



Kingsgate
Consolidated Limited

ABN 42 000 837 472



LAGUNA RESOURCES NL

ABN 36 008 460 366

25 October 2010

Australian Securities Exchange

FOR PUBLIC RELEASE

Via ASX online (28 pages)

RECOMMENDED TAKEOVER OFFER BY KINGSGATE FOR LAGUNA

Kingsgate Consolidated Limited (ASX:KCN) ("Kingsgate") and Laguna Resources NL (ASX:LRC) ("Laguna") are pleased to announce that they have signed a Bid Implementation Agreement ("BIA") for a conditional off-market takeover bid by Kingsgate for all the issued and outstanding shares in Laguna ("Bid").

The transaction is value-enhancing both for Kingsgate and Laguna shareholders. As shareholders in Kingsgate following a Bid completion, Laguna shareholders will be investors in a growing gold producer with a proven and experienced Board and management team, strong cash flows and access to a diversified and growing asset base.

Consideration for the transaction will be in Kingsgate shares, with Laguna shareholders offered 1 Kingsgate share for every 520 Laguna shares ("Offer"). The transaction values Laguna at approximately A\$0.02 per share, or approximately A\$22 million.

The Share Offer is **unanimously recommended by the Laguna board** in the absence of a superior proposal. The Laguna directors intend to accept the Offer for their shares in the absence of a superior proposal.

Highlights

- **Laguna's wholly owned Arqueros project is an exciting advanced epithermal gold and silver project in Chile which has the potential to be Kingsgate's first development project in South America.**
- **Laguna's shareholders will benefit from Kingsgate's proven expertise and its financial, development and operational skills to fast track the project through to final feasibility stage.**
- **The Arqueros project currently has a resource of 1.1Moz gold equivalent (JORC Indicated and inferred categories) and is expected to be an initial open pit operation with potential for smaller tonnage high grade feeder zones at depth.**
- **The transaction leverages synergy between Kingsgate's South American commercial and technical experience and Laguna's Chilean focussed management.**
- **The acquisition is consistent with Kingsgate's stated strategic intention to diversify its asset base outside Thailand and expand the company's portfolio in Australasia, South East Asia and South America.**

Kingsgate has entered into pre-bid acceptance agreements with several Laguna shareholders representing 11.33% of the Laguna shares on issue. In addition, Kingsgate has agreed to acquire approximately 96.55m outstanding but unlisted options in Laguna. If and when the options are exercised, the resulting shares in addition to those shares covered under the pre-bid agreements, will total 18.4% of Laguna's expanded issued capital.

Transaction Details

The exchange ratio of 1 Kingsgate share for every 520 Laguna shares represents an attractive premium for Laguna shareholders. The implied offer price of \$0.02 per share (based on a Kingsgate share price of A\$10.43) represents:

- a 33% premium to the closing price of 1.5c per Laguna Share on ASX on the last trading day (ie: 14 October 2010) before the Announcement Date;
- a 37% premium to the five day volume weighted average price of 1.46c per Laguna Share on ASX on the last trading day (ie: 14 October 2010) before the Announcement Date; and
- a 55% premium to the 30 day volume weighted average price of 1.29c per Laguna Share on ASX on the last trading day (ie: 14 October 2010) before the Announcement Date.

Laguna directors **unanimously recommend** that in the absence of a superior proposal, all shareholders accept the Offer. The Laguna directors intend to accept the Offer in respect of any Laguna shares they control, in the absence of a superior proposal. The directors of Laguna currently hold approximately 9.56% of the Laguna issued capital.

Kingsgate has entered into pre-bid acceptance agreements with several Laguna shareholders representing 11.33% of the Laguna shares on issue. In summary, these shareholders have contractually committed to accept the Share Offer, subject to no superior proposal being received by Laguna. Further particulars of the terms of these agreements will be provided by Kingsgate in a substantial shareholder notice to be lodged with ASX.

The offer will not be subject to a minimum acceptance condition. A copy of the BIA, including the conditions to the bid, is attached as Annexure A.

The parties have agreed that Laguna will not solicit any competing proposal or participate in any discussions or negotiations in relation to a competing proposal (subject to fiduciary duty carve outs).

Commenting on the transaction, Kingsgate Chairman, Ross Smyth-Kirk, said "This is a continuing step in Kingsgate's strategy to consolidate its position as the ASX's premier mid-tier gold producer. The Arqueros project will expand Kingsgate's feasibility and development pipeline and will provide a potential operational cornerstone into Chile and South America. I look forward to welcoming Laguna shareholders onto the Kingsgate share register."

Laguna Chairman, Matthew Wood, said "The successful conclusion of this transaction will provide Laguna shareholders with exposure to one of the ASX's leading gold companies with a strong operational base and a pipeline of development projects. I would encourage all Laguna shareholders to accept this offer".

Other Information

This transaction significantly benefits both companies with the synergies between Kingsgate's in-house experience and expertise in South America and Laguna's focussed commercial and technical team based in Chile. It is intended that Laguna's Managing Director (Dr Nicholas Lindsay) and Laguna's Chilean based management team will remain with the Kingsgate Group following completion of the bid. Dr Lindsay will have responsibility for managing the feasibility and development work of Arqueros and identification of new growth opportunities for the Kingsgate Group in the region.

The in-country Laguna management team will ensure continuity in the development of Arqueros and provide the depth of personnel to help ensure this project and other opportunities can be managed and integrated within the broader Kingsgate group.

Kingsgate will continue to review advanced gold projects as part of the Board's stated strategic intention of diversifying and growing the company's asset base, using the Board and management's experience and Kingsgate's capital base to unlock value. Chile is one of the world's greatest mining regions and an important part of implementing this strategy as a platform for growth in Latin America, Arqueros is the result of a continuing effort to search for new projects in this area.

Timetable

The Bidder's Statement and Target Statement are both expected to be despatched to Laguna shareholders in early to mid-December 2010. The Offer is expected to close in early to mid-January 2010, subject to any extensions to the offer period.

