Copper Strike Limited

ACN 108 398 983

First Supplementary Target's Statement

in relation to the offer by Kagara Limited (ACN 008 988 583)
to acquire all of the ordinary shares in Copper Strike Limited

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1. First Supplementary Target's Statement

This document is a supplementary target's statement under section 644 of the *Corporations Act 2011* (Cth). It is the first supplementary to the target's statement of Copper Strike Limited (***Copper Strike***) dated 12 November 2010 (***Original Target's Statement***) in relation to the off-market takeover bid by Kagara Limited (***Kagara***) for all of the ordinary shares in Copper Strike.

This document supplements, and should be read together with, the Original Target's Statement. Unless the context requires otherwise, terms defined in the Original Target's Statement have the same meaning where used in this document. You should read this document in its entirety.

This document is dated, and was lodged with ASIC and ASX on 21 February 2011. None of ASIC, ASX nor any of their respective officers take any responsibility for the contents of this document.

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2. Supplementary report of the Independent Expert

Copper Strike is pleased to provide this First Supplementary Target's Statement which reconfirms its initial recommendation for Shareholders to REJECT the takeover offer from Kagara.

As announced to ASX on 31 January 2011, Copper Strike has signed a Placement Agreement and JV Development Agreement (the ***Agreements***) with two well-credentialed Chinese companies involved in mining, Jintai and Taifeng HK. The Agreements, while conditional on shareholder and other approvals, mark a milestone for funding the development of the Einasleigh Project in North Queensland and are summarised in the ASX release of 31 January.

As previously foreshadowed in the letter to shareholders dated 3 February 2011, and in order to ensure that Shareholders remain fully informed, your Directors have requested the Independent Expert, RSM Bird Cameron Corporate Pty Ltd, to prepare a supplementary report confirming whether its opinion in relation to the Kagara Offer remains the same having regard to the Agreements and other aspects.

RSM Bird Cameron has reconfirmed its original opinion that the Kagara Offer is **neither fair nor reasonable** to Shareholders. After taking into consideration the valuation implications of the Agreements, RSM Bird Cameron has revised its previous valuation. It now values Copper Strike's shares at between 25 cents and 33 cents, with a preferred value of **29 cents**. This is a reduction to its initial valuation of between 26 cents and 45 cents, with a preferred valuation of 35 cents. RSM Bird Cameron's supplementary report is annexed to this document and you are encouraged to read it in its entirety.

The valuation now takes into account the Agreements, additional feasibility study costs and the reduced cash balance as at 31 December 2011. The preferred valuation is well over double the Kagara Offer price.

Your Directors consider that the Agreements signed with Jintai and Taifeng HK represent a superior proposition for Copper Strike and its Shareholders as compared to the Kagara Offer. The proposed placement to Jintai and Taifeng HK is at an issue price of 18 cents per share. This represents a 50% premium to the last traded price of Copper Strike Shares of 12 cents on 28 January 2011, being the trading day prior to the announcement of the Agreements. It also represents a 64% premium to Kagara's Offer.

The Agreements deliver on Copper Strike's objective to secure a strategic partner to facilitate development of the Einasleigh Project and enable its potential value to be realised. Your Directors consider Jintai and Taifeng HK to be high quality development partners for the Einasleigh Project. Jintai and Taifeng HK's vote of confidence in the Einasleigh Project vindicates your Directors' belief that Copper Strike's assets are valuable and have excellent potential and provides further justification for our recommendation to reject Kagara's Offer.

Since Kagara announced its Offer on 12 October 2010, over four months ago, Copper Strike Shares have at all times closed above the Kagara Offer price. As at the close of trading on Friday, 18 February 2011, Copper Strike's Shares were 13 cents compared to the 11 cent Kagara Offer. Unsurprisingly, to date Kagara has received acceptances of less than 1 per cent of Copper Strike.

3. Directors' unchanged unanimous recommendation in relation to the Offer

Taking into account all the reasons outlined in the Original Target's Statement and this First Supplementary Target's Statement, your Directors continue to unanimously recommend that you REJECT Kagara's Offer. To REJECT Kagara's Offer, simply DO NOTHING.

4. Approval of this First Supplementary Target's Statement

This First Supplementary Target's Statement has been approved by a resolution passed by the Directors.

Signed for and on behalf of Copper Strike Limited by:

Tom Eadie
Executive Chairman
Copper Strike Limited

Dated 21 February 2011

Annexure Attached - Supplementary Independent Expert's Report

RSM Bird Cameron Corporate Pty Ltd

Copper Strike Limited

Financial Services Guide and Supplementary Independent Expert's Report

18 February 2011

RSM! Bird Cameron Corporate Pty Ltd
AFS Licence No 255847

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Financial Services Guide

RSM Bird Cameron Corporate Pty Ltd ABN 82 050 508 024 ("RSM Bird Cameron Corporate Pty Ltd" or "we" or "us" or "ours" as appropriate) has been engaged to issue general financial product advice in the form of a report to be provided to you.

