CAZALY
RESOURCES LIMITED

ABN 23 101 049 334

Quarterly Report for June 2010

- **Parker Range Definitive Feasibility Study progressing following highly favourable Prefeasibility Study;**
  - **Robust technical and economic viability**
  - **Expected NPV: A$216m, IRR: 78% Contract Operations**
  - **Capital costs of A$78m plus A$26m deferred to year 3**
  - **Estimated operating costs of A$45/t of shipped product**
  - **Total production target of 22Mt fines grading 56.6% Fe (62.2% CaFe)**
  - **4Mtpa transported by road-rail to Port of Kwinana**
  - **Advanced Metallurgical Program underway**
- **Memorandums of Understanding with preferred strategic partners commenced – mining, rail, port and offtake. A full "mine to market" solution.**
- **Initial Winmar CID resource of 143Mt @ 55.6%CaFe;**
  - **Project lies adjacent to FMG's Solomon deposits (2.7Bt @ 56.2% Fe)**
  - **Recent drilling and metallurgical testwork.**
  - **Exploration Target upgraded to 250-300Mt @ 55-59%CaFe**

Iron Ore Projects

Parker Range – CAZ interest 100%

Highlights:

- **Definitive Feasibility Study progressing well**

- **Strategic Partnerships finalised with HWE (Leightons), Euromin-Vitol and Pacific National – allows for a fully integrated "mine-to market solution."**

- **Port Allocation awaited – HWE, Euromin-Vitol and Pacific National all presented to Fremantle Ports as part of the fully integrated Parker Range project.**

- **PFS has previously confirmed technical and economic viability of the Parker Range Iron Ore Project in the Yilgarn region of Western Australia**

    - **Expected NPV of A$216m with IRR 78% for contract operations option**
    - **Revenue based on independent price forecasting and not spot iron ore prices**
    - **Up front capital costs of A$78m plus A$26m deferred until year 3**
    - **Estimated operating costs of A$45/t of shipped product**
    - **Global resource 40.4 Mt @ 53.8% Fe (59.1% CaFe), 90% Indicated category**
    - **Total production of 22.0 Mt target fines product grading 56.6% Fe (62.2% CaFe)**
    - **Preferred option produces 4 Mtpa transported by Road-Rail to Port of Kwinana for initial 5.5 years mine life**
    - **Metallurgical bridging program underway**
    - **First ore on ship (FOOS) planned for Q3/2011**

Definitive Feasibility Study commences

The Parker Range Project lies approximately 15 kilometres south-east of Marvel Loch and approximately 50 kilometres by road south of the Perth–Kalgoorlie railway.

A Pre-Feasibility Study (PFS) completed during the December Quarter indicated very robust economics for the project which greatly benefits from its close location to existing and accessible infrastructure including road, rail, port, power and township. This access allows for the relatively rapid development and ramp up to full production of 4 Mtpa within 1.5 years. The PFS has shown that the Company is on track to become the second major iron ore producer in the Yilgarn region of Western Australia, behind Koolyanobbing Operations who have successfully operated in the region for many years. These positive results now allow for the commencement of a Definitive Feasibility Study (DFS) into the project.

Advanced resource and mine optimisation studies have also commenced. An upgraded Resource Estimate is due to be completed in the next quarter utilizing results and geological interpretation from additional infill drilling which will then be used to refine mine optimisation and scheduling.

Numerous other technical programmes are on-going including hydrology, geotechnical and environmental studies.

The DFS is due for completion in the short term. The Company will be releasing results of the various DFS studies as they become available.

Strategic Partnerships

The Company has completed negotiations that provide a full mine to market solution for the project. The Company's partners will initially assist in the finalisation of the Definitive Feasibility Study (DFS) and will provide for the project as follows:

- **HWE Mining**: to provide financing for and the operation of the construction, mining, processing and transport of the ore to the rail head.
- **Pacific National Bulk Rail**: provision of capital items (locomotives, wagons) and rail haulage services from rail head to the Port at Kwinana.
- **Euromin/Tennant**: provision of a $30million facility, primarily to fund the remaining capital costs of the project being the port facilities, and to jointly provide marketing for the product.

Contracts with the Company's preferred partners are currently being prepared and are subject to the economic allocation of port access, due diligence and relevant board approvals.