Kingsgate Conference Call

Kingsgate will hold a conference call Monday, 25 October 2010 to discuss the Laguna bid at 12:00 pm noon AEST. Participants may dial in to the call on +61 2 8113 1400 or 1800 554 798 toll free in Australia and entering the Participant Pin Code 5666831

For further information please contact:

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Laguna Resources NL

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ARQUEROS PROJECT

The Arqueros gold and silver deposit is located in the Maricunga District of the Atacama Region, Northern Chile, 150 km north-east of Copiapo, an important regional mining centre.

It is 1000 metres southwest of the Chimberos silver mine (closed), 20 km north of La Coipa gold mine (in production) and is connected to Copiapo by an all-weather road. It has access to power and water by commercial arrangement with local providers.

Laguna Resources NL commenced field activities in November 2009, with the immediate objective of ascertaining the size and quality of the mineralisation at Arqueros, to expand and upgrade that resource, and to scope out the feasibility study for development.

The final objective was to develop an open cut mine producing annually about 100,000 gold equivalent ounces of bullion (gold-silver doré), using conventional cyanide leaching.

The Company completed about 11,500 metres of surface and underground drilling. In addition to this, the Company had access to the assay results of about 124,000 metres of historical drilling in 3759 drillholes and reconciled historical production (underground) data of 1.21 million tonnes of ore extracted¹.

In September 2010, a JORC Mineral resource was declared:

1.1 million gold equivalent ounces at an average grade 1.5 g/t gold equivalent, at a gold equivalent cut-off grade of 0.7 g/t².

Laguna Resources has also generated a pipeline of gold projects for exploration following on from Arqueros. These include gold epithermal systems at Guanaca, Cerro Iman and Cachitos, and a gold porphyry system at Maricella. Both Maricella and Cachitos are hosted within the same circular structure that contains the giant Cerro Casale and Cachitos gold-copper deposits, and Guanaca occurs south of La Coipa gold mine.

Arqueros is hosted in an area of multiple alteration zones and geochemical anomalies comprising the Esperanza epithermal system, which is located within the Cerro Bravos volcanic complex of Miocene age. The Chimberos silver deposit which is part of Esperanza and only 1 km from Arqueros, was mined from 1998 to 1999, producing 34 Moz silver.



Laguna Resources' gold projects

¹ At a 4.5 g/t gold equivalent cut-off, this graded 1.34 g/t gold and 365 g/t silver, producing 288,000 gold equivalent ounces from year 2000 to 2004 by underground mining.

² Gold equivalence based on price equivalence ratio of 60: AuEQ60 = Au + Ag/60

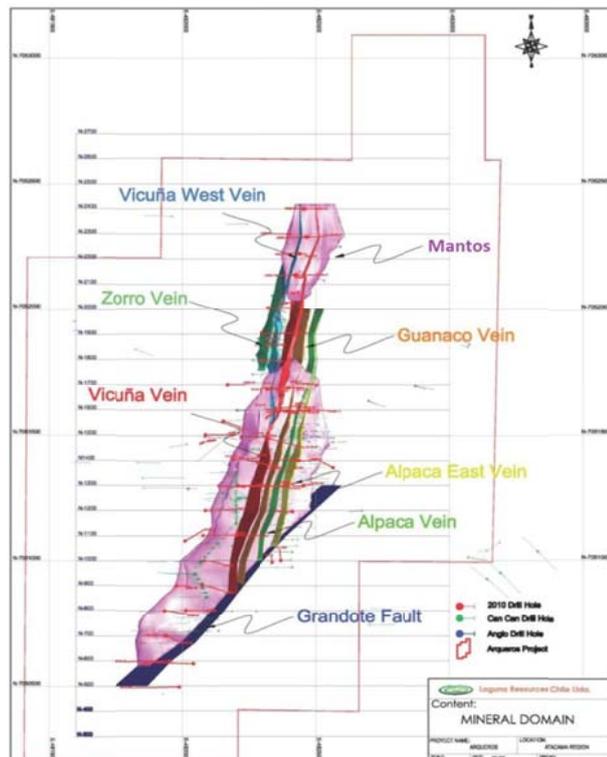


Panorama of Cerros Bravos volcano, with Esperanza epithermal system (Arqueros and Chimberos)

Arqueros has a similar style of epithermal gold and silver mineralisation as La Coipa, and is part of the Maricunga gold belt. Hydrothermal alteration at Arqueros is strongly silicified and argillic. The ore mineralogy for gold and silver is oxidised, comprising mostly cerargyrite (AgCl), with minor argentojarosite ($\text{AgFe}_3(\text{SO}_4)_2(\text{OH})_6$), native silver (Ag), argentite (Ag_2S), electrum (AuAg) and native gold (Au).

The geological model of Arqueros comprises two mineralised domains, emplaced within a porous Tertiary pyroclastic layer. The silver domain occurs as a horizontal stratiform mineralization, or “mantos”, dominated by silver. The gold domain is characterized by gold and silver mineralized vertical structures, cross-cutting the silver domain. There is potential for resource expansion of the gold domain at depth by following the mineralised structural “feeder” system.

Work required to complete feasibility study scoping includes metallurgical testwork (in progress), mine infrastructure site selection and additional drilling to upgrade resources from inferred to indicated.



Geological interpretation of Arqueros showing flat-lying mantos (silver domain) and vertical mineralized structures, or veins (gold domain)

JORC Mineral Resource published in September 2010 by Laguna Resources NL

Category	Million Tonnes	Grades, g/t			Ounces, thousands		
		Gold	Silver	AuEQ60	Gold	Silver	AuEQ60
Cut-off grade 0.5 g/t Au EQ60							
Indicated	7.0	0.35	83	1.73	78	18,596	387
Inferred	24.6	0.32	47	1.11	253	37,506	870
Total	31.6	0.33	55	1.24	332	56,103	1,258
Cut-off grade 0.7 g/t Au EQ60							
Indicated	5.9	0.85	93	1.93	72	17,751	369
Inferred	16.9	0.38	57	1.33	208	31,075	715
Total	22.9	0.38	66	1.49	280	48,826	1,094
Cut-off grade 1.0 g/t Au EQ60							
Indicated	4.7	0.43	108	2.22	65	16,219	335
Inferred	8.8	0.50	78	1.80	142	22,058	509
Total	13.5	0.48	88	1.95	206	38,278	844

Gold equivalence based on price equivalence ratio of 60: AuEQ60 = Au + Ag/60

Competent Person Statements

The Mineral Resource has been estimated by Mr P Ball (Director of DataGeo Geological Consultants) from information provided by Laguna Resources NL and its agents. Mr Ball is a member of the Australian Institute of Mining and Metallurgy and has sufficient experience relevant to the style of mineralisation under consideration to qualify as a competent person as defined in the 2004 edition of the "Australian Code of Reporting of exploration results, mineral resources and ore reserves". Mr Ball consents to the inclusion of the mineral resource estimate in the form and context in which it appears based on the information presented to him.