In the above circumstances we are required to issue to you, as a retail client, a Financial Services Guide ("FSG"). This FSG is designed to help retail clients make a decision as to their use of the general financial product advice and to ensure that we comply with our obligations as financial services licensees.

This FSG includes information about:

- who we are and how we can be contacted;
- the services we are authorised to provide under our Australian Financial Services Licence, Licence No. 255847;
- remuneration that we and/or our staff and any associates receive in connection with the general financial product advice;
- any relevant associations or relationships we have; and
- our complaints handling procedures and how you may access them.

Financial services we are licensed to provide
We hold an Australian Financial Services Licence, which authorises us to provide financial product advice in relation to:

- deposit and payment products limited to:
  - (a) basic deposit products;
  - (b) deposit products other than basic deposit products.
- interests in managed investments schemes (excluding investor directed portfolio services); and
- securities (such as shares and debentures).

We provide financial product advice by virtue of an engagement to issue a report in connection with a financial product of another person. Our report will include a description of the circumstances of our engagement and identify the person who has engaged us. You will not have engaged us directly but will be provided with a copy of the report as a retail client because of your connection to the matters in respect of which we have been engaged to report.

Any report we provide is provided on our own behalf as a financial services licensee authorised to provide the financial product advice contained in the report.

General Financial Product Advice
In our report we provide general financial product advice, not personal financial product advice, because it has been prepared without taking into account your personal objectives, financial situation or needs.

You should consider the appropriateness of this general advice having regard to your own objectives, financial situation and needs before you act on the advice. Where the advice relates to the acquisition or possible acquisition of a financial product, you should also obtain a product disclosure statement relating to the product and consider that statement before making any decision about whether to acquire the product.

Benefits that we may receive

We charge fees for providing reports. These fees will be agreed with, and paid by, the person who engages us to provide the report. Fees will be agreed on either a fixed fee or time cost basis.

Except for the fees referred to above, neither RSM Bird Cameron Corporate Pty Ltd, nor any of its directors, employees or related entities, receive any pecuniary benefit or other benefit, directly or indirectly, for or in connection with the provision of the report.

Remuneration or other benefits received by our employees

All our employees receive a salary.

Referrals

We do not pay commissions or provide any other benefits to any person for referring customers to us in connection with the reports that we are licensed to provide.

Associations and relationships

RSM Bird Cameron Corporate Pty Ltd is beneficially owned by the partners of RSM Bird Cameron, a large national firm of chartered accountants and business advisers. Our directors are partners of RSM Bird Cameron Partners.

From time to time, RSM Bird Cameron Corporate Pty Ltd, RSM Bird Cameron Partners, RSM Bird Cameron and / or RSM Bird Cameron related entities may provide professional services, including audit, tax and financial advisory services, to financial product issuers in the ordinary course of its business.

Complaints Resolution

Internal complaints resolution process

As the holder of an Australian Financial Services Licence, we are required to have a system for handling complaints from persons to whom we provide financial product advice. All complaints must be in writing, addressed to The Complaints Officer, RSM Bird Cameron Corporate Pty Ltd, P O Box R1253, Perth, WA, 6844.

When we receive a written complaint we will record the complaint, acknowledge receipt of the complaint within 15 days and investigate the issues raised. As soon as practical, and not more than 45 days after receiving the written complaint, we will advise the complainant in writing of our determination.

Referral to External Dispute Resolution Scheme

A complainant not satisfied with the outcome of the above process, or our determination, has the right to refer the matter to the Financial Ombudsman Service ("FOS"). FOS is an independent company that has been established to provide free advice and assistance to consumers to help in resolving complaints relating to the financial services industry.

Further details about FOS are available at the FOS website www.fos.org.au or by contacting them directly via the details set out below.

Financial Ombudsman Service
GPO Box 3
Melbourne VIC 3001
Toll Free: 1300 78 08 08
Facsimile: (03) 9613 6399
Email: info@fos.org.au

Contact Details

You may contact us using the details set out at the top of our letterhead on page 2 of this report.

RSM Bird Cameron Corporate Pty Ltd
AFS Licence No 255847

Supplementary Independent Expert's Report to the Independent Expert's Report issued 11 November 2010

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RSM Bird Cameron Corporate Pty Ltd
AFS Licence No 255847

18 February 2011

The Directors
Copper Strike Limited
Level 9, 356 Collins Street
MELBOURNE VIC 3000

Dear Sirs

Supplementary Independent Expert's Report to the Independent Expert's Report dated 11 November 2010

1. Introduction

1.1. On 11 November 2010, RSM Bird Cameron Corporate Pty Limited ("RSM") issued an Independent Expert Report ("IER") in relation to an off market takeover bid by Kagara Limited ("Kagara") for all the ordinary shares in Copperstrike Limited ("CSE" or the "Company") at an offer price of 11 cents cash per share (the "Offer" or "Proposed Transaction") The sole purpose of the IER was to set out our opinion as to whether the Offer was fair and reasonable.

