

March 2013 Quarterly Activity Report Kagara Limited (Administrators Appointed) (“Kagara”, “Company”, “KZL”)

As reported previously, all of KZL’s operations were placed on care and maintenance leading up to the decision to appoint the Administrators on 29 April 2012. During the Quarter, there was continued securing of the sites during the wet season. All operations of KZL continued to remain on care and maintenance.

On 25 January 2013, Kagara and its wholly-owned subsidiary Einasleigh Mining Pty Ltd (“EMPL”) completed the sale of the Group’s North Queensland Central region assets.

On 26 November 2012 the Administrators announced that the Company and its wholly-owned subsidiary Mungana Pty Ltd (“MPL”) had signed a binding Heads of Agreement (“HOA”) with Mungana Goldmines Limited (“MUX”) to terminate the Gold Rights Agreement dated 16 April 2010 (the “GRA”). As a result of an ATO private ruling regarding the HOA, the Company, MPL and MUX have agreed to terminate the HOA on 12 March 2013. Full details are set out in the “Corporate” section.

On 22 February 2013 the Federal Court of Australia made orders granting the Administrators a further extension of the convening period for the administrations of the Company, Kagara Copper Pty Ltd (“KCPL”), MPL and EMPL for a further period of up to two months to 30 April 2013. Full details are set out in the “Corporate” section.

Production & Operation

	March 2013 Quarter	FY13 To Date
Total copper concentrate	Nil	1,820t
Total zinc concentrate	Nil	5,059t
Total lead concentrate	Nil	604t

- There were no milling costs incurred for March 2013 quarter.

Project Development & Exploration

- Exploration activities included a small diamond drilling program at the Red Cap Project in the Northern Region where previous drilling intersected 5m @ 31.6% Zn, 29.1% Pb, 302g/t Ag at the Dunter prospect. Exploration expenditure incurred for March 2013 quarter was \$0.2 million.
- There has been no work undertaken for Project Development.

Corporate & Financial

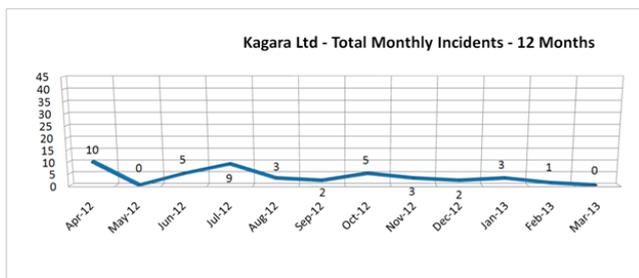
- During the Quarter and up to date of this report, the Company and MPL, EMPL and KCPL (each of which is a wholly-owned subsidiary of the Company and together the “Group”) continue to be under voluntary administration.
- Consolidated cash was \$12.7 million at the end of the March Quarter.
- On 29 January 2013, the Administrators announced that Kagara and EMPL had completed the sale of the Group’s assets in the North Queensland Central Region on 25 January 2013. On completion, the purchaser, Snow Peak Mining Pty Ltd, a company associated with Consolidated Tin Mines Limited paid the initial amount of the purchase price, being approximately \$19.3 million. On the same date, \$5.2 million of the initial purchase price was used by Kagara to fully cash back the remaining environmental bonds in the name of the Group, which in aggregate amount to \$11.5 million issued by Investec Bank (Australia) Ltd (“Investec”). Also, the Purchaser has provided cash backing in the amount of \$10.7 million for environmental bonds in relation to the assets it has acquired.
- The deferred purchase price of \$10 million less certain agreed adjustments was received on 28 February and 1 March 2013.
- Through their advisers PCF Capital Group and Rothschilds, the Administrators continue to market the remaining assets of the Group. The Administrators also continue to consider a possible restructure of the Group through a recapitalisation via a Deed of Company Arrangement. These discussions have involved certain shareholders but there is no guarantee that they will be successful or result in a transaction.

