

PERTH

Level 26 BankWest Tower
108 St George's Terrace
Perth WA 6000 Australia

GPO Box 2537 Perth WA 6001

phone +61 8 9214 1444

fax +61 8 9214 1400

email fhperth@perth.fh.com.au

www.ferrierhodgson.com

17 February 2009

**SAS GLOBAL BALDIVIS LTD ACN 120 233 490
(Administrators Appointed) (Receivers and Managers Appointed)
("the Company" or "SGBL")**

**SUPPLEMENTARY CIRCULAR TO
ADMINISTRATORS' REPORTS DATED 10 FEBRUARY 2010**

We refer to the Administrators' Report to Creditors of SGBL dated 10 February 2010 ("**Report**"). This Supplementary Circular should be read in conjunction with that Report and the First Administrators report dated 3 December 2009.

We advise that subsequent to production of that Report, which recommended the liquidation of SGBL, a Deed of Company Arrangement ("DOCA") proposal was received from Patersons Corporate Finance ("Patersons") at around 5.30pm on 16 February 2010. We enclose for your review a copy of the DOCA proposal received from Patersons.

We note that:

- the Patersons DOCA is contingent upon various events namely:
 1. The share placement to sophisticated clients of Paterson; and
 2. An underwritten 3 for 1 rights issue;
- we are in the process of reviewing the terms of the Patersons DOCA proposal, to determine whether or not the proposal is capable of being implemented and its merits relative to the anticipated liquidation outcome.

The Patersons proposal may ultimately prove to be a satisfactory outcome for creditors of SGBL, however, our view is that the Patersons proposal is too preliminary to be capable of acceptance by creditors in its current form.

In our opinion, the most appropriate course now is for creditors to consider acceptance of an asset preservation DOCA which provides time for the Deed Administrators to work with Patersons and other potential DOCA proponents with a view to a restructuring of the Company's affairs. The terms of this proposed DOCA to be put forward to creditors is attached as **Annexure A**.

Should you have any queries in relation to this matter please do not hesitate to contact either Kieran Chu or Georgina Luck of this office.



MARTIN JONES
Joint and Several Administrator of
SAS Global Baldivis Ltd

Encl.

ADELAIDE
BRISBANE
MELBOURNE
SYDNEY
HONG KONG
JAKARTA
KUALA LUMPUR
MANILA
MUMBAI
SHANGHAI
SINGAPORE
TOKYO

Affiliated through
Zolfo Cooper
and
Kroll Worldwide
UNITED STATES
UNITED KINGDOM

16 February 2010

Background

- SAS Global Baldvis Limited (“**Baldvis**”) is in receivership and administration.
- In November 2009 Knight Frank presented a valuation of \$19.0 million for the property.
- NAB, a secured creditor, is owed \$19.48 million.
- Unsecured creditors are advertised to be \$1.27 million including \$0.82 million from a disgruntled shareholder group.
- Administrator’s fees including future claims ~ \$120,000.
- Baldvis has 24.88 million shares on issue.

Proposal

- Patersons Securities Limited (“**Patersons**”) proposes that subject to settling NAB’s position, which is likely to involve the sale of the property with nil residual for unsecured creditors and shareholders, the corporate structure be put through a DOCA and subsequent recapitalisation.

DOCA revolves around:

- Bank taking property (and guarantees) to satisfy position.
- PSL raise circa \$0.9 million via a share placement and an underwritten rights issue where;
 - 5 cents in the dollar goes to unsecured creditors that are proven.
 - Administrators costs are met.
 - Issue costs are met.
- SAS Baldvis remaining unlisted for the time being.

Share Placement

- Share Placement at \$0.005 to sophisticated clients of Patersons.
- Funds raised used to undertake DOCA process

	Shares	Cash	Valuation
Current Shares on Issue	24,880,000	-	-
15% Placement @ \$0.005	3,732,000	\$18,660	-
Less Issue Costs	-	-\$1,000	-
Totals	28,612,000	\$17,660	\$143,060

Rights Issue

- An underwritten 3 for 1 Rights Issue at 1 cent to raise circa \$850,000. Subscribers are to receive 1 free attaching option for every 2 shares subscribed for exercisable at 2 cents with a 3 year life.
- Funds raised used to satisfy unsecured creditors, pay administrators and provide working capital for Baldvis.

	Shares	Cash	Valuation
On Issue	28,612,000	-	-
3:1 Rights Issue @ \$0.01	85,836,000	\$858,360	-
Less Unsecured Creditors	-	-\$63,500	-
Less Administration Fees	-	-\$120,000	-
Less Issue Costs	-	-\$45,000	-
Totals	114,448,000	\$629,860	\$1,144,480

16 February 2010

Outcomes

- Banks claim satisfied.
- Shareholders get 1 cent per share in “value” and the opportunity to take up rights.
- Unsecured creditors get 5 cents in the dollar.
- Baldvis emerges from DOCA with;
 - Clean structure with property tax losses of circa \$25 million likely to be available.
 - Net cash of circa \$630,000.
 - Positioned to step forward.

Step Forward

- Infuse new management/Board.
- Raise additional capital.
- List on the Australian Securities Exchange.



