



ACN 101 049 334

NOTICE OF ANNUAL GENERAL MEETING

– and –

EXPLANATORY STATEMENT

– and –

PROXY FORM

TIME: 12.30 pm WDT
DATE: Friday 30 November 2007
PLACE: Level 1, 48 Ord Street
The Celtic Club
WEST PERTH WA 6005

These documents should be read in their entirety. If shareholders are in any doubt as to how they should vote, they should seek advice from their accountant, solicitor or other professional advisor.

NOTICE OF MEETING

Notice is hereby given that the Annual General Meeting of the members of Cazaly Resources Limited ("**Cazaly**" or the "**Company**") will be held at the Celtic Club, Level 1, 48 Ord Street, West Perth, Western Australia at 12.30pm WDT **on 30 November 2007**.

The Explanatory Statement that accompanies and forms part of this Notice of Meeting describes in more detail the matters to be considered.

AGENDA

ORDINARY BUSINESS

To receive and consider the financial report of the Company for the year ended 30 June 2007 and the reports by Directors and auditors thereon.

To consider and, if thought fit, to pass, with or without modification, the following ordinary resolutions:-

1. Ordinary Resolution 1: "Adoption of Remuneration Report (Non-binding)"

"That, for the purposes of Section 250R(2) of the Corporations Act and for all other purposes, the Company adopts the Remuneration Report."

Short Explanation: The Corporations Act provides that a resolution that the remuneration report be adopted must be put to vote at a listed company's annual general meeting. The vote on Resolution 1 is advisory only and does not bind the Directors or the Company.

2. Ordinary Resolution 2: "To re-elect a Director"

"To re-elect as a director Mr Kent Hunter who retires by rotation in accordance with the Constitution and, being eligible for re-election, offers himself for re-election. "

3. Ordinary Resolution 3: "Ratification of Placement"

"That for the purposes of Listing Rule 7.4 and for all other purposes, the Shareholders hereby ratify the allotment and issue by the Company of 5,750,000 Shares to the persons, on the date and on the terms and conditions set out in the Explanatory Statement that accompanies this Notice of Meeting. "

Voting exclusion

- For the purposes of Listing Rule 7.4, the Company will disregard any votes cast on the Resolution by any person who participated in the issue or by any associate of a person who participated in the issue.
- However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the proxy form or it is cast by a person as chair of the meeting as a proxy for a person who is entitled to vote, in accordance with the direction on the proxy form to vote as the proxy decides.

AGENDA

ORDINARY BUSINESS

4. Ordinary Resolution: “Approval of Issue of Options To Mr Nathan McMahon”

“That for the purposes of Part 2E.1 of the Corporations Act and ASX Listing Rule 10.11, and all other purposes, the Company is authorised to issue and allot up to 1,000,000 Options to Mr Nathan McMahon, who is a Director, or his nominee(s), on the terms and conditions set out in the Explanatory Statement that forms part of this Notice of Meeting.”

Voting exclusion

- For the purposes of Listing Rule 10.11 and section 224 of the Corporations Act, the Company will disregard any votes cast on the Resolution by Mr Nathan McMahon and any associate of Mr Nathan McMahon.
- However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the proxy form or it is cast by a person as chair of the meeting as a proxy for a person who is entitled to vote, in accordance with the direction on the proxy form to vote as the proxy decides.

5. Ordinary Resolution 5: “Approval of Issue of Options To Mr Clive Jones”

“That for the purposes of Part 2E.1 of the Corporations Act and ASX Listing Rule 10.11, and all other purposes, the Company is authorised to issue and allot up to 1,000,000 Options to Mr Clive Jones, who is a Director, or his nominee(s), on the terms and conditions set out in the Explanatory Statement that forms part of this Notice of Meeting”

Voting exclusion

- For the purposes of Listing Rule 10.11 and section 224 of the Corporations Act, the Company will disregard any votes cast on the Resolution by Mr Clive Jones and any associate of Mr Clive Jones.
- However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the proxy form or it is cast by a person as chair of the meeting as a proxy for a person who is entitled to vote, in accordance with the direction on the proxy form to vote as the proxy decides.

6. Ordinary Resolution 6: “Approval of Issue of Options To Mr Kent Hunter”

“That for the purposes of Part 2E.1 of the Corporations Act and ASX Listing Rule 10.11, and all other purposes, the Company is authorised to issue and allot up to 500,000 Options to Mr Kent Hunter, who is a Director, or his nominee(s), on the terms and conditions set out in the Explanatory Statement that forms part of this Notice of Meeting”

Voting exclusion

- For the purposes of Listing Rule 10.11 and section 224 of the Corporations Act, the Company will disregard any votes cast on the Resolution by Mr Kent Hunter and any associate of Mr Kent Hunter.
- However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the proxy form or it is cast by a person as chair of the meeting as a proxy for a person who is entitled to vote, in accordance with the direction on the proxy form to vote as the proxy decides.