Gold equivalence (AuEQ60) is estimated as $AuEQ60 = Au + (Ag/EQ60)$, where Au = gold content, Ag = silver content and EQ = equivalence factor, which is calculated as the ratio of gold price to silver price * ratio of gold metallurgical recovery to silver metallurgical recovery. $EQ60 = PAu/PAg * RAu/RAg = 60$, based on long-range prices of gold at US\$900/oz & silver US\$15/oz, and recoveries of gold at 85% and silver at 84% respective.

KINGSGATE CONSOLIDATED LIMITED
ABN 42 000 837 472
(Kingsgate)

and

LAGUNA RESOURCES NL
ABN 36 008 460 366
(Laguna)

TAKEOVER BID IMPLEMENTATION DEED

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THIS DEED is dated 25 October 2010.

BETWEEN

KINGSGATE CONSOLIDATED LIMITED (ABN 42 000 837 472) of Level 8, 14 Martin Place, Sydney, New South Wales (**Kingsgate**);

AND

LAGUNA RESOURCES NL (ABN 36 008 460 366) of Level 1, 33 Richardson Street, West Perth, Western Australia (**Laguna**).

RECITALS

- A. Kingsgate is proposing to make a Takeover Bid to acquire Laguna Shares.
- B. The Laguna Directors will recommend the Takeover Bid, in the absence of a Superior Proposal.
- C. It is a pre-requisite to Kingsgate making the Takeover Bid and the Laguna Directors making the recommendation that the parties enter into this Deed.

AGREED as follows:

1. DEFINED TERMS AND INTERPRETATION

1.1 Defined terms

In this Deed, the following definitions apply unless the context requires otherwise.

Adviser means, in relation to an entity, a financier, financial adviser, corporate adviser, legal adviser, or technical or other expert adviser or consultant who provides advisory services in a professional capacity to the market in general and who has been engaged by that entity.

Agreed Bid Terms means the terms and conditions set out in Schedule 1.

Announcement Date means the date on which announcement referred to in clause 2.2 is released to the ASX.

Approval means a licence, authority, consent, approval, order, exemption, waiver, ruling or decision.

ASIC means the Australian Securities & Investments Commission.

ASX means the Australian Securities Exchange.

Bidder's Statement means the bidder's statement and acceptance form under sections 636 and 637 of the Corporations Act, and which includes the Share Offer.

Business Day means a day on which the banks are open for business in Perth, Australia, excluding a Saturday, Sunday or public holiday.

Communications means all forms of communications, whether written, oral, in electronic format or otherwise, and whether direct or indirect via agents or Representatives.

Competing Proposal means a proposal pursuant to which a person (other than Kingsgate or another entity in the Kingsgate Group) would, if the proposal were implemented substantially in accordance with its terms:

- (a) directly or indirectly, acquire an interest in all or a substantial part of the assets of Laguna;
- (b) directly or indirectly, acquire an interest, a relevant interest in or become the holder of more than 20% of the Laguna Shares;
- (c) acquire control of Laguna, within the meaning of section 50AA of the Corporations Act; or
- (d) otherwise acquire or merge with Laguna (including by way of a scheme of arrangement, reverse takeover bid or dual listed companies structure).

Corporations Act means the *Corporations Act 2001* (Cth).

Deed means this takeover bid implementation deed.

Encumbrance means:

- (a) a mortgage, charge, pledge, lien, hypothecation or a title retention arrangement;
- (b) a notice under section 255 of the Income Tax Assessment Act 1936 (Cth), subdivision 260-A in schedule 1 to the Taxation Administration Act 1953 (Cth) or any similar legislation;
- (c) any other interest in or right over property (including a right to set off or withhold payment of a deposit or other money);
- (d) any other thing that prevents, restricts or delays the exercise of a right over property, the use of property or the registration of an interest in or dealing with property; or
- (e) an agreement to create anything referred to above or to allow any of them to exist.

Execution Date means the date this Deed is signed by the parties.

Government Agency means any government or representative of a government or any governmental, semi-governmental, administrative, fiscal, regulatory or judicial body, department, commission, authority, tribunal, agency, competition authority or entity whether foreign, federal, state, territorial or local in any part of the world in which a party is domiciled or holds any of its assets. It includes ASIC and ASX (and any other stock exchange).

Kingsgate Group means Kingsgate and its Related Bodies Corporate.

Kingsgate Material Adverse Change means any event, change or condition that has, or could reasonably be expected to have, a material adverse effect on:

- (a) the business, assets, liabilities, financial or trading position, profitability or prospects of the Kingsgate Group, taken as a whole, since 30 June 2010 by an amount of \$50,000,000 or more; or

- (b) the status or terms of any of the exploration or mining tenements owned by Kingsgate or its subsidiaries (which in itself has a material adverse effect on the Kingsgate Group),

except for events, and conditions publicly announced by Kingsgate or otherwise disclosed in public filings in Australia by Kingsgate or any of its subsidiaries prior to the date of this Deed provided that the relevant announcement or disclosure is not, and is not likely to be, incomplete, incorrect untrue or misleading.

Kingsgate Share means a fully paid ordinary share issued in the capital of Kingsgate.

Laguna Board means the board of directors of Laguna.

Laguna Director means a director of Laguna.

Laguna Group means Laguna and its Related Bodies Corporate.

Laguna Material Adverse Change means any event, change or condition that has, or could reasonably be expected to have, a material adverse effect on:

- (a) the business, assets, liabilities, financial or trading position, profitability or prospects of the Laguna Group, taken as a whole, since 30 June 2010 by an amount of \$500,000 or more; or
- (b) the status or terms of any of the exploration or mining tenements owned by Laguna or its subsidiaries,

except for events, and conditions publicly announced by Laguna or otherwise disclosed in public filings in Australia by Laguna or any of its subsidiaries prior to the date of this Deed provided that the relevant announcement or disclosure is not, and is not likely to be, incomplete, incorrect untrue or misleading.