These arrangements are a major step forward for the potential development of the PRIOP. On the assumption that final agreements are successfully negotiated then they will provide a framework that will greatly reduce the capital requirements of the company whilst giving Cazaly access to highly credentialed and experienced operating partners.

The board of Cazaly looks forward to working very closely with its preferred partners as we progress the development of the Parker Range project.

Pilbara Iron Ore Project – Cazaly 100%

- **Global Maiden inferred resource of 143mt @ 52.6% Fe (55.6% CaFe)**
- **Main CID Zone comprises 92mt @ 54.9% Fe (58.4% CaFe)**
- **Excellent potential to expand. Just 1.5km drilled from 2.8km long target**
- **Exploration Target revised to <u>250 to 300mt @ 52-55% Fe (55-59% CaFe)</u>**
- **Project lies adjacent to FMG's Solomon deposits**

During the quarter Cazaly announced the maiden resource for its *Winmar* iron ore deposit located within the Hamersley Project. The project lies approximately 50km NE of the Tom Price township in the Pilbara Region of Western Australia, is well placed amongst existing infrastructure and lies immediately south of FMG's *Solomon* project.

The Company has previously highlighted significant areas prospective for Channel Iron Deposits (CID's) akin to those occurring at Solomon in the project area. Exploration over the first of these targets resulted in the discovery of significant mineralisation at *Winmar*. The Company has since conducted several drill programmes over the discovery and now presents its initial resource for the deposit as follows;

Winmar Deposit - Inferred Resource Estimate

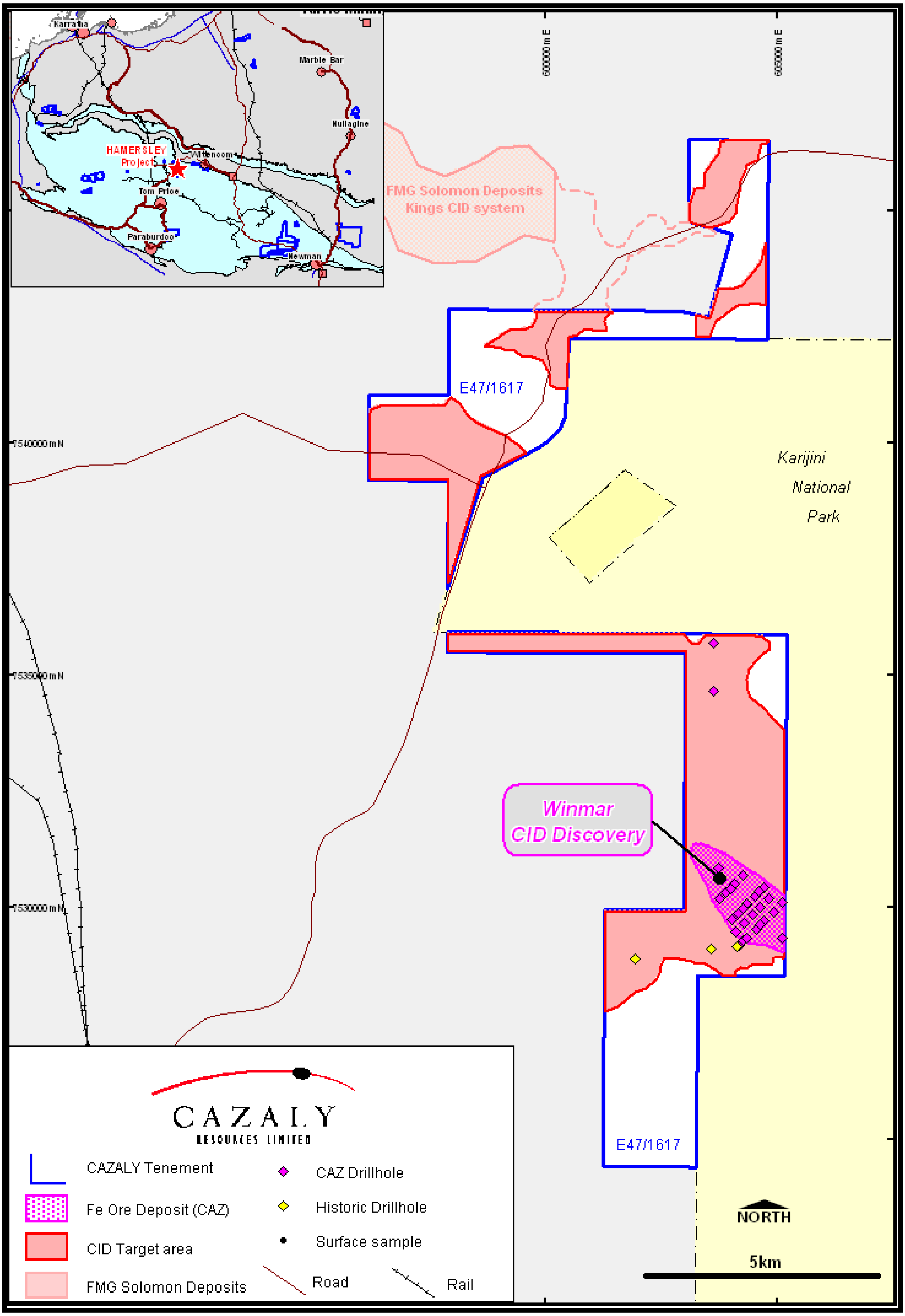
	TOTAL							
Ore Type	**Cut Off Fe %**	**Tonnes t**	**Fe %**	**CaFe %**	**Al_2O_3 %**	**P %**	**SiO_2 %**	**LOI %**
Detrital Iron	40	36,090,000	45.81	47.05	5.68	0.03	25.12	2.65
Channel Iron	**52**	**92,260,000**	**54.92**	**58.44**	**4.20**	**0.04**	**10.56**	**6.02**
Bedded Iron	52	14,880,000	54.97	59.32	4.16	0.05	9.42	7.32
Channel & Bedded Iron	52	107,140,000	54.93	58.57	4.19	0.04	10.40	6.20
Total	**40 / 52**	**143,230,000**	**52.63**	**55.58**	**4.57**	**0.04**	**14.11**	**5.31**

