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Company Announcements Office
Australian Stock Exchange Ltd
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INITIAL RESPONSE TO COPPER STRIKE LTD TARGET'S STATEMENT

Kagara Ltd (Kagara) has received the publication by Copper Strike Ltd (CSE) of its Target's Statement (TS) in response to Kagara's cash takeover bid for CSE at A\$0.11 per share and provides its initial comments as follows.

- The development of the larger Einasleigh project outlined in the TS is critically dependent upon assumptions regarding commodity prices, exchange rates and production levels. The estimated capital cost of Einasleigh is reported as A\$130 million exclusive of any working capital requirements. This is subject to financing, regulatory approvals and there are no current concentrate off-take agreements in place.
- Kagara does not believe that the larger Einasleigh project, including Einasleigh, Kaiser Bill, Chloe and Jackson projects is bankable in its current state. The CSE 2010 Annual Report further confirms this by stating that traditional bank financing is not available. The Mining One Consultants Evaluation of the Einasleigh Project and Exploration Properties report shows **the project does not payback the capital cost of A\$130 million** (excluding working capital) invested **until sometime in year 6**. The project as modelled does not generate any surplus cumulative net cash until after year 6 and assumes the current strong metal prices continue for the next 11 years.
- In Section 1 of the TS headed 'Why you should Reject the Offer', point no. 2 notes that Kagara should pay for any synergistic benefits that would be available to Kagara if the offer is successful, but offers no explanation as to why this should be so.

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- Point no. 3 refers to the potential upside in CSE shareholders retaining CSE shares but does not explain that accepting the offer also protects CSE shareholders from the downside risk if Kagara's offer is not accepted. In point no.4, CSE's conclusion that the offer price is low ignores the fact that before the offer was announced, A\$0.11 per share is higher than any trade since March 2010.
 - Kagara's offer is the only offer on the table for CSE shareholders and without it there is a risk that the CSE share price may fall back to the pre-offer trading range.

Before making a decision on whether or not to accept the offer, CSE shareholders need to consider if the current CSE board has the experience and capability to develop the Einasleigh project. The target statement asserts that the CSE board and management have successful records in the development of large and small mines. However, the experience of the CSE board and management detailed in section 4.2 of the target statement does not support this. Additionally, the only CSE director who owns shares in CSE is the Managing Director and no CSE director has purchased shares during the six month period prior to Kagara's bid when CSE has traded as low as A\$0.06 per share. The same directors are now endorsing a document valuing CSE at between A\$0.26 and A\$0.45 per share.

Consolidating the ownership of CSE's assets within Kagara provides the only logical and available development and processing option for the Einasleigh Project in the region. Kagara has extended the closing date for its offer to purchase your CSE shares to 31 December 2010.

Yours faithfully,



Kim Robinson
EXECUTIVE CHAIRMAN