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KAGARA ANNOUNCES TAKEOVER OFFER FOR COPPER STRIKE TO STRENGTHEN NORTH QUEENSLAND COPPER PORTFOLIO

Kagara Limited (ASX: KZL) (“Kagara”) announces it intends to make an off-market cash takeover bid (“Offer”) at 11 cents per share for all of the shares in North Queensland explorer Copper Strike Limited (ASX:CSE) (“Copper Strike”), providing the opportunity to further consolidate ownership of base metal deposits in Far North Queensland and to provide the opportunity for rapid development of the Einasleigh copper deposit.

Copper Strike’s Einasleigh Project is located to the south west of Kagara’s Mt Garnet copper and polymetallic processing facilities and to the north west of its Thalanga polymetallic processing facility, which are the only processing facilities in the region.

The proposed Offer, which represents a premium of 40% to the 90-day volume weighted average price of Copper Strike shares, provides an opportunity to accelerate development of the Copper Strike assets, establishing another regional source of ore for the centrally located Mt Garnet or Thalanga treatment facilities.

Kagara has a pre-bid acceptance agreement in place with Copper Strike’s largest shareholder, Teck Australia Pty Ltd (Teck), under which Teck has agreed to accept the Offer in relation to its 16.7% shareholding in the Company. Including on-market purchases, Kagara now holds or has the right to acquire a 17.22% holding in Copper Strike.

Offer Terms

Kagara will offer Copper Strike shareholders 11 cents cash for every Copper Strike share held with the Offer conditional on Kagara obtaining a relevant interest in at least 90% of Copper Strike shares and on certain other conditions being fulfilled. These conditions are set out in Annexure A to this announcement.

The Offer price represents a substantial premium of:

- 40% to the volume weighted average price of Copper Strike shares on ASX for the 90 day period prior to this announcement; and
- 20% to the volume weighted average price of Copper Strike shares on ASX for the 30 day period prior to this announcement.

Offer Rationale

The Offer provides an opportunity for Copper Strike shareholders to monetise their holding in what has been, prior to Kagara's recent entry into the Copper Strike market, a very illiquid market.

Copper Strike shareholders accepting the Offer who wish to retain an exposure to the Copper Strike assets may consider the option of reinvesting their proceeds in Kagara, an ASX 200 company with a more diverse portfolio of assets and operating three treatment plants in the area. These treatment plants and Kagara's well established underground mining expertise is likely to bring forward significantly the development of the Einasleigh base metal deposits.

Further information concerning the Offer and the indicative Offer timetable will be contained in Kagara's Bidders Statement which will be lodged with ASIC shortly.

About Copper Strike

Copper Strike is a mineral exploration and development company focused on finding and developing copper and related base metal assets in Eastern Australia.

The Company's major asset is the Einasleigh Project, located 350km north-west of Townsville, where it has discovered two copper deposits and four zinc-lead deposits since 2004.

Copper Strike has reported indicated and inferred JORC compliant copper resources at its Einasleigh Project of 16.1 million tonnes grading 0.98% copper and has completed preliminary feasibility studies on development of these resources.¹

Management Comment

Kagara's Executive Chairman, Mr Kim Robinson, said the proposed transaction provided an attractive and unique opportunity for Copper Strike shareholders to advance Copper Strike's exploration assets rapidly towards development, by consolidating ownership with the only logical and available development and processing option in the region.

"From Kagara's perspective, this proposed transaction is consistent with our objective of strengthening our resource and reserve positions at each of our production and mining centres at Mt Garnet, Chillagoe and Thalanga. The focus of this program is to establish at least 5 years of resources and 5 years of reserves at each operation over the next 1-2 years," Mr Robinson said.

Competent Persons Statement

Information in this announcement that relates to Kagara Exploration Results, Mineral Resources and Ore Reserves is based on and accurately reflects information compiled by Mr Joe Treacy who is a full time employee of the Company. Mr Treacy has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in 2004 Edition of the "Australian Code of Reporting of Exploration Results, Mineral Resources and Ore Reserves. Mr Joe Treacy consents to the inclusion in this announcement of the matters based on his information in the form and context in which it appears.

¹ Based on resources as at 30 June 2010 as reported in the Copper Strike 2010 annual report

ANNEXURE A: OFFER CONDITIONS

The Offer will be subject to the following conditions:

Minimum acceptance condition

Before the close of the Offer period Kagara and its associates have relevant interests in at least 90% (by number) of all issued Copper Strike shares.

Prescribed occurrences

That during the period from the announcement date to the date that is three business days after the close of the Offer period (each inclusive), none of the following events or circumstances, as referred to in sections 652C(1) and (2) of the Corporations Act, happen:

- (i) Copper Strike converts all or any of its shares into a larger or smaller number of shares in accordance with section 245H of the Corporations Act;
- (ii) Copper Strike or a subsidiary of Copper Strike resolves to reduce its share capital in any way;
- (iii) Copper strike or a subsidiary of Copper Strike enters into a buy-back agreement or resolves to approve the terms of a buy-back agreement under section 257C or 257D of the Corporations Act;
- (iv) Copper Strike or a subsidiary of Copper Strike issues shares, or grants an option over its shares, or agrees to issue shares or grant an option over its shares;
- (v) Copper Strike or a subsidiary of Copper Strike issues, or agrees to issue, convertible notes;
- (vi) Copper Strike or a subsidiary of Copper Strike disposes, or agrees to dispose, of the whole, or a substantial part, of its business or property;
- (vii) Copper Strike or a subsidiary of Copper Strike charges, or agrees to charge, the whole, or a substantial part, of its business or property;
- (viii) Copper Strike or a subsidiary of Copper Strike resolves to be wound up;
- (ix) a liquidator or provisional liquidator of Copper Strike or a subsidiary of Copper Strike is appointed;
- (x) a court makes an order for the winding up of Copper Strike or of a subsidiary of Copper Strike;
- (xi) an administrator of Copper Strike, or of a subsidiary of Copper Strike, is appointed under section 436A, 436B or 436C of the Corporations Act;
- (xii) Copper Strike or a subsidiary of Copper Strike executes a deed of company arrangement; or
- (xiii) a receiver, or a receiver and manager, is appointed in relation to the whole, or a substantial part, of the property of Copper Strike or of a subsidiary of Copper Strike.

