CAZALY RESOURCES LIMITED

LETTER TO OPTION HOLDERS

The Directors of Cazaly Resources Limited ("the Company") provide a copy of a letter dispatched to option holders today in relation to the expiry of 20 cent listed options at 5.00pm Western Standard Time ("WST") on 28 February 2011.

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For further information please contact:

Lisa Wynne
Company Secretary
Cazaly Resources Limited
Tel: +618 9322 6283
Em: lisa@cazalyresources.com.au

Website: www.cazalyresources.com.au

11 January 2011

Dear Optionholder

NOTICE TO OPTION HOLDERS

We write to you as a registered holder of options as at today's date. These options entitle you to acquire ordinary fully paid shares in Cazaly Resources Limited. Each option held is for the acquisition of one ordinary fully paid share, and the exercise price is 20 cents per option.

You are formally advised that these options will expire at 5.00pm Western Standard Time ("WST") on 28 February 2011.

Options may be exercised wholly or in part by completing the exercise of options form and payment of 20 cents for each option exercised, by no later than 5.00pm Western Standard Time ("WST") on 28 February 2011. If the 'Notice of Exercise of Options and Application for Shares' form and payment is not received by 5.00pm WST on 28 February 2011 the option will not be exercised and will result in the forfeiture of any rights that you as an option holder may have in relation to ordinary shares.

Pursuant to Listing Rule 6.24, Appendix 6A of the Australian Securities Exchange Limited (ASX), the Company provides the information contained in this notice.

Market Sale Price

The market sale price of ordinary fully paid shares in **Cazaly Resources Limited** on the ASX was 37.5 cents on 10 January 2010, being the last trading day prior to the date of this notice.

During the three months preceding the date of this notice:

- the highest market price on the ASX was 50 cents on 15 October 2010; and
- the lowest market price on the ASX was 35 cents on 21 December 2010.

Last Date of Quotation on ASX

Last date of quotation of the options on ASX is Monday, 21 February 2011.

A 'Notice of Exercise of Options and Application for Shares' form is enclosed for your completion.

How to Exercise your Options

Please complete the enclosed 'Notice of Exercise of Options and Application for Shares' form and then forward it together with your cheque, to be received by 5.00 pm WST on 28 February 2011 to:

Advanced Share Registry Limited
PO Box 1156
NEDLANDS WA 6909

Telephone: (08) 9389 8033
Facsimile: (08) 9389 7871

Payments must be in Australian dollars only, and cheques should be made payable to **Cazaly Resources Limited** and crossed "Not Negotiable" and drawn on an Australian bank.

If you wish to clarify any taxation consequences relating to the exercise of options, please consult your solicitor, accountant or professional adviser.

Yours faithfully

Lisa Wynne

Company Secretary

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CAZALY RESOURCES LIMITED

ABN : 23 101 049 334
INCORPORATED IN WESTERN AUSTRALIA

APPLICATION FOR SHARES UPON EXERCISE OF OPTIONS

I/We ____

Securityholder Reference Number (S.R.N) / Holder Identification Number (H.I.N) __________________________

Contact Telephone Number __________________________

The registered holder(s) of the Options hereby exercise my/our Directors' Option for: __________ (In figures) ____________________________ (In words) Ordinary Fully Paid Shares

and enclose application money of $0.20 per share $...……………. (amount payable on exercise)

I/We whose full name(s) and address(es) appear above hereby apply for the number of Shares shown above. I/We agree to be bound by the Constitution of the Company.

Signature Of Shareholder(s) (All joint holders must sign)	**Companies Only -** Executed in accordance with the Company's Constitution and the Corporations Law.	
✘ ---------------- Signature Date	✘ ---------------- Sole Director and Sole Secretary Date	
✘ ---------------- Signature Date	✘ ---------------- Director Date	✘ ---------------- Secretary Date
✘ ---------------- Signature Date	✘ ---------------- Director Date	✘ ---------------- Director Date

Note: If signed under Power of Attorney, a Certified Copy of the relevant Power of Attorney document must be exhibited to the Registry.
The Attorney declares that he/she has had no notice of revocation of the Power of Attorney.

The New Options are granted on the following terms and conditions:

(a) Each New Option entitles the holder to acquire one fully paid ordinary share in the Company.

(b) The New Options may be exercised at any time on or before 5.00pm (WST) on 28 February 2011. Each New Option may be exercised by forwarding to the Company at its principal office the exercise notice, duly completed, together with payment of the sum of twenty cents ($0.20) per New Option exercised. The New Options will lapse at 5.00pm (WST) on 28 February 2011.

(c) The New Options may be transferred by an instrument (duly stamped where necessary) in the form commonly used for transfer of New Options at any time until 5.00pm (WST) on 28 February 2011, being the date the New Options expire. This right is subject to any restrictions on the transfer of a New Option that may be imposed by ASX.

(d) New Optionholders can only participate in new issues of securities provided they have first exercised their New Options in which case the New Optionholders shall be afforded the period of at least nine (9) business days prior to and inclusive of the record date (to determine entitlements to the issue) to exercise the New Options.

(e) Shares issued on the exercise of Options will be issued not more than fourteen (14) days after receipt of a properly executed exercise notice and application moneys. Shares allotted pursuant to the exercise of an Option will rank equally with the then issued ordinary shares of the Company in all respects. If the Company is listed on ASX it will, pursuant to the exercise of an Option, apply to ASX for Quotation of the Shares issued as a result of the exercise, in accordance with the Corporations Act and the Listing Rules.

(f) In the event of any reconstruction (including consolidation, sub-division, reduction or return) of the issued capital of the Company, all rights of the option holder will be changed to the extent necessary to comply with the Listing Rules applying to the reconstruction of capital at the time of the reconstruction.

(g) If there is a bonus issue to shareholders, the number of Shares over which the New Option is exercisable may be increased by the number of Shares which the holder of the New Option would have received if the New Option had been exercised before the record date for the bonus issue.

(h) In the event that a pro rata issue (except a bonus issue) is made to the holders of the underlying securities in the Company, the exercise price of the Options may be reduced in accordance with Listing Rule 6.22.

Cheques should be made payable to CAZALY RESOURCES LIMITED crossed "Not Negotiable", drawn on an Australian Bank and posted to Advanced Share Registry Ltd, PO Box 1156, Nedlands, Western Australia 6909.

NOTE: OPTIONS NOT EXERCISED BY 28 FEBRUARY 2011 WILL AUTOMATICALLY EXPIRE.