations have indicated that some creditors may have received payments that would be considered preferential and therefore recoverable by a Liquidator.

My examination of the Company's books and from discussions with officers of the Company have revealed that the Company entered into repayment plans with a number of creditors in the two month period leading up to my appointment.

I have been advised by the Director and bookkeeper that the creditor repayment amounts totalled approximately \$800,000 per month.

Whilst this payment arrangement does not necessarily mean that creditors have received a preferential payment(s), my investigations have revealed that some creditors may have received payment as a result of initiating legal/recovery action against the Company.

Details of these payments are disclosed below:

Creditor Name	Prima Facie Preference Received
EMJC Earthmoving and Plant Hire	\$241,000
Contract Intelligence Pty Ltd	\$83,325
D&S Drainage Services	\$185,000
Platform Communications	\$13,376
Total	\$522,701

Further to the above, my investigations have revealed that Hanson Construction appears to have been paid in full as a result of Hanson Construction possessing a personal guarantee from the Director of the Company.

The amounts paid to Hanson Construction during February and March 2013 totalled \$174,700, reducing Hanson Construction's exposure to the Company to nil.

Whilst this payment may be preferential in nature, the Director may also be liable to repay this amount to the Company pursuant to Section 588FH of the Act.

Additionally, the Smith Family Trust appears to have received approximately \$137,000 on the day of my appointment. I am yet to ascertain the nature of this transaction. Further investigations are required.

Further investigations are required, however as creditors will note in section 3.3 below, a material commercial recovery from the Director and/or his related entities in relation to this matter is unlikely.