



ABN 23 101 049 334

Quarterly Report for March 2012

- **Minister of Environment grants final environmental approval for the Parker Range Iron Ore Project (PRIOP)**
- **Discussions with governmental authorities advance potential short term export options for PRIOP ore**
- **Anglo American Joint Venture over the *Earaheedy* project continues to produce excellent results;**
 - **Surface sampling produces results up to 65% Fe**
 - **Detailed aeromagnetic survey highlights extensive magnetic formations**
- **Drilling to commence at Earaheedy West Manganese-Base Metal project**
- **Major IOCG mineralising system discovered at Huckitta JV Project (NT). IOCG targets generated for drill testing**

Parker Range (CAZ 100%)

Ministerial environmental approval received

The Company has now received the final environmental approvals for the development of the Parker Range Iron Ore Project (PRIOP) in the Yilgarn region of Western Australia from the Western Australian Minister for the Environment, Hon. Bill Marmion MLA.

This approval, granted under section 45(1) of the Environmental Protection Act 1986, is a significant milestone for the project and the Company and represents the culmination of well over 12 months work by Cazaly. With the granting of this key approval, Cazaly is now in a position to take a step closer to the development of the PRIOP. The Company now has an extremely good understanding of the regional environmental, social and heritage values of the project area, and will ensure that all conservation and environmental management measures are fully integrated into the construction and operational planning phases of the project.

The Company continues to work closely and cooperatively with the Western Australian Government and local authorities to seek the best possible combination of infrastructure solutions to enable the project to be developed as soon as possible. This includes both a longer term expanded production profile based upon the planned expansion of the Esperance port and a shorter term, lower tonnage solution. Cazaly has been greatly encouraged by the commitments made by the State to increasing the export capacity at the port of Esperance and to the commencement of upgrade works on the port access corridor at Esperance.

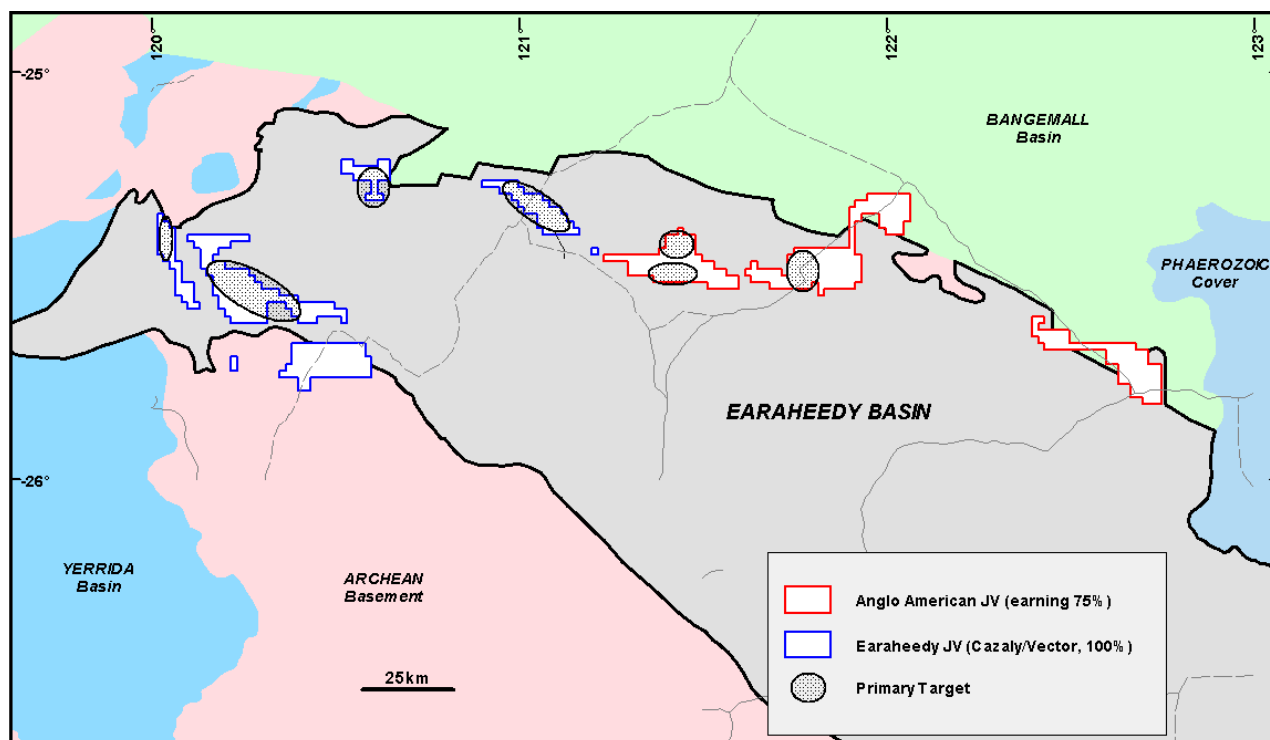
The company continues to engage with potential partners for the project.

