



ABN 23 101 049 334

Quarterly Report for June 2012

PARKER RANGE IRON ORE PROJECT

- Capacity Reservation Deed signed with Esperance Port for 5Mt per year
- Project Manager appointed to progress interim development options
- Discussions commenced with leading commercial banks regarding debt funding
- A further 110sq km (E77/1689 and 2068) of highly prospective ground added to the Parker Range project area.
- Exploration programmes being planned

OTHER PROJECTS

- Significant progress at both the Hamersley iron ore and Huckitta copper-gold Joint Ventures
- New Project Generation activities continue



Parker Range (CAZ 100%)

Capacity Reservation Deed Executed, interim export solutions being examined.

Australian iron ore company Cazaly Resources Limited (**ASX: CAZ**) ("Cazaly" or "the Company") has further enhanced its logistics solutions for its Parker Range Iron Ore Project in the Yilgarn region of Western Australia, through the signing of Capacity Reservation Deed with the Esperance Port Authority and by appointing Engenium Limited to conduct a detailed review of interim shipping options prior to the expansion at Esperance being completed.

The Parker Range project is the most advanced DSO resource in the Yilgarn with a published Definitive Feasibility Study, (refer ASX announcement dated 12th May 2011). The project greatly benefits from its close location to existing and accessible infrastructure including road, rail, port, power and township.

Commenting on these developments, Cazaly Managing Director, Nathan McMahon said, *"These positive results now allow for the advancement of government and non-government stakeholder consultation and the completion of discussions for financing."*

Capacity Reservation Deed with Esperance Port Authority

Cazaly entered into an agreement with Esperance Port Sea and Land (EPSL) for access to the expanded Esperance Port, located in the Great Southern Region of Western Australia.

The agreement, a Capacity Reservation Deed, provides Cazaly with a five (5) million tonne allocation at the Esperance Port, subject to the expansion occurring and commercial terms being entered into between Cazaly and the operator of the proposed facility.

The proposed mining and export of Hematite DSO product from the port of Esperance is planned to coincide with the completion of the infrastructure corridor to the port of Esperance, being managed by the Western Australian Government, and the expansion of the Port itself.

On 19 January 2012 Western Australian Minister for Transport, Hon Troy Buswell BEc MLA, confirmed that export capacity at Esperance Port will potentially increase by up to 20 million tonnes per annum (mtpa) in a staged plan, with the State Government formally committing to expansion of the port.

Cazaly considers this landmark decision further enhances the economic value of the Parker Range project and commends the State Government for advancing the interests of the planned producers in the Yilgarn iron ore province.

Appointment of Engenium Limited as Project Manager

The Company has appointed Engenium Ltd ("Engenium") as Project Manager, to review a number of alternate interim options which will allow for development of the Parker Range Iron Ore Project prior to the expansion of the Esperance Port.

Perth based Engenium are a leading Project Delivery company servicing the Resources, Rail and Infrastructure sectors, They have extensive experience in the evaluation of logistics solutions for a range of resources projects, so as to fast track projects into production and in turn generate meaningful cash flow.

It is expected the Engenium review of the interim infrastructure options available to the Company will be completed in this current quarter.

General Project Update

The Company has previously announced 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.

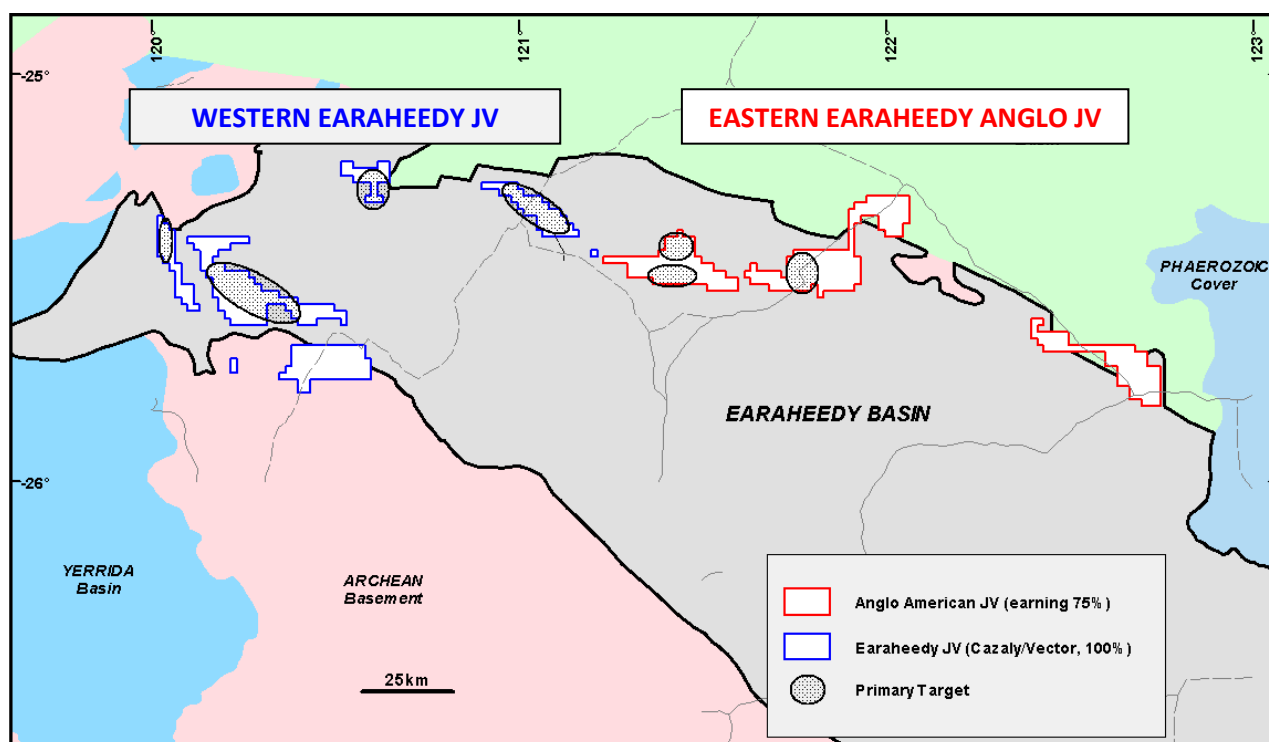
The company continues to engage with potential partners for the project.

