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Company Announcements Office
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EXPLORATION UPDATE

Kagara Zinc is pleased to announce the following developments on three major explorations initiatives at Admiral Bay, Lounge Lizard and Red Dome, as well as details of today's investment in Glengarry resources Ltd.

Admiral Bay

The exploration program at Admiral Bay is proceeding well, with five precollars now completed and cased to a depth of approximately 1,250 metres each in preparation for diamond drilling (see attached plan). One of these, hole ABRD 001, has been diamond drilled to its final depth of 1,431.1 metres and intersected 20 metres of well mineralised zinc and lead upper zone material followed by an extensive zone of lower grade lead-barite mineralisation. Assays from this hole are awaited. This is a very exciting development for Kagara and confirms continuity between previously drilled holes SS2 and SS15 which are located 200 metres east and 300 metres west of ABRD 001 respectively. A second diamond tail, ABRD 003, is currently being drilled and the program of 15 holes is still on target to be completed in November 2007.

Lounge Lizard

The first diamond drill hole of an ongoing diamond drilling program has now been completed at Lounge Lizard to a depth of 1,776.8 metres. FFD136W4, which is a shared hole with Western Areas NL, encountered several zones of massive and disseminated nickel sulphides close to Kagara's tenement boundary (see attached long section). Assay results are awaited. Hole FFD136W4 is an exploration hole with very encouraging nickel sulphide intersections to date and will be important in gaining a better understanding of the structural architecture of this section of the western ultramafic belt at Forrestania. A down hole electromagnetic (DHEM) survey is currently being carried out to assist in targeting future drilling.

Red Dome

Drilling is continuing at Red Dome. The latest diamond drill hole, 941, has passed through the main zones of interest and established that the Red Dome porphyry does not extend this far west. There is strong alteration throughout the hole, but no assay results have been received as yet. Hole 941 has much stronger base metal mineralisation in the skarn alteration than previously encountered at Red Dome and two zones of visually high grade zinc mineralisation have been encountered (see attached long section)