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PROXIES

1. A member entitled to attend and vote at a meeting of the Company is entitled to appoint not more than two proxies to attend and vote instead of the member. If two proxies are appointed, and a member does not specify the proportion or number of the member's votes each proxy may exercise, each proxy may exercise half the votes. A proxy need not be a member of the Company.
2. In order to vote on behalf of a company that is a shareholder of Cazaly, a valid Power of Attorney in the name of the attendee, must be either lodged with the Company prior to the Meeting, or be presented at the Meeting before registering on the attendance register for the Meeting.
3. Forms to appoint proxies, and the Power of Attorney (if any) under which they are appointed, must be lodged at the registered office of the Company, at Level 1, 22 Oxford Close, LEEDERVILLE, WA, 6007, or by facsimile (61 8) 9381 5911 not less than 48 hours before the time of the Meeting or resumption of an adjourned meeting at which the person named in the instrument proposes to vote.
4. An instrument appointing a proxy:
 - a) shall be in writing under the hand of the appointor or of his attorney, or if the appointor is a corporation, either under seal or under the hand of a duly authorised officer or attorney;
 - b) may specify the manner in which the proxy is to vote in respect of a particular resolution and, where an instrument of proxy so provides, the proxy is not entitled to vote on the resolution except as specified in the instrument;
 - c) shall be deemed to confer authority to demand or join in demanding a poll; and
 - d) shall be in such form as the Directors determine and which complies with Section 250A of the Corporations Act 2001 and the Listing Rules;

VOTING EXCLUSION

Where a voting exclusion applies, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote in accordance with the directions on the proxy form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote in accordance with a direction on the proxy form to vote as the proxy decides.

ATTENDANCE AND VOTING ELIGIBILITY

For the purpose of regulation 7.11.37 of the Corporations Regulations 2001 (Cth), the Directors have determined that Shares held at 12.30pm WDT on 28 November 2007 will be taken, for the purposes of this Annual General Meeting, to be held by the persons who held them at that time.

BY ORDER OF THE BOARD

Nathan McMahon
Director
Cazaly Resources Limited
Dated: 29 October 2007

ENQUIRIES

All enquiries in relation to the contents of the Notice of Meeting or Explanatory Statement should be directed to the Company's Joint Managing Directors, Mr Clive Jones, and Mr Nathan McMahon, or Company Secretary, Mr Lisa Wynne (telephone +618 9380 4600)

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INTRODUCTION

This Explanatory Statement has been prepared for the information of Shareholders of Cazaly Resources Limited ("**Cazaly**" or the "**Company**") in connection with Resolutions 1 to 6, to be considered at the Annual General Meeting to be held at the **Celtic Club, Level 1, 48 Ord Street, West Perth at 12.30pm WDT, 30 November 2007**.

This Explanatory Statement should be read in conjunction with the accompanying Notice of Meeting of which this Explanatory Statement forms a part.

1. ACCOUNTS AND REPORTS

As required under section 317 of the Corporations Act, the Annual Report will be laid before the Annual General Meeting.

Shareholders will be given the opportunity to ask questions and make comments about the reports or the Company generally, but there will be no formal resolution submitted to the Annual General Meeting.

2. RESOLUTION 1 – REMUNERATION REPORT

In accordance with Section 250R(2) of the Corporations Act, the Company must put a resolution to its members that the Remuneration Report be adopted at the Annual General Meeting. The vote on Resolution 1 is advisory only and does not bind the Directors or the Company.

The Remuneration Report includes all of the information required by Section 300A of the Corporations Act, including:

- board policy for determining, or in relation to, the nature and amount (or value, as appropriate) of remuneration of Directors, secretaries and senior managers of the Company;
- discussion of the relationship between such policy and the Company's performance; and
- the prescribed details in relation to the remuneration of each Director and certain executives.

A reasonable opportunity will be provided for discussion of the Remuneration Report at the Annual General Meeting.

Directors' Recommendation

The Directors recommend the adoption of the Remuneration Report.

3. RESOLUTION 2: "TO RE-ELECT A DIRECTOR"

Mr Kent Hunter retires by rotation and, being eligible, offers himself for re-election as a Director of the Company.

Details regarding Mr Kent Hunter are set out in the Annual Report.

Directors' Recommendation

The Directors recommend the re-election of Mr Kent Hunter.

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4. RESOLUTION 3 – RATIFICATION OF PLACEMENT

On 8 August 2007 the Company announced it had successfully raised \$3,450,000 by a placement of 5,750,000 Shares to institutional investors at a price of \$0.60 per Share (**Placement**). The Placement was made to raise funds to provide for continued exploration and to fund working capital.

Under Resolution 3, the Company seeks from Shareholders ratification of the issue of the equity securities being the 5,750,000 Shares issued under the Placement. This is so as to limit the restrictive effect of ASX Listing Rule 7.1 on any further issues of equity securities in the next 12 months, and restore the Company's ability to issue equity securities within that 15% annual limit, to the extent of the 5,750,000 Shares.

ASX Listing Rule Requirements ASX Listing Rule 7.1 provides that prior approval of Shareholders is required for an issue of equity securities if the equity securities will, when aggregated with the equity securities issued by a company during the previous 12 months, exceed 15% of the number of ordinary shares on issue at the commencement of that 12 month period.

ASX Listing Rule 7.4 provides that an issue by a company of equity securities made without approval under Rule 7.1 is treated as having been made with approval for the purpose of Rule 7.1 if the issue did not breach Rule 7.1 and the company's members subsequently approve it.