ANNEXURE A

Proposal for DOCA

Statement of proposed DOCA

We table below the terms of the proposed DOCA to be put forward:

Key Elements	Proposal
Deed Administrators:	<ul style="list-style-type: none">The Administrators become the Deed Administrators for the purposes of the DOCA.
Purpose of the Deed Proposal:	<ul style="list-style-type: none">Enable sufficient time to consider and implement asset realisation strategies (subject to any limitations the Court may put upon this), and/or to negotiate with a view to a possible financial reorganisation of the affairs of the Company.The DOCA will operate for a period of 6 months from acceptance by creditors or such shorter period as contemplated by the "Termination of DOCA" section below.
Operative Provisions:	<ul style="list-style-type: none">The Deed Administrators must convene and hold a meeting within 6 months from the acceptable of the DOCA proposal and must include a report incorporating any reorganisation proposals to creditors and their recommendations with the notice of meeting.The Deed Administrators may continue their investigations into the affairs of the Company and as to possible claims available to the Company.It is open to the Deed Administrators to revert to creditors via a general meeting of creditors, to seek a future variation of the DOCA, which may include a Creditors' Trust. It will be a matter for that meeting to determine the appropriateness of any such variation.The Deed Administrators may call for and adjudicate upon proofs of debts from creditors, with a view to determining the size of the creditor pool (particularly as to the quantum of and validity of claims by shareholders who assert they are creditors of the Company), so as to assess whether an interim dividend can be paid to particular categories of creditors of the Company.
Proponent party:	<ul style="list-style-type: none">The Administrators are proposing this DOCA and note that there is no exclusivity as to any particular interested party's due diligence.Subject to the rights of the Secured Creditor of the Company and any receivers appointed, the Deed Administrators (and not the directors) shall be responsible for the management, operation and control of the business and affairs of the Company throughout the DOCA period.
Secured creditors:	<ul style="list-style-type: none">The rights of the NAB (NAB) as a secured creditor of SAS Global Baldivis Ltd will not be affected by the DOCA.
Application of Proceeds:	<ul style="list-style-type: none">Monies realised by the Deed Administrators, as a result of an investment in the Company or asset realisations, will be applied by reference to the order of priority applicable in a liquidation



	<p>scenario, and in particular, effect will be given to sections 556, 560 and 561 of the Corporations Act.</p> <ul style="list-style-type: none"> • Section 444DB of the Act applies to the DOCA.
Moratorium against the Company in relation to winding up:	<ul style="list-style-type: none"> • During the period of operation of the DOCA, the Company, any officer or member of the Company or any creditor bound by the provisions of the DOCA: <ul style="list-style-type: none"> • <u>may</u> take any recovery action or pursue any claim against the Company though the resulting claim is expected to be subject to the DOCA; and • <u>must not</u> make any application to wind up the Company, continue any such application or commence or continue any enforcement process in relation to the property of the Company. • This limitation does not affect the ability of the Secured Creditors to enforce their security against the Company.
Termination of DOCA:	<ul style="list-style-type: none"> • The Company's DOCA will terminate and the appointment of the Deed Administrators will come to an end upon the earlier of the following events: <ol style="list-style-type: none"> (a) the lapse of the period of 6 months from acceptance by creditors of the DOCA; or (b) the Deed Administrators giving written notice to the creditors that the DOCA has terminated at their discretion; or (c) otherwise in accordance with the Act; or (d) by an order of the Court.
Creditors Committee	<ul style="list-style-type: none"> • For the purpose of assisting the Deed Administrators, the creditors of the Company may resolve to form a Committee of Inspection in accordance with clause 11 of Schedule 8A of the Corporations Regulations.
Administrators' Lien	<ul style="list-style-type: none"> • Subject to the rights of the secured creditor, the Administrators and Deed Administrators are entitled to be indemnified out of, and have a lien over the assets of the Company for their remuneration, costs, fees and expenses for work done in the performance of their duties as Administrators and Deed Administrators.
Other terms	<ul style="list-style-type: none"> • The terms and conditions as contained in Schedule 8A of the Corporations Regulations (excluding regulations 3(c)) will otherwise be incorporated into the DOCA. • Section 440D will apply while the DOCA is on foot. • The DOCA will include such other provisions as are commonly included in "holding DOCAs".



Key Commercial Features

Related Entity

We note that there are no restrictions upon any other related entities claiming under the DOCA.

Proposed Monitoring and Reporting Arrangements

In the event that the Deed Administrators:

- do not receive a DOCA variation proposal for consideration by creditors within 6 months of acceptable of the DOCA by creditors; or
- form the view that it is otherwise appropriate, having regard to circumstances which are currently unforeseen,

the Deed Administrators will:

- at their discretion give written notice to the creditors that the DOCA has terminated and that the company enter into liquidation; or
- as soon as practicable issue a report to creditors explaining the relevant circumstances and convene a meeting to consider a resolution to vary or terminate the DOCA and the company enter into liquidation.

Prospects of DOCA Success

Based upon the operative provisions whereby

- the Deed Administrators may convene and hold a meeting within 6 months from the acceptable of the DOCA proposal; and
- must include a report incorporating any reorganisation proposals to creditors and their recommendations with the notice of meeting,

we consider there is some prospect of the terms of the DOCA being achieved. That said, any prospective or future capital raising initiatives will ultimately depend upon creditors / shareholder's attitude towards any condition precedent in the proposal put forward by any parties.

The ultimate DOCA proponent's (if any) decision to attribute value to the substantial tax losses available or otherwise attribute value to the company structure, will ultimately depend upon the final outcome of their due diligence including such issues as timing as to recovery of tax losses available in the Company.

Prospective Financial Information

The DOCA proposal is not based upon future profits of the Company in the way that a series of DOCA payments from the company would be. Accordingly, it is not entered into in reliance upon any prospective financial information.