Material adverse change

That no specified event occurs which has, or could reasonably be expected to have, a material adverse effect on the business, assets, liabilities, financial position, performance, profits, losses or prospects of Copper Strike, or the title to any of its assets, including as a result of making the Offer or the acquisition of Copper Strike shares pursuant to the Offer. For these purposes, a 'specified event' is:

- (i) an event or occurrence that occurs or is discovered during the Offer period;
- (ii) an event or occurrence that occurs prior to the Offer period but is only announced or publicly disclosed on or after the announcement date; or
- (iii) an event or occurrence that will or is likely to occur following the Offer period and which has not been publicly announced prior to the announcement date.

Trading conditions

That between the announcement date and the close of the Offer period none of the following events happens:

- (i) Copper Strike or a subsidiary of Copper Strike does not conduct its business the ordinary course;
- (ii) Copper Strike or a subsidiary of Copper Strike declares, pays or distributes any dividend, bonus or other share of its profits or assets;
- (iii) Copper Strike or a subsidiary of Copper Strike enters into or agrees to enter into any joint venture, farm in or farm out arrangement or partnership in respect of any of the assets owned or controlled by Copper Strike or a subsidiary of Copper Strike or makes an announcement in relation to such an agreement or arrangement;
- (iv) Copper Strike or a subsidiary of Copper Strike disposes of (including by grant of a third party right) or agrees to dispose of any interest in any of the assets owned or controlled by Copper Strike or a subsidiary of Copper Strike or makes an announcement in relation to such a disposal;
- (v) Copper Strike or a subsidiary of Copper Strike disposes of or agrees to dispose of any interest in any of the material assets owned or controlled by Copper Strike or a subsidiary of Copper Strike or makes an announcement in relation to such a disposal;
- (vi) Copper Strike or a subsidiary of Copper Strike incurs or commits to, or grants to another person a right the exercise of which would involve Copper Strike or a subsidiary of Copper Strike incurring or committing to, any capital expenditure or other liability in respect of one or more related items of greater than \$500,000 or makes an announcement in relation to such a commitment; or
- (vii) Copper Strike or a subsidiary of Copper Strike borrows or agrees to borrow money (except on a temporary basis from its bankers in the ordinary course of business).

Additional rights acquired

That no person has or would have because of:

- (i) Kagara acquiring or offering to acquire Copper Strike shares;
- (ii) Kagara acquiring control of Copper Strike; or
- (iii) Kagara selling Copper Strike shares or an asset of Copper Strike or a subsidiary of Copper Strike after acquiring Copper Strike shares,

an actual or contingent right to:

- (i) acquire an asset of Copper Strike or a subsidiary of Copper Strike under an agreement;
- (ii) procure Copper Strike or a subsidiary of Copper Strike to dispose of, or to offer to dispose of, an asset under an agreement, where the aggregate unencumbered value of the asset exceeds \$500,000;
- (iii) receive a benefit derived from an asset of Copper Strike or a subsidiary of Copper Strike; or
- (iv) terminate or modify any material agreement with Copper Strike or take action under any such agreement.

No action or investigation

That between the announcement date and the close of the Offer period, no action or investigation is instituted or threatened by a statutory or regulatory body because of or in connection with the takeover bid that might impose a material limitation on the ability of Kagara, Copper Strike or any of their related bodies corporate to conduct its business or own all its assets (other than any action or decision by, or application to, ASIC or the Takeovers Panel in exercise of the powers or discretions conferred by the Corporations Act).

Equal access to information

Between the announcement date and the close of the Offer period, Copper Strike promptly (and in any event within two Business Days) provides to Kagara a copy of all information that is not generally available (within the meaning of the Corporations Act) relating to Copper Strike or any related body corporate of Copper Strike or any of their respective officers, employees, advisers or agents to any person (other than Kagara) for the purpose of soliciting, encouraging or facilitating a proposal or offer by that person, or any other person, in relation to a transaction under which:

- (i) any person (together with its associates) may acquire voting power of 10% or more in Copper Strike (whether by way of takeover bid, compromise or arrangement under Part 5.1 of the Corporations Act, or otherwise);
- (ii) any person may acquire, directly or indirectly (including by way of joint venture, dual listed company structure or otherwise), any interest in all or a substantial part of the business or assets of Copper Strike or of any related body corporate of Copper Strike; or

that person may otherwise acquire control, of or merge or amalgamate with, Copper Strike.

Other regulatory approvals

Before the close of the Offer period, all regulatory approvals or consents that are required by law, regulation or regulatory policy as are necessary to permit:

- (i) the Offer to be lawfully made to and accepted by holders of Copper Strike shares;
- (ii) the acquisition of Copper Strike shares by Kagara; or
- (iii) completion of the transactions contemplated by the Bidder's Statement, including the full, lawful and effectual implementation of the intentions set out in the Bidder's Statement,

are granted, given, made or obtained on an unconditional basis, remain in full force and effect, and do not become subject to any notice, intimation or indication of intention to revoke, suspend, restrict, modify or not renew.

For further information:

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