The outcome of Resolution 3 will have no effect on the issue of Shares under the Placement as they have already been issued. However, if Resolution 3 is not approved by Shareholders, it will restrict the ability of the Company to issue securities without Shareholder approval until the Company's 15% capacity is replenished, in accordance with Listing Rule 7.1.

ASX Listing Rule disclosure requirements

In accordance with Listing Rule 7.5, Shareholders are advised of the following details in respect of the Placement:

- (a) *Number of securities allotted*
5,750,000 Shares were issued on 7 August 2007
- (b) *Price at which the securities were issued*
\$0.60 per Share
- (c) *Terms of the securities*
The 5,750,000 Shares issued are fully paid ordinary shares ranking equally in all respects with all other Shares on issue and are listed on ASX
- (d) *Names of the allottees or the basis on which allottees were determined*
The Shares were issued to clients of Bell Potter Securities, UBS, Cygnet Capital and Argonaut Limited.
- (e) *Use (or intended use) of the funds raised*

The allotment and issue of the Shares raised \$3,450,000 before costs of the Placement; the net funds raised have been used to provide for continued exploration and to fund working capital.

Directors' Recommendation

The Directors recommend Shareholders vote in favour of Resolution 3, as it allows the Company to ratify the above issue of securities and retain the flexibility to issue further securities representing up to 15% of the Company's share capital during the next 12 months.

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4. RESOLUTION 4 – APPROVAL OF ISSUE OF OPTIONS TO MR NATHAN MCMAHON

Resolution 4 seeks the approval of Shareholders for the issue of 1,000,000 Options to Mr Nathan McMahon or his nominee(s).

Shareholder approval of the grant of the Options the subject of Resolution 4 is sought for the purposes of:

1. Part 2E.1 of the Corporations Act, which governs the giving of financial benefits to directors and other “related parties” of a company; and
2. ASX Listing Rule 10.11, which provides that, subject to certain exceptions (none of which are relevant here), a company must not issue or grant securities to a director without shareholder approval.

The object of Resolution 4 is to provide Mr McMahon with a mechanism to participate in the future development of the Company and an incentive for his future involvement with and commitment to the Company. The Directors believe that the success of the Company in the future will depend in large part upon the skills of the people engaged to manage the Company's operations. Accordingly it is important that the Company is able to attract and retain people of the highest caliber. The Directors consider that the most appropriate means of achieving this is to provide directors with an opportunity to participate in the Company's future growth and an incentive to contribute to that growth.

If Shareholder approval is obtained, the Options will be granted within 1 month of Shareholder approval.

Terms of Options

Subject to Shareholder approval, the Options will be granted on the terms and conditions set out in Annexure “A” to this Explanatory Statement.

Part 2E.1 of the Corporations Act

Part 2E.1 of the Corporations Act prohibits the Company from giving financial benefit to a “related party” of the Company (such as a director) unless either:

- (a) the giving of the financial benefit falls within one of the nominated exceptions to the relevant provisions of the Corporations Act; or
- (b) prior shareholder approval is obtained to the giving of the benefit.

For the purposes of Part 2E.1, Mr McMahon (or his nominee(s)) is considered to be a related party of the Company and, therefore, the proposed grant of Options to him (or his nominee(s)) requires prior Shareholder approval.

An aggregate amount of \$180,000 including superannuation is payable to Mr McMahon, for the provision of Managing Director services to the Company.

Mr McMahon currently has a beneficial interest in the following securities of Cazaly Resources Limited:

	Number	Percent of Issued Capital
• Fully paid ordinary shares:	6,510,910	10.74%
• \$0.4436 options expiring 31 August 2008	500,000	
• \$1.9436 options expiring 30 November 2009	1,000,000	

In accordance with the requirements of Part 2E.1 and, in particular, sections 219 and 221 of the Corporations Act and ASX Listing Rule 10.13, the following information is provided to Shareholders to allow them to assess the proposed grant of Options:

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1. being a Director, Mr McMahon is a related party of the Company to whom the financial benefit would be given by virtue of section 228(2)(a) of the Corporations Act (or in the case of his nominee(s), section 228(4) of the Corporations Act);
2. the nature of the financial benefit to be given is the grant of 1,000,000 Options on the terms set out in Annexure "A" to this Explanatory Statement;
3. the Options will be issued within one month of the date of the Meeting;
4. Mr McMahon is not entitled and does not wish to make a recommendation to Shareholders regarding Resolution 4 on the basis that he has an interest in the outcome of the Resolution;
5. Messrs Jones and Hunter recommend that Shareholders vote in favour of Resolution 4 on the basis the Options to be issued provide Mr McMahon with an appropriate incentive for his future commitment to the Company. Messrs Jones and Hunter have no interest in the outcome of Resolution 4;
6. the Options are to be granted for no consideration;
7. an estimate of the value of the Options is set out in Annexure "B" to this Explanatory Statement;
8. neither the Directors nor the Company are aware of any other information that would be reasonably required by Shareholders to make a decision as to whether it is in the best interests of the Company to pass the Resolution other than as follows:
 - (a) if all the Options the subject of Resolutions 4, 5 and 6 are granted and exercised, then the Company's fully paid share capital will be diluted by approximately 4.12% (based on the existing number of Shares). The Company will, however, receive subscription monies totaling \$1,875,000. If, however, only the Options the subject of this Resolution 4 are exercised, then the Company's fully paid share capital will be diluted by approximately 1.65% (based on the existing number of Shares). The Company will, however, receive subscription monies totaling \$750,000.
 - (b) the Directors consider that the incentive represented by the grant of Options is a cost effective and efficient incentive when compared to other forms of incentive such as cash, bonuses or increased remuneration; and
 - (c) the primary purpose of the grant of Options is to provide an incentive to Mr McMahon. Given this purpose, the Directors do not consider that there is any opportunity cost or benefit foregone to the Company in granting the Options, the subject of Resolution 4.
 - (d) the Board, with the exclusion of Mr McMahon, has examined carefully the remuneration package of Mr McMahon to determine the fairness and reasonableness of the remuneration package. As part of the examination, the Board has reviewed the remuneration packages of industry executives in similar roles to Mr McMahon as Managing Director (Corporate and Administration) of Cazaly Resources.

