



KAGARA LTD

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DRILLING EXTENDS RED CAP ZINC-COPPER ZONE

The current reconnaissance exploration drilling programme along the Redcap Morrisons thrust zone at Chillagoe, north-east Queensland, is realising the potential of the zone to host high-grade skarn-associated zinc-rich mineralisation indicated by previous sparse drilling. To date, 29 holes have been completed during the current programme with 24 of these testing the thrust zone mineralisation (see attached table and geology map).

The accompanying long section shows that drilling has outlined two zones of moderate to high-grade zinc-rich base metal mineralisation below the historic Queenslander and Morrison Shaft workings. Both of the zones have been tracked for approximately 400 metres along strike and remain open along-strike to the northwest, south-east and down-plunge. The zones are separated by about 400 metres of oxidized skarn.

Best intercepts to date include:

- Hole 1091: **12.80m from 280.70m @ 9.1% Zn, 0.6% Cu, <0.5% Pb and 20 g/t Ag**
- Hole 1099: **14.84m from 288.20m @ 12.2% Zn, 1.2% Cu, 1.8% Pb and 97 g/t Ag including 3.64m from 299.40m @ 23.1% Zn, 4.6% Cu and 7.2% Pb**
- Hole 1103: **8.60m from 389.60m @ 7.4% Zn, 0.6% Cu, <0.5% Pb and 32 g/t Ag including 2.40m from 393.70m @ 17.6% Zn**
- Hole 1134: **13.00m from 134.50m @ 11.2% Zn, 1.0% Cu, <0.5% Pb and 14 g/t Ag including 4.70m from 134.50m @ 29.3% Zn**

The host fault zone dips moderately to the south-west and all intersections are approximately true width.

The Redcap Morrisons thrust zone mineralisation lies about 500 metres across strike from the Victoria zinc-copper skarn deposit which was discovered by Kagara several years ago. The Victoria deposit contains an Inferred Resource of 3.4 million tonnes at 5% zinc and 1% copper and also remains open along strike and at depth.

The Redcap/Morrisons and Victoria deposits are part of a large mineralised system that extends for at least 3 km along strike, is up to 1.5 km wide and is expressed by highly anomalous zinc-in-soils anomalies and extensive zones of skarn alteration.

Drilling will continue to test for extensions to the known mineralisation at Redcap/Morrisons and Victoria, and to target additional deposits before an infill resource definition programme is initiated over the coming wet season.

A handwritten signature in black ink, appearing to read 'J Treacy'.

Joe Treacy

Executive Director

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.

