

Kagara Limited (ASX:KZL) Chairmans Address to Shareholders at 2011 Annual General Meeting

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Perth, Australia (ABN Newswire) - Kagara Limited (ASX:KZL) releases the following Chairman's Address to Shareholders at 2011 Annual General Meeting.

Good morning Ladies and Gentlemen,

I am pleased to welcome you to Kagara's 2011 Annual General Meeting and, in opening, to report briefly on what has been a very significant year of change and rejuvenation for the Company.

Following the recapitalization of Kagara in the wake of the 2008 financial crisis, the Board concluded that it was time to bring new ideas, new energy and new leadership into the Company.

The catalyst for change was provided after we were successful last year in recruiting Geoff Day as our new Managing Director and Chief Executive Officer from a senior role with Newcrest; Geoff joined us in late February and, over the past seven months, has instigated sweeping changes across the business.

These have included a separation of Board and executive responsibilities, the establishment of a new Executive Committee structure and the recruitment of several experienced executives to strengthen our management team and put in place the structures, systems and personnel to equip Kagara to become an ASX-100 company.

In April, we initiated a strategic review of all our operations and assets, together with a company-wide Business Improvement Program designed to generate enhanced returns from our existing production assets.

This review culminated recently in the announcement of a 5-Year Strategic Growth Plan designed to reposition Kagara as a dominant ASX-listed zinc and copper producer.

This Strategy was unveiled during a site visit and function hosted at our Mungana operations in Chillagoe in late September which included not just members of the investment community, but also many staff, employees, contractors and members of the local community. It was at this event that the new Kagara logo and branding was formally unveiled.

Geoff will outline in more detail the key elements of this 5-year growth strategy, which includes growing production to 120ktpa of zinc and 30ktpa of copper and an ambitious \$50 million exploration program over the next two years to build resource life at our key operational hubs.

The immediate focus of this growth plan is to increase zinc and copper production from our North Queensland operations, while at the same time first protecting and then enhancing our operating margins.

I am pleased to say that we have already seen incremental improvements in both production and costs over the last two quarters, with our September Quarterly Report released last week highlighting a 13 per cent increase in zinc production, steady copper production and a slight reduction in cash operating costs. In fact, the September Quarter marked record concentrate production for the Company since operations commenced.

We have also provided the market with more comprehensive guidance on our production, costs and financial

performance for the 2012 financial year. This will enable stakeholders to track the performance of the Company and Geoff will talk more about this shortly.

As an enthusiastic advocate of exploration as a key driver of Kagara's growth, I am very pleased that a rejuvenated exploration program forms the centrepiece of our 5-year growth strategy. The first objective of this program is to cement an 8-12 year production outlook for each of our operating hubs. This has already been achieved at the Lounge Lizard nickel mine in Western Australia and is rapidly becoming reality in North Queensland with early success from our exploration program at Redcap, near Chillagoe. With five drilling rigs currently active, this is a very exciting time for Kagara and I am confident shareholders can look forward to increased news flow and momentum in the weeks and months ahead.

Our medium-to-longer term growth in zinc is likely to be driven by the world-scale Admiral Bay Project in WA, a potential Tier One asset which could become one of the world's largest and lowest cost zinc mines and we have appointed Rothschild to assist us with the process of introducing a project equity partner to fund a Bankable Feasibility Study to progress Admiral Bay to the next stage. We expect to finalise this process by year-end.

As you would be aware, we have also announced plans to divest non-core assets to support the growth of our North Queensland business. This includes the planned sale of the Forrestania nickel assets in Western Australia, which is currently being handled by Goldman Sachs.

Turning briefly to our financial results, Kagara posted an underlying net profit after tax (excluding non-recurring items) of \$2.1 million for the 2011 financial year. As a result of a pre-tax impairment charge of \$48.5 million, which was mainly due to a write-down in the carrying value of some mining assets and resources, the Company posted a net loss after tax of \$32.2 million.

While this result - which was also negatively influenced by the high levels of concentrate stockpiles at our operations - was disappointing, it also reflected some of the outcomes of the Company-wide review just completed, including a conservative revaluation of resources and reserves at two of our underground mines. The adjustment of carrying values for these mineral assets will ensure that our balance sheet is appropriately restructured for the future, to support our growth strategy.

Coinciding with Geoff's arrival, I stepped down from my role as Chief Executive Officer of Kagara to become non-executive Chairman. One of my key responsibilities moving forward will now be to lead the restructuring and realignment of the Kagara Board consistent with our 5-year growth strategy.

We expect that this process will take 6-12 months to unfold, and will be driven both by the guidelines of the ASX's Principles of Good Corporate Governance and Best Practice and the need to introduce greater diversity and independence to the Board, while at the same time ensuring a smooth handover of the significant depth of skills and experience within the Board.

I look forward to keeping shareholders informed of our progress in this regard in the months ahead.

In recent weeks, we have seen the return of extreme volatility to global financial markets and a significant pull-back in commodity prices due to concerns about the global economy and the possibility of a second global financial crisis sparked by a banking and debt crisis in Europe.

These global factors have impacted on Kagara's share price which, like most resource companies, has fallen sharply in recent weeks. While we cannot escape the fact that Kagara's share market fortunes will always be closely tied to global commodity markets, I am confident that the improvements which are being made to our business coupled with increasing metal production will flow through to a lower cost of production, which will help to make us more resilient to fluctuations in commodity prices.

Finally, I would like to thank Geoff and his team for the huge amount of hard work and effort they have put in during the year. I would also like to acknowledge the outstanding team of people across Kagara whose loyalty and commitment remain the foundation upon which this Company has been built and thank shareholders for their continued support.

Kagara is a resilient, innovative and forward-looking Company and I believe that, as we embark on this new chapter in our growth and development, shareholders can look forward to a rewarding and productive future.

Thank you for your attention.

About Kagara Limited:

Kagara Limited is an S&P ASX 200 Australian resources group and one of Australia's lower cost producers of zinc, copper, lead and nickel.

The Company's base metals operations centre on the Mt Garnet-Chillagoe region of north Queensland, with three underground mines, one open pit mine and three processing facilities and a substantial production profile targeting copper production of 23,000 tonnes in FY2011 and zinc production of 100,000 tonnes in FY2012.

Production is also underway at the Lounge Lizard Nickel Project in Western Australia at a targeted nickel ore production rate of 50,000 tonnes per annum.

In addition, Kagara holds an extensive portfolio of high quality development and exploration assets, including the world-class Admiral Bay zinc-lead-silver-barite deposit in Western Australia, capable of delivering long term growth for the Company's shareholders well into the future.

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