NB: Calcined Fe (CaFe) calculated by the formula CaFe% = (Fe%)/(100-LOI1000))*100

Mineralisation occurs as three types; an Upper Detrital Zone, a Mid Level CID and a basement Bedded Iron zone. Of these the CID mineralisation is the most pervasive and important. The zone contains the bulk of the resource and has favourable chemical properties. A programme of metallurgical test work is underway to examine a range of potential beneficiation techniques including screening, scrubbing, heavy liquid separation and magnetic separation to further improve the chemical properties of the ore.

Importantly, much of the target at Winmar has yet to be explored. The resource has been estimated from over 1.5km of strike from a total target strike length of approximately 2.8km. The size of this initial resource is substantially more than what was expected and accordingly the exploration target for the deposit has now been revised upwards to **250 to 300mt @ 52-55% Fe (55-59% CaFe)** based upon the results to date and the geometric extent of the target. Note that the Company's exploration target includes potential quantity and grade and is conceptual in nature. There has been insufficient exploration to define these extended mineral resources and it is uncertain if further exploration will result in the determination of such further mineral resources.

Approvals have been sought for ongoing exploration programmes and these will be undertaken in the near term.



Karratha
Marble Bar
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FMG Solomon Deposits
Kings CID system
E47/1617
Karijini
National
Park
Winmar
CID Discovery
E47/1617
NORTH
5km
CAZALY
RESOURCES LIMITED
CAZALY Tenement
Fe Ore Deposit (CAZ)
CID Target area
FMG Solomon Deposits
CAZ Drillhole
Historic Drillhole
Surface sample
Road
Rail

Earaheedy Iron Ore Project

- **Cazaly and Vector Resources Limited combine ground to create a 50/50 Joint Venture**
- **Combined ground creates a major holding within the Proterozoic Earaheedy Basin of over 2,300 km^2**
- **Highly prospective for large scale iron ore deposits**
- **Multiple iron ore target areas generated from early stage exploration**
- **Also highly prospective for manganese and base metal mineralisation**
- **Cazaly awarded Co-funded Drilling Grant under WA Govt EIS to explore Earaheedy JV**

