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LOUNGE LIZARD RESOURCE & STRATEGIC REVIEW UPDATE

Kagara Limited is pleased to announce an updated independently calculated ore resource for the Lounge Lizard deposit at Forrestania, Western Australia. The resource is summarised below and set out in detail at the end of this release in Appendix A.

The resource now stands at:

Category	Tonnes	Nickel %	Copper %	Cobalt %	tonnes Nickel
Indicated	743,000	5.79	0.28	0.12	43,000
Inferred	238,000	5.67	0.30	0.12	15,700
Total	1,021,000	5.76	0.29	0.12	58,700

A significant disseminated nickel sulphide indicated and inferred resource of 7.7 million tonnes at 0.79% nickel or 3.0 million tonnes at 1.08% nickel overlies the high grade resource.

A strategic review of the Company's assets has determined the nickel assets to be non-core and Kagara has appointed Goldman Sachs & Partners Australia Pty Ltd to advise the Company on the process for monetizing the Forrestania nickel assets, including the producing Lounge Lizard tenements. The Company is at an early stage in this process. This decision is in line with maximising shareholder value by focusing the Company on the further development on its core business in North Queensland.

APPENDIX A

Lounge Lizard Resource Estimate, September 2011

A Mineral Resource estimate for the Lounge Lizard Nickel Deposit was completed during September 2011 by Runge Limited (Runge) for Kagara Limited (Kagara). The estimate is a result of re-interpretation and re-modelling of recent and historical data collected by Lionore Mining International Limited (Lionore) and Kagara Nickel Pty Ltd between 2008 and 2009 and more recently by Western Areas NL, the current operators of the Flying Fox nickel mine. The Lounge Lizard deposit is situated within the Forrestania

Greenstone Belt which is located 150 km south of Southern Cross in the Yilgarn Mineral Field of Western Australia.

The Lounge Lizard deposit comprises the southern down-plunge and strike extension of the Flying Fox nickel deposit currently being worked by Western Areas NL. The deposit was discovered by an Amax-Amoco joint venture during the late 1960s or early 1970s. Kagara acquired the nickel rights to the tenement from Lionore in late 2006.

The Lounge Lizard nickel deposits are principally massive to matrix style bodies of pyrrhotite-pyrite-pentlandite+/-chalcopyrite located at or adjacent to the contact between a footwall metasediment sequence and the lowermost member of the overlying ultramafic sequence. The massive sulphide body displays sharp contacts against the host rocks. Variable amounts of disseminated nickel sulphide mineralisation are present within an ultramafic unit which is commonly present within the immediate hanging wall of the massive sulphide body and constitutes a separate low-grade resource.

The Mineral Resource estimate complies with recommendations in the Australasian Code for Reporting of Mineral Resources and Ore Reserves (2004) by the Joint Ore Reserves Committee (JORC). Therefore it is suitable for public reporting. The Runge Mineral Resource estimate is summarised in Table A, below.

The resource model is undiluted, so appropriate dilution needs to be incorporated into any evaluation of the deposit.

Table A - Resource Statements and Parameters
Lounge Lizard Remaining High-Grade Resource

Classification	Tonnes	Ni %	Co %	Cu %	Ni tonnes
Measured	-	-	-	-	-
Indicated	743,000	5.79	0.12	0.29	43,000
Inferred	278,000	5.67	0.12	0.30	15,700
Total	**1,021,000**	**5.76**	**0.12**	**0.29**	**58,700**

Lounge Lizard Remaining Low-Grade Resource, 0.4% Ni cut-off.

Classification	Tonnes	Ni %	Co ppm	Cu ppm	Ni tonnes
Measured	-	-	-	-	-
Indicated	4,428,000	0.81	160	290	36,000
Inferred	3,273,000	0.77	160	240	25,100
Total	**7,701,000**	**0.79**	**160**	**270**	**61,200**

Lounge Lizard Remaining Low-Grade Resource, 0.8% Ni cut-off.