Laguna Option means an option to subscribe for a Laguna Share.

Laguna Share means a fully paid ordinary share issued in the capital of Laguna.

Laguna Shareholder means a person who is recorded in Laguna's register of members as the holder of one or more Laguna Shares.

Offer Conditions means the conditions to the Share Offer set out in paragraph 4 of Schedule 1.

Offer Period means the period during which the Share Offer is open for acceptance.

Officer means, in relation to an entity, its directors, officers and employees.

Related Body Corporate has the meaning given in the Corporations Act.

Representative means, in relation to a party:

- (a) a Related Body Corporate of the party;
- (b) an Officer of the party or any of the party's Related Bodies Corporate; or
- (c) an Adviser to the party or any of the party's Related Bodies Corporate.

Share Offer means each offer to acquire Laguna Shares to be made by Kingsgate in connection with the Takeover Bid.

Superior Proposal means a bona fide Competing Proposal which the Laguna Directors have determined, in good faith, is:

- (a) reasonably capable of being valued, taking into account all aspects of the Competing Proposal and the person making it;
- (b) reasonably capable of being completed on a timely basis; and
- (c) is more favourable to Laguna Shareholders than the Share Offer, taking into account all the terms and conditions of the Competing Proposal.

Takeover Bid means a takeover bid for Laguna by Kingsgate that satisfies the requirements in clause 2.1.

Target's Statement means the target's statement under section 638 of the Corporations Act in relation to the Share Offer.

1.2 Interpretation

In this Deed, headings are for convenience only and do not affect the interpretation of this Deed and, unless the context otherwise requires:

- (a) words importing the singular include the plural and vice versa;
- (b) words importing a gender include any gender;
- (c) an expression importing a natural person includes any company, partnership, joint venture, association, corporation or other body corporate and any Government Agency;
- (d) a reference to any thing (including, but not limited to, any right) includes a part of that thing but nothing in this clause 1.2(d) implies that performance of part of an obligation constitutes performance of the obligation;
- (e) a reference to a clause, party, annexure, exhibit or schedule is a reference to a clause of, and a party, annexure, exhibit and schedule to, this Deed and a reference to this Deed includes any annexure, exhibit and schedule;
- (f) a reference to a statute, regulation, proclamation, ordinance or by-law includes all statutes, regulations, proclamations, ordinances or by-laws amending, consolidating or replacing it, whether passed by the same or another Government Agency with legal power to do so, and a reference to a statute includes all regulations, proclamations, ordinances and by-laws issued under that statute;
- (g) a reference to a document includes:
 - (i) all amendments or supplements to, or replacements or novations of, that document; and
 - (ii) any agreement in writing, or any certificate, notice, instrument or other document of any kind whether stored or provided in paper or electronic form;

- (h) a reference to a party to a document includes that party's successors and permitted assigns;
- (i) no provision of this Deed will be construed adversely to a party solely on the ground that the party was responsible for the preparation of this Deed or that provision;
- (j) a reference to an agreement other than this Deed includes an undertaking, deed, agreement or legally enforceable arrangement or understanding whether or not in writing;
- (k) a reference to an asset includes all property of any nature, including, but not limited to, a business, and all rights, revenues and benefits;
- (l) a reference to a body, other than a party to this Deed (including, without limitation, an institute, association or authority), whether statutory or not:
 - (i) which ceases to exist; or
 - (ii) whose powers or functions are transferred to another body,
 is a reference to the body which replaces it or which substantially succeeds to its powers or functions;
- (m) (without limiting the ways in which information can be provided or disclosed) information will be deemed to have been provided or disclosed by one party to the other if the party provides the other party or its agents or advisers with a document and the relevant piece of information is disclosed in the document;
- (n) where a word or phrase is given a defined meaning, any other part of speech or grammatical form of that word or phrase has a corresponding meaning;
- (o) the word includes in any form is not a word of limitation;
- (p) a reference to \$ or dollar is to Australian currency; and
- (q) a reference to any time is a reference to that time in Perth, Australia.

1.3 Consents and approvals

If the doing of any act, matter or thing under this Deed is dependent on the consent or approval of a party or is within the discretion of a party, such consent or approval may be given or such discretion may be exercised conditionally or unconditionally or withheld by the party in its absolute discretion (unless this Deed specifies otherwise).

1.4 Business Day

Except where otherwise expressly provided, where under this Deed the day on which any act, matter or thing is to be done is a day other than a Business Day, such act, matter or thing will be done on the next Business Day.

2. THE TAKEOVER BID

2.1 Making of the Takeover Bid

- (a) Kingsgate must make offers pursuant to an off-market takeover bid under Chapter 6 of the Corporations Act to acquire Laguna Shares on terms no less favourable than the Agreed Bid Terms.
- (b) Provided Kingsgate complies with ASIC Class Order 00/343 ("Unmarketable Parcels"), Kingsgate is not required to offer Kingsgate Shares to Laguna Shareholders as part of the Takeover Bid consideration if such Laguna Shareholders would be offered unmarketable parcels of Kingsgate Shares.

2.2 Announcement of Takeover Bid

As soon as practicable after both parties have executed this Deed, each of Kingsgate and Laguna must publicly release to the ASX an announcement in the form of Schedule 2.

2.3 Kingsgate may use subsidiary

- (a) Kingsgate may satisfy its obligations under clause 2.1 by causing a wholly-owned subsidiary to do the things referred to in clause 2.1. If Kingsgate does that references to Kingsgate making the Takeover Bid are references to Kingsgate causing the subsidiary to make the Takeover Bid.
- (b) If clause 2.3(a) applies, Kingsgate:
 - (i) must procure that its relevant subsidiary performs Kingsgate's obligations under this document; and
 - (ii) guarantees to Laguna the performance of those obligations by that subsidiary.

