



Kingsgate
Consolidated Limited

ABN 42 000 837 472



LAGUNA RESOURCES NL

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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 Arquerros 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 Arquerros 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

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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' gold projects

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.

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

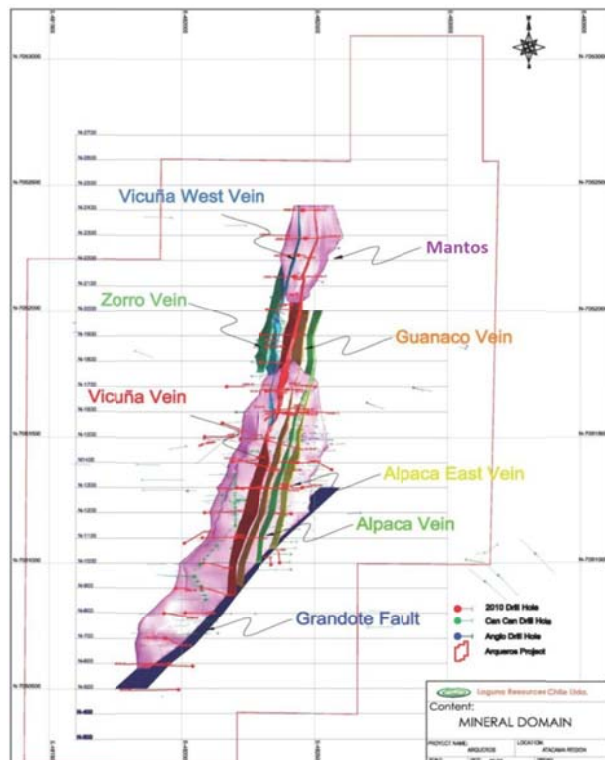


Panorama of Cerros Bravos volcano, with Esperanza epithermal system (Arqueros and Chimberos)

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.*