Classification	Tonnes	Ni %	Co ppm	Cu ppm	Ni tonnes
Measured	-	-	-	-	-
Indicated	1,851,000	1.09	200	400	20,400
Inferred	1,130,000	1.08	190	350	12,400
Total	**2,981,000**	**1.08**	**195**	**380**	**32,800**

Kagara takes full responsibility for the quality of data within the assay database used for the resource estimation on the Lounge Lizard deposit.

The resource estimate was completed using the following parameters:

- The Lounge Lizard resource area extends over a strike length of 250m (from ~27850mN to ~28100mN) and covers a vertical extent of close to 700m between 0mRL and 700mRL. The northern boundary of the resource has been taken as 28102mN, coinciding approximately with the northern edge of Kagara's tenement.

- The most recent diamond core sampling procedures have been reviewed by Runge and are considered to be of a high standard.

- All of the samples taken by Western Areas and previous operators have been assayed by reputable commercial laboratories, most recently ALS Chemex in Perth, using recognised and industry standard analytical practices.

- QA/QC measures implemented by Western Areas are in line with current industry standards.

- Drill hole collars appear to have been accurately surveyed by mine surveyors. Down hole survey measurements have been completed at regular intervals by the drillers using conventional equipment. Some of the older surface drill holes suggest some degree of locational error but given the depths in question this isn't surprising. For this reason a small number of holes were omitted from the review.

- Wireframes of the high-grade and low-grade mineralisation were interpreted and defined by external geological consultant Steve Vallance using cross sectional interpretations based on material logged as massive nickel sulphide mineralisation and 0.4% Ni cut-off grade respectively.

- Samples within the wireframes were composited to 1.0m intervals based on a review of current practices carried out by Western Areas and the narrow nature of much of the high-grade mineralisation. No high grade top-cuts were applied in accordance with current practices.

- A Surpac block model was used for the estimate with a block size of 10m NS by 4m EW and 10m vertical with sub-cells of 1.25m by 0.5m by 1.25m.

- Inverse Distance Squared (ID^2) interpolation with an oriented 'ellipsoid' search was used for the estimate. For all interpolated wireframes the ellipsoid was orientated to coincide with the overall strike, plunge and dip of the mineralised zones. A specific plunge angle was only used for a limited number of zones to facilitate the interpolation exercise.

- Only a single pass grade interpolation was carried out for each of the zones.

- Density values were generated by the application of a number of formulae derived from a regression analysis of the Ni% values and observed Archimedean densities of the various

composite data sets. Density values were also interpolated from observed data but were not used to derive tonnage quantities for the mineral resource.

- The resource has been classified on the basis of composite distribution as expressed by the 'dns' parameter generated during the interpolation process. Both for the high-grade and low-grade zones, blocks within 30 metres of the nearest sample were considered to fall within the Indicated Mineral Resource category while blocks outside that but within 60 metres of the nearest sample are considered to fall within the Inferred Mineral Resource category. Beyond that latter distance any estimated material remains unclassified.

Competent Persons and Responsibilities

The information in this report that relates to Mineral Resources is based on information compiled by Mr S Vallance and Mr I Hodkinson.

Mr Hodkinson is a full time employee of Runge, a Member of the Australian Institute of Geoscientists (AIG), and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he has undertaken to qualify as a Competent Person as defined in the 2004 Edition of the Australasian Code for the Reporting of Mineral Resources and Ore Reserves.

The Mineral Resource estimate complies with recommendations in the Australian Code for Reporting of Mineral Resources and Ore Reserves (2004) by the Joint Ore Reserves Committee (JORC). Therefore it is suitable for public reporting.

The team of people involved in the preparation of this estimate are listed as follows:

- Mr S Vallance – independent geological consultant responsible for reviewing data and overseeing geological interpretation.

- Mr I Hodkinson (Runge – Principal Geologist) responsible for wireframe construction, database coding, Mineral Resource estimation, classification, and reporting.

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, Messrs Ian Hodkinson, Runge Limited, and Steve Vallance, Steve Vallance Geological Consulting, who are members of the Australian Institute of Geoscientists and have over five years experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which they are undertaking to qualify as Competent persons as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Messrs Treacy, Hodkinson and Vallance consent to the inclusion in the report of the matters based on their information in the form and context in which it appears.