Based on the examination, the Board has concluded that the totality of Mr McMahon's remuneration package, including the equity component of 1,000,000 Options now to be considered for approval by shareholders, is fair and reasonable in the circumstances of Cazaly, in light of Mr McMahon's management experience and knowledge of the mineral exploration industry.

The Directors do not consider that there are any opportunity costs to the Company or benefits forgone by the Company in respect of the proposed issue of Options pursuant to Resolution 4, other than, if the Options are exercised when the market price of the Shares is greater than the exercise price of the Options, there will be a detriment insofar as the Company will be required to issue Shares at a price lower

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than it might otherwise have been able to, with the result that less funds will be raised.

ASX Listing Rule 10.11

ASX Listing Rule 10.11 provides that, subject to certain exemptions (none of which are relevant here), a company must not issue options to a related party without shareholder approval. Resolution 4 seeks this approval.

Information required for the purposes of ASX Listing Rule 10.13 in relation to the Shareholder approval sought under ASX Listing Rule 10.11 is provided in the Resolution and the notes above.

ASX Listing Rule 7.1

ASX Listing Rule 7.1 provides that prior approval of Shareholders is required for an issue of equity securities if the equity securities will, when aggregated with the equity securities issued by a company during the previous 12 months, exceed 15% of the number of ordinary shares on issue at the commencement of that 12 month period.

Approval pursuant to ASX Listing Rule 7.1 is not required (under Exception 14 to ASX Listing Rule 7.1) in order to issue the Options to Mr McMahon or his nominee(s) as approval is being obtained under ASX Listing Rule 10.11. Shareholders should note that the issue of securities to Mr McMahon or his nominee(s) will not be included in the 15% calculation for the purposes of ASX Listing Rule 7.1.

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5. RESOLUTION 5 – APPROVAL OF ISSUE OF OPTIONS TO MR CLIVE JONES

Resolution 5 seeks the approval of Shareholders for the issue of 1,000,000 Options to Mr Jones or his nominees(s).

Shareholder approval of the grant of the Options the subject of Resolution 5 is sought for the purposes of:

1. Part 2E.1 of the Corporations Act, which governs the giving of financial benefits to directors and other “related parties” of a company; and
1. ASX Listing Rule 10.11, which provides that, subject to certain exceptions (none of which are relevant here), a company must not issue or grant securities to a director without shareholder approval.

The object of Resolution 5 is to provide Mr Jones with a mechanism to participate in the future development of the Company and an incentive for his future involvement with and commitment to the Company. The Directors believe that the success of the Company in the future will depend in large part upon the skills of the people engaged to manage the Company's operations. Accordingly it is important that the Company is able to attract and retain people of the highest caliber. The Directors consider that the most appropriate means of achieving this is to provide directors with an opportunity to participate in the Company's future growth and an incentive to contribute to that growth.

If Shareholder approval is obtained, the options will be granted within 1 month of shareholder approval.

Terms of Options

Subject to Shareholder approval, the Options will be granted on the terms and conditions set out in Annexure “A” to this Explanatory Statement.

Part 2E.1 of the Corporations Act

Part 2E.1 of the Corporations Act prohibits the Company from giving financial benefit to a “related party” of the Company (such as a director) unless either:

- (a) the giving of the financial benefit falls within one of the nominated exceptions to the relevant provisions of the Corporations Act; or
- (b) prior shareholder approval is obtained to the giving of the benefit.

For the purposes of Part 2E.1, Mr Jones (or his nominee(s)) is considered to be a related party of the Company and, therefore, the proposed grant of Options to him (or his nominee(s)) requires prior shareholder approval.

An aggregate amount of \$180,000 including superannuation is payable to Mr Jones, for the provision of Managing Director services to the Company.

