CAZALY
RESOURCES LIMITED

**ASX Release**

**11 November 2005**

# CAZALY FINALISES SCOPING STUDY OF DEVELOPMENT PLAN FOR SHOVELANNA IRON ORE PROJECT

- ✓ Positive Scoping Study for Shovelanna Iron Ore Project completed
- ✓ Scoping Study indicates that the Project is financially viable under the three scenarios evaluated, including being able to support a fully owned infrastructure
- ✓ 40,000 metre drilling program planned to establish a JORC compliant Measured & Indicated Resource to base a Bankable Feasibility Study on
- ✓ Geological mapping highlights the presence of an extensive iron ore mineralised system being an extension of BHP Billiton's Orebody 18 deposit. BHPB is mining this orebody within 300 metres of the boundary of ELA 46/678
- ✓ During the past 16 years (the life of the previous tenement held by Rio Tinto, Hancock and Wright) there was no recorded drilling (**not one hole**), no geotechnical, hydrogeological, metallurgical or any other studies commensurate with any intent to develop
- ✓ Previous excuse for not developing the Shovelanna Iron Ore Project is not plausible today
- ✓ Positive discussions with Industry and Financial organisations regarding project financing have commenced

Cazaly Resources Ltd **(ASX: CAZ)** has today finalised a scoping study for a development plan of the Shovelanna Iron Ore Project, located in the Pilbara region of Western Australia (to be implemented subject to the grant of the tenement, ELA 46/678).

**A key criteria for any project development is that the project must be a financial imperative for the developer and that the developer not only has the financial and technical ability, but more importantly the will and the commitment to develop the project.**

The scoping study for this project was prepared with the assistance of Echelon Resources Limited and leading project engineering group ProMet Engineers ("ProMet"), who have extensive experience in the preparation of similar studies of iron ore projects in this region. The study reviews a number of development alternatives available to accelerate the development of the Shovelanna Deposit.

Cazaly's proposed accelerated development of the Shovelanna Iron Ore Project will capitalise on the current buoyant iron ore market conditions and will create significant economic benefits for the Western Australian economy.

Based on the preliminary findings of this study, the Project is viewed as financially viable under all three scenarios evaluated:

- Alternative 1: Mine/process/rail/export from Port Hedland (early start export via road-train to Port Hedland whilst rail construction under way)
- Alternative 2: Mine/process/sale at mine gate
- Alternative 3: Mine/process/ and road-train to existing or future producers for export under a service agreement

It is envisaged that the first iron ore could be exported from Port Hedland within 30 months from the tenement being granted.

**Tenement History**

E46/678 is situated along Shovelanna Hill in the Ophthalmia Range approximately 32 km east of the township of Newman in the eastern Pilbara. The Project covers an area of approximately 40 sq km and is adjacent to BHP Billiton Limited's ("BHPB") Orebody 18 iron ore operation.

On 29 August 2005, Cazaly Resources Limited made application for E46/678 through its wholly owned subsidiary, Cazaly Iron Pty Ltd (formerly Cyril Resources Pty Ltd). Since then Cazaly has:

- Undertaken preliminary geological mapping;
- Introduced Echelon Resources Limited ("Echelon") as a JV partner; and
- Completed the Scoping Study referred to in this announcement.

**Exploration Program**

A review of the relevant publicly available records reveals that only minimal work has been completed over the area in the last 20 years. During the past 16 years (the life of the previous tenement) there has been no recorded drilling (**not one hole**), no geotechnical, hydrogeological, metallurgical or any other studies commensurate with any intent to develop. Cazaly has already budgeted and planned for this work to be completed as soon as practicable once access has been granted. The Company has already conducted more work since applying for the ground than the $33,000 recorded as being spent on the project in the last 5 years by the previous holder, Rio Tinto.