3. FACILITATION OF SHARE OFFER

3.1 Bidder's Statement and Target's Statement

- (a) Kingsgate must prepare a Bidder's Statement.
- (b) Kingsgate will give Laguna a reasonable opportunity to review one or more drafts of the Bidder's Statement, and will consult in good faith with Laguna with respect to any comments Laguna may have.
- (c) Laguna must prepare a Target's Statement.
- (d) Laguna will give Kingsgate a reasonable opportunity to review one or more drafts of the Target's Statement and will consult in good faith with Kingsgate with respect to any comments Kingsgate may have.
- (e) Subject to any obligations of confidentiality to third parties, Laguna must provide any assistance and information reasonably requested by Kingsgate to enable Kingsgate to prepare and finalise the Bidder's Statement.

- (f) Subject to any obligations of confidentiality to third parties, Kingsgate must provide any assistance and information reasonably requested by Laguna to enable Laguna to prepare and finalise the Target's Statement.

3.2 Despatch of Share Offer

- (a) Laguna agrees that the Share Offer and accompanying documents to be sent by Kingsgate under the Takeover Bid under item 6 of section 633(1) of the Corporations Act may be sent on a date nominated by Kingsgate that is earlier than the date for sending under item 6 of section 633(1) of the Corporations Act.
- (b) Kingsgate agrees to use its best endeavours to send the Share Offer and accompanying documents under the Takeover Bid to Laguna Shareholders within 6 weeks of the Execution Date, but must do so no later than 2 months after the Announcement Date.
- (c) Unless prevented from doing so by prevailing law or regulations, Laguna agrees to use its best endeavours to ensure that its Target's Statement is despatched to Laguna Shareholders together with the Share Offer and accompanying documents to be sent by Kingsgate under the Takeover Bid.

3.3 Promote the Takeover Bid

- (a) Subject to clause 3.3(b) during the Offer Period, Laguna will use its best endeavours to procure that all of the Laguna Directors maintain (including by statements in the Target's Statement):
 - (i) their unanimous recommendation that Laguna Shareholders accept the Share Offer, in the absence of a Superior Proposal; and
 - (ii) their stated intention to accept the Share Offer in respect of Laguna Shares that they own or control, in the absence of a Superior Proposal.
- (b) During the Offer Period, the Laguna Directors may withdraw their recommendation and their statement of intention to accept the Share Offer in respect of Laguna Shares which they control if:
 - (i) a Superior Proposal is received and is not matched or exceeded by an increase in the consideration offered by Kingsgate under the Share Offer within 3 Business Days of Kingsgate receiving notification under clause 7.4; or
 - (ii) there is a Kingsgate Material Adverse Change.
- (c) During the Offer Period, Laguna will procure that the managing director as reasonably requested by Kingsgate will participate in efforts reasonably required by Kingsgate, at Kingsgate's expense, to promote the merits of the Takeover Bid, including (at Kingsgate's reasonable request):
 - (i) meeting with key Laguna Shareholders; and

- (ii) communicating with Laguna's employees and any other persons,

subject only to a qualification that there is no Superior Proposal.

- (d) Laguna will direct its share registry to co-operate with Kingsgate in implementing and promoting the Share Offer at Kingsgate's expense.
- (e) To facilitate the Takeover Bid, Laguna will use its reasonable endeavours to provide Kingsgate with reasonable access to:
 - (i) the books and records of Laguna;
 - (ii) any information reasonably requested by Kingsgate; and
 - (iii) Laguna's senior management, external auditors and accountants and other advisers.

For the avoidance of doubt, nothing in this document restricts Kingsgate from including any information in the Bidder's Statement in respect of the Takeover Bid for the purpose of complying with the Corporations Act, the ASX Listing Rules or any other applicable law and listing rules provided always that Kingsgate, to the extent reasonably practicable, consults in good faith with Laguna as to the form and content of any such disclosures before that information is disclosed in the Bidder's Statement.

3.4 Share Offer conditions

- (a) Laguna agrees not to knowingly do (or knowingly omit to do) anything which will, or is likely to, result in any of the Offer Conditions being breached.
- (b) To avoid any doubt in this Deed, a reference to an Offer Condition being breached includes a reference to an Offer Condition not being, or not being capable of being, satisfied.
- (c) If any event occurs or becomes apparent which would cause any of the Offer Conditions to be breached or prevent them from being able to be satisfied, Laguna or Kingsgate must, to the extent such information is within the relevant party's actual knowledge, immediately notify the other party of the event.
- (d) From the date of this Deed until the end of the Offer Period, Laguna must, promptly notify Kingsgate of anything of which it becomes aware that is or may be a Laguna Material Adverse Change or makes any warranty in this Deed false, misleading or deceptive.
- (e) From the date of this Deed until the end of the Offer Period, Kingsgate must, promptly notify Laguna of anything of which it becomes aware that is or may be a Kingsgate Material Adverse Change or makes any warranty in this Deed false, misleading or deceptive.
- (f) Nothing in this clause 3.4 prevents Laguna or the Laguna Directors from taking or refusing to take any action provided that the Laguna Directors have determined, in good faith, that failing to take, or failing to refuse to take, such action would or would be likely to constitute a breach of the Laguna Directors' fiduciary or statutory obligations.

3.5 No independent expert

Laguna agrees that an expert's report for the Target's Statement is not required in respect of the Takeover Bid under section 640 of the Corporations Act or otherwise.

3.6 Conduct of business

From the date of this Deed until the end of the Offer Period, Laguna must carry on its business in accordance with normal and prudent practice and in the ordinary course.

3.7 Laguna Share register

- (a) Between the Announcement Date and the end of the Offer Period, Laguna will monitor its register of Laguna Shares for activity by Laguna Shareholders which would, or appear to be likely to, result in an entitlement to fractions equal to or greater than one half of a Kingsgate Share under the Share Offer.
- (b) Laguna will immediately inform Kingsgate of any such activity, and take any steps reasonably directed by Kingsgate, including refusing to register any Laguna Share transfers.

4. TAKEOVER BID – VARIATION AND WAIVER

4.1 Variation

Kingsgate may vary the terms and conditions of the Takeover Bid in any manner which is permitted by the Corporations Act.

4.2 Waiver of Offer Conditions and extension

Subject to the Corporations Act, Kingsgate may declare the Takeover Bid to be free from any Offer Condition or to extend the Takeover Bid at any time.