Mr Jones currently has a beneficial interest in the following securities of Cazaly Resources Limited:

	Number	Percent of Issued Capital
• Fully paid ordinary shares:	5,140,000	8.48%
• \$0.4436 options expiring 31 August 2008	1,000,000	
• \$1.9436 options expiring 30 November 2009	1,000,000	

In accordance with the requirements of Part 2E.1 and, in particular, sections 219 and 221 of the Corporations Act and ASX Listing Rule 10.13, the following information is provided to Shareholders to allow them to assess the proposed grant of Options:

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1. being a Director, Mr Jones is a related party of the Company to whom the financial benefit would be given by virtue of section 228(2)(a) of the Corporations Act (or in the case of his nominee(s), section 228(4) of the Corporations Act);
2. the nature of the financial benefit to be given is the grant of 1,000,000 Options on the terms set out in Annexure "A" to this Explanatory Statement;
3. the Options will be issued within one month of the date of the Meeting;
4. Mr Jones is not entitled and does not wish to make a recommendation to Shareholders regarding Resolution 5 on the basis that he has an interest in the outcome of the Resolution;
5. Messrs McMahon and Hunter recommend that Shareholders vote in favour of Resolution 5 on the basis the Options to be granted provide Mr Jones with an appropriate incentive for his future commitment to the Company. Messrs McMahon and Hunter have no interest in the outcome of Resolution 5;
6. the Options are to be granted for no consideration;
7. an estimate of the value of the Options is set out in Annexure "B" to this Explanatory Statement;
8. neither the Directors nor the Company are aware of any other information that would be reasonably required by Shareholders to make a decision as to whether it is in the best interests of the Company to pass the Resolution other than as follows:
 - (a) if all the Options the subject of Resolutions 4, 5 and 6 are granted and exercised, then the Company's fully paid share capital will be diluted by approximately 4.12% (based on the existing number of Shares). The Company will, however, receive subscription monies totaling \$1,870,000. If, however, only the Options the subject of this Resolution 5 are exercised, then the Company's fully paid share capital will be diluted by approximately 1.65% (based on the existing number of Shares). The Company will, however, receive subscription monies totaling \$750,000.
 - (b) the Directors consider that the incentive represented by the grant of Options is a cost effective and efficient incentive when compared to other forms of incentive such as cash, bonuses or increased remuneration; and
 - (c) the primary purpose of the grant of Options is to provide an incentive to Mr Jones. Given this purpose, the Directors do not consider that there is any opportunity cost or benefit foregone to the Company in granting the Options the subject of Resolution 5.
 - (d) the Board, with the exclusion of Mr Jones, has examined carefully the remuneration package of Mr Jones to determine the fairness and reasonableness of the remuneration package. As part of the examination, the Board has reviewed the remuneration packages of industry executives in similar roles to Mr Jones as Managing Director (Technical) of Cazaly.

Based on the examination, the Board has concluded that the totality of Mr Jones' remuneration package, including the equity component of 1,000,000 Options now to be considered for approval by shareholders, is fair and reasonable in the circumstances of Cazaly, in light of Mr Jones' management experience and knowledge of the mineral exploration industry.

The Directors do not consider that there are any opportunity costs to the Company or benefits forgone by the Company in respect of the proposed issue of Options pursuant to Resolution 5, other than, if the Options are exercised when the market price of the Shares is greater than the exercise price of the Options, there will be a detriment insofar as the Company will be required to issue Shares at a price lower than it might otherwise have been able to, with the result that less funds will be raised.

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ASX Listing Rule 10.11

ASX Listing Rule 10.11 provides that, subject to certain exemptions (none of which are relevant here), a company must not issue options to a related party without shareholder approval. Resolution 5 seeks this approval.

Information required for the purposes of ASX Listing Rule 10.13 in relation to the Shareholder approval sought under ASX Listing Rule 10.11 is provided in the Resolution and the notes above.

ASX Listing Rule 7.1

ASX Listing Rule 7.1 provides that prior approval of Shareholders is required for an issue of equity securities if the equity securities will, when aggregated with the equity securities issued by a company during the previous 12 months, exceed 15% of the number of ordinary shares on issue at the commencement of that 12 month period.

Approval pursuant to ASX Listing Rule 7.1 is not required (under Exception 14 to ASX Listing Rule 7.1) in order to issue the Options to Mr Jones or his nominee(s) as approval is being obtained under ASX Listing Rule 10.11. Shareholders should note that the issue of securities to Mr Jones or his nominee(s) will not be included in the 15% calculation for the purposes of ASX Listing Rule 7.1.

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6. RESOLUTION 6 – APPROVAL OF ISSUE OF OPTIONS TO MR KENT HUNTER

Resolution 6 seeks the approval of Shareholders for the issue of 500,000 Options to Mr Hunter or his nominee(s).

Shareholder approval of the grant of the Options the subject of Resolution 6 is sought for the purposes of:

1. Part 2E.1 of the Corporations Act, which governs the giving of financial benefits to directors and other “related parties” of a company; and
2. ASX Listing Rule 10.11, which provides that, subject to certain exceptions (none of which are relevant here), a company must not issue or grant securities to a director without shareholder approval.

The object of Resolution 6 is to provide Mr Hunter with a mechanism to participate in the future development of the Company and an incentive for his future involvement with and commitment to the Company. The Directors believe that the success of the Company in the future will depend in large part upon the skills of the people engaged to manage the Company's operations. Accordingly it is important that the Company is able to attract and retain people of the highest caliber. The Directors consider that the most appropriate means of achieving this is to provide directors with an opportunity to participate in the Company's future growth and an incentive to contribute to that growth.

If Shareholder approval is obtained, the Options will be granted within 1 month of Shareholder approval.

Terms of Options

Subject to Shareholder approval, the Options will be granted on the terms and conditions set out in Annexure “A” to this Explanatory Statement.