1.2. We found that the Proposed Transaction was neither Fair nor Reasonable.

1.3. As at the date of this report, the Offer has remained open at an offer price of 11 cents cash per share.

1.4. On 31 January 2011, CSE announced that the Company had entered into a placement agreement ("the Placement Agreement"), a joint venture development agreement ("JV Development Agreement") and an offtake term sheet (the" Offtake Term Sheet") (collectively referred to as the "Agreements") with Beijing Jintai Yuanchung Mining Co. Ltd ("Jintai") and Taifeng Yuangchung International Development Group ("Taifeng HK") to raise the funds required to develop the Einasleigh project.

1.5. CSE entered into the Placement Agreement in relation to the development of the Einasleigh Project in North Queensland with Jintai and Taifeng HK, subject to final confirmatory due diligence by 31 March 2011 not revealing any material adverse findings, CSE shareholder approval, FIRB approval and Chinese government approvals.

1.6. Under the Placement Agreement, Jintai and Taifeng HK have agreed to invest $5.822 million at 18 cents per share (the "Share Placement"), for a 19.99% interest (32,343,668 shares) in CSE. Approximately $3 million of the Share Placement proceeds will be used to fund the bankable feasibility study. The valuation set out in the IER included projected bankable feasibility study costs of approximately $400,000. Subsequent to the IER, the Company has revised this estimate to $3.0 million, representing an additional $2.6 million of capital expenditure.

1.7. Pursuant to the terms of the Placement Agreement, Jintai and Taifeng HK will also be issued with options ("Options") at 18 cents per share (the "Exercise Price"), for a further 13.01% interest in CSE, exercisable for an aggregate amount of $5.64 million (a further 31,418,031 shares) by Jintai and Taifeng HK within 3 years of their date of issue.

1.8. Each Option entitles:

- the option holder to subscribe for 1 fully paid ordinary share in the Company at the Exercise Price; and
- the Company to require the option holder to subscribe for 1 fully paid share in the Company at the Exercise Price.

1.9. CSE may require Jintai and Taifeng HK to exercise the Options in equal tranches at the end of each year after their date of issue.

1.10. Further, CSE and Taifeng HK entered into the Joint Venture Development Agreement. Under the terms of the JV Development Agreement, if a bankable feasibility study confirms the current estimated recoverable resource, production costs and development costs for the key deposits within the Einasleigh tenements:

- an unincorporated joint venture will be established for the project between Taifeng HK and Einasleigh Mining Pty Ltd ("EM"), a wholly owned subsidiary of CSE which has applied for the mining leases of the Key Deposits;
- Taifeng HK will provide $95 million by way of a farm-in for a 70% interest in the Einasleigh Tenements;
- Taifeng HK will provide a further $5 million loan to CSE. CSE will make available to the joint venture development, as necessary, the proceeds of the Taifeng HK loan, any surplus funds from the proceeds of the Share Placement (after meeting the costs of the bankable feasibility study) and the proceeds received from the exercise of the Options.

1.11. Taifeng HK and EM have also entered into the Offtake Term Sheet providing Taifeng HK with the right of first refusal to purchase CSE's 30% of the offtake (on terms detailed by a bona fide offer from a third party) under the joint venture.

1.12. The JV Development Agreement and the Offtake Term Sheet are subject to the completion of the Placement Agreement and the successful bankable feasibility study, but are otherwise binding on the parties.

1.13. Whilst there was no statutory requirement for CSE to obtain an update to the IER, the Directors of CSE requested that RSM prepare a supplementary Independent Expert's Report ("the Supplementary IER") stating whether, in RSM's opinion, the Offer is "fair and reasonable", having regard to the Agreements.

1.14. The ultimate decision whether to accept the Offer should be based on each Shareholders' assessment of their circumstances, including their risk profile, liquidity preference, tax position and expectations as to value and future market conditions. If in doubt about the Offer or matters dealt with in this Report, Shareholders should seek independent professional advice.

2. Summary and Conclusion

2.1. In our opinion, and for the reasons set out below, the Offer **remains Neither Fair nor Reasonable** to the Shareholders of CSE.

Fairness

2.2. The table below sets out the value of the consideration payable per share for CSE as compared to the valuation of each share after taking into account the valuation implications of the Agreements. The value per CSE share set out in the IER is also shown for comparative purposes.

	IER Valuation			Supplementary IER Valuation		
	Low $'000	High $'000	Preferred $'000	Low $'000	High $'000	Preferred $'000
Value per share ($)	0.26	0.45	0.35	0.25	0.33	0.29
Consideration offered per share ($)	0.11	0.11	0.11	0.11	0.11	0.11

Source: RSM analysis

Table 1: Valuation summary

2.3. As the preferred value of a CSE share remains in excess of the value of the consideration offered for each CSE share, we consider the Offer to be **Not Fair** to the Shareholders of CSE.

2.4. In determining the preferred value of a CSE share in the Supplementary IER, we have only taken into account the effects of the following:

- the Agreements;
- the cash position of CSE as at 31 December 2010;
- market movements in commodity prices and discount rate inputs; and
- the additional expenditure of $2.6 million in relation to undertaking the bankable feasibility study (refer paragraph 1.6).

