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Bawinanga Aboriginal Corporation (Special Administrators Appointed)

Circular to creditors

We refer to our circular to suppliers and creditors of 7 January 2014 and confirm that Tony Jonsson and I were appointed as joint and several special administrators to the Bawinanga Aboriginal Corporation ('the Corporation') by the Registrar of Indigenous Corporations on Thursday 26 December 2013. Our appointment was pursuant to section 490-1 of the *Corporations (Aboriginal and Torres Strait Islander) Act 2006*.

Since our appointment we have been undertaking an extensive review of the Corporation's operations and financial affairs so as to determine the corporation's current financial position and viability. Unfortunately, as a consequence of the manner in which the accounting records have been kept and due to other issues within the corporation, we do not expect to be able to complete our assessment of the corporation's current financial position for at least another three to four weeks.

We understand that prior to our appointment:

- the previous special administrators had organised for creditors to enter into debt repayment agreements to compromise their admitted claims against the corporation as at 30 October 2012 for 70 cents in the dollar owing;
- the funds for payment of the aforementioned amounts were to be derived from a loan to be provided to the corporation by the Maningrida Progress Association ('MPA');
- MPA instructed their solicitors to delay the loan agreement until the financial position of the Corporation could be confirmed.

Shortly after our appointment we requested full details from the previous special administrators of the arrangements made for the payment of creditors with debts outstanding from the period prior to 30 October 2012 (as well as any unpaid current creditors). We have recently received some information from them in relation to the debt repayment agreements entered into with the corporation's pre-appointment creditors and we expect to receive the balance of the necessary information and documents from the previous special administrators shortly.

We will provide creditors of the corporation with a further update once we:

- have determined the current financial position of the corporation;
- are in a position to determine whether the corporation is able to service the proposed MPA loan; and
- have secured the loan from MPA. In this regard, we are currently working with MPA to secure the release of the necessary funds at the earliest possible date.

We acknowledge that the situation for creditors is not satisfactory and appreciate your patience in dealing with this matter thus far. It is unfortunate that the corporation's obligations to creditors were not satisfied prior to our appointment, and that the accounting and other records

were not up-to-date, accurate or complete when we were appointed. We can assure creditors that we are making every effort to rectify the situation quickly.

We should also point out that despite the ongoing delays, the compromise proposal that was negotiated by the previous special administrators in our view still provides the best outcome for all parties. Based on the information available to us, the alternative (liquidation of the corporation) would provide no return to any of the unsecured creditors.

In the interim, we encourage creditors of the corporation to read our recent newsletter detailing the progress of the special administration, which is available on the Registrar's website, www.oric.gov.au.

Please contact Monica Tilbrook of this office with any queries in the interim.

Dated this 12th day of February 2014

A handwritten signature in black ink, appearing to be 'Gerry Mier', with a stylized flourish at the end.

Gerry Mier
Joint Special Administrator