Earaheedy Joint Venture

Major Farms-In to Potential Major New Iron Ore Province

Cazaly and Vector Resources Limited (ASX:VEC) (collectively the Earaheedy Joint Venture, "EJV") previously announced a farm-in agreement with Anglo American ("Anglo"), the global diversified mining house, covering a large part of EJV's Earaheedy Iron project in the Wiluna region of Western Australia.

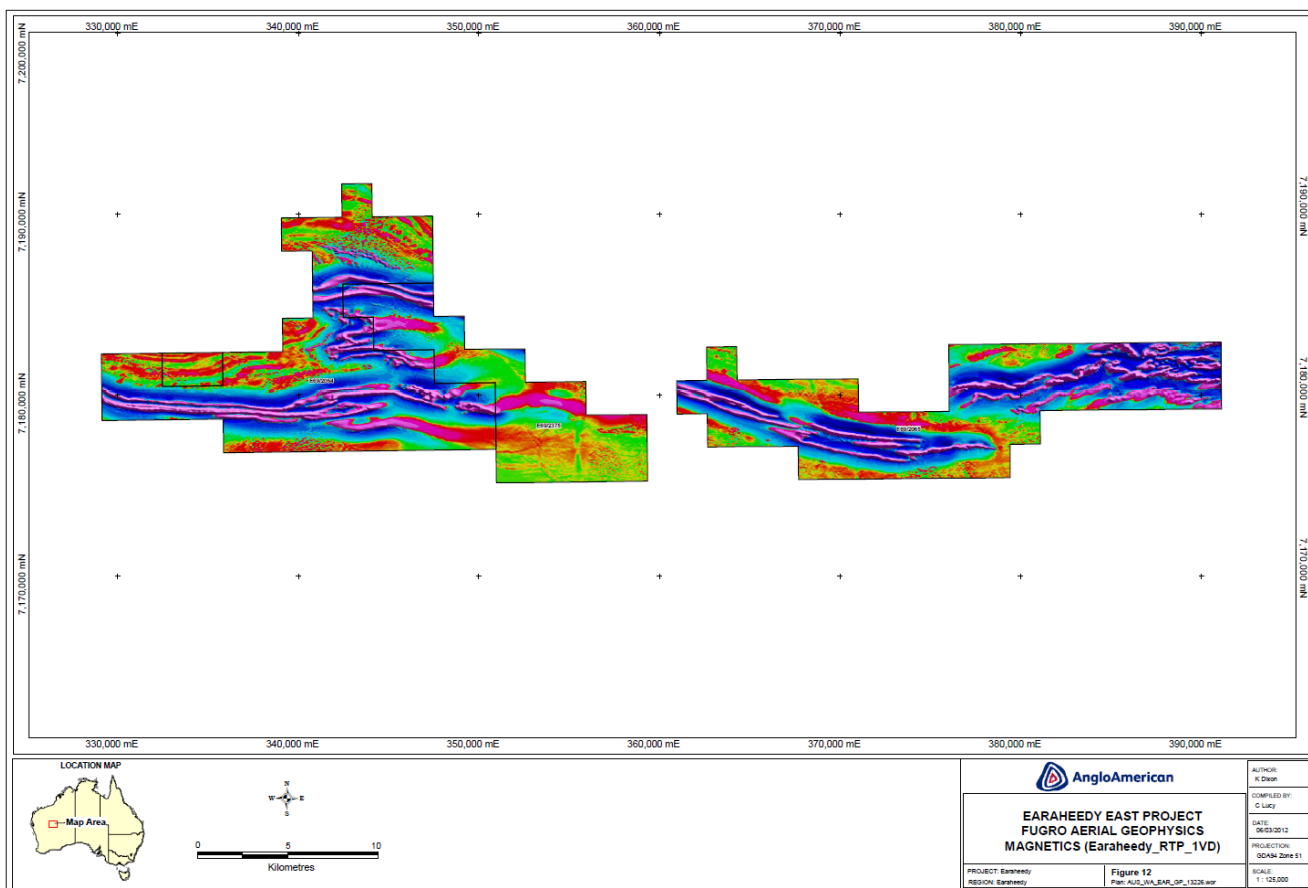
EJV's Earaheedy project covers an area in excess of 1,700km² and includes a substantial strike extent of the iron ore prospective Frere Formation. The Farm-In Agreement relates to an area of approximately 890 km².



Following initial geological mapping at the project Anglo identified what are interpreted to be extensive units of structurally folded and repeated units of iron-enriched formations. Assay results from samples taken from outcrop, subcrop and float samples from the Frere Formation around the Cecil Roads and Sydney Heads Prospect areas recorded results of up to 65% Fe.

