

BLAKE DAWSON WALDRON

L A W Y E R S

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Our reference
MTA 02 1383 7928

24 November 2005

**HMC Investors LLC – Notice of change of interest of substantial holder for
Cazaly Resources Limited (ASX:CAZ)**

We act for HMC Investors LLC (HMC).

In accordance with section 671B(1) of the *Corporations Act 2001* (Cth), on behalf of HMC we enclose a notice of initial substantial holder in relation to Cazaly Resources Limited dated 24 November 2005.

Yours faithfully



Matt Anderson
Partner
Tel: (02) 9258 6016
matthew.anderson@bdw.com

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Form 603
Corporations Act 2001
Section 671B

Notice of initial substantial holder

To Company Name/Scheme Cazaly Resources Limited

ACN/ARSN 101 049 334

This notice is given by HMC Investors LLC on behalf of itself and each of its controlled bodies corporate (**HMC Entities**) named in the list of 2 pages annexed to this notice and marked **A**.

1. Details of substantial holder (1)

Name HMC Investors LLC, Philip Falcone, Raymond Harbert and each of the HMC Entities

ACN/ARSN (if applicable) N/A

The holder became a substantial holder on 22/11/2005

2. Details of voting power

The total number of votes attached to all the voting shares in the company or voting interests in the scheme that the substantial holder or an associate (2) had a relevant interest (3) in on the date the substantial holder became a substantial holder are as follows:

Class of securities (4)	Number of securities	Person's votes (5)	Voting power (6)
Ordinary shares	2,700,000	2,700,000	6.36%

3. Details of relevant interests

The nature of the relevant interest the substantial holder or an associate had in the following voting securities on the date the substantial holder became a substantial holder are as follows:

Holder of relevant interest	Nature of relevant interest (7)	Class and number of securities
Harbert Distressed Investment Master Fund Limited	Entry into contracts for the purchase of the securities on the Australian Stock Exchange Limited (ASX).	2,602,800 ordinary shares
HMC Distressed Investment Offshore Manager LLC	Taken under sections 608(1)(b) and 608(1)(c) of the Corporations Act to have a relevant interest by reason of having control of the securities as investment manager of Harbert Distressed Investment Master Fund Limited.	2,602,800 ordinary shares
HMC Investors LLC	Taken under section 608(3)(b) of the Corporations Act to have a relevant interest by reason of having control of HMC Distressed Investment Offshore Manager LLC.	2,602,800 ordinary shares
Alpha US Sub Fund VI LLC	Entry into contracts for the purchase of the securities on the ASX.	97,200 ordinary shares
Harbert Fund Advisors, Inc.	Taken under sections 608(1)(b) and 608(1)(c) of the Corporations Act to have a relevant interest by reason of having control of the securities as investment adviser of Harbert Distressed Investment Master Fund Limited and Alpha US Sub Fund VI LLC.	2,700,000 ordinary shares
Philip Falcone	Taken under section 608(3)(a) of the Corporations Act to have a relevant interest by reason of having voting power above 20% in HMC Distressed Investment Offshore Manager LLC.	2,602,800 ordinary shares
Raymond J Harbert	Taken under section 608(3)(a) of the Corporations Act to have a relevant interest by reason of having voting power above 20% in HMC Distressed Investment Offshore Manager LLC and Harbert Fund Advisors, Inc.	2,700,000 ordinary shares
Each of HMC Investors LLC's controlled body corporates (the HMC Entities) named in the list of 2 pages annexed to this notice and marked "A"	Taken under section 608(3)(b) of the Corporations Act to have a relevant interest by reason of having control (through the relevant interests of its associate, HMC Investors LLC) of HMC Distressed Investment Offshore Manager LLC.	2,602,800 ordinary shares

4. Details of present registered holders

The persons registered as holders of the securities referred to in paragraph 3 above are as follows:

Holder of relevant interest	Registered holder of securities	Person entitled to be registered as holder (8)	Class and number of securities
Harbert Distressed Investment Master Fund Limited	Various vendors of securities on the ASX	Harbert Distressed Investment Master Fund Limited	2,602,800 ordinary shares
Alpha US Sub Fund VI LLC	Various vendors of securities on the ASX	Alpha US Sub Fund VI LLC	97,200 ordinary shares

5. Consideration

The consideration paid for each relevant interest referred to in paragraph 3 above, and acquired in the four months prior to the day that the substantial holder became a substantial holder is as follows:

Holder of relevant interest	Date of acquisition	Consideration (9)	Class and number of securities
Harbert Distressed Investment Master Fund Limited	22/11/2005	\$3,649,448.35	2,602,800 ordinary shares
Alpha US Sub Fund VI LLC	22/11/2005	\$136,286.45	97,200 ordinary shares

6. Associates

The reasons the persons named in paragraph 3 above are associates of the substantial holder are as follows:

Name and ACN/ARSN (if applicable)	Nature of association
Each of the HMC Entities	Body corporate controlled by HMC Investors LLC.

