COPPER STRIKE

2 December 2010

ASX Announcement

Copper Strike Response to Kagara's Response of 26 November

Copper Strike responds to Kagara Limited's 26 November 2010 comments released by it to ASX in response to the Target's Statement:

1. What Kagara has not adequately responded to

The most important message in Copper Strike's Target's Statement is a simple one. The Independent Expert has concluded that Kagara's conditional takeover offer of 11 cents per share is not fair and is not reasonable. The Independent Expert has valued Copper Strike at between 26c and 45c a share, with a preferred value of 35c a share. Kagara has not adequately responded to the shortfall of its offer compared to the Independent Expert valuation.

Copper Strike's Directors consider that Kagara's bid significantly undervalues Copper Strike shares and recommend that Shareholders reject it by doing nothing.

The Copper Strike Target's Statement, which shareholders should have regard to, sets out the Independent Expert valuation of Copper Strike. This comprises the Einasleigh Development Project, Copper Strike's exploration tenements and the Syrah shares and other assets which Copper Strike owns.

Copper Strike reiterates its observation contained in its Target's Statement that the timing of Kagara's bid is highly opportunistic. The market is just starting to understand the importance of Copper Strike's 20 September agreement to remove Teck's back-in rights to the Einasleigh Project, which has enabled Copper Strike to search for a strategic partner. Kagara has not responded to this.

2. Copper Strike disagrees with Kagara's claims

Kagara has made a number of claims with which Copper Strike disagrees. Without going into detail of every one, these include the following:

Kagara's Claim	Copper Strike's Response
"The Mining One (Report)...shows the project does not payback the capital cost of A$130 million (excluding working capital) invested until sometime in year 6."	The suggestion in this statement is that the project has a payback period of 6 years which is incorrect. The project is expected to pay back the capital cost early in the fourth year after commissioning rather than the sixth year. As indicated in Table 21 on page 37 of the Mining One Report, the project starts producing positive cash flow in its first year of full production, being Year 3. On a cumulative basis, cash flow turns positive in Year 6 with a total net cash generation of $51.6 million by year end. This is the fourth year after commissioning of the project, which is what you would expect from a healthy project that is forecast to deliver a 28% internal rate of return. The total capital expenditure by the end of Year 6 is $108.3 million, not the $130 million claimed by Kagara in its release. Mining One has expressly consented to the release of this document with this clarification to Kagara's claims.
"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 details in section 4.2 of the target statement does not support this."	Copper Strike has confidence in its ability to develop large and small mines. Tom Eadie worked with Cominco when it developed the Red Dog project which is the largest producer of zinc in the world. He provided large input as an employee with Aberfoyle when it developed the Hellyer project. He also provided large input as a senior executive with Pasminco when it developed the Century project which is the second largest producer of zinc in the world. John Dunlop is a very successful consulting mining engineer with varied and hands-on experience in several mine developments; eg the Bounty construction and start-up, the Golden Grove construction and start-up, and the mine expansion at Woodcutters. In addition, Terry Lees, a senior manager at Copper Strike, was part of the management teams that developed the Mineral Hill and Mt Carrington deposits in NSW.

3. Why Kagara should pay for synergy benefits

Kagara has asked why it should pay for any synergistic benefits with Copper Strike. The answer is – Copper Strike is very important to Kagara.

As outlined in Copper Strike's Target's Statement, Kagara is estimated to realize a potential net cash profit of approximately $56 million (almost four times the current offer of $14.3 million) simply by mining Copper Strike's three high grade deposits only and transporting the ore to its nearby Mt Garnet treatment facility. This would leave 90% of Copper Strike's copper resources and most of the zinc-lead-silver resources untouched, and available for possible future exploitation.

Copper Strike considers that the Einasleigh resources are strategically important to Kagara because of Kagara's lack of suitable mill feed for its Mt Garnet plant. The production of copper, which accounts for a majority of Kagara's revenue (KZL 2008, 2009 and 2010 Annual Reports), dropped from 37,044 tonnes in 2008/09 to 20,214 tonnes in 2009/10 because of the exhaustion of the Balcooma open pit mine (KZL 2010 Annual Report) which was the main source of copper feed for Mt Garnet. Copper Strike's Directors consider that Kagara should not obtain control of Copper Strike without paying a price which appropriately reflects the underlying value of Copper Strike's assets to Kagara.

4. The steps currently being taken by Copper Strike

The Copper Strike Directors consider that Copper Strike is only part way through a re-rating which commenced with Teck surrendering its rights in the Einasleigh and Walford Creek projects on 20 September 2010. Since then, and as set out in the Target's Statement, Copper Strike has initiated a process to ensure that all options to unlock the value in Copper Strike's assets and to maximize shareholder returns are carefully considered. That process is progressing and shareholders are advised to take no action in relation to the Kagara offer at this time.

5. The Kagara offer has no traction

Since the Kagara offer was announced on 12 October 2010, Kagara has received less than 1% of acceptances. The Kagara offer price is low when compared to Copper Strike's current share price of 13 cents and recent price of 16 cents. Kagara's offer is conditional and is not likely to succeed in its present form.

Contact:

Tom Eadie **Executive Chairman** **Copper Strike Limited** **03 9640 0955**	**Barry Lewin** **Managing Director** **SLM Corporate Pty Ltd** **03 9244 9644** **0419 302 493**