A detailed aeromagnetic survey for Mt Cecil Rhodes & Sydney Heads area was also completed and proved to be a substantial improvement on previously available data. This data is now being used as a base for geological and structural interpretations.

The EJV retains sole rights to the western portion of EJV's Earraheedy project area ("Earraheedy") which is also deemed to be highly prospective for manganese and base metal mineralisation. Field programmes have been proposed and approved with drilling over the *Blue Cliffs* and *Blue Nugget* manganese prospects to commence within the next week.



Airborne Magnetic Survey data, showing RTP 1VD on the Earraheedy Project.

Jillewarra Copper-Gold Project

(Cazaly 100% interest)

A coincident geochemical, structural and geophysical target identified at the *Guga* and *Zapata* prospects at the Jillewarra base metal–gold project was drill tested during the quarter. A programme of aircore, RAB and RC drilling was recently completed with results received to date indicating a large mineralised system. Results received from Guga included elevated levels of Cu, Pb and Zn associated with gold mineralisation (ie; 1m @ 1.30 g/t Au, 1m @ 4.10 g/t Au) whilst at Zapata gold mineralisation was discovered (incl.; 4m @ 1.37 g/t Au, 3m @ 2.04 g/t Au - to end of hole).

Hamersley Iron Ore Project

(Cazaly currently 100%, reducing to 49% - Winmar Resources Ltd earning an initial 51% interest)

The following is an extract from Winmar Resources Ltd's Quarterly Report for March 2012:

The Company's priorities for its works program at the Hamersley project are:

- *Defining the extent of the current Resource base*
- *Extending the Resource base*
- *Improving Metallurgical understanding at the project*
- *Progressing infrastructure access negotiations*
- *Native Title agreements, including Heritage agreements*
- *Base line environmental studies*
- *Defining new regional targets, and*
- *Mining Plans*

The current global inferred resource estimate is;

241.6mt @ 54.3% Fe (57.6% CaFe) (nb; CID Zone comprises 169.3mt @ 55.6% Fe (59.0% CaFe)).

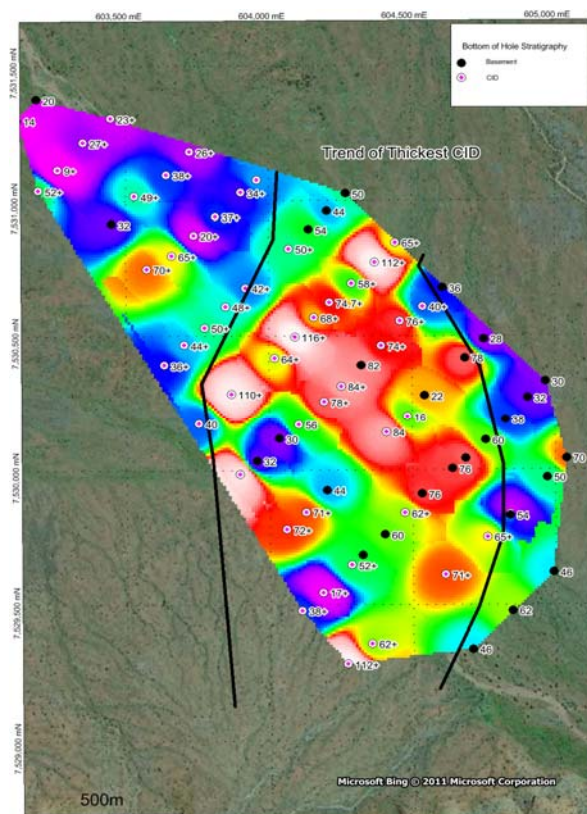


Figure: Holes showing CID thickness (metres), gridded to show trends.



Beneficiation studies are ongoing, and a new program of beneficiation testing will be undertaken. Initial results suggest that gravity separation following crushing and screening may sufficiently upgrade the material to a more premium product. Samples will be collected using a Brauer rig (if available) for the detrital material, and PQ (85mm) core for the Channel Iron Deposits (CID) and Banded Iron Deposits (BID).

Planning for the upcoming drilling campaign at the Hamersley project is well underway. The camp has been mobilised and a heritage survey is expected to be completed early May. Drilling is scheduled to commence immediately thereafter.

Joint Venture Projects

Huckitta JV – Cazaly diluting to 20% - Mithrill Resources Ltd (ASX: MTH) earning 80%

The Austin Prospect is located on EL25643 where Mithril may earn an 80% interest under a joint venture with Sammy Resources Pty Ltd, a wholly owned subsidiary of Cazaly Resources.

Field activities commenced in mid March on the Joint Venture area with a focus on EL25643 where mineralisation consistent with IOCG mineralisation was discovered in 2011.