Earaheedy Joint Venture

Anglo American to commence drilling programme on 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.



During the quarter, Anglo received results from a native title heritage survey conducted during the last quarter allowing access for low impact activities on areas within E69/2064, E69/2065 and E69/2375. Some areas will require heritage monitors during exploration.

Anglo completed a 1:20,000 scale geological map and enrichment/mineralisation map on the Cecil Rhodes Project (E69/2375), covering an area of ~200km². Anglo geologists have identified two iron rich units ('Lower Iron Formation', LIF and 'Upper Iron Formation', UIF). These two iron rich units coincide with the interpretation from the aeromagnetic survey conducted by Fugro in late 2011.

Three rock chip samples were collected and submitted to ALS Analytical Laboratories in Perth. Detrital iron stones crop out sparsely and discontinuously in several areas proximal to good hematite enrichment of the granular iron formation with Fe content up to 49.9%. A total of 11 samples were submitted to Minerex Petrographic Services for polished thin sections.

The first reverse circulation drilling campaign to be conducted by Anglo at the Earaaheedy Joint Venture (Cecil Rhodes Project) is scheduled to commence in late August. Permits have been submitted and a high impact heritage survey completed.

WESTERN EARAHEEDY JV (CAZ/VEC 50:50)

Manganese Exploration E69/2063 (Blue Cliffs and Blue Nugget Prospects)

Twenty (20) RC drill holes for 1,523m were drilled within Exploration Licence E 69/2063 at the *Blue Cliffs* and *Blue Nugget* manganese prospects during the quarter. Drilled holes tested the near surface manganese mineralisation potential over a broad strike length of manganese enriched outcrop of the Frere Formation.

All RC drill results have now been received. Low to moderate grade manganese enrichment was intercepted at the Blue Cliffs Prospect interpreted to have enriched siltstone and chert units within the Frere Formation. The manganese enriched intercepts are from 1-8m thick, and grade up to 38.4% manganese (using a cut-off grade of 5% Mn). Manganese enrichment is from surface or near surface and relatively flat-lying. Table 1 shows the enriched manganese intersections from the drilling.

Table: Earaaheedy Manganese Drill Intersections:

HoleID	East	North	Depth	Azm	Dip	From	To	Length	Mn%	Fe %	SiO2%	Al2O3%
EARC0022	223781	7177472	60	270	-60	2	4	2	32.95	14.9	7.14	1.09
					Incl.	2	3	1	38.40	13.0	9.4	2.1
EARC0023	223689	7177546	60	270	-60	0	1	1	24.40	13.8	13.06	2.47
EARC0024	223636	7177645	60	270	-60	3	4	1	24.30	9.7	18.11	1.38
EARC0028	223863	7177914	60	270	-60	22	25	3	26.13	14.0	12.08	1.56
EARC0029	223738	7177644	119	270	-60	12	13	1	20.20	10.7	15.02	4.67
						16	18	2	20.65	17.1	13.60	2.15
EARC0032	223824	7177641	60	270	-60	23	24	1	23.80	9.9	18.44	0.94
EARC0033	223785	7177544	149	270	-60	14	15	1	27.40	9.1	15.94	1.11

Further work is being completed by the company to evaluate the potential of the prospects to host further significant manganese mineralisation for follow-up.

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 June 2012:

HIGHLIGHTS:

- **Completion of a 4,012m RC drill program**
- **Significant intercepts intersected in 13 holes**
- **Highlight results include;**
 - **74m @ 59.15%Fe (60.5% Calcined Fe) from 28m within a CID zone of 102m thickness.**
- **Diamond Rig has commenced drilling for metallurgical samples from the Channel Iron Deposit material**
- **New Heritage survey completed**
- **Completion of second season Flora and vegetation study**

Exploration and Development Plans

Winmar's priorities for its 2012 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

Latest Phase of Drilling completed

During the June quarter Winmar completed a 20 hole, 4012 metre RC drilling program at the Hamersley project, and assay results from all holes have now been received. The drill program returned excellent CID extensions at depth in a number of holes, and, as a result fewer holes were required to be drilled