OVERVIEW

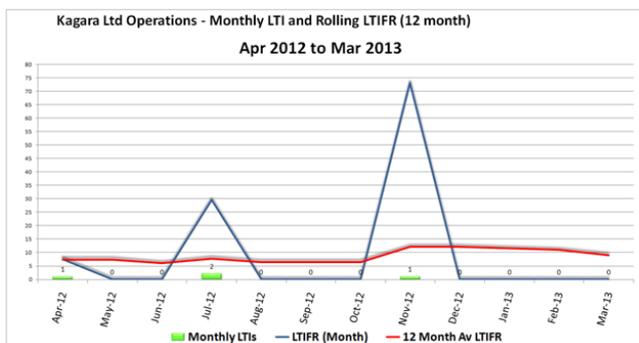
All operations continued to remain on care and maintenance with further securing of the sites during the wet season.

Safety

The safety performance for the Quarter also continued its strong positive trend with no Lost Time Injuries (“LTI”) reported. The Mungana mine site achieved 600 days LTI free and Thalanga with a strong 430 days LTI free.



The LTI Frequency Rate also continued its positive trend.



Environment

The Group continued with core activities during the wet season at all sites. The Group continues to meet regularly with the Department of Environment and Heritage Protection.

OPERATIONS

Mining operations were on full care and maintenance, with continued securing of the sites during the wet season.

PROJECT DEVELOPMENT

No project development work was undertaken during the Quarter as all resources were dedicated to assisting the Administrators with the upcoming asset sales.

EXPLORATION

NORTHERN REGION

A small diamond drilling program was conducted at the Red Cap project which followed up the high grade Zn-Pb-Ag mineralisation intersected in hole 1203 at the Dunter prospect in late 2011 (Appendix 4 – Figure 2). Two holes (1230 and 1231) had been completed and one hole (1232) was in progress at the end of the quarter, which has since been completed. Holes 1230 and 1231 comprised a total of 677.7m; hole 1232 was at 120.2m at the end of March (final depth 327.2m).

The primary purpose of the drilling program was to ensure EPM 15458 was maintained in good standing from a statutory perspective and to protect, in particular, the security of the Red Cap project base metal resources at Victoria, Morrisons and Queenslander whilst the Administrators continue to assess the best options for the project going forward.

Final assays have been received with hole 1230 having the best intersection comprising 6.35m @ 3.84% Zn, 0.55% Pb, 13g/t Ag from 357.7m in pyroxene-amphibole skarn. The intersection is approximately 110m northwest and 100m deeper than the intersection in hole 1203. Mineralisation was intersected over a narrow interval in hole 1231 consisting of 0.4m of moderate strength sulphide development at 298.34m comprising sphalerite-galena-pyrite-chalcopyrite. The intersection lies approximately 110m northwest and 25m below hole 1203. Hole 1232 intersected low grade mineralisation over a narrow interval only. Drill hole details are presented in Appendix 5.

Whilst drilling does not appear to have extended the high grade mineralisation in hole 1203 down dip or along strike to the west, mineralisation has not been closed off up-dip which remains to be tested by drilling.

Elsewhere, exploration activities were confined to statutory reporting only.

CORPORATE

Appointment of Administrators

During the Quarter and up to date of this report, each member of the Group continues to be under voluntary administration.

Details of termination of the Heads of Agreement with MUX

On 26 November 2012 the Administrators announced that the Company and its wholly-owned subsidiary MPL had signed a binding HOA with MUX to, amongst others, terminate the GRA.

As noted in that announcement, there were various conditions to completion under the HOA. One of those conditions was the receipt of an ATO private ruling in connection with the transactions contemplated by the HOA.

As announced by MUX on 21 February 2013, the condition regarding the ATO private ruling was not satisfied.

MUX has also announced that it had made an in principle agreement with the Queensland Office of State Revenue ("QOSR") in relation to payment of assessments of \$12.19 million issued to MUX for duty, penalties and interest relating to the GRA. The GRA states that any stamp duty payable in connection with this agreement will be paid by KZL. KZL, MPL and the Administrators reserved their position as to which party is responsible for payment of any duty, penalties and interest which may become due to the QOSR in the event the transactions under the HOA (or any alternative arrangement) do not proceed and/or any objections or appeals against those assessments are unsuccessful.

On 13 March 2013 the Administrators announced that Kagara, MPL and MUX had agreed to terminate the HOA and also agreed to continue to work together to achieve a mutually acceptable outcome in relation to the matters which were the subject of the HOA. Kagara and MPL are hopeful that an alternate arrangement will be able to be reached.