2.5. In all other aspects, the valuation of CSE, remains consistent with the IER

Reasonableness

2.6. We consider that the Offer remains **Not Reasonable** to the Shareholders of CSE for the reasons set out in the IER, including the fact that the Offer is not fair.

2.7. This Supplementary IER should be read in conjunction with our IER dated 11 November 2010.

3. Purpose of this Supplementary IER

Purpose

3.1. Whilst there is no statutory requirement for CSE to obtain a Supplementary IER, the Directors of CSE have requested that RSM prepare a Supplementary IER stating whether, in RSM's opinion, the Offer is "fair and reasonable" having regard to the Agreements.

3.2. This Supplementary IER has been prepared to assist the Directors of CSE in making their recommendation to CSE Shareholders in relation to the Offer and to assist the Shareholders of CSE assess the merits of the Offer. The sole purpose of this report is to set out RSM's opinion as to whether the Offer is fair and reasonable.

3.3. This Supplementary IER should be read in conjunction with our IER dated 11 November 2010.

4. Financial position and capital structure

Financial Position

4.1. The Company's cash position has decreased from approximately $2.6 million as at 30 June 2010 to approximately $1.2 million as at 31 December 2010, due primarily to capitalised exploration and evaluation costs of $0.683 million and administration costs of $0.684 million.

4.2. CSE provided recent management accounts that indicated that, other than the Company's cash position and capitalised exploration and evaluation costs, the CSE balance sheet is materially consistent with the balance sheet as at 30 June 2010.

Capital Structure

4.3. The table below sets out the capital structure of CSE as at 15 February 2011, adjusted for the initial share issue of 32,343,668 shares to Jintai and Taifeng HK and the issue of 31,418,031 Options.

	Number of shares	%
Total ordinary shares on issue as at 15 February 2011	129,455,571	67.00%
Issue to Taifeng HK	16,171,833	8.37%
Issue to Jintai	16,171,835	8.37%
Total ordinary shares on issue prior to exercise of Options	161,799,239	83.74%
Taifeng HK exercise of options	14,280,924	7.39%
Jintai exercise of Options	17,137,107	8.87%
Total ordinary shares on issue after exercise of Options	193,217,270	100.00%

Table 2: CSE capital structure

4.4. The Options will be issued as follows:

- 17,137,107 Options issued to Jintai; and
- 14,280,924 issued to Taifeng HK.

4.5. The Company's share price on 16 February was $0.135.

5. Valuation

Valuation of a CSE share

5.1. The table below sets out the valuation methodologies we applied in the IER to value each of the Company's assets.

Asset	Valuation methodology
Einasleigh Project	Discounted Cash Flow
Exploration Tenements	Comparable Transactions and the Kilburn Geoscience methodologies
CSE's equity interest in SYR	Orderly realisation of net assets
Other assets and liabilities	Orderly realisation of net assets

Table 3: Summary of valuation methodologies

5.2. The Agreements have valuation implications for the Einasleigh Project only. Accordingly, we have updated the valuation of the Einasleigh Project and, with the exception of the Company's cash position, all other components of the sum of the parts methodology set out in the IER remain unchanged.

Einasleigh Project – Discounted Cash Flow Methodology

5.3. For the purposes of the IER, CSE provided a DCF model and Mining One provided a technical assessment of the underlying key assumptions of the future cash flows provided by CSE. The technical assumptions cover, inter alia, the mineable stocks, production profile, capital expenditure and operating costs.

5.4. For the purposes of the Supplementary IER, CSE provided an updated DCF model to reflect the cash flow implications of the Agreements ("the Updated Model"), including the additional expenditure of $2.6 million in relation to undertaking the bankable feasibility study (refer paragraph 1.6).

5.5. We have reviewed the Updated Model and have updated certain assumptions in relation to market data to reflect market movements since the IER was issued on 11 November 2010. The updated adjustments relate to the following areas:

- discount rates;
- metal prices; and
- currency exchange rates.

5.6. We have not undertaken a review of the cash flow forecasts or the valuation model in accordance with Australian Auditing Standard AUS 804 'The Audit of Prospective Financial Information' and do not express an opinion on the reasonableness of the assumptions or their achievability. However, nothing has come to our attention as a result of our procedures to suggest that the assumptions on which the forecasts are based have not been prepared on a reasonable basis.

5.7. Prospective results by their nature are uncertain and are dependent on a number of future events that cannot be guaranteed. Actual results may vary significantly from the prospective information and any variations may affect our assessment. The achievement of the prospective results is not warranted or guaranteed by RSM.