Geological mapping and surface sampling 500m south east of the *Austin Copper Prospect* has identified anomalous copper (0.15% to 4.5% Cu) and gold (33ppb to 280ppb Au) mineralisation in magnetite rich veins within granitic rock types that are intensely magnetite altered. The association of mineralisation with such alteration has not been previously identified on the project but is again consistent with an IOCG mineralising system. Mapping and sampling in this area is on-going with the view to commence drilling at Austin in May 2012.

The copper mineralisation at and around Austin is associated with a >15km long northeast-southwest trending major fault that is clearly delineated in the recently acquired airborne magnetic data.

Further copper mineralisation has also been identified approximately 20km to the southeast of the Austin prospect hosted in a quartz-hematite vein approximately 50m long and 1-2m wide, similar to the mineralisation identified at the Austin and Bigglesworth prospects. This vein is hosted in altered granite which also contains copper mineralisation and is located on a major east-west trending structure. Analytical results have not yet been returned from this new area.

Induced polarisation surveys completed in 2011 indicate anomalous responses at the Austin Prospect coincident with outcropping copper mineralisation and are interpreted to represent sulphide accumulations. These, and the gravity and magnetic anomalies immediately south of Austin, are priority exploration targets for drill testing commencing soon.

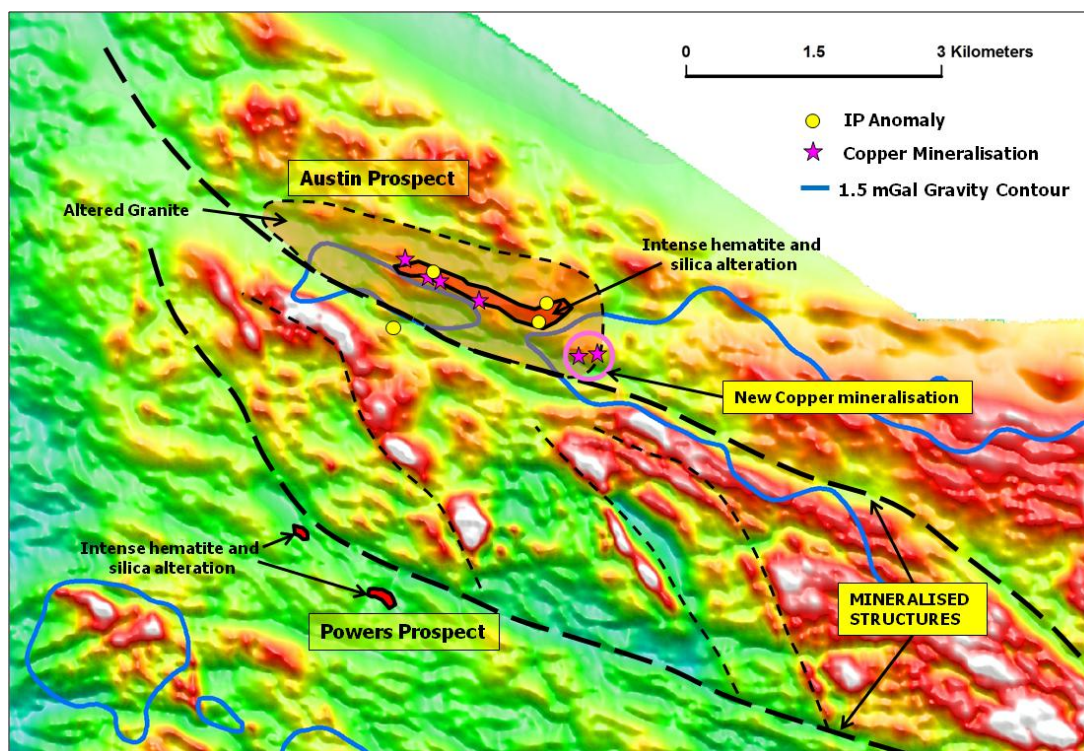


Figure: Magnetic image of Austin and Powers Prospect areas showing prospects, IP geophysical anomalies, copper showings, areas of mapped alteration significant structures and a number of untested magnetic features beneath shallow cover.



Nathan McMahon
Joint Managing Director



Clive Jones
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 Don Horn 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 Rob Williams who is a member of the Australasian Institute of Mining and Metallurgy (AusIMM) and an employee of Runge Limited, an independent resource consultancy group. The information in this report that relates to the Winmar Deposit Resource Estimate is based on information compiled by Mr Craig Allison who is a Member of the AusIMM and also a full-time employee of Runge Limited. Mr Jones, Mr Horn, Mr Williams and Mr Allison 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 Horn, Mr Williams and Mr Allison consent to the inclusion in their names in the matters based on their information in the form and context in which it appears.