Extension of Convening Period for the Administrators

On 22 February 2013 the Federal Court of Australia ("Federal Court") made orders granting the Administrators a further extension of the convening period for the Administrations of the Group for a further period of up to two months, to 30 April 2013.

As a result of the orders made by the Federal Court, the Administrators may report to creditors under section 439A of the Corporations Act 2001 ("the Act") and convene a second meeting of creditors of each member of the Group (together or separately) at any time up to and including 30 April 2013.

The decision to seek an additional extension of the convening period was a result of the recent issues arising from completion of the HOA which may delay the termination of the GRA (as discussed above). This extension of the convening period will allow the Administrators further time to resolve these issues regarding the HOA and to progress the sale/restructure process of the remaining mining projects with a view to trying to obtain the best possible outcome for creditors.

The Administrators also sought an extension from the Australian Securities and Investments Commission ("ASIC") for relief to the Group from compliance with sections 315 and 319 of the Act. The extension to the relief granted by ASIC to the Company is set out below:

- a deferral of its financial reporting obligations for the year ending 30 June 2012 until 31 May 2013;
- a deferral of the Company's financial reporting obligations for the period ending 31 December 2012 until 31 May 2013; and
- a deferral of its obligation to hold an Annual General Meeting until 30 June 2013.

It remains a condition of the ASIC Order that the Administrators are required to maintain arrangements to answer, free of charge, reasonable queries from the Company's members about the consequences of the administration of the Company.

FINANCIAL

Consolidated cash on hand of Kagara as at 31 March 2013 was \$12.6 million, excluding the reported cash of MUX which is not under voluntary administration.

As at 31 March 2013, the pledged term deposit as cash backing for performance bonds and guarantees issued by Investec was increased from \$6.3 million at 31 December 2012 to \$11.5 million using the proceeds received from the sale of North Queensland Central Region assets. The performance bonds are now fully cash backed.

As at 31 March 2013, concentrate stockpiles remained at 4,924 tonnes comprised 4,599 tonnes of copper concentrate and 325 tonnes of lead concentrate. There was no sale of concentrate during the Quarter.

The average US\$ exchange rate realised during the Quarter was US\$1.0386 (2nd Quarter FY13: US\$1.0385).

Investments

Kagara holds a 60.71% interest in Mungana Goldmines Ltd (ASX: MUX). Refer to "Corporate" section for discussion on transactions with MUX.

This information is available on our website at www.kagara.com.au

For further information, please contact:

Enquiries

F T I Consulting

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SUBSEQUENT EVENT

On 22 April 2013, the Administrators have convened the second meeting of creditors for each of Kagara, KCPL, MPL and EMPL to be held on 6 May 2013. A circular to creditors and employees has been sent on the same day.

On 28 April 2013, Mr Geoff Day resigned as director of Kagara, KCPL, MPL and EMPL.



Joe Treacy Executive Director and Executive General Manager, Minerals & Business Development who has been authorised to sign this report by the Administrators.

30 April 2013

Media Enquiries

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T: +61 2 8999 1008 or +61 2 8999 1003

Appendix 1 – Corporate Information

Voluntary Administrators

Michael Ryan, Mark Englebert, Stefan Dopking and Quentin Olde, joint and several administrators, all of FTI Consulting

Board Members

Shad Linley	Chairman
Geoff Day	Managing Director and CEO (up to 30 November 2012) Director (effective from 1 December 2012, resigned 28 April 2013)
Joe Treacy	Executive Director
Kim Robinson	Director
Ross Hutton	Non-Executive Director
Mark McConnell	Non-Executive Director
Mark Hands	Company Secretary

Forward Shareholder Enquiries to

Security Transfer Registrar 770 Canning Highway Applecross, WA 6153 Australia	
Telephone:	+61 8 9315 2333
Facsimile:	+61 8 9315 2233
Email:	registrar@securitytransfer.com.au
Website:	www.securitytransfer.com.au

Registered & Principal Office

Kagara Ltd (Administrators Appointed) 31 Labouchere Road South Perth, WA, 6151 Australia	
Telephone:	+61 8 6436 0700
Facsimile:	+61 8 9481 1233
Email:	admin@kagara.com.au
Website:	www.kagara.com.au

Top Ten Shareholders at 28 March 2013

GHG Kagara Co Ltd	133,776,785
JP Morgan Nom Aust Ltd	81,646,424
DeBortoli Wines PL	54,867,038
Citicorp Nom PL	49,825,618
HSBC Custody Nom Aust Ltd	45,220,229
UOB Kay Hian Private Ltd	39,857,984
National Nom Ltd	32,917,592
JP Morgan Nom Aust Ltd (Cash Income A/C)	27,177,907
Colwell Kennedy Aust PL	13,360,000
K & J Robinson	5,954,240

At 31 March 2013, Kagara's issued capital was 798,953,117 ordinary shares.