Part 2E.1 of the Corporations Act

Part 2E.1 of the Corporations Act prohibits the Company from giving financial benefit to a “related party” of the Company (such as a director) unless either:

- (a) the giving of the financial benefit falls within one of the nominated exceptions to the relevant provisions of the Corporations Act; or
- (b) prior shareholder approval is obtained to the giving of the benefit.

For the purposes of Part 2E.1, Mr Hunter (or his nominee(s)) is considered to be a related party of the Company and, therefore, the proposed grant of Options to him (or his nominee(s)) requires prior Shareholder approval.

An aggregate amount of \$25,000 excluding superannuation is payable to Mr Hunter, for the provision of Non-Executive Director services to the Company.

Mr Hunter currently has a beneficial interest in the following securities of Cazaly Resources Limited:

	Number	Percent of Issued Capital
• Fully paid ordinary shares:	1,328,066	2.19%
• \$0.4436 options expiring 31 August 2008	250,000	
• \$1.9436 options expiring 30 November 2009	200,000	

In accordance with the requirements of Part 2E.1 and, in particular, sections 219 and 221 of the Corporations Act and ASX Listing Rule 10.13, the following information is provided to Shareholders to allow them to assess the proposed grant of options:

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1. being a Director, Mr Hunter is a related party of the Company to whom the financial benefit would be given by virtue of section 228(2)(a) of the Corporations Act (or in the case of his nominee(s), section 228(4) of the Corporations Act);
2. the nature of the financial benefit to be given is the grant of 500,000 Options on the terms set out in Annexure "A" to this Explanatory Statement;
3. the Options will be issued within one month of the date of the Meeting;
4. Mr Hunter is not entitled and does not wish to make a recommendation to Shareholders regarding Resolution 6 on the basis that he has an interest in the outcome of the Resolution;
5. Messrs McMahon and Jones recommend that Shareholders vote in favour of Resolution 6 on the basis the Options to be granted provide Mr Hunter with an appropriate incentive for his future commitment to the Company. Messrs McMahon and Jones have no interest in the outcome of Resolution 6;
6. the Options are to be granted for no consideration;
7. an estimate of the value of the Options is set out in Annexure "B" to this Explanatory Statement;
8. neither the Directors nor the Company are aware of any other information that would be reasonably required by Shareholders to make a decision as to whether it is in the best interests of the Company to pass the Resolution other than as follows:
 - (a) if all the Options the subject of Resolutions 4, 5 and 6 are granted and exercised, then the Company's fully paid share capital will be diluted by approximately 4.12% (based on the existing number of Shares). The Company will, however, receive subscription monies totaling \$1,875,000. If, however, only the Options the subject of this Resolution 5 are exercised, then the Company's fully paid share capital will be diluted by approximately 0.82% (based on the existing number of Shares). The Company will, however, receive subscription monies totaling \$375,000.
 - (b) the Directors consider that the incentive represented by the grant of Options is a cost effective and efficient incentive when compared to other forms of incentive such as cash, bonuses or increased remuneration; and
 - (c) the primary purpose of the grant of Options is to provide an incentive to Mr Hunter. Given this purpose, the Directors do not consider that there is any opportunity cost or benefit foregone to the Company in granting the Options, the subject of Resolution 6.
 - (d) the Board, with the exclusion of Mr Hunter, has examined carefully the remuneration package of Mr Hunter to determine the fairness and reasonableness of the remuneration package. As part of the examination, the Board has reviewed the remuneration packages of industry executives in similar roles to Mr Hunter as a Non-Executive Director of Cazaly.

Based on the examination, the Board has concluded that the totality of Mr Hunter's remuneration package, including the equity component of 200,000 Options now to be considered for approval by Shareholders, is fair and reasonable in the circumstances of Cazaly, in light of Mr Hunter's management experience and knowledge of the mineral exploration industry.

The Directors do not consider that there are any opportunity costs to the Company or benefits foregone by the Company in respect of the proposed issue of Options pursuant to Resolution 6, other than, if the Options are exercised when the market price of the Shares is greater than the exercise price of the Options, there will be a detriment insofar as the Company will be required to issue Shares at a price lower than it might otherwise have been able to, with the result that less funds will be raised.

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ASX Listing Rule 10.11

ASX Listing Rule 10.11 provides that, subject to certain exemptions (none of which are relevant here), a company must not issue options to a related party without shareholder approval. Resolution 6 seeks this approval.

Information required for the purposes of ASX Listing Rule 10.13 in relation to the Shareholder approval sought under ASX Listing Rule 10.11 is provided in the Resolution and the notes above.

ASX Listing Rule 7.1

ASX Listing Rule 7.1 provides that prior approval of Shareholders is required for an issue of equity securities if the equity securities will, when aggregated with the equity securities issued by a company during the previous 12 months, exceed 15% of the number of ordinary shares on issue at the commencement of that 12 month period.

Approval pursuant to ASX Listing Rule 7.1 is not required (under Exception 14 to ASX Listing Rule 7.1) in order to issue the Options to Mr Hunter or his nominee(s) as approval is being obtained under ASX Listing Rule 10.11. Shareholders should note that the issue of securities to Mr Hunter or his nominee(s) will not be included in the 15% calculation for the purposes of ASX Listing Rule 7.1.

ACTION TO BE TAKEN BY SHAREHOLDERS

Shareholders should read this Explanatory Statement carefully before deciding how to vote on each Resolution.