Glengarry Investment

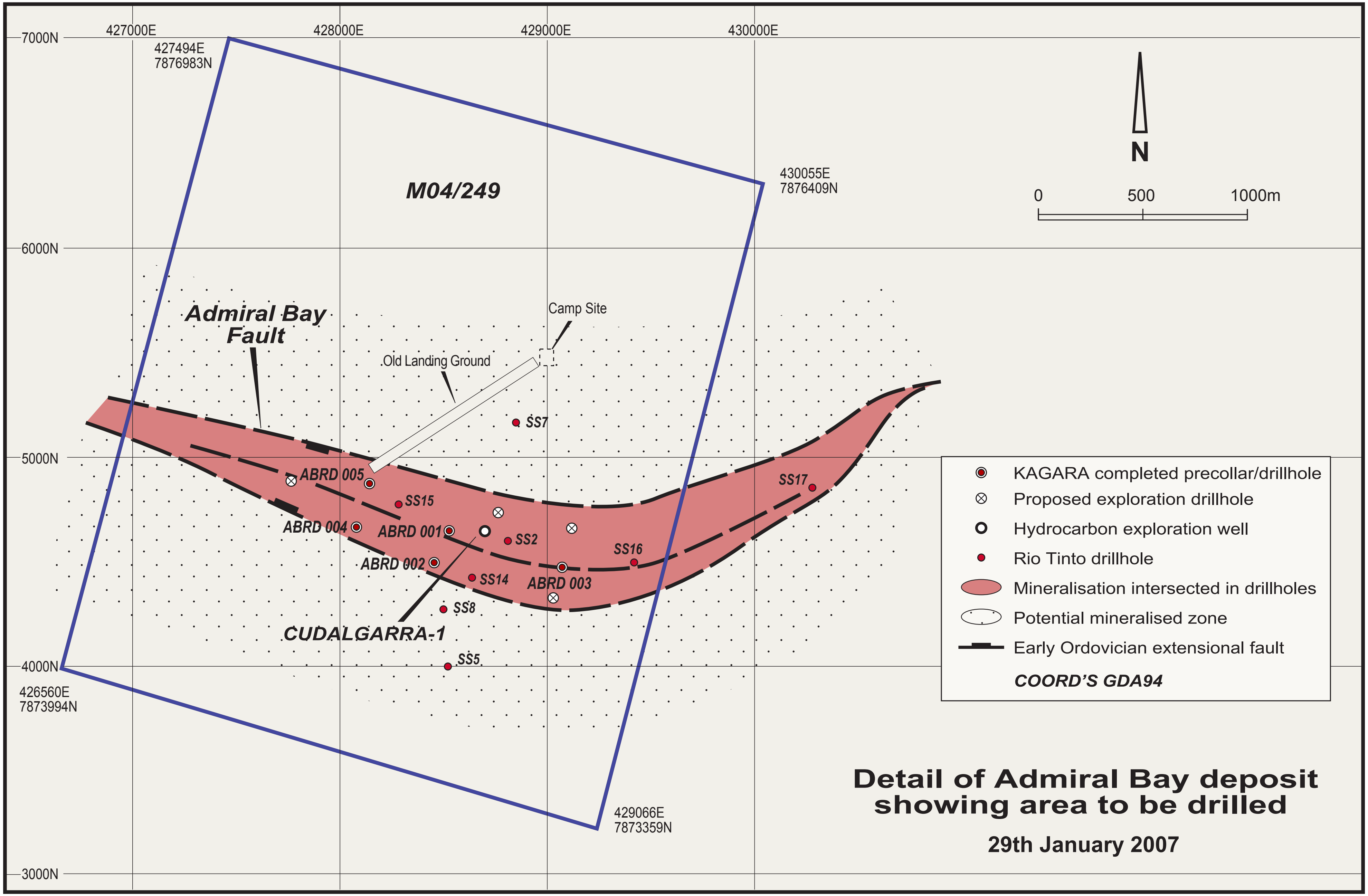
On 2 August 2007, Glengarry Resources Ltd agreed to place 35 million shares with Kagara at 12.5 cents per share and today Kagara has purchased on market an additional 4 million shares, increasing our holding to 39 million shares. This equates to 13.7 percent of Glengarry's undiluted issued capital and enables Glengarry to fast track resource definition at their Maitland copper-molybdenum deposit.

Glengarry is exploring a number of high quality prospects around Australia and we look forward to working closely with them in developing the Maitland deposit. Recently announced results from Maitland include 57 metres at 2.58 percent copper including 13 metres at 6.31 percent copper and a very high grade molybdenum intersection of 6 metres at 0.49 percent molybdenum.