Assumptions

Metal Prices

5.8. We set out below a summary of:

(a) updated analyst price forecasts for copper, gold, silver, zinc and lead; and
(b) updated spot and forward prices quoted on each metals' respective market as at 9 February 2011:

	2011	2012	2013	2014
Copper prices - US$ per tonne (spot $10,070)				
Analysts forecasts:				
Low	7,468	7,165	6,669	8,189
High	9,575	9,700	8,543	8,378
Mean	8,173	8,660	7,199	8,331
LME Forward prices	9,975	9,598	9,121	8,681
Gold prices - US$ per oz (spot $1,363)				
Analysts forecasts:				
Low	1,150	1,000	989	946
High	1,444	1,366	1,231	1,169
Mean	1,297	1,229	1,075	1,032
NYSE LIFFE Forward prices	1,370	1,391	1,430	1,487
Silver prices - US$ per oz (spot $30.1)				
Analysts forecasts:				
Low	18.8	16.2	15.4	16.2
High	28.0	22.0	20.0	18.6
Mean	21.6	19.6	18.4	17.3
NYSE LIFFE Forward prices	30.3	30.3	30.2	30.2
Lead prices - US$ per tonne (spot $2,609)				
Analysts forecasts:				
Low	2,250	2,142	2,034	2,205
High	2,500	2,650	1,462	2,352
Mean	2,391	2,491	2,102	2,242
LME Forward prices	2,534	2,499	2,439	2,414
Zinc prices - US$ per tonne (spot $2,491)				
Analysts forecasts:				
Low	2,300	2,332	2,232	2,412
High	2,610	2,625	2,529	2,425
Mean	2,390	2,471	2,259	2,422
LME Forward prices	2,531	2,510	2,480	2,455

Source: Bloomberg
** LME: London Metal Exchange* *NYSE LIFFE: London International Financial Futures Exchange*

Table 4: Metal price analysis as at 9 February 2011

5.9. CSE estimate that upon receipt of relevant mining licences for the Einasleigh project, completion of capital works is estimated to take approximately 19 months to bring the mine into production. Accordingly, the metal price forecasts for calendar years 2012 and beyond are the relevant prices when valuing the Einasleigh project.

5.10. The major resource of the Einasleigh project is copper. Therefore, the valuation of the Einasleigh project is most sensitive to the forecast copper price utilised.

5.11. As indicated above, analysts copper price forecasts vary widely, but consistently forecast a reduction in prices in the short term.

5.12. In our opinion, the LME forward prices are a better estimate of the likely future prices than analysts' forecasts. This is because the forward prices represent the actual prices at which the metals can be traded today for delivery at a future date. However, the forward prices also vary significantly with movements in the respective spot prices (which are also highly variable).

5.13. It is also important to note that there is a strong correlation between US dollar commodity prices and the AUD:USD exchange rate, with a higher US dollar commodity price generally coinciding with an increase in the AUD:USD exchange rate (and vice versa).

5.14. As the forward rates noted above represent the nominal price available in future years, and the discounted cash flow valuation has been predicated on real cash flows discounted using a real discount rate, we have also discounted the above metal prices back to 2010 prices using an inflationary discount factor of 3.0%.

5.15. After considering the above (and in particular, the current forward prices), in our opinion, it is appropriate to adopt the following updated metal prices (in 2010 constant dollar terms) in our valuation of the Einasleigh Project (IER metal price assumptions included for comparative purposes).

	IER US$	Supplementary IER US$
Copper - US$ per tonne	6,650	7,713
Gold - US$ per oz	1,305	1,321
Silver prices - US$ per oz	24.4	26.8
Lead prices - US$ per tonne	2,127	2,145
Zinc prices - US$ per tonne	2,157	2,181

Source: Bloomberg and RSMBC calculation

Table 5: RSM Assumed Metal Prices

Exchange rate

5.16. As metal prices on the world market are quoted in US$ per tonne or US$ per ounce, a base exchange rate of Aus$ to US$ has been assumed.

5.17. In assessing the appropriate AUD:USD exchange rate for valuation purposes we have had regard to:

- the significant volatility in the spot AUD:USD exchange over the past twelve months, particularly recently;
- actual AUD:USD forward rates, which reflect the actual rates at which foreign currency translations can be locked in;
- AUD:USD exchange rate forecasts (quoted on Bloomberg on 9 February 2011). These were consistent with the forward exchange rates with the average 2016 forecast AUD:USD exchange rate being A$1.00 = US$0.85; and

- the strong correlation between US dollar commodity prices and the AUD:USD exchange rate and therefore the need to match the basis of our metal price assumptions (being long term metal future pricing) with the basis of our AUD:USD exchange rate assumption.

5.18. On the basis of the above, we have adopted an exchange rate of A$1.00 = US$0.85. This exchange rate is consistent with that adopted in the IER. We consider this to be an appropriate long term exchange rate for valuation purposes.

Taxation

5.19. The corporate tax rate is assumed to be 30% over the life of the project as per the IER dated 11 November 2010.

Discount rate

5.20. We have used a post-tax real discount rate range of 14.9% to 18.3%, updated to reflect market movements since the date of the IER.

5.21. The table below sets out the comparison between the range of post-tax real discount rates used in the IER as compared to the Supplementary IER.