5. PUBLIC ANNOUNCEMENTS AND COMMUNICATIONS

5.1 Announcements

- (a) Subject to clause 5.1(b), neither party may make an announcement relating to matters the subject of the Share Offer or the Takeover Bid (including any supplementary Bidder's Statement or Target's Statement) or make public this document (or any of its terms) unless the announcement or publication:
 - (i) is required by this document;
 - (ii) has the prior approval of the other party; or
 - (iii) is required to be made by any applicable law or the stock exchange rules applicable to the party.
- (b) Where a party is required by applicable law or stock exchange rules to make any announcement or make any disclosure relating to matters the subject of the Share Offer or the Takeover Bid (including any

supplementary Bidder's Statement or Target's Statement), it may do so only after it has to the maximum extent possible in the circumstances:

- (i) given the other party as much notice as is reasonably practicable in the context of any deadlines imposed by law or a Government Agency; and
- (ii) has consulted with the other party as to the content of that announcement of disclosure.

5.2 Announcement of entry into this Deed

Kingsgate acknowledges that Laguna will, as soon as practicable after the execution of this Deed, make an announcement to the ASX in the form of Schedule 2.

5.3 Communications

Except in relation to Communications regulated by clause 2.2 or 5.1 and to the extent permitted by applicable law:

- (a) the parties must in good faith consult with each other in advance on the proposals or plans for any Communications in relation to the Share Offer or the Takeover Bid with:
 - (i) Laguna Shareholders (including scripts for telephone call centres established or maintained in connection with the Share Offer);
 - (ii) any Government Agency; and
 - (iii) any rating agency or any other third party, including the media;
- (b) each party must provide copies to each other of any written Communications sent to or received from a person referred to in sub-clauses (i), (ii) or (iii) of clause 5.3(a) as soon as practicable following despatch or receipt (as the case may be), provided that such copies may mask any confidential and sensitive information; and
- (c) if a party has not responded to reasonable requests for consultation within 24 hours of such a request, the requesting party may proceed with its Communications as it sees fit.

6. WARRANTIES

Each party represents and warrants to the other that, at the date of this Deed:

- (a) it is duly incorporated under the laws of the place of its incorporation;
- (b) it has the power and authority to sign this Deed and perform and observe all its terms;
- (c) this Deed has been duly executed and is a legal, valid and binding agreement, enforceable against it in accordance with its terms;
- (d) it is not bound by any contract which may restrict its right or ability to enter into or perform this Deed; and

- (e) it is not aware of any act, omission, event or fact that would result in the happening of one or more of the Offer Conditions to the Share Offer set out in Schedule 1 being triggered, except as disclosed by a party to the other party in writing to the date of this Deed.

7. EXCLUSIVITY

7.1 No shop; no talk restriction

Subject to clause 7.6, during the term of this Deed, Laguna must ensure that neither it nor any of its Representatives:

- (a) directly or indirectly solicits, initiates or encourages any inquiries, proposals or discussions regarding any Competing Proposal or any other transaction that may reduce the likelihood of success of the Takeover Bid (whether from a person with whom Laguna has previously been in discussions or not);
- (b) directly or indirectly negotiates or enters into, continues or participates in negotiations or discussions with any other person regarding a Competing Proposal, even if:
 - (i) that person's Competing Proposal was not directly or indirectly solicited, initiated, or encouraged by Laguna or any of its Representatives; or
 - (ii) that person has publicly announced their Competing Proposal;
- (c) accepts or enters into, or offers to accept or enter into, any agreement, arrangement or understanding regarding a Competing Proposal or any other transaction that may reduce the likelihood of success of the Takeover Bid;
- (d) approves or recommends a Competing Proposal or any other transaction that may reduce the likelihood of success of the Takeover Bid or announce an intention to do so; or
- (e) discloses any information about the businesses or affairs of Laguna to a third party (other than a Government Agency or auditors) other than in the ordinary course of business or as required under Laguna's existing contractual obligations to the extent those obligations have been specifically disclosed by Laguna to Kingsgate and cannot be terminated by Laguna with a view to obtaining a Competing Proposal.

7.2 Cease existing discussions

Laguna must cease any existing discussions or negotiations relating to:

- (a) any Competing Proposal; or
- (b) any transaction that may reduce the likelihood of the success of the Takeover Bid.

7.3 No due diligence

Without limiting the general nature of clause 7.1 but subject to clause 7.6, during the term of this Deed, Laguna must not without Kingsgate's prior written consent, make available to any person (other than to Kingsgate or its Representatives) or

permit any such person to receive any non-public information relating to Laguna or any of its Related Bodies Corporate.

7.4 Notification

- (a) Subject to clause 7.6, during the term of this Deed, Laguna must immediately inform Kingsgate if it is approached by any person to engage in any activity that would breach its obligations in clause 7.1 or 7.3 (or would breach its obligations in clause 7.1 or 7.3 if it were not for clause 7.6).
- (b) If, as permitted by clause 7.6, the Laguna Board proposes to take steps which may reasonably be expected to result in the Laguna Board approving or recommending a Competing Proposal, Laguna must promptly notify Kingsgate of the terms of the Competing Proposal and provide Kingsgate with the opportunity to make, within 3 Business Days of receiving such notification from Laguna, a revised offer to Laguna prior to such approval or recommendation of the Competing Proposal.

7.5 Equal access to information

Where Laguna or any of its Representatives provides pursuant to clause 7.6, any information relating to Laguna or any of its subsidiaries or any of their businesses or operations to any person in connection with or for the purposes of a current or future Competing Proposal, it must promptly provide to Kingsgate a copy of that information.

7.6 Exceptions

The obligations in clauses 7.1(b) to (e), 7.3 and 7.4 do not apply to the extent that they:

- (a) restrict Laguna or the Laguna Board from taking any action in respect of a bona fide Competing Proposal which was not encouraged, solicited, invited, facilitated or initiated by Laguna or any of its Representatives; or
- (b) require Laguna to provide the notification referred to in clause 7.4,

provided in each case that the Laguna Board has determined in good faith and acting reasonably, that failing to respond to that Competing Proposal or providing the notification referred to in clause 7.4 (as applicable) would be likely to constitute a breach of the Laguna Directors' fiduciary or statutory obligations.