KIM ROBINSON
Executive Chairman

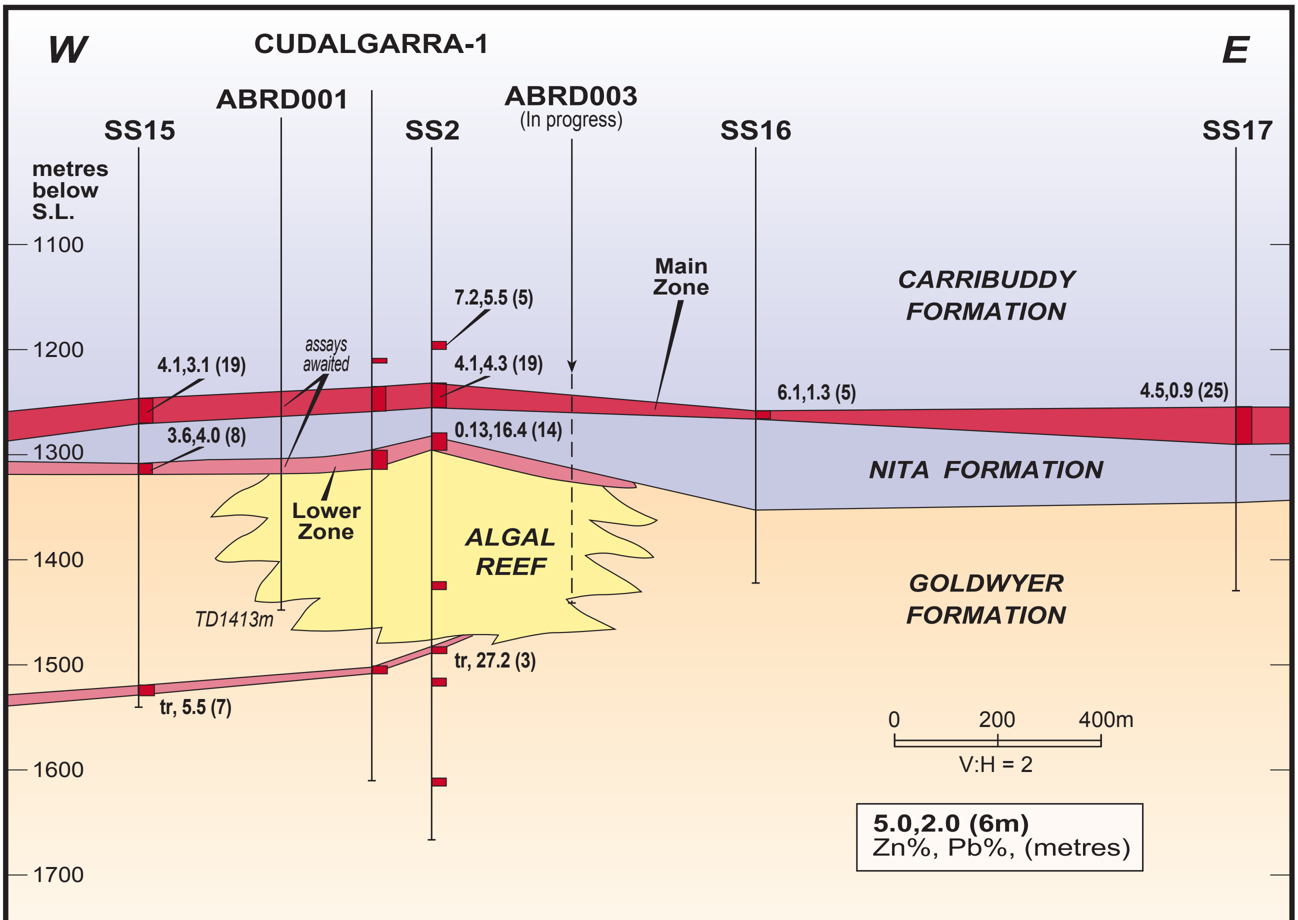
This Report includes, or may include, forward-looking statements including, without limitation, forward-looking statements regarding the Company's financial position, business strategy, and plans and objectives for future operations (including development plans and objectives), which have been based on the Company's current expectations about future events. These forward-looking statements are, however, subject to known and unknown risks, uncertainties and assumptions that could cause actual results, performance or achievements to differ materially from future results, performance or achievements expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding the Company's present and future business strategies and the environment in which the Company will operate in the future.

Matters not yet known to the Company or not currently considered material to the Company may impact on these forward-looking statements. The statements reflect views held only as at the date of this document. In light of these risks, uncertainties and assumptions, the forward-looking statements discussed in this document might not occur. Investors are therefore cautioned not to place undue reliance on these statements. Subject to any continuing obligations under applicable law or the Listing Rules, the Company expressly disclaims any obligation to disseminate after the date of this Report any updates or revisions to any such forward-looking statements to reflect any change in expectations or events, conditions or circumstances on which any such statements are based.