	Per IER		Per Supplementary IER	
	Low	High	Low	High
Post-tax real discount rate	13.8%	17.1%	14.9%	18.3%

Table 6: Comparison of post-tax real discount rates

5.22. The discount rate has increased since the date of the IER due to a 51 basis point increase in the risk free rate and a 5% increase in the equity betas of the selected comparable companies.

Valuation of the Einasleigh Project

5.23. Based on the above, we have valued the Einasleigh Project in the range of $38.2 million to $44.7 million with a preferred value of $41.5 million.

5.24. The table below sets out the comparison between the value range of the Einasleigh Project in the IER as compared to this Supplementary IER.

	IER Valuation			Supplementary Statement Valuation		
	Low $'000	High $'000	Preferred $'000	Low $'000	High $'000	Preferred $'000
Present value of the Einasleigh Project	22,990	37,488	30,239	38,197	44,745	41,471

Source: RSM analysis

Table 7: Comparison of the Einasleigh Valuation range

Adjustment of CSE's other assets and liabilities

5.25. The Company's cash position has decreased from approximately $2.6 million as at 30 June 2010 to approximately $1.2 million as at 31 December 2010, due primarily to exploration and evaluation costs of $0.683 million and administration costs of $0.684 million.

5.26. CSE provided recent management accounts that indicated that, other than the Company's cash position and capitalised exploration and evaluation costs, the CSE balance sheet is materially consistent with the balance sheet as at 30 June 2010.

Valuation range of a CSE share

5.27. The table below sets out a summary of the valuation of CSE, having regard to the forecast cash flows and share issues as a result of the Agreements.

	Low $'000	Valuation High $'000	Preferred $'000
Discount rate	18.3%	14.9%	
Present value of Einasleigh Project	38,197	44,745	41,471
Add value of exploration tenements	8,100	17,800	12,500
CSE's equity interest in SYR	541	572	557
	46,838	63,117	54,527
Add other assets and liabilities	1,000	1,000	1,000
Market Value	**47,838**	**64,117**	**55,527**
Shares on issue ('000) (fully diluted)	193,217	193,217	193,217
Value per share ($)	**0.25**	**0.33**	**0.29**
Consideration offered per share ($)	**0.11**	**0.11**	**0.11**

Source: RSM analysis

Table 8: Summary of valuation of CSE

5.28. Based on the above, we consider the value of a CSE share to be in the range of $0.25 to $0.33, with a preferred value of $0.29.

5.29. The table below sets out the comparison between the value of a CSE share set out in the IER as compared to this Supplementary IER.

	IER Valuation			Supplementary IER Valuation		
	Low $'000	High $'000	Preferred $'000	Low $'000	High $'000	Preferred $'000
Value per share ($)	0.26	0.45	0.35	0.25	0.33	0.29
Consideration offered per share ($)	0.11	0.11	0.11	0.11	0.11	0.11

Source: RSM analysis

Table 9: Comparison of the valuation of a CSE share

Sensitivities

5.30. The table below sets out the sensitivity analysis for variances in copper prices which are 5% higher and 5% lower than the copper price stated in Table 4. The sensitivity analysis has been undertaken on the DCF valuation of the Einasleigh Project with all other variables unchanged.

	Supplementary IER Valuation	
	Low $'000	High $'000
Copper price 5% lower	43,981	59,735
Assessed market value of CSE	47,838	64,117
Copper price 5% higher	51,692	68,496

Source: RSM analysis

Table 10: Sensitivity Analysis

5.31. The value of CSE is highly sensitive to the copper price, which is a factor of both the global US dollar copper price and the AUD to USD exchange rate.

6. Conclusion

6.1. The table below sets out the value of the consideration payable per share for CSE as compared to the valuation of each share.

	Supplementary IER Valuation Low $'000	High $'000	Preferred $'000
Value per share ($)	0.25	0.33	0.29
Consideration offered per share ($)	0.11	0.11	0.11

Source: RSM analysis

Table 11: Valuation summary

6.2. As the value of the consideration payable per CSE share is less than the value of CSE, in our opinion the Proposed Transaction remains **Not Fair** to the Shareholders of CSE.

6.3. We consider that the Offer remains **Not Reasonable** to the Shareholders of CSE for the reasons set out in the IER, including the fact that the Offer is not fair.

Yours faithfully

Glyn Yates

GLYN YATES
Director

APPENDIX 1

Declarations and Disclosures

RSM Bird Cameron Corporate Pty Ltd holds Australian Financial Services Licence 255847 issued by ASIC pursuant to which they are licensed to prepare reports for the purpose of advising clients in relation to proposed or actual mergers, acquisitions, takeovers, corporate reconstructions or share issues.

Qualifications

RSM Bird Cameron Corporate Pty Ltd is beneficially owned by the partners of RSM Bird Cameron (RSMBC) a large national firm of chartered accountants and business advisors.

Mr Glyn Yates is a director of RSM Bird Cameron Corporate Pty Ltd. He is a Chartered Accountant with extensive experience in the field of corporate valuations and the provision of independent expert's reports for transactions involving publicly listed and unlisted companies in Australia.

