

19 October, 2011

KAGARA TO COMPLETE ACQUISITION OF EINASLEIGH COPPER PROJECT FOLLOWING SHAREHOLDER APPROVAL

KEY POINTS

- Copper Strike shareholders approve Kagara's proposed acquisition of Einasleigh Copper Project
 - Settlement scheduled to occur by 16 December 2011
 - Project comprises Measured, Indicated and Inferred Resources of 15Mt @ 0.84% Cu at Kaiser Bill and 1.1Mt @ 2.9% Cu at Einasleigh containing 158,000 tonnes of copper, plus a highly prospective 450km² tenement package
 - Einasleigh Project also includes significant lead-zinc and polymetallic resources
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Kagara Limited (ASX: KZL – “Kagara” or “the Company”) advises that it will proceed to complete the proposed acquisition of **Einasleigh Copper Project** in North Queensland from Copper Strike Limited (ASX: CSE – “CSE”) after the transaction was approved by Copper Strike shareholders last week.

The acquisition of the Einasleigh Project represents an important milestone for Kagara, substantially increasing the copper and polymetallic resource base at its Central Mt Garnet province in North Queensland.

Kagara has entered into a definitive agreement to purchase the Einasleigh Project for total consideration comprising \$16 million in cash and the cancellation of Kagara's 17.5% shareholding in CSE.

Settlement of the acquisition is scheduled to occur by 16 December 2011.

The Einasleigh Copper Project, which comprises a tenement package covering a total area of approximately 450 sq km located 350km north-west of Townsville, lies immediately 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.

The Project comprises Measured, Indicated and Inferred resources of **15 million tonnes @ 0.84% copper** at Kaiser Bill and **1.1 million tonnes at 2.9% copper** at Einasleigh containing 158,000 tonnes of copper¹.

“This represents a significant addition to our central Mt Garnet resources base,” said Kagara's Managing Director, Mr Geoff Day. “With a high-grade resource containing around 32,000t of copper metal at Einasleigh, this supports our 5 year plan objective of growing the resource base to sustain 30ktpa copper production within the next 3-5 years.”

“However, there is also the much larger but lower grade Kaiser Bill resource containing 126,000t of copper metal, which represents a very interesting longer term exploration and development opportunity. Kagara will look closely at the geological environment at Kaiser Bill to see if potential exists for a high-grade core to the deposit.

"In addition, as outlined in our 5 year growth strategy, the potential to upgrade resources through ore sorting or similar beneficiation techniques is being reviewed by Kagara. The Kaiser Bill deposit is an obvious candidate for this evaluation."

"The addition of the Einasleigh assets compliments our already strong growth portfolio of copper projects throughout our central Mt Garnet province which include Balcooma, Maitland and our strategic alliance with Monto Mineral covering the Baal Gammon tenements."

"In addition to the copper deposits, Einasleigh also hosts four lead-zinc deposits containing over 250,000t of zinc, which will be the focus of extensional and exploration drilling in the coming 18 months¹. The company plans a thorough evaluation of work done to date within the 450 sq km tenement package to highlight areas for further investigation."

ENDS

¹Resource table from page 13 of Copper Strike Limited, independent experts report ASX release dated November 11, 2010.

Competent Person's Statement

This report, so far as it pertains to ore and mineralisation, is based on information compiled by and as reported upon by Mr Joe Treacy, an employee of Kagara Ltd, and who is a member of the Australian Institute of Geoscientists and has over five years 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 the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Treacy consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

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