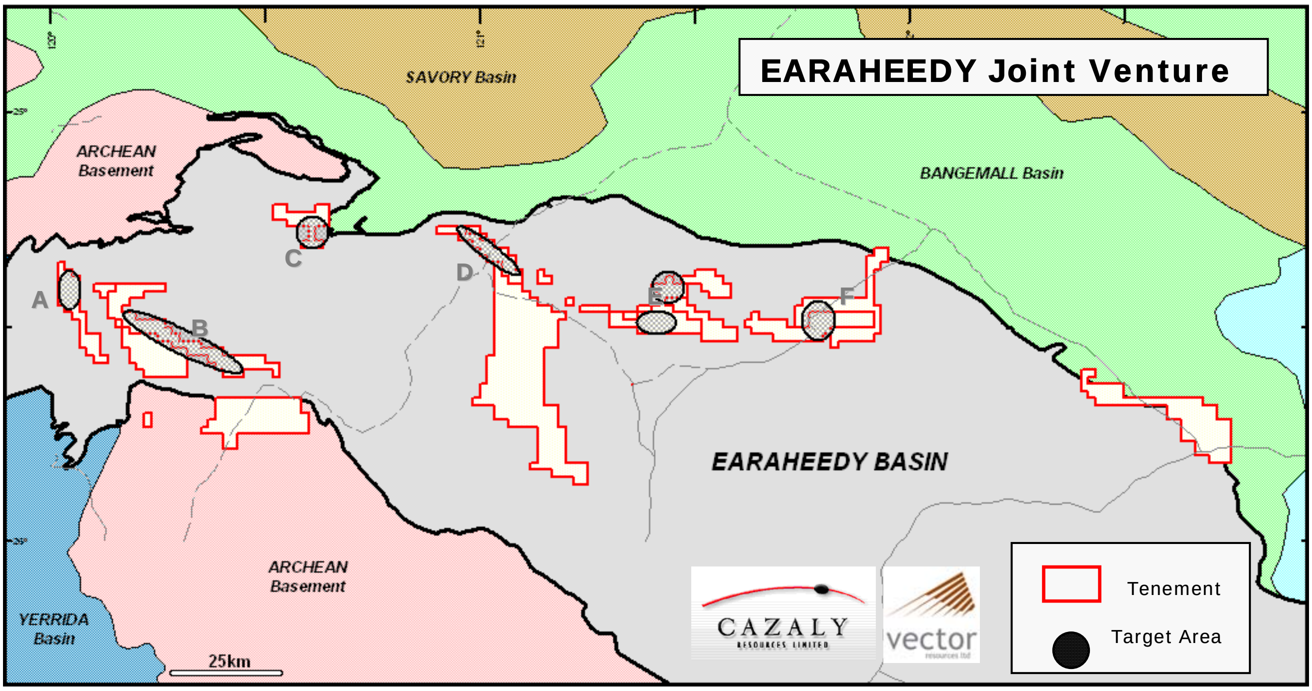
The Company has identified numerous targets for immediate exploration and is currently negotiating access to the tenements with the traditional owners with the intention of conducting drill programs later in the year. Aboriginal heritage surveys commenced during the quarter and will continue into the September Quarter.

Cazaly Resources Limited has been awarded a Co-funded Drilling Grant under the WA Government's Exploration Incentive Scheme. Under the grant, the State Government will match the Company's expenditure on reconnaissance drilling to test the significant iron and manganese potential on two tenements within the Earaheedy JV. The Government will co-fund up to $80,750 towards the exploration of this project.

The Earaheedy Basin was first explored for iron ore during the 1970's, principally by BHP and AMAX Exploration, who defined extensive areas of haematite enrichment with surface grades of up to 66% Fe. Subsequent work was very limited and only minimal drilling was conducted before work was discontinued. Recent work however, by the Geological Survey of Western Australia and by other companies, has reinvigorated exploration and highlighted the potential of the region to host major iron ore deposits. The discovery of high grade manganese mineralisation by Zinc Co Australia within the Earaheedy has also recently highlighted the potential of the region.

The Frere Formation will be the primary focus for iron ore exploration within the basin. The Formation comprises several units of granular and supergene-enriched iron-formations separated by shale, siltstone, chert, and jasper beds. The iron formations generally increase in thickness and abundance in a north westerly direction within the basin whilst detailed studies of the iron-formations have indicated similarities to iron formations of the Lake Superior region of North America.

Whilst the project is at an early stage of development the extent of known iron formations within the Frere Formation, the results from regional surface sampling and the results from other work in the region highlights the great potential of the project to host several large scale deposits of haematite, haematite-goethite and magnetite.