Stock Exchange Listings

Australian Securities Exchange (KZL) (currently suspended)

Quarterly Share Price Activity

(KZL's shares were suspended from trading on ASX on 26 April 2012)

Corporate ASX Releases During the Quarter

13/03/2013	Update - HOA with Mungana Goldmines Ltd
13/03/2013	MUX: Agreement to terminate HOA
22/02/2013	Court Order granted on further extension
22/02/2013	MUX Principle Agreement with QOSR on Stamp Duty Payment Term
21/02/2013	Mungana Reaches Agreement on Duty Payment Terms
01/02/2013	Second Quarterly Activities Report FY13
29/01/2013	Completion of Sale of North Qld Central Region Assets

Appendix 2 – Competent Person’s Statement and Important Information

COMPETENT PERSON’S STATEMENT:

Compliance with JORC Code assessment criteria

All information in this report which relates to Mineral Resources and Reserves is based on, and accurately reflects information compiled by, and as reported upon by, Mr Andrew Beaton, an employee of Kagara, who is a member of the Australasian Institute of Mining and Metallurgy and has over five years’ experience which is relevant to the style of mineralisation, type of deposit under consideration and to the activities 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 Beaton consents to the inclusion in this report of the matters based on his information in the form and context in which it appears.

This report, so far as it pertains to exploration results including targets, ore and mineralisation, is based on information compiled by, and as reported upon by, Mr Glen Little, an employee of Kagara, who is a member of the Australian Institute of Geoscientists and has over five years’ experience which is relevant to the style of mineralisation, type of deposit under consideration and to the activities 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 Little consents to the inclusion in this report of the matters based on his information in the form and context in which it appears.

FORWARD LOOKING STATEMENT:

This report contains certain forward-looking statements. These forward-looking statements are subject to a variety of risks and uncertainties beyond the Company’s ability to control or predict which could cause actual events or results to differ materially from those anticipated in such forward-looking statements.

Further, it is common practice for a company to comment on and discuss its exploration in terms of target size and type. The information in this report relating to exploration targets should not be misunderstood or misconstrued as an estimate of Mineral Resources or Ore Reserves. Hence the terms Resource(s) or Reserve(s) have not been used in this context. The potential quantity and grade is conceptual in nature, since there has been insufficient work completed to define them beyond exploration targets and that it is uncertain if further exploration will result in the determination of a Mineral Resource.

Appendix 3 – Quarterly Mining and Production Tables

Mining Production – all operations

During the Quarter, all mines were under care and maintenance. There was no mining production for any mines.

Mt Garnet Polymetallic Plant Production

PRODUCTION RESULTS	Mar 2013 Quarter	FY 2013
Ore Treated		
Ore treated (tonnes)	-	86,272
Zinc grade (%)	-	3.83
Lead grade (%)	-	0.67
Copper grade (%)	-	0.64
Gold grade (g/t)	-	0.50
Silver grade (g/t)	-	69.89
Zinc Concentrate		
Production (tonnes)	-	5,059
Grade (% zinc)	-	47.38
Contained zinc (tonnes)	-	2,396.8
Zinc Recovery (%)	-	79.67
Lead Concentrate		
Production (tonnes)	-	604
Grade (% Lead)	-	34.63
Contained lead (tonnes)	-	209.3
Contained silver (tonnes)	-	0.44
Contained gold (kg)	-	1.68
Lead Recovery (%)	-	39.93
Copper Concentrate		
Production (tonnes)	-	1,432
Grade (% Copper)	-	22.03
Contained copper (tonnes)	-	315.5
Contained silver (tonnes)	-	0.36
Contained gold (kg)	-	1.5
Copper recovery (%)	-	63.0

