

in Corporate Finance & Restructuring

Kagara Ltd



IMPACT:

With new funding in place FTI Consulting commenced a dual-track strategy of recapitalisation and orderly, value-focused, asset realisation.

The result was the realisation of the seven resource projects in four going concern sales, followed by the recapitalisation and equities market “re-launch” of the Company’s gold subsidiary, Mungana Gold Mines Ltd, as Atherton Resources Ltd — which ultimately attracted a private equity takeover offer.

The secured creditor and all employees received full payment of their claims, whilst the majority of unsecured creditors were repaid over 30 percent of their debts.

Each of Kagara’s former projects are still operating and/or being actively explored.

FTI CONSULTING ACHIEVED FULL REPAYMENT OF ALL MONIES OWED TO THE SECURED CREDITORS AND OVER 420 EMPLOYEES.



Kagara was a tough assignment in a difficult market; however FTI Consulting’s national mining practice remained focused on the underlying resource value. Ultimately, this delivered the going concern sale of all of the key resource projects, resulting in full payment to the secured creditors and over 420 employees, plus a meaningful return to unsecured creditors.

— Michael Ryan
Senior Managing Director and
Head of Mining Services Asia Pacific
FTI Consulting



Situation:

Following the Global Financial Crisis, base metals producer Kagara Ltd appointed FTI Consulting to review and subsequently take control of its operations. The FTI Consulting team applied a relentless focus on mineral resource value, to deliver a great result for Kagara’s stakeholders.

The ASX listed Company had a previous peak market capitalisation in excess of AU\$1.5 billion. It explored and operated seven base metal projects in North Queensland and Western Australia, with resources totalling 292,000 tonnes of contained copper and 2.6 million tonnes of contained zinc. It also owned a majority stake in an ASX listed gold project developer.

The Company employed over 420 people, had 965 creditors with claims of over AU\$170 million and owned its asset portfolio through complex structures. Three of its projects were mature operations, with a significant environmental footprint. Previous attempts to raise new debt and equity capital had failed.

The Company appointed FTI Consulting to urgently review its operations and financial position. This showed that the Company was unable to return to profitability at prevailing metals prices and that requisite debt or equity funding could not be sourced in the timeframe required, given the Company’s underlying financial position. Furthermore, the Company did not have the cash required to finance a necessary downsizing.

The combined cash shortfall and inability to recapitalise led the directors to seek the protection of Pt 5.3A of the Corporations Act — Voluntary Administration.

Upon appointment as Administrator, FTI Consulting secured innovative third party funding which enabled an orderly wind-down of the Company’s business - a combination of emergency funding secured against the Administrators’ statutory lien over the Company’s assets, plus a longer term refinancing of existing borrowings.

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About FTI Consulting

FTI Consulting is an independent global business advisory firm dedicated to helping organisations manage change, mitigate risk and resolve disputes: financial, legal, operational, political & regulatory, reputational and transactional. FTI Consulting professionals, located in all major business centres throughout the world, work closely with clients to anticipate, illuminate and overcome complex business challenges and opportunities. Connect with us at www.fticonsulting.com or on Twitter (@FTIConsulting), Facebook and LinkedIn.