Some of the significant rock chip results from earlier Cazaly exploration are tabulated below

Earaheedy Significant Iron Rockchip results (>50% Fe)

East	North	Lease	Fe %	Al_2O_3%	SiO_2%	P%	S %	LOI %
345014	7186026	E69/2375	60.3	3.57	4.67	0.033	0.100	5.33
345067	7186001	E69/2375	60.9	2.58	3.74	0.030	0.111	5.83
345147	7185963	E69/2375	61.9	2.26	3.18	0.037	0.071	5.39
344736	7186097	E69/2375	58.8	3.85	6.92	0.036	0.076	4.26
344622	7186138	E69/2375	61.0	2.20	5.83	0.031	0.081	4.26
344474	7186163	E69/2375	58.8	3.99	5.75	0.076	0.059	5.54
344339	7186199	E69/2375	55.8	4.24	7.29	0.078	0.067	8.27
344116	7186243	E69/2375	59.4	2.67	3.30	0.051	0.064	8.46
343344	7186185	E69/2375	60.3	1.86	3.48	0.085	0.058	7.52
342811	7186079	E69/2375	56.9	5.69	8.14	0.063	0.053	4.46

East	North	Lease	Fe %	Al_2O_3%	SiO_2%	P%	S %	LOI %
342280	7186110	E69/2375	57.6	3.09	4.10	0.057	0.110	9.89
341916	7185806	E69/2375	56.7	5.82	6.61	0.028	0.093	5.22
341839	7185817	E69/2375	59.5	2.87	4.57	0.023	0.112	6.56
341371	7186068	E69/2375	52.2	7.18	9.15	0.112	0.088	8.06
344829	7186094	E69/2375	58.0	4.50	5.94	0.030	0.099	5.45
344969	7186045	E69/2375	61.1	3.24	3.73	0.030	0.112	4.75
345121	7185975	E69/2375	64.4	1.22	1.93	0.034	0.067	4.18
345350	7185893	E69/2375	61.5	2.25	2.33	0.046	0.087	7.01
345676	7185799	E69/2375	56.3	4.57	4.13	0.037	0.191	10.12
347263	7180713	E69/2375	54.8	3.74	4.80	0.276	0.133	10.91
311727	7189637	E69/2376	55.6	4.14	12.01	0.028	0.067	3.42
311707	7189683	E69/2376	61.9	2.99	4.44	0.016	0.142	3.32
311178	7189762	E69/2376	60.2	3.88	5.78	0.037	0.068	3.56
310920	7189831	E69/2376	58.8	2.87	7.46	0.023	0.282	3.14
203969	7187390	E52/2183	58.6	2.05	4.41	0.197	0.157	8.01
208039	7170687	E51/2183	59.4	2.90	4.86	0.058	0.178	5.40
207968	7170771	E51/2183	57.9	1.68	6.00	0.039	0.228	7.82
207927	7170900	E51/2183	60.2	1.35	5.61	0.038	0.143	5.64
204274	7183156	E51/2183	59.2	1.59	3.20	0.293	0.132	8.84
202974	7186556	E51/2183	59.2	1.28	2.94	0.054	0.159	9.21
202978	7186527	E51/2183	62.2	1.30	3.47	0.049	0.082	5.62

Notes:
1.Grid coordinates refer to MGA 94 Zone 51 datum system
2. Analyses conducted using X-Ray Fluorescence Spectrometry and LOI at 1000ºC

West Kalgoorlie Gold Project

- **Cazaly sells the Kalgoorlie West Gold Projects to Phoenix Gold Ltd.**
- **The Projects acquired by Phoenix include Ora Banda, Carbine-Zuleika and Kunanulling.**
- **The Projects contain 600,000 ounces of JORC Resources within 12 known deposits.**
- **Cazaly will receive $3.5m in cash and shares in addition to $2.5m on completion of drilling and production milestones.**

In order to fully focus on the development of the Parker Range Iron Ore Project (“PRIOP”) Cazaly Resources Ltd (“Cazaly”) (ASX: CAZ) has sold its West Kalgoorlie Gold assets, including the 100% owned subsidiary Hayes Mining Pty Ltd and 100% interest in the Kalgoorlie West Gold Projects, to Phoenix Gold Pty Ltd (“Phoenix”).

As consideration for the sale, Cazaly will receive $1.7m in cash, and shares to the value of $1.8m in Phoenix. In addition, Cazaly will receive $2.5m in cash on completion of drilling and gold production milestones.

The sale is conditional on:

(a) Phoenix receiving in principle approval from the Australian Securities Exchange (“ASX”) for admission of its securities to the official list of the ASX; and

(b) Phoenix obtaining ministerial consent for tenement transfer to Phoenix.

