

ASX ANNOUNCEMENT MEDIA RELEASE

18 MAY 2012



Update: Voluntary Administration of Kagara Limited

Following their appointment on 29 April 2012 and the First Meetings of Creditors held on 9 May 2012, Michael Ryan, Mark Englebert, Stefan Dopking and Quentin Olde ("Administrators") as the voluntary administrators of Kagara Limited (Administrators Appointed) and its three wholly-owned subsidiaries* ("the Group"), announce that they have secured initial funding for the administration process.

The Administrators have entered into refinancing arrangements including a Funding Agreement and a Bank Guarantee Facility Agreement ("Refinancing Arrangement") with Investec Bank (Australia) Limited ("Investec"). The Refinancing Arrangement provides the Administrators and the Group with the necessary initial funding to begin exploring opportunities for the restructure, recapitalisation or orderly divestment of assets of the Group.

Under the Investec Refinancing Arrangement, the Group's existing secured creditor, Australia and New Zealand Banking Group Limited ("ANZ") will be replaced.

The Administrators require funding in order to meet costs being incurred to maintain, secure, control and preserve the assets of the Group. Such costs include salaries and wages for remaining employees, costs associated with the care and maintenance programs and costs required to preserve the assets.

Investec's Refinancing Arrangement provides for an immediate A\$3 million injection of funds via a short-term working capital facility and a A\$23 million Bank Guarantee Facility.

Investec's Refinancing Arrangement will permit the future release of funds to the Administrator to acquire approximately A\$8 million of hire purchase equipment owned by the ANZ and provide a further A\$3 million of working capital to go towards the administration process.

In total, the Refinancing Arrangement provides approximately A\$6 million of working capital to the Group.

Mr Ryan said: "The agreement with Investec provides the Administrators with the initial resources to commence an orderly review of alternatives for the restructure or recapitalisation of the Group's affairs with the aim of seeking to maximise the outcome for the benefit of all stakeholders."

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As part of the refinancing process, the Administrators engaged with a number of prospective financiers locally and overseas including investment banks, special situation funds, equipment financiers and large creditors and customers of the Group. The Administrators' ultimate decision was based on satisfying the Group's financing requirements in the necessary time frame.

The Refinancing Arrangement with Investec is the first stage of the funding efforts for the Administration and provides a platform to continue to assess the future cash requirements of the Group. In addition to this first injection of working capital, the Administrators have realised A\$2 million from debtor collections and cash deposits held with financial institutions. The Administrators are continuing to explore cost restructuring options and additional sources of funding including the sale of surplus equipment.

Interested parties, creditors and other enquiries should contact Taylor Woodings on (08) 9321 8533 / (07) 3041 2900 or visit its webpage www.taylorwoodings.com.au for further information.

* Michael Ryan, Mark Englebert, Stefan Dopking and Quentin Olde, all of Taylor Woodings, were appointed joint and several voluntary administrators of Kagara Ltd, Kagara Copper Pty Ltd, Mungana Pty Ltd and Einasleigh Mining Pty Ltd on 29 April 2012.

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About Taylor Woodings

Taylor Woodings is a national independent accounting firm specialising in the areas of restructuring, corporate recovery, advisory and transaction services, and forensic accounting. For more information please see www.taylorwoodings.com.au.

FURTHER INFORMATION:

Interested Parties/Creditors

Taylor Woodings

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