



KAGARA LTD

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Company Announcements Office
Australian Stock Exchange Ltd
4 Floor, 20 Bridge Street
SYDNEY NSW 2000

Second Floor,
24 Outram Street
West Perth
Western Australia 6005
PO Box 1320
West Perth, WA 6872
Tel: + 61 8 9481 1211
Fax: + 61 8 9481 1233
E-mail: admin@kagara.com.au
Web: www.kagara.com.au

Significant Upgrade to Mungana Gold Resource

Kagara Limited is pleased to inform the market that a new gold resource has been calculated for the Mungana gold deposit which is located in the Chillagoe region of far north Queensland. This is exclusive of the Mungana base metals deposit currently being mined. At a cut off of 0.5 grams per tonne gold, the new resource stands at **16.8 million tonnes at 1.29 grams per tonne gold, 0.22% copper, 0.33% lead, 0.55% zinc and 19 grams per tonne silver** containing 695,000 ounces of gold, 10.3 million ounces of silver and 38,000 tonnes of copper. This resource sits within a larger gold resource of **45.9 million tonnes grading 0.76 grams per tonne gold** containing 1.12 million ounces of gold, 14.8 million ounces of silver and 63,000 tonnes of copper and incorporates underground drilling information acquired as a result of Kagara's current base metal mining operations. These grades compare very favourably with those within the Cadia Valley where the Ridgeway deposit, currently being mined by Newcrest Mining, contains a resource grade of 0.8 grams per tonne gold and 0.39% copper and the Cadia East deposit, currently being developed, which contains a resource grade of 0.5 grams per tonne gold and 0.34% copper.

0.5 grams per tonne gold cut-off

Category	Tonnes (000's)	Au g/t	Cu %	Pb %	Zn %	Ag g/t	AuE g/t
Indicated	13,393	1.35	0.24	0.41	0.64	21	1.93*
Inferred	3,386	1.05	0.13	0.04	0.19	9	1.33*
Total	16,779	1.29	0.22	0.33	0.55	19	1.82*

0.2 grams per tonne gold cut-off

Category	Tonnes (000's)	Au g/t	Cu %	Pb %	Zn %	Ag g/t	AuE g/t
Indicated	33,854	0.81	0.15	0.19	0.44	12	1.16*
Inferred	12,092	0.61	0.18	0.10	0.13	5	0.89*
Total	45,946	0.76	0.14	0.14	0.36	10	1.07*

* Excludes Pb and Zn which are also potentially recoverable and is calculated using prices of US\$925 per oz for Au, US\$3,550 per tonne for Cu and US\$12.80 per oz for Ag.

The resources are 75% indicated with the inferred material being open at depth below 800 metres and along strike to the east where the deposit is constrained only by a lack of drilling and consequently there is potential for much larger tonnages.

The 16.8 million tonne resource delivers approximately 120,000 ounces of gold per 100 metres of vertical extent and has approximate dimensions of 150 by 300 metres with a near vertical inclination which makes the deposit potentially amenable to bulk underground mining by block caving. Current Mungana base metal mining has resulted in the gold deposit already being partially developed with a decline and cross cuts being developed every 15 metres down to a vertical depth of 500 metres below surface. This has de-risked the development of the Mungana gold deposit substantially, with access already established and geotechnical conditions well understood.

A new resource, using lower cutoffs will now be calculated for the Red Dome deposit which lies approximately 3 kilometres to the south east of Mungana which is also expected to result in a significant upgrade to the current Red Dome gold resource of 9.89 million tonnes grading 1.76 grams per tonne gold and 0.3% copper.

Kagara has recently announced its intention to spin off the gold assets within the Chillagoe region into a new Initial Public Offering, Mungana Goldmines Ltd, which is expected to be listed in June 2009, with a priority entitlement to Kagara shareholders.

A handwritten signature in black ink, appearing to read 'J Treacy', with a stylized, cursive script.

JOE TREACY
Executive Director

The Mungana gold resource was estimated by solid-body modelling within cut-off grade perimeters of 0.5 and 0.2 grams per tonne gold to define the extent of high-grade and low-grade resource volumes respectively. Gold silver and base metal grades and density were estimated by inverse distance squared methodology and reported high grade and low grade resource quantities are based on applied block grade cut-offs of 0.5 and 0.2 grams per tonne gold respectively within the resulting block model.

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 and Mr Ian Hodkinson, both employees of Kagara Ltd, and who are members of the Australian Institute of Geoscientists or the Australasian Institute of Mining and Metallurgy 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 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 and Mr Hodkinson consent to the inclusion in the report of the matters based on their information in the form and context in which it appears.