



To the Creditor as Addressed

28 May 2018

Dear Sir or Madam,

Ostwald Bros Pty Ltd (In Liquidation)
ACN: 099 115 009 ABN: 91 099 115 009
("Company")

Circular to Creditors

As you are aware, Derrick Vickers and I were appointed as Voluntary Administrators of the Company on 25 August 2017 pursuant to Section 436A of the Corporations Act. We were subsequently appointed as Liquidators at the Second Meeting of Creditors held on 30 November 2017.

This circular has been prepared in accordance with Rule 70-40 of the Insolvency Practice Rules (Corporations) 2016 and should be read in conjunction with our previous Section 75-225 Report dated 23 November 2017 ('previous report'). A copy of the previous report, and all other communications to creditors, is available at www.ostwaldbros.com.au.

Please see below an update on the conduct of the Liquidation.

The estimated amounts of assets and liabilities of the company (IPR 70-40(2)(a))

I refer creditors to page 49 of our Voluntary Administrators report which provided details of the estimated statement of position of the Company. A summary of the asset and liability position of the Company as per our previous report is provided below:

\$	Notes	Ostwald Bros Pty Ltd (Low)	Ostwald Bros Pty Ltd (High)
Assets			
Non-circulating Assets			
Net Proceeds from sale of Plant & Equipment	1	521,000	1,667,000
Estimated dividend from OCM		210,000	210,000
Total non-circulating Assets		731,000	1,877,000
Circulating Assets			
Potential Litigation Proceeds	2	-	-
Total circulating Assets		-	-
Total Assets		731,000	1,877,000
Liabilities			

PricewaterhouseCoopers

ABN 52 780 433 757

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Secured Creditor		204,000	204,000
Priority Creditors – Wages & Super		1,600,000	1,600,000
Priority Creditors – Leave of absence		2,600,000	2,600,000
Priority Creditors - Retrenchment		4,800,000	4,800,000
Unsecured Creditors		28,541,121	28,541,121
Total Liabilities	3	37,745,121	37,745,121
Net Assets Deficiency		(37,014,121)	(35,868,121)

Notes

1. Sale of some assets are yet to be undertaken, however, our estimates remain unchanged;
2. The success and quantum of recovery is too difficult to estimate at this time;
3. The total liability position has changed given distributions by the Fair Entitlement Guarantee, distributions based on subcontractor claims and additional claims being received.

As advised in the circular to creditors on 1 March 2018, we have been working with our agent regarding the sale of the majority of the plant and equipment of OB which was undertaken by way of an on-site auction in Dalby on 22 & 23 March 2018. As trading continued beyond that date for some projects there are minimal remaining assets that are yet to be sold.

Given trading on the last project only ceased earlier this month, we expect these remaining assets to be sold by the end of June 2018. An updated financial position will be provided to creditors in our next report to creditors.

Inquiries relating to the winding up of the company that have been undertaken to date (IPR 70-40(2)(b))

Preferences

In our previous report, we reported that our preliminary inquiries indicated potential preference claims totalling \$3.3m. Since our appointment as liquidators, we have completed detailed investigations into potential preference claims. To date claims totalling \$2,378,901 have been identified and demands issued to creditors. We continue to collate the relevant evidence to support the remaining \$900k worth of claims identified where demands are yet to be issued.

Insolvent Trading

In our previous report, we reported that the Company appeared to be insolvent throughout FY2017. Our investigations indicate that there were debts incurred during this period of time and that some of these debts remain outstanding. Further investigations are necessary to determine the exact date of insolvency, the quantum of debts incurred that remain outstanding after this point in time, and if any potential defences are available to the directors.

Uncommercial Transactions

Our investigations to date have not identified any potential uncommercial transactions.

Unfair Loans

Our investigations to date have not identified any potential unfair loans.



Unreasonable Director-Related Transactions

We advised in our previous report that investigations were ongoing regarding intercompany loan accounts. We are continuing to reconcile these loan accounts and identifying any potential claims between entities. Once we have completed this analysis we will assess whether there are any additional recovery claims between entities.

At this time we have not identified any other potential unreasonable director-related transactions.

Offences

As indicated in our circular to creditors on 1 March 2018, we confirm that a detailed report has been lodged with the Australian Securities and Investments Commission regarding the causes of failure of the company and potential offences of the directors.

Further inquiries relating to the winding up of the company that may need to be undertaken (IPR 70-40(2)(c))

Preferences

We are continuing to assess any potential preference claims against creditors and seek recovery of any identified claims.

Insolvent Trading

We are continuing with our analysis to determine the exact date of insolvency, the quantum of any claim, and assess any potential defences available to the directors. In addition we will need to consider the ability of the directors to meet any potential claim.

Loan Accounts / Unreasonable Director-Related Transactions

We are continuing with reconciling the loan accounts between the various related entities. After conclusion of this analysis we will seek recovery of any identified loan accounts between the entities. This analysis will determine whether there are any unreasonable director-related transactions that might be recoverable.

Public Examinations

Advancing the investigations into the company's affairs may require the conduct of a public examination of the directors and other identified parties. This will be considered in due course.

What happened to the business of the company (IPR 70-40(2)(d))

I refer creditors to page 18 of our Voluntary Administration report, which detailed the key causes of failure as follows:

- Performance to contracts which resulted in heavy losses;
- Contractual disputes resulting in significant funds being withheld from the business;
- A decline in revenue not adequately mirrored in cost reductions; and
- Reduction in the gas and mining industry having an adverse effect on civil constructions.



The likelihood of creditors receiving a dividend before the affairs of the company are fully wound up (IPR 70-40(2)(e))

The dividend prospects have not changed since our previous report. As noted in our previous report, all recoveries from the non-circulating assets of the company, less costs, will be paid to the ANZ Bank and other financiers pursuant to their registered security interests.

Any recoveries from circulating assets and voidable transactions, after costs, will be paid to the Department of Employment on account of the advance made to meet priority employee entitlements.

Given the significant amounts owed to the ANZ Bank and to FEG on account of priority employee entitlements, we do not expect to pay any dividend to non-priority creditors in this matter.

Possible recovery actions (IPR 70-40(2)(f))

At this time the identified potential recovery actions include:

- Litigation action against Seymour Whyte
- Preferential Payments
- Insolvent Trading

Other

In addition to the above, the liquidators intend to convene a meeting of creditors on or around 12 July 2018. A further report to creditors will be issued in due course prior to that meeting.

Should you have any queries regarding the information provided, please contact the Creditor hotline by telephone (07) 3257 5111 or email POD-OB@au.pwc.com.

Kind Regards

A handwritten signature in blue ink, appearing to read 'Sam Marsden', with a long horizontal flourish extending to the right.

Sam Marsden
Liquidator