Reliance on this Report

This report has been prepared solely for the purpose of assisting the Non-Associated Shareholders of Copper Strike Limited in considering the Proposed Transaction. We do not assume any responsibility or liability to any party as a result of reliance on this report for any other purpose.

Reliance on Information

Statements and opinions contained in this report are given in good faith. In the preparation of this report, we have relied upon information provided by the directors and management of Copper Strike Limited and we have no reason to believe that this information was inaccurate, misleading or incomplete. However, we have not endeavoured to seek any independent confirmation in relation to its accuracy, reliability or completeness. RSM Bird Cameron Corporate Pty Ltd does not imply, nor should it be construed that it has carried out any form of audit or verification on the information and records supplied to us.

The opinion of RSM Bird Cameron Corporate Pty Ltd is based on economic, market and other conditions prevailing at the date of this report. Such conditions can change significantly over relatively short periods of time.

In addition, we have considered publicly available information which we believe to be reliable. We have not, however, sought to independently verify any of the publicly available information which we have utilised for the purposes of this report.

We assume no responsibility or liability for any loss suffered by any party as a result of our reliance on information supplied to us.

Disclosure of Interest

At the date of this report, none of RSM Bird Cameron Corporate Pty Ltd, RSMBC, Glyn Yates, nor any other member, director, partner or employee of RSM Bird Cameron Corporate Pty Ltd and RSMBC has any interest in the outcome of the Proposed Transaction, except that RSM Bird Cameron Corporate Pty Ltd are expected to receive a fee of approximately $12,500 based on time occupied at normal professional rates for the preparation of this report. The fees are payable regardless of whether CSE Shareholders accept the Offer, or otherwise.

Consents

RSM Bird Cameron Corporate Pty Ltd consents to the inclusion of this report in the form and context in which it is included with the Explanatory Memorandum to be issued to Shareholders. Other than this report, none of RSM Bird Cameron Corporate Pty Ltd, RSM Bird Cameron Partners or RSMBC has been involved in the preparation of the Notice of General Meeting and Explanatory Statement. Accordingly, we take no responsibility for the content of the Notice of General Meeting and Explanatory Statement as a whole.

APPENDIX 2

Sources of Information

In preparing this report we have relied upon the following principal sources of information:

- CSE unaudited management accounts as at 15 February 2011;
- The ASX announcement released by CSE dated 31 January 2011 regarding the Agreements;
- Publicly available information including ASX announcements and financial information from subscription services including Bloomberg, Reuters and IBISWorld; and
- Information provided to us during meetings and correspondence with management and directors of CSE.

APPENDIX 3

Assessment of an Appropriate Discount Rate

When assessing an appropriate discount rate to use in a discounted cash flow valuation, due regard must be given to the rates of return available in the marketplace, the degree of risk attached to the business, shares or project and the required rate of return.

The Capital Asset Pricing Model ("CAPM") is the most frequently used model in determining the cost of equity of an investment or project. We have applied the CAPM to determine an appropriate discount rate to be used in the valuation of CSE's interest in the Einasleigh Project.

CAPM

The CAPM is based on the theory that the prudent investor will price investments so that the expected return is equal to the risk free rate of return plus a premium for risk. CAPM assumes that there is a positive relationship between risk and return, that is, investors are risk averse and therefore demand higher returns for accepting higher levels of risk. The CAPM calculates the cost of equity through the following formula:

$Re = Rf + \beta[E(Rm) – Rf]$

Where

Re	=	Cost of equity capital or expected return on the investment.
Rf	=	Risk free rate of return.
(Rm)	=	Expected return on the market.
(Rm) - Rf	=	Market risk premium
β	=	Beta.

We have considered each component of the formula in calculating an appropriate cost of equity for the Proposed Transaction below.

Risk free rate - Rf

We have assumed a risk free rate of 5.74% being the current yield on the 10 year Commonwealth Government Bond as at 9 February 2011. We have used the 10 year bond rate as this is the period which most closely matches the timeframe over which the returns will be extracted from the Einasleigh Project.

Market Risk Premium – E(Rm) - Rf

Market risk premium represents the level of return investors require over and above the risk free rate which they require in order to compensate them for the undiversifiable risks associated with an investment in the market portfolio. Empirical studies have shown that generally the market return is 6% to 7% above the risk free rate over time, therefore in our determination of the discount rate we have assumed a market risk premium in this range.

Beta - β

Beta is a measure of the sensitivity of the return on an investment to general market movements (the overall relative riskiness of the investment) with less risky investments having a β nearer to 0, a market portfolio having a β of 1 and risky investments having higher β's.

Equity betas are normally either historical or an adjusted beta. The historical beta is obtained from the linear regression of a security's historical price and dividend data and is based on the security's return and the returns on an index. An adjusted beta is calculated based on the assumption that the relative risk of the past will continue into the future, and hence derived from the historical data. It is then modified by the assumption that a security will move towards the market over time, taking into consideration the industry risk factors which make the operating risk of the investment project greater or less risky than comparable listed companies when assessing the equity beta for an investment project.