7. Addresses

The addresses of persons named in this form are as follows:

Name	Address
HMC Entities	As set out in the list of 2 pages annexed to this notice and marked "A".
Alpha US Sub Fund VI LLC	16th Floor, 555 Madison Avenue, New York, New York 10022, United States of America
HMC Investors LLC	1 Riverchase Parkway South, Birmingham, Alabama 35244, United States of America
Philip Falcone	16th Floor, 555 Madison Avenue, New York, New York 10022, United States of America
Raymond J Harbert	1 Riverchase Parkway South, Birmingham, Alabama 35244, United States of America

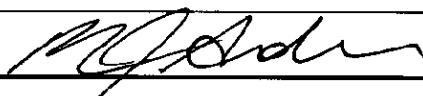
Signature

print name Matt Anderson

capacity

Authorised Representative

sign here



date

24/11/2005

DIRECTIONS

- (1) If there are a number of substantial holders with similar or related relevant interests (eg. a corporation and its related corporations, or the manager and trustee of an equity trust), the names could be included in an annexure to the form. If the relevant interests of a group of persons are essentially similar, they may be referred to throughout the form as a specifically named group if the membership of each group, with the names and addresses of members is clearly set out in paragraph 7 of the form.
- (2) See the definition of "associate" in section 9 of the Corporations Act 2001.
- (3) See the definition of "relevant interest" in sections 608 and 671B(7) of the Corporations Act 2001.
- (4) The voting shares of a company constitute one class unless divided into separate classes.
- (5) The total number of votes attached to all the voting shares in the company or voting interests in the scheme (if any) that the person or an associate has a relevant interest in.
- (6) The person's votes divided by the total votes in the body corporate or scheme multiplied by 100.
- (7) Include details of:
 - (a) any relevant agreement or other circumstances by which the relevant interest was acquired. If subsection 671B(4) applies, a copy of any document setting out the terms of any relevant agreement, and a statement by the person giving full and accurate details of any contract, scheme or arrangement, must accompany this form, together with a written statement certifying this contract, scheme or arrangement; and
 - (b) any qualification of the power of a person to exercise, control the exercise of, or influence the exercise of, the voting powers or disposal of the securities to which the relevant interest relates (indicating clearly the particular securities to which the qualification applies).

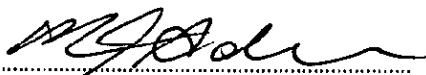
See the definition of "relevant agreement" in section 9 of the Corporations Act 2001.
- (8) If the substantial holder is unable to determine the identity of the person (eg. if the relevant interest arises because of an option) write "unknown."

- (9) Details of the consideration must include any and all benefits, moneys and other, that any person from whom a relevant interest was acquired has, or may, become entitled to receive in relation to that acquisition. Details must be included even if the benefit is conditional on the happening or not of a contingency. Details must be included of any benefit paid on behalf of the substantial holder or its associate in relation to the acquisitions, even if they are not paid directly to the person from whom the relevant interest was acquired.
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Annexure "A"

**This is the Annexure of 2 pages marked "A" referred
to in the form 603 Notice of initial substantial holder**

Signed by me and dated 24 November 2005



Matt Anderson – Authorised Representative

HMC Investors LLC

HMC Entities

Domicile	HMC Subsidiaries	% Owned/ Interest	Reg Office
Cayman Islands	Harbert Distressed Investment Offshore Fund Limited	Managing Member	1
Cayman Islands	Harbert Convertible Arbitrage Offshore Fund Limited	Managing Member	1
Cayman Islands	Harbert Emerging Markets Offshore Fund Limited	Managing Member	1
Cayman Islands	Harbert Fixed Income Spread Opportunities Offshore Fund Limited	Managing Member	1
Cayman Islands	Harbert Global Macro Offshore Fund Limited	Managing Member	1
Cayman Islands	Harbert Distressed Investment Master Fund Limited	Managing Member	1
Cayman Islands	Harbert Convertible Arbitrage Master Fund Limited	Managing Member	1
Cayman Islands	Harbert Emerging Markets Master Fund Limited	Managing Member	1
Cayman Islands	Harbert Fixed Income Spread Opportunities Master Fund Limited	Managing Member	1
Cayman Islands	Harbert Global Macro Master Fund Limited	Managing Member	1
United States of America	HMC Distressed Investment Offshore Manager LLC	Managing Member	2
United States of America	HMC Convertible Arbitrage Offshore Manager LLC	Managing Member	2
United States of America	HMC Emerging Markets Offshore Manager LLC	Managing Member	2
United States of America	HMC Fixed Income Spread Opportunities Offshore Manager LLC	Managing Member	2
United States of America	HMC Global Macro Offshore Manager LLC	Managing Member	2

Registered Offices

1. c/o International Fund Services (Ireland) Limited, 3rd Floor, Bishop's Square, Redmond's Hill, Dublin 2, Ireland
2. 1 Riverchase Parkway South, Birmingham, Alabama 35244 United States of America