

# Kagara Limited Letter to Copper Strike Shareholders

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Perth, Australia (ABN Newswire) - [Kagara Limited](#) releases the following letter to [Copper Strike](#) (ASX: CSE)shareholders regarding the proposed transaction with Jintai and Taifeng:

Dear Copper Strike Shareholder,

As you may be aware, Copper Strike Limited ('CSE') has convened a General Meeting on 29 June to consider a proposed transaction between CSE and two Chinese companies, Beijing Jintai Yuanchung Mining Co Ltd ('Jintai') and Taifeng Yuanchung International Development Group ('Taifeng').

I am writing to inform you that Kagara, which is CSE's largest shareholder with a stake of 17.5%, will not be voting in favour of this proposed transaction - which we do not believe will deliver near-term value or certainty to current CSE shareholders that a mining project at Einasleigh will be developed.

Under the terms of the proposed transaction (if approved by CSE shareholders):

- Jintai and Taifeng would immediately become CSE's largest shareholders, together holding a stake of 19.9%;
  - Jintai and Taifeng will have rights not to have their shareholdings diluted without their consent;
  - CSE would, in time, have its interest in the Einasleigh Project reduced to a minority interest of 30%;
  - Taifeng has the right to become the operator of the Einasleigh joint venture; and
  - Jintai and Taifeng could obtain effective control of CSE by exercising their options to take their combined shareholding to approximately 33%, without any further reference to shareholders.
- Kagara does not believe that this is a palatable situation for CSE shareholders, who may have little or no bearing on the development decisions of Jintai and Taifeng in relation to the Einasleigh Project. In addition, we are concerned about the following aspects of the Proposed Transaction:
- there is no guarantee that Jintai and Taifeng, either solely or jointly, will develop any mining project at this stage;
  - there are no definitive timelines in relation to a development decision and farm-in under the Joint Venture Development Agreement;
  - there is no indication of the form of funding arranged by the majority partners into the Joint Venture and whether this funding would take the form of debt or equity; and
  - if Taifeng decides to commence development but CSE does not consider the Bankable Feasibility Study to be sufficiently robust to justify a development decision, CSE will have no option but to fund development or risk being reduced below the 30% position in the project.

Accordingly, Kagara believes that the CSE Board should explore other development/funding avenues which would deliver a more favourable outcome to CSE shareholders.

Kagara's cash takeover offer of 11 cents per share, which closed on 28 February 2011, provided a simple and low-risk mechanism for shareholders to monetise their holdings. This offer was rejected by the CSE Board.

Kagara has an operating history spanning two decades in developing greenfields copper, zinc-lead and gold resources in North Queensland. Our view is that the current resource base at Einasleigh is insufficient for development of a standalone mining and processing operation.

We believe this view is supported by the recently announced transaction by [Exco Resources](#) (ASX: EXS), which has divested its Cloncurry Copper Project to [Xstrata Plc](#) (LON: XTA).

The Cloncurry Copper Project, which has a resource base\* of 55.7 million tonnes grading 0.85% Cu, was we believe deemed too risky by Exco at considerably higher copper prices to develop as a standalone project. However, Xstrata, with its nearby copper processing facilities, believes it can mine and process those resources profitably. (\*Exco Resources ASX release April 20, 2011.)

By comparison, the current Einasleigh Project copper resource base\* is 15 million tonnes at 0.84% at Kaiser Bill and 1.1 million tonnes at 2.1% at Einasleigh. Our view is that these resources would need to grow significantly with exploration success before an independent development scenario could be considered. (\*Mining One report contained in the Independent Expert Report of the CSE Target's Statement.)

With the knowledge that Kagara will not vote in favour of any of the three resolutions to be considered at the upcoming General Meeting, I urge you to carefully consider your options before you cast your vote at that meeting.

Yours faithfully  
Joe Treacy  
Executive Director

### **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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