8. TERMINATION

8.1 Termination for material breach

A party (the **Terminating Party**) may terminate this Deed at any time, by notice to the other party, if:

- (a) the other party is in breach of any clause of this Deed, which breach is material in the context of the Share Offer;
- (b) the Terminating Party has given notice to the other party setting out the material breach and stating an intention to terminate this Deed; and
- (c) the material breach has continued to exist for 5 Business Days from the time such notice is given.

8.2 Other termination rights

A party may terminate this Deed at any time, by notice to the other, if:

- (a) Kingsgate withdraws the Share Offer for any reason including non-satisfaction of an Offer Condition; or
- (b) on the date 4 months from the date of this Deed the Share Offer has not been freed from all Offer Conditions; or
- (c) subject to the provisions of this Deed, the Laguna Directors recommend a Superior Proposal.

8.3 Effect of termination

If this Deed is terminated under clause 8.1 or 8.2, this Deed will have no further force or effect and the parties will have no further obligations under this Deed, other than in respect of any accrued rights or remedies including in respect of any liability for an antecedent breach of this Deed and provided that this clause 8, and clauses 6, and 9 survive termination.

9. MISCELLANEOUS

9.1 Notices

Any notice given under this Deed:

- (a) must be in writing addressed to the intended recipient at the address shown below or the address last notified by the intended recipient to the sender:

Kingsgate

Address: Suite 801, Level 8
14 Martin Place
SYDNEY NSW 2000

Facsimile: INT + 61 2 8256 4810

Attention: Mr Duane Woodbury

Laguna

Address: Level 1, 33 Richardson Street
WEST PERTH WA 6005

Facsimile: INT + 61 8 9200 4469

Attention: Mr Matthew Wood

- (b) must be signed by a person duly authorised by the sender; and
- (c) will be taken to have been given when delivered, received or left at the above address. If delivery or receipt occurs on a day when business is not generally carried on in the place to which the notice is sent, or is later than 5.00 pm (local time), it will be taken to have been duly given at the commencement of business on the next day when business is generally carried on in that place.

9.2 Entire agreement

This Deed contains the entire agreement between the parties with respect to its subject matter. It sets out the only conduct relied on by the parties and supersedes all earlier conduct and prior agreements and understandings between the parties in connection with its subject matter.

9.3 Amendment

This Deed may be amended only by another agreement executed by both parties.

9.4 Assignment

The rights and obligations of each party under this Deed are personal. They cannot be assigned, charged or otherwise dealt with, and no party shall attempt or purport to do so, without the prior written consent of all the parties.

9.5 Severance

Any provision of this Deed which is prohibited or unenforceable in any jurisdiction will be ineffective in that jurisdiction to the extent of the prohibition or unenforceability. That will not invalidate the remaining provisions of this Deed nor affect the validity or enforceability of that provision in any other jurisdiction.

9.6 No waiver

A failure to exercise or a delay in exercising any right, power or remedy under this Deed does not operate as a waiver. A single or partial exercise or waiver of the exercise of any right, power or remedy does not preclude any other or further exercise of that or any other right, power or remedy. A waiver is not valid or binding on the party granting that waiver unless made in writing.

9.7 Further assurances

Each party must do anything necessary (including executing agreements and documents) to give full effect to this Deed and the transactions contemplated by it.

9.8 No merger

The rights and obligations of the parties will not merge on completion of any transaction under this Deed. They will survive the execution and delivery of any assignment or other document entered into for the purpose of implementing any transaction.

9.9 Costs and expenses

Each party will pay its own costs and expenses in connection with:

- (a) the negotiation, preparation, execution, and performance of this Deed;
- (b) the proposed, attempted or actual implementation of this Deed; and
- (c) the Share Offer generally.

9.10 GST

- (a) Unless otherwise expressly stated, all amounts payable under this Deed are expressed to be exclusive of GST. If GST is payable on a Taxable Supply made under or in connection with this Deed, the recipient of the supply must pay the supplier, an additional amount equal to the GST payable on that supply provided that the supplier first issues a tax invoice for that supply.
- (b) Without limiting clause 9.10(a), if an amount payable under this Deed is calculated by reference to a liability incurred by a party, then the amount of the liability must be reduced by the amount of any Input Tax Credit to which that party is entitled in respect of the acquisition of the supply to which that liability relates. A party will be assumed to be entitled to a full Input Tax Credit unless it demonstrates that its entitlement is otherwise prior to the date on which payment must be made.
- (c) Words and expressions used in this clause 9.10 have the same meaning as in *A New Tax System (Goods and Services) Tax Act 1999 (Cth)*.

9.11 Governing Law

This Deed is governed by the laws of Western Australia. The parties submit to the non-exclusive jurisdiction of courts exercising jurisdiction there.

9.12 Counterparts

This Deed may be executed in any number of counterparts. All counterparts taken together will be taken to constitute one agreement. The parties agree that a facsimile copy of a counterpart received from a party shall be regarded as an original copy of the counterpart received from that party.

EXECUTED by the Parties as a deed.

EXECUTED BY)
KINGSGATE CONSOLIDATED LIMITED)
ABN 42 000 837 472)
in accordance with the Corporations Act:)

Director

Director/Secretary

EXECUTED BY)
LAGUNA RESOURCES NL)
ABN 36 008 460 366)
in accordance with the Corporations Act:)

Director

Director/Secretary

SCHEDULE 1 – AGREED BID TERMS

1. Takeover Offer

Kingsgate will make an off-market takeover offer to acquire all of the Laguna Shares which are not already held by Kingsgate. The offer will extend to Laguna Shares which are issued during the period from the date set by Kingsgate under section 633(2) (the Register Date) of the Corporations Act to the end of the Offer Period due to a conversion or exercise of rights attached to securities which exist, or will exist, as at the Register Date including without limitation, any of the Laguna Options.

2. Share Offer Consideration

1 Kingsgate Share for every 520 Laguna Shares, with any fractional entitlements to Kingsgate Shares rounded to the nearest whole Kingsgate Share.

3. Offer Period

The Share Offer will remain open for a minimum period of 1 month (unless withdrawn during that period under section 652B of the Corporations Act).