Intersection Details - 2011 Redcap Drillholes

Hole No.	CollarE_LOCAL	CollarN_LOCAL	CollarE_GMA	CollarN_MGA	CollarAz_MAG	CollarDip	Depth	From	To	Interval	Zn %	Cu %	Pb %	Ag g/t	Prospect
1085	4,805.51	8,944.64	225,073.29	8,109,757.28	247	-60	151.0	118.00	119.00	1.00	1.4	2.3		90.0	Belgravia
1086	4,817.00	9,634.12	225,553.01	8,110,253.12	037	-60	339.6	304.50	307.60	3.10	2.9	0.6		5.0	Red Cap Thrust
1087	4,918.47	9,603.59	225,606.27	8,110,161.45	037	-65	297.7	185.30	187.20	1.90	11.8	0.4		15.0	Red Cap Thrust
1088	5,025.36	9,618.60	225,694.62	8,110,099.34	045	-65	270.7	236.50	255.40	18.90	4.7	0.6		13.0	Red Cap Thrust
1089	5,769.47	9,383.18	226,077.29	8,109,418.68	037	-57	312.3	288.10	301.00	12.90	2.5	0.3	0.1	10.0	Red Cap Thrust
1090	5,769.44	9,383.78	226,077.68	8,109,419.14	037	-45	305.7	278.10	285.30	7.20	4.5	0.6		8.0	Red Cap Thrust
1091	5,770.02	9,380.65	226,075.96	8,109,416.46	057.5	-51	321.2	280.70	293.50	12.80	9.1	0.6		20.0	Red Cap Thrust
1099	5,908.82	9,347.22	226,154.51	8,109,297.15	037	-60	351.5	288.20	303.04	14.84	12.2	1.2	1.8	97.0	Red Cap Thrust
incl.								299.40	303.04	3.64	23.1	4.6	7.2	371.0	Red Cap Thrust
1100	5,908.79	9,346.98	226,154.32	8,109,297.00	037	-65	350.5	311.70	312.70	1.00	2.7	0.1		5.0	Red Cap Thrust
1101	5,908.43	9,347.45	226,154.37	8,109,297.59	026	-45	332.7	303.10	311.00	7.90	2.0	0.3		6.0	Red Cap Thrust
1102	6,032.37	9,276.67	226,196.53	8,109,161.16	037	-50	390.0	361.10	364.20	3.10	4.9	1.7		69.0	Red Cap Thrust
1103	6,032.37	9,275.68	226,195.86	8,109,160.43	039	-65	435.6	389.60	398.20	8.60	7.4	0.6		32.0	Red Cap Thrust
incl.								393.70	396.10	2.40	17.6	0.2		10.0	Red Cap Thrust
1104	5,927.92	8,839.63	225,821.47	8,108,913.29	035	-60	828.6	109.00	111.30	2.30	3.3	3.7		110.0	Penzance
1105	5,927.97	8,839.22	225,821.23	8,108,912.95	035	-68	180.7	147.00	154.20	7.20	assays pending				Penzance
1118	5,820.07	9,173.44	225,970.87	8,109,230.87	020	-70	414.5	361.80	368.10	6.30	assays pending				Victoria
1131	5,927.90	8,840.11	225,821.78	8,108,913.65	035	-45	102.4	73.60	74.70	1.10	assays pending				Penzance
1132	4,816.67	9,631.93	225,551.28	8,110,251.73	035	-77	408.6	384.10	391.40	7.3	assays pending				Red Cap Thrust
1133	4,918.57	9,602.82	225,605.81	8,110,160.81	035	-68	315.4	273.20	292.10	18.9	assays pending				Red Cap Thrust
1134*	5,125.36	9,668.31	225,801.65	8,110,067.29	037	-60	189.5	134.50	147.50	13.00	11.2	1.0		14.0	Red Cap Thrust
incl.								134.50	139.20	4.70	29.3	0.2		5.0	Red Cap Thrust
1135	5,125.44	9,669.27	225,802.37	8,110,067.94	037	-45	179.9	134.20	138.60	4.4	assays pending				Red Cap Thrust
1136	5,125.36	9,667.65	225,801.20	8,110,066.81	037	-75	216.5	197.40	203.90	6.5	assays pending				Red Cap Thrust
1137	4,970.88	9,535.78	225,598.20	8,110,076.08	035	-65	351.4	324.70	339.40	14.7	assays pending				Red Cap Thrust
1138	4,970.89	9,536.05	225,598.39	8,110,076.27	035	-48	281.9	266.10	273.20	7.1	assays pending				Red Cap Thrust
1139	4,660.26	9,592.20	225,409.85	8,110,329.64	020	-69	441.5	421.10	424.90	3.8	assays pending				Red Cap Thrust
1140	5,863.97	9,505.80	226,230.14	8,109,443.66	027	-67	240.4	210.40	216.60	6.2	assays pending				Red Cap Thrust
1141	5,863.77	9,506.44	226,230.43	8,109,444.26	027	-45	231.0				unmineralised				Red Cap Thrust
1142	5,863.78	9,503.98	226,228.76	8,109,442.46	047	-55	249.4	213.70	217.80	4.1	assays pending				Red Cap Thrust
1143	5,962.33	9,500.26	226,298.20	8,109,372.37	028	-70	252.5	234.90	236.60	1.7	assays pending				Red Cap Thrust
1144	6,046.69	9,539.02	226,386.33	8,109,343.02	037	-70	243.5				unmineralised				Red Cap Thrust

* - Zn values used for hole 1134 are based on handheld XRF readings (assays pending)