Attached to the Notice of Meeting is a proxy form for use by Shareholders. Shareholders are invited and encouraged to attend the Meeting or, if they are unable to attend in person, to complete, sign and return the proxy form to the Company in accordance with the instructions contained in the proxy form and the Notice of Meeting. Lodgement of a proxy form will not preclude a shareholder from attending and voting at the Meeting in person.

Enquiries

All enquiries in relation to the contents of the Notice of Meeting or Explanatory Statement should be directed to the Company's Joint Managing Directors, Mr Clive Jones and Mr Nathan McMahon or Company Secretary, Ms Lisa Wynne (telephone: +61 8 9380 4600).

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9. GLOSSARY OF TERMS

In this Explanatory Statement the following terms, abbreviations and acronyms have the following meaning:

“ACN”	Australian Company Number
“Annual Report”	The Company's report including the reports of the Directors and auditor of the Company and the financial statements of the Company for the year ended 30 June 2007.
“Cazaly” or “Company”	Cazaly Resources Limited (ABN: 23 101 049 334).
“ASIC”	Australian Securities and Investments Commission.
“ASX”	ASX Limited (ACN 008 624 691)
“ASX Listing Rules” or “Listing Rules”	The Official Listing Rules of ASX as amended from time to time.
“Corporations Act”	The Corporations Act 2001 (Cth).
“Director”	A director of Cazaly.
“Meeting” or “Annual General Meeting”	The annual general meeting of the Company to be held on 30 November 2007.
“Notice of Meeting”	The notice convening the Annual General Meeting, which accompanies this Explanatory Statement.
“Option”	An option to acquire a Share.
“Related Party”	Has the meaning set out in the ASX Listing Rules.
“Remuneration Report”	The remuneration report appearing in the Annual Report
“Resolutions”	Resolutions in the Notice of Meeting.
“Share”	A fully paid ordinary share in the capital of the Company.
“Shareholder” or “member”	The registered holder of a Share.
“WDT”	Australian Western Daylight Time

ANNEXURE “A”

Terms and Conditions of Options

The terms and conditions of the Options proposed to be allotted and issued and the subject of proposed Resolutions 4, 5 and 6 are as follows:

- a) Each Option entitles the holder to subscribe for one Share in the capital of the Company at the exercise price of \$0.75 per Share.
- b) Subject to paragraph (c) below, the Options are exercisable at any time up to 5.00pm Perth time on 30 November 2009 by completing an Option exercise form and delivering it together with the payment for the number of Shares in respect of which the Options are exercised to the registered office of the Company. Any Options not exercised by that time will lapse.
- c) An Option Holder may exercise some only of that person's Options, which does not affect that holder's right to exercise the remainder of their Options by the deadline in paragraph (b) above. Options must be exercised in multiples of 100 at a time, unless the Option Holder exercises all Options able to be exercised at that time.
- d) Subject to the Corporations Act, the ASX Listing Rules and the Company's Constitution, the Options are freely transferable. Application will not be made to ASX for official quotation of the Options.
- e) All Shares issued upon exercise of the Options will, from the date they are issued, rank pari passu in all respects with the Company's then issued Shares. The Company will apply for official quotation by ASX of all Shares issued upon exercise of the Options.
- f) Option Holders cannot participate in new issues of capital offered to Shareholders of the Company during the currency of the Options without exercising the Options. However, the Company will ensure that for the purpose of determining entitlements to any such issue, the books closing date will be at least 10 business days after the issue is announced. This will give Option Holders the opportunity to exercise their Options prior to the date for determining entitlements to participate in any such issue.
- g) Subject to paragraph (h), if the Company makes a bonus share issue, a rights issue or any other similar issue of rights or entitlements, there will be no adjustment to the exercise price, the number of Shares per Option or any other terms of those Options.
- h) In the event of any reorganisation (including consolidation, subdivision, reduction or return) of the issued capital of the Company prior to 30 November 2009 the rights of Option Holders, including the number of Options or the exercise price of the Options or both will be changed to the extent necessary to comply with the ASX Listing Rules applying to a reorganisation of capital at the time of the reorganisation.
- i) Option Holders will be sent all communications sent to Shareholders of the Company, but Options do not confer any rights to attend or vote at meetings of Shareholders of the Company. Notice may be given by the Company to Option holders in the manner provided by the Company's Constitution for the giving of notices to shareholders, and the relevant provisions of the Company's Constitution apply with all necessary modification to notices to Option Holders.

ANNEXURE “B”

ESTIMATE OF THE VALUE OF OPTIONS

An estimate of the value of the Options that are proposed to be granted (pursuant to the passing of Resolutions 4, 5 and 6) using the Black and Scholes Options Pricing Model has been calculated as set out below:

	Name of Allottee	Number of Options	Estimated Value using Black & Scholes Model \$
Resolution 4	Nathan McMahon	1,000,000	210,000
Resolution 5	Clive Jones	1,000,000	210,000
Resolution 6	Kent Hunter	500,000	105,000
	Total	2,500,000	525,000

The estimated value of the Options was calculated using the following assumptions:

1. the valuation date is the date of the annual general meeting;
2. risk free rate of 6.54% is based on the Commonwealth Government securities rate with a maturity date approximating that of the expiration period of the options;
2. current share price of 37.5 cents;
3. dividend yield of 0%;
4. forecast standard deviation of returns (annualised) of 135% over the life of the options is based on the Company's historical data from the Australian Graduate School of Management's Risk Measurement Service;;
5. The options expire on 30 November 2009 and are exercisable at \$0.75;
6. Nil discount factor.

