

SE Business
HD **Kagara's liquidators struggle to sell assets**
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It is just over two years since the spectacular collapse of one-time market darling Kagara and the **company's** liquidators are still struggling to finalise asset sales and close out the **company's** elongated **wind-down**.

The vexed issue of its North Queensland assets, where the closely intertwined **gold** and base metals deposits posed a problem ever since the spin out of Mungana **gold** mines in 2010, was solved late last year. Mungana took on the lot, though there may still be some way to run on the issue, with Mungana calling a trading halt yesterday ahead of a ruling from the Queensland Government over \$12.4 **million** in stamp duty dating back to the 2010 spin out.

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That decision left Kagara with only two assets. Liam Twigger's PCF Capital is handling the hard-to-sell Thalanga assets in Queensland and Rothschild has retained responsibility for offloading the massive Admiral Bay **lead**-zinc-silver project south east of Broome.

First discovered in 1981 by Meridian **Oil**, Admiral Bay has long been slated as the project to put WA at the forefront of global base metals production. Big development costs and an uncertain market have combined to make it a difficult prospect, however.

There is little doubt Admiral Bay is a quality project. Its 2010 pre-feasibility study was based on a relatively small portion of Admiral Bay's inferred maiden resource of 72 **million** tonnes grading 3.1 per cent zinc, 2.9 per cent **lead**, 18 grams a tonne silver and 11.6 per cent barite. It still returned solid figures.

And there's little doubt there's a monster deposit down there, with Kagara having estimated its total mineral endowment at about 500 **million** tonnes.

The problem is it's 1.4km below the surface. That means a bankable study would cost big dollars, as the proponent would need to sink a shaft down the deposit and drill out a reserve from there. The capital wouldn't be wasted, as the shaft would also form the basis of the mine. But in a tight market for exploration dollars, the estimated \$185 **million** BFS price tag has left the market cold.

But base metals are coming back into fashion and sources suggest interest has again picked up in the Rothschild **sale**. Previous thinking was that capital costs would require a big player such as MMG or Canada's Teck to take it on.

But predictions of a shortfall in the zinc and **lead** markets are strengthening and that, combined with suspicions Kagara's liquidators would rather get the matter sorted sooner rather than later, has industry sources suggesting the most likely buyer will be a speculator rather than a developer. Whether that would be a listed junior hoping to buy cheap and attract **Chinese** money later or private **equity** money prepared to wait for the inevitable market panic if a serious zinc shortfall looms remains to be seen.

Rothschild is understood to be considering a number of bids on the project but with Admiral Bay already having been on the market for more than two years, there's little sense that an outcome is likely soon.

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