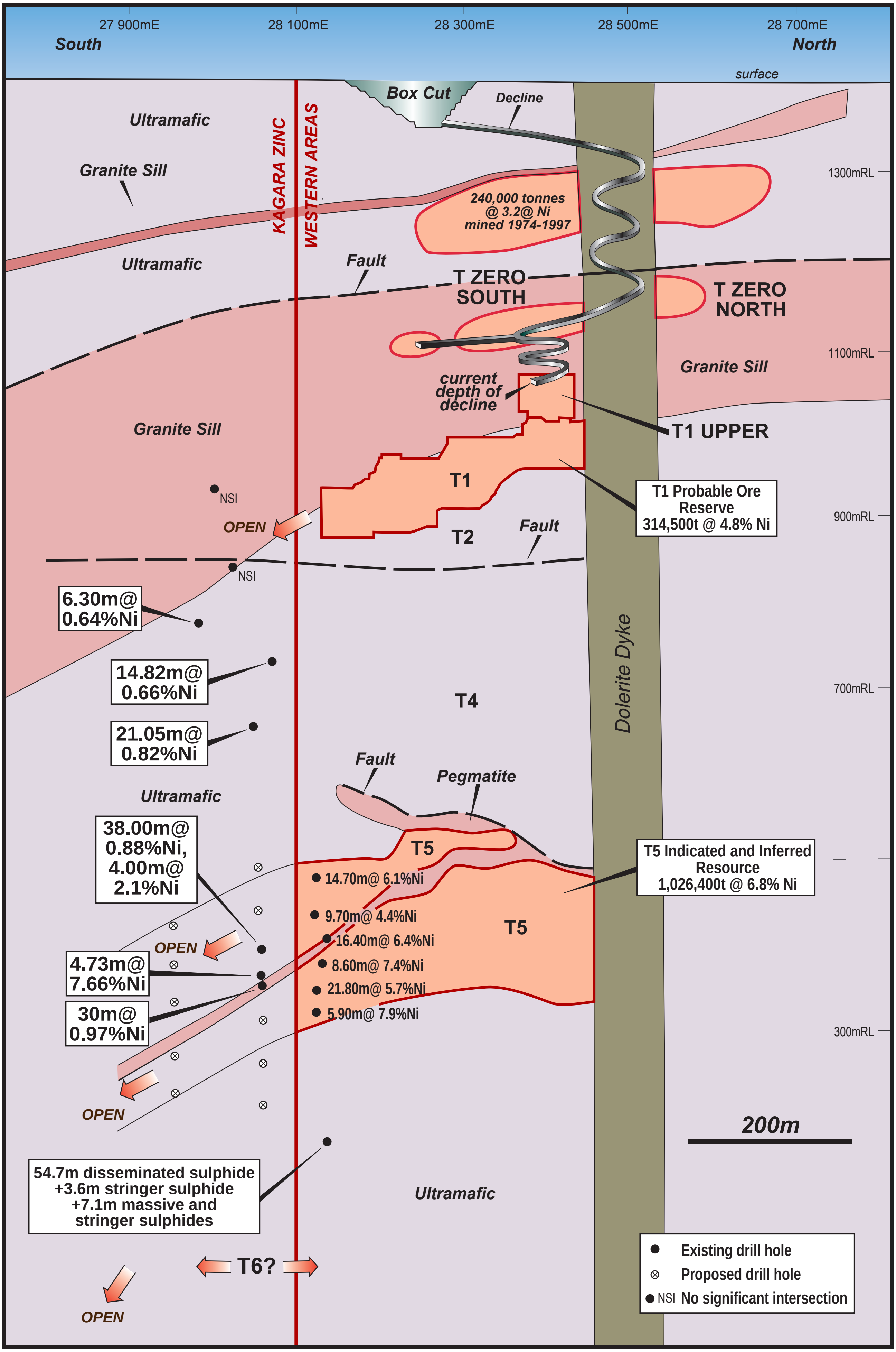


Detail of Admiral Bay deposit showing area to be drilled

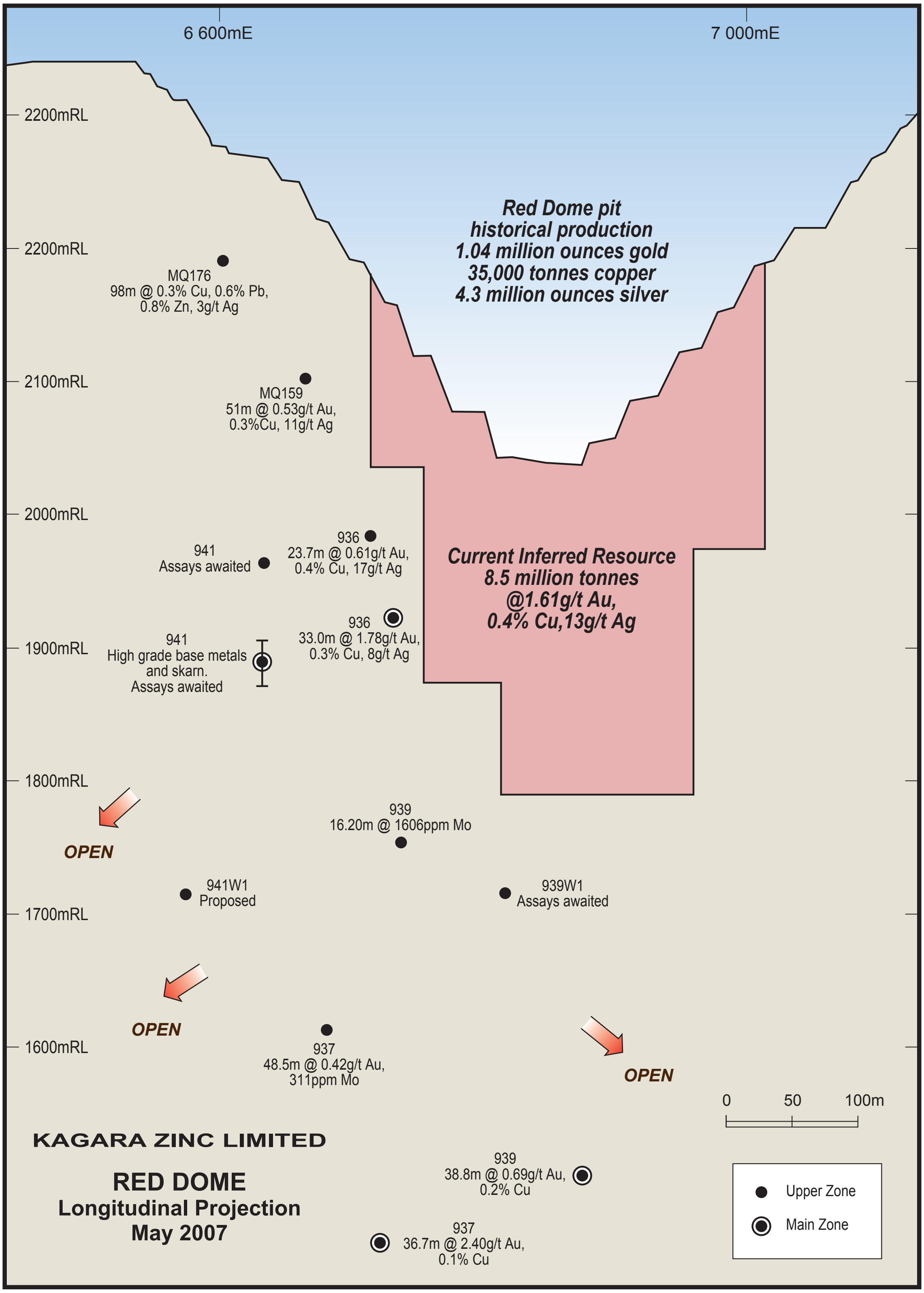
29th January 2007



Schematic East-West Section of Admiral Bay Deposit



Longitudinal projection of Flying Fox nickel deposits



KAGARA ZINC LIMITED

RED DOME
Longitudinal Projection
May 2007