4. Offer Conditions

The Share Offer is subject to the fulfilment of the following conditions:

(a) **No prescribed occurrences**

During the period from the date of the Bidder's Statement to the end of the Offer Period (each inclusive), none of the following occurrences (being the prescribed occurrences listed in section 652C of the Corporations Act) happens:

- (i) Laguna converts all or any of its shares into a larger or smaller number of shares under section 254H of the Corporations Act;
- (ii) Laguna or a subsidiary of Laguna resolves to reduce its share capital in any way;
- (iii) Laguna or a subsidiary of Laguna enters into a buy-back agreement or resolves to approve the terms of a buy-back agreement under section 257C(1) or 257D(1) of the Corporations Act;
- (iv) Laguna or a subsidiary of Laguna issues shares (other than as a result of the exercise of Laguna Options) or grants an option over its shares, or agrees to make such an issue or grant such an option;
- (v) Laguna or a subsidiary of Laguna issues, or agrees to issue, convertible notes;

- (vi) Laguna or a subsidiary of Laguna disposes, or agrees to dispose, of the whole, or a substantial part, of its business or property;
- (vii) Laguna or a subsidiary of Laguna charges, or agrees to charge, the whole, or a substantial part, of its business or property;
- (viii) Laguna or a subsidiary of Laguna resolves to be wound up;
- (ix) a liquidator or provisional liquidator of Laguna or of a subsidiary of Laguna is appointed;
- (x) a court makes an order for the winding up of Laguna or of a subsidiary of Laguna;
- (xi) an administrator of Laguna or of a subsidiary of Laguna is appointed under section 436A, 436B or 436C of the Corporations Act;
- (xii) Laguna or a subsidiary of Laguna executes a deed of company arrangement; or
- (xiii) a receiver, or a receiver and manager, is appointed in relation to the whole, or a substantial part, of the property of Laguna or a subsidiary of Laguna.

(b) **No prescribed occurrences between Announcement Date and service**

None of the events listed in sub-sections (i) to (xiii) of paragraph (a) happens during the period beginning on the Announcement Date and ending at the end of the day before the Bidder's Statement is given to Laguna.

(c) **No action by Government Agency adversely affecting the Takeover Bid**

During the period from the date of the Bidder's Statement to the end of the Offer Period:

- (i) there is not in effect any preliminary or final decision, order or decree issued by a Government Agency;
- (ii) no action or investigation is instituted, or threatened by any Government Agency with respect to Laguna or any subsidiary of Laguna; or
- (iii) no application is made to any Government Agency (other than an application by Kingsgate or any company within the Kingsgate Group, an application under section 657G of the Corporations Act, or an application commenced by a person specified in section 659B(1) of the Corporations Act in relation to the Takeover Bid),

in consequence of, or in conjunction with, the Takeover Bid, which restrains or prohibits or threatens to restrain or prohibit, or may otherwise materially adversely impact upon, the making of the Takeover Bid or the completion of any transaction contemplated by the Bidder's Statement (including implementing the intentions expressed therein) or seeks to require the divestiture by Kingsgate of any Laguna Shares, or the divestiture of any assets by Laguna or by any subsidiary of Laguna or by any company within the Kingsgate Group.

(d) **Approvals by Government Agencies**

During the Offer Period, Kingsgate receives all approvals which are required by law or by any Government Agency:

- (i) to permit the Share Offers to be made to and accepted by Laguna Shareholders; or
- (ii) as a result of the Share Offers or the successful acquisition of the Laguna Shares and which are necessary for the continued operation of the business of Laguna and its subsidiaries or of Kingsgate and its subsidiaries,

and those Approvals are on an unconditional basis and remain in force in all respects and there is no notice or indication of intention to revoke, suspend, restrict, modify or not renew those Approvals.

(e) **No material acquisitions, disposals, etc.**

Except for any proposed transaction publicly announced by Laguna before the Announcement Date, none of the following events occur during the period from that date to the end of the Offer Period without the written consent of Kingsgate:

- (i) Laguna, or any subsidiary of Laguna, acquires, offers to acquire or agrees to acquire one or more companies or assets (or an interest in one or more companies or assets) for an amount in aggregate greater than \$100,000 or makes an announcement about such an acquisition;
- (ii) Laguna, or any subsidiary of Laguna, disposes, offers to dispose or agrees to dispose of, or creates, or offers to create an equity interest in one or more companies or assets (or an interest in one or more companies or assets) for an amount in aggregate greater than \$100,000 or makes an announcement about such a disposal;
- (iii) Laguna, or any subsidiary of Laguna, enters into, offers to enter into or announces that it proposes to enter into any joint venture or partnership involving a commitment of greater than \$100,000 or dual listed company structure, or makes an announcement about such a commitment; or
- (iv) Laguna, or any subsidiary of Laguna, incurs or commits to, or grants to another person a right the exercise of which would

involve Laguna or any subsidiary of Laguna incurring or committing to any capital expenditure or liability for one or more related items of greater than \$100,000 or makes an announcement about such a commitment.

(f) **No material failings in filings**

Kingsgate does not become aware, during the Offer Period, that any document filed by or on behalf of Laguna with ASX or ASIC contains a statement which is incorrect or misleading in any material respect or from which there is a material omission.

(g) **Non-existence of certain rights**

No person has any right (whether subject to conditions or not) as a result of Kingsgate acquiring Laguna Shares to:

- (i) acquire, or require Laguna or a subsidiary of Laguna to dispose of, or offer to dispose of, any material asset of Laguna or a subsidiary of Laguna;
- (ii) terminate or vary any material agreement with Laguna or a subsidiary of Laguna; or
- (iii) accelerate or adversely modify the performance of any obligations of Laguna or any of its subsidiaries in a material respect under any material agreements, contracts or other legal arrangements.

(h) **No force majeure event**

During the Offer Period, no outbreak of hostilities (whether war is declared or not) or terrorism, mobilisation of armed forces, civil or political unrest or labour disturbance, fire or natural disaster, material increase in the intensity of any of the above events or other event beyond the control of Laguna or the relevant subsidiary occurs which affects or is likely to affect the assets, liabilities, financial position, performance, profitability or prospects of Laguna or any of its subsidiaries.

(i) **No material adverse change to Laguna**

During the Offer Period, no Laguna Material Adverse Change occurs.

SCHEDULE 2 – ANNOUNCEMENT

[see ASX announcement dated 25 October 2010]