It is important to note that is not possible to compare equity betas of different companies without having regard for their gearing levels. Betas can be "un geared" by applying the following formula.

$\beta a = \beta / (1+(D/E \times (1-T))$

Where

Ba	=	Ungeared beta
B	=	Adjusted geared beta
D	=	Level of Debt
E	=	Level of Equity
T	=	Tax rate

In order to assess the appropriate equity beta for the Proposed Transaction we have considered the equity beta's of Australian publically listed metal exploration companies. We have then calculated the ungeared beta's based on their debt to equity structures, as set out in the table below.

Table Appendix 3.1
Copper Strike Limited
Equity beta analysis as at October 2010

	Mineral	Stage	Location	Market Cap $m (i)	Notional Tax Rate	Net Debt / Total Equity	Bloomberg Unadjusted Beta (ii)	Ungeared Beta	Regeared Beta	AGSM Beta (iii)
Empire Resources Limited	Copper/Gold	Undertaking feasibility study	Western Australia	10.3	30.0%	0.0%	2.78	2.78	2.78	2.30
Northern Mining Limited	Nickel/Copper	Development stage	Poland and Western Australia	13.5	30.0%	0.7%	2.69	2.67	2.67	2.87
Syndicated Metals Limited	Copper/Molybdenum/Gold/ Rhenium	Undertaking feasibility study	Queensland	13.2	30.0%	0.0%	2.16	2.16	2.16	1.99
Southern Gold Limited	Gold	Pre feasibility study	South Australia, Western Australia & NSW	13.6	30.0%	0.0%	1.98	1.98	1.98	2.01
Copper Strike Limited	Copper/Gold/Zinc/Lead	Completed feasibility study	Queensland	15.5	30.0%	0.0%	2.71	2.71	2.71	2.86
Krucible Metals Limited	Copper/Gold/Phosphate	Completed scoping study	Queensland	16.7	30.0%	0.0%	1.88	1.88	1.88	1.94
Stellar Resources Limited	Iron/Tin/Uranium	Scoping study	South Australia and NSW	20.4	30.0%	0.0%	3.24	3.24	3.24	3.02
Pepinnini Minerals Limited	Uranium/Iron Ore	Development stage	Queensland	17.2	30.0%	0.0%	2.17	2.17	2.17	2.24
TNG Limited	Zinc/Lead/Silver/Vanadium	Scoping study	Northern Territory	12.4	30.0%	0.0%	1.52	1.52	1.52	1.88
Abra Mining Limited	Lead/Copper/Gold	Scoping study	Western Australia	31.1	30.0%	0.3%	1.26	1.26	1.26	1.73
Heron Resources Limited	Nickel/Gold	Pre feasibility study	Western Australia	60.7	30.0%	0.0%	1.82	1.82	1.82	2.34
Cudeco Limited	Copper	Undertaking feasibility study	Queensland	378.1	30.0%	0.0%	2.45	2.45	2.45	1.95
Mean (all)				**n/a**	**n/a**	**0.1%**	**2.22**	**2.22**	**2.22**	**2.26**
Median (all)							**2.16**	**2.16**	**2.16**	**2.13**

Sources: Bloomberg and RSM Bird Cameron calculations
(i) market capitalisation as at 9 February 2011
(ii) Bloomberg betas are based on 48 monthly observations as at 9 February 2011
(iii) AGSM betas are based on 48 monthly observations to 30 September 2010

Based on the above analysis we have assumed a beta of 2.1 to 2.3 to be appropriate when determining a discount rate for the Proposed Transaction.

Cost of Equity

Transactions of the nature of the Proposed Transaction are usually 100% equity financed, therefore the regeared beta range in our calculation of the cost of equity for the Proposed Transaction is 2.1 to 2.3 (i.e the ungeared beta range determined above). On this basis we have calculated the cost of equity as follows.

Copper Strike Limited Table Appendix 3.2 Calculation of WACC	Low	High
Cost of Equity (CAPM)		
Risk free rate	5.74%	5.74%
Beta	2.10	2.30
Risk premium	6.0%	7.0%
R_e	**18.3%**	**21.8%**

Based on the analysis performed above when valuing the Einasleigh Project we have assumed a discount rate (in nominal terms in the range of 18.3% to 21.8%.

Cost of equity (in real terms)

The above discount rate is assessed in nominal terms (including an allowance for inflation). However, as the cash flow projections have been assessed in real terms (i.e. in constant dollar terms excluding inflation) it is necessary to apply a real discount rate when determining the value of the project.

Real discount rates are derived from nominal discount rates as follows:

$R = (1 + n) / (1 + i) - 1$

Where

R	Real discount rate
n	Nominal discount rate
i	Long term inflation forecast

Based on the Reserve Bank of Australia's historical inflation data together with the Reserve Bank of Australia's target inflation rates of 2% to 3% (source: rba.gov.au) , we have utilised a long term inflation forecast rate of 3.0%.

Based on an inflation rate of 3.0% per annum, the appropriate real discount rate is in the range of 14.9% and 18.3%.