Phoenix is an emerging Australian resources company focussed on the acquisition, exploration and development of gold projects. The acquisition of Cazaly’s Ora Banda, Carbine-Zuleika and Kunanulling Projects add to Phoenix’s recently acquired Carbine North Project which lies adjacent.

Phoenix’s now holds almost 350km² of prospective tenements around the Kunanulling and Zuleika shear zones in the Eastern Goldfields of Western Australia. These tenements contain in excess of 600,000 ounces in Joint Ore Resources Committee (“JORC”) compliant Resources. Phoenix aims to significantly increase these Resources and deliver a 250,000 ounce Reserve within the next 12 months in addition to achieving cash flow from development of their first mine.

The sale is consistent was Cazaly’s focus on developing the PRIOP whilst reducing any shareholder dilution.

Joint Venture Projects

BRYAH PROJECT

(Dominion earning initial 70%)

The Company and Dominion Mining Ltd (ASX: DOM)(“Dominion”) have formed a Joint Venture whereby Dominion may earn an initial 70% equity by expenditure of $600,000 in the Bryah Project.

Dominion have identified the area to be prospective for copper - gold VMS deposits similar to the nearby ***DeGrussa*** discovery. Historical exploration on the tenement has focussed on identifying lode gold mineralisation and only limited copper exploration has been completed.

Dominion are currently waiting for the tenement to be granted prior to conducting Aboriginal Heritage Surveys and field programmes.

HUCKITTA PROJECT – Northern Territory
(Mithril earning 80%)

An airborne geophysical survey completed during the quarter, employing the VTEM system, provided coverage over a portion of EL 25653 of the Sammy JV where Mithril may earn an 80% interest from Sammy Resources Pty Limited ('Sammy') a wholly owned subsidiary of ASX listed Cazaly Resources Ltd (ASX:CAZ).

Although no high priority targets where identified on EL 25653 in the 2010 VTEM results a number of targets from the 2009 survey and subsequent follow-up program require further work. In the next quarter further mapping and rock chip sampling in the vicinity of the Kevin Darling (0.14% Ni, 0.18% Cu), Edmund (2.6% Cu, 65 g/t Ag) and Percy Prospects are planned.

JILLEWARRA PROJECT - North Murchison

(Red Emperor earning initial 51%)

Red Emperor continues to pursue heritage and environmental approvals for such programs. A drilling programme is planned for the current quarter.

CAZALY RESOURCES LIMITED

Quarterly Report for June 2010

Summary

The Company has made significant progress in the advancement of the PRIOP through arrangements which provide for a full “mine to market” solution for the project. Cazaly has attracted world class partners with significant expertise in mining, transport, logistics and marketing.

The Company’s partners will initially assist in the finalisation of the Definitive Feasibility Study (DFS) and will provide for the project as follows:

- **HWE Mining**: to provide financing for and the operation of the construction, mining, processing and transport of the ore to the rail head.
- **Pacific National Bulk Rail**: provision of capital items (locomotives, wagons) and rail haulage services from rail head to the Port at Kwinana.
- **Euromin/Tennant**: provision of a $30million facility, primarily to fund the remaining capital costs of the project being the port facilities, and to jointly provide marketing for the product.

The Company considers that this innovative and holistic approach to project development will provide for the greatest shareholder returns whilst minimizing dilution.

Nathan McMahon	**Clive Jones**
Joint Managing Director	**Joint Managing Director**

The information that relates to exploration targets, exploration results and drilling data of Cazaly operated projects is based on information compiled by Mr Clive Jones and Mr Gregory Miles who are Members of The Australasian Institute of Mining and Metallurgy and The Australian Institute of Geoscientists respectively and are employees of the Company. The information that relates to the Mt Caudan Mineral Resource Estimate has been authorized by Mr Paul Payne who is a member of the Australasian Institute of Mining and Metallurgy and an employee of Runge Limited. The information that relates to the West Kalgoorlie Project Mineral Resources has been authorized by Mr Jones and Mr Miles. Both Mr Jones, Mr Miles and Mr Payne have sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which they are undertaking to qualify as a Competent Persons as defined in the 2004 Edition of the ‘Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves’. Mr Jones, Mr Miles and Mr Payne consent to the inclusion in their names in the matters based on their information in the form and context in which it appears.