The above calculations have been independently prepared by BDO Kendells Corporate Finance (WA) Pty Ltd on 22 October 2007.



PROXY FORM

APPOINTMENT OF PROXY
CAZALY RESOURCES LTD
ABN 23 101 049 334

I/We

being a shareholder of Cazaly Resources Ltd entitled to attend and vote at the Annual General Meeting, hereby

Appoint

Name of proxy

or failing the person so named or, if no person is named, the Chairman of the Annual General Meeting, as my/our proxy to act generally for me/us and to vote in accordance with the following directions or, if no directions have been given, as the proxy sees fit at the Annual General Meeting to be held at the The Celtic Club, Level 1, 48 Ord Street, West Perth, Western Australia at 12.30 pm WDT on Friday 30 November 2007 and at any adjournment thereof. If no directions are given, the Chairman will vote in favour of all of the resolutions.

Voting on Business of the Annual General Meeting **IMPORTANT: FOR RESOLUTIONS 4, 5 AND 6 BELOW**

☐

If the Chairman of the Meeting is appointed as your proxy, or may be appointed by default and you do not wish to direct your proxy how to vote as your proxy in respect of Resolutions 4, 5 and 6, please place a mark in the box. By marking this box, you acknowledge that the Chairman of the Meeting may exercise your proxy even if he has an interest in the outcome of Resolutions 4, 5 and 6 and that votes cast by the Chairman of the Meeting for Resolutions 4, 5 and 6 other than as proxy holder will be disregarded because of that interest. If you do not mark this box, and you have not directed your proxy how to vote, the Chair will not cast your votes on Resolutions 4, 5 and 6 and your votes will not be counted in calculating the required majority if a poll is called on Resolutions 4, 5 and 6. The Chairman of the Meeting intends to vote undirected proxies in favour of Resolutions 4, 5 and 6.

		FOR	AGAINST	ABSTAIN
Resolution 1	Adoption of Remuneration Report	☐	☐	☐
Resolution 2	Re-election of Mr Kent Hunter	☐	☐	☐
Resolution 3	Ratification of Placement	☐	☐	☐
Resolution 4	Approval of Issue of Options to Mr McMahon	☐	☐	☐
Resolution 5	Approval of Issue of Options to Mr Jones	☐	☐	☐
Resolution 6	Approval of Issue of Options to Mr Hunter	☐	☐	☐

If you mark the abstain box for a particular item, you are directing your proxy not to vote on that item on a show of hands or on a poll and that your shares are not to be counted in computing the required majority on a poll.

Signed this day of 2007

By:

Individuals and joint holders

Signature
Signature
Signature

Companies (affix common seal if appropriate)

Director
Director/Company Secretary
Sole Director and Sole Company Secretary

CAZALY RESOURCES LIMITED
ABN 23 101 049 334

Instructions for Completing "Appointment of Proxy" Form

1. A shareholder entitled to attend and vote at a meeting is entitled to appoint not more than two proxies to attend and vote on their behalf. Where more than one proxy is appointed, such proxy must be allocated a proportion of the shareholder's voting rights. If the shareholder appoints two proxies and the appointment does not specify this proportion, each proxy may exercise half the votes. Where more than one proxy is to be appointed or voting intentions cannot be adequately expressed using this form an additional form of proxy is available from the Company or you may copy this form.
2. A duly appointed proxy need not be a shareholder of the Company. In the case of joint holders, all must sign.
3. Corporate shareholders should comply with the execution requirements set out on the proxy form or otherwise with the provisions of Section 127 of the Corporations Act. Section 127 of the Corporations Act provides that a company may execute a document without using its common seal if the document is signed by:
 - Directors of the company;
 - a Director and a company secretary of the company; or
 - for a proprietary company that has a sole Director who is also the sole company secretary – that Director.

For the Company to rely on the assumptions set out in Section 129(5) and (6) of the Corporations Act, a document must appear to have been executed in accordance with Section 127(1) or (2). This effectively means that the status of the persons signing the document or witnessing the affixing of the seal must be set out and conform to the requirements of Section 127(1) or (2) as applicable. In particular, a person who witnesses the affixing of a common seal and who is the sole Director and sole company secretary of the company must state that next to his or her signature.

4. Completion of a proxy form will not prevent individual shareholders from attending the meeting in person if they wish. Where a shareholder completes and lodges a valid proxy form and attends the meeting in person, then the proxy's authority to speak and vote for that shareholder is suspended while the shareholder is present at the meeting.
5. Where a proxy form or form of appointment of corporate representative is lodged and is executed under power of attorney, the power of attorney must be lodged in like manner as this proxy.
6. To vote by proxy, please complete and sign the proxy form enclosed and either:
 - (a) send the proxy form by post to Cazaly Resources Ltd, Level 1, 22 Oxford Close, West Leederville, Western Australia 6007; or
 - (b) send the proxy form by facsimile to the Company on facsimile number (08) 9381 5911,so that it is received not later than 12.30 pm WDT on Wednesday, 28 November 2007.

Proxy forms received later than this time will be invalid.