Mt. Garnet Copper Production

PRODUCTION RESULTS	March 2013 Quarter	FY 2013
Ore Treated		
Ore treated (tonnes)	-	5,281
Copper grade (%)	-	2.0
Gold grade (g/t)	-	0.1
Silver grade (g/t)	-	68.85
Copper Concentrate		
Production (tonnes)	-	317
Grade (% Copper)	-	22.3
Contained copper (tonnes)	-	70.6
Contained silver (tonnes)	-	0.13
Contained gold (kg)	-	0.4
Copper recovery (%)	-	66.7

Appendix 4 – Plans and Sections

Figure 1: Location of the Northern, Central and Southern Regions

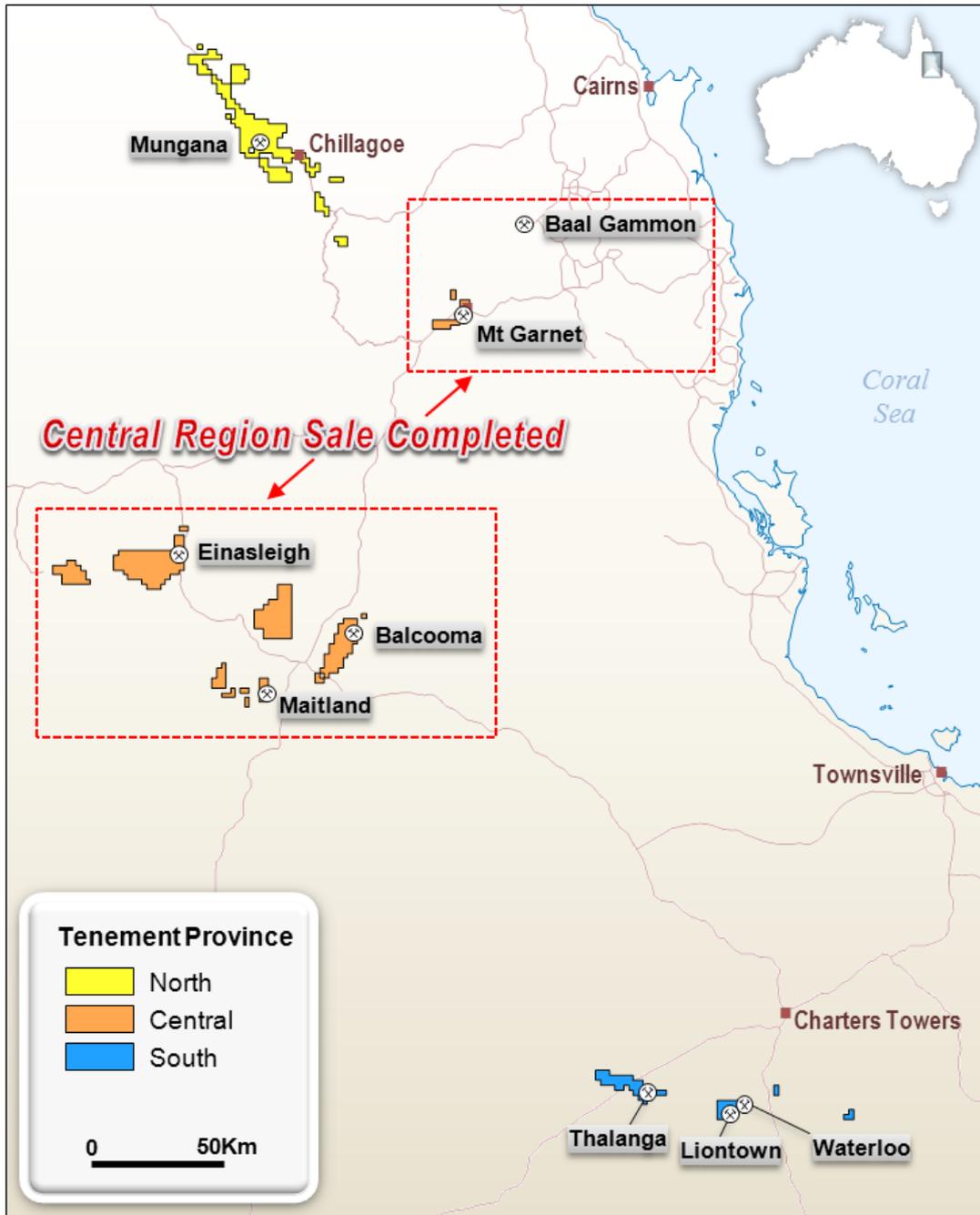
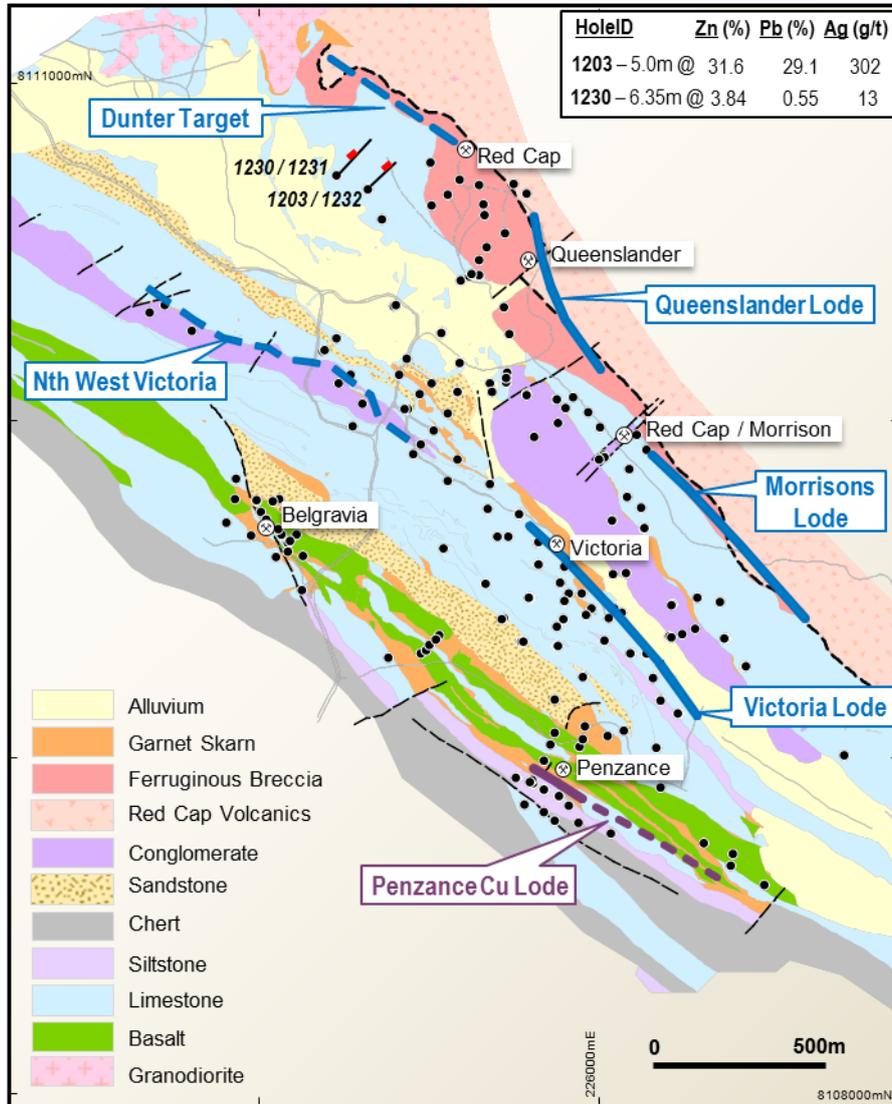


Figure 2: Red Cap project geology map with location of recent drill program targeting the Dunter prospect



Appendix 5 – Dunter Prospect Drill Hole Details

Hole No.	East_Local	North_Local	East_MGA	North_MGA	Azim_M	Dip	Depth	From	To	Interval	Cu %	Pb %	Zn %	Ag g/t	Prospect
1230	4272.5	9759.6	225241.0	8110717.0	34	-73	372.0	356.20	362.55	6.35	0.0	0.9	3.8	13	Dunter
1231	4272.5	9759.6	225241.0	8110717.0	34	-56	305.7	298.34	298.74	0.40	0.0	5.5	5.0	95	Dunter
1232*	4367.4	9793.9	225333.8	8110677.1	34	-82	327.2	321.75	322.75	1.00	0.0	0.3	1.2	9	Dunter

* Hole 1232 at 120.2m depth at 31 March 2013