Cazaly has recently conducted geological reconnaissance mapping across parts of the tenement. This work highlighted the presence of an extensive iron ore mineralised system that is an extension of BHP Billiton's Orebody 18 deposit. Cazaly plans an accelerated $6 million exploration program comprising approximately 455 holes for 40,000m of drilling designed to establish a JORC compliant Measured and Indicated Resource. The exploration program is designed to fast track the Project to facilitate a Feasibility Study that will enable an early commitment to production. The Company has received initial financial support for this programme from highly regarded Perth based investment bank, Argonaut Limited.

Upon the tenement being granted there are no foreseeable impediments to drilling commencing within six months. Native Title agreements are already in place at nearby mining operations and, as previous exploration drilling has already occurred, extension of ground disturbance area should be achievable in a relatively short period of time. Negotiations with drilling companies regarding drill rig availability have commenced.

**Mine and Infrastructure Alternatives**

Several development alternatives have been reviewed depending on the scale of sustainable production including:

- Alternative 1: Mine/process/rail/export from Port Hedland. (Early start export via road train to Port Hedland whilst rail construction under way.)
- Alternative 2: Mine/process/sale at mine gate.
- Alternative 3: Mine/process/ and road train to existing or future producers for export under a service agreement.

Cazaly intends to allow full third party infrastructure access on commercial terms if Alternative 1 is implemented. Preliminary discussions regarding Alternative 1 have already commenced with several identified future producers. On a preliminary basis, this alternative has been identified as representing a significant value proposition to Cazaly, potential third party users and the State of Western Australia.

Cazaly also intends to review the alternative of third party access to existing rail and port infrastructure of the two existing producers in the Pilbara, Rio Tinto and BHPB.

The operation will source, as a matter of preference, local labour in both the Newman and Port Hedland areas, together with a commitment to a proactive indigenous employment policy. Local indigenous contractors will be encouraged to form alliance partnerships and participate in the Project.

In the first instance small scale production (around 500,000 tpa) would commence and the ore would be trucked by road from the Project area to Port Hedland and exported by the existing export facility operated by the Port Hedland Port Authority. Ore sales would continue at this level or higher whilst a new rail link to Port Hedland and export port facility is constructed.

Full-scale development whereby exports of ore railed to port could commence approximately three to five years after the tenement is granted. This timeframe allows for construction of a new mine, rail and port facilities. Access to existing third party infrastructure is expected to enable production to commence earlier.

**Previous Issues Relating to Phosphorus Levels**

A submission by the previous tenement holder in 1992 stated that tenement development had been suspended, as the phosphorus ("P") chemistry (~0.136% P) was not acceptable to potential buyers. Regarding this the Company makes the following observations:

- BHPB is mining the adjacent Orebody 18 (to within 300 m of the tenement's southern boundary) and this deposit has a reported P level of 0.07% P.
- Orebody 18 iron ore is currently being marketed and sold;
- Previous test results are questionable based on changes to sample collection and analysis techniques;
- Higher P levels are now acceptable to iron ore consumers;
- In general, it is observable that major Pilbara suppliers are trending towards high P blends as lower P materials are depleted; and
- Cazaly notes that mineralisation generally pays little regard to arbitrary tenement boundaries.

Early discussions with potential customers indicate that the Project's ore chemistry and in particular the contaminant levels of silica ($SiO_2$), alumina ($Al_2O_3$) and P are acceptable.

Based upon the previous work and initial work by the Company on the Exploration Licence, it is considered that there is a potential resource that will support a mining operation.

**Market**

The significant changes in market dynamics over the last two to three years have resulted in:

- a structural change in the iron ore industry being transformed from a low growth supply dictated market into a medium growth, demand led industry; and
- a marked decrease in the remaining tonnage of low P ores in the Pilbara.

**Project Finance**

Cazaly has had a number of encouraging discussions with industry and financial organisations regarding project financing the Shovelanna Iron Ore Project.

Cazaly and its joint venture partner, Echelon, are committed to maximising the value of ELA 46/678 for the benefit of their shareholders, the Pilbara region and the State of Western Australia.

Yours Sincerely,

**Nathan McMahon**

**Managing Director**