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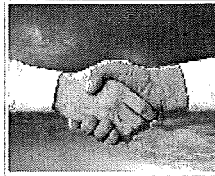
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Kagara, Monto ink Baal Gammon deal

Thursday, 12 May 2011

KAGARA has inked a deal with Monto Minerals to mine and process the Baal Gammon copper deposit in North Queensland.

Ore from the project will be trucked to Kagara's nearby Mt Garnet copper plant to be processed, with mine development to begin following approvals and ore processing targeted to start by October this year.



The Baal Gammon deposit contains an Indicated and Inferred resource of 5.5 million tonnes grading 0.8% copper, 29 grams per tonne silver, 0.2% tin and 29gpt indium.

For the rights to mine and process all minerals at Baal Gammon, Kagara will pay Monto \$A6 million through the issue of Kagara shares with the issue price to be determined by the five-day volume weighted average price prior to the settlement date.

Kagara will also pay Monto a 2.5% net smelter royalty on all minerals extracted from the first 550,000t of ore processed, reducing to a 2% NSR on all ore extracted in excess of 550,000t.

Meantime, Kagara and Monto have also entered a strategic alliance to investigate the feasibility of constructing a tin extraction circuit at Mt Garnet, with a view to processing both Baal Gammon ore and other potential tin deposits located within Monto's Herberton tin project.

The Herberton project tenements also contain numerous zinc, lead, silver and gold targets.

The two companies intend to enter into a formal joint venture arrangement giving Kagara the right to all non-tin base metals exploration over the entire Herberton project tenements.

Monto and Kagara will conduct a thorough review of the non-tin base metals prospects and potential across the tenement holdings with a view to establishing specific terms for the proposed JV.

Shares in Kagara have slipped 1.5c to 54.5c in afternoon trade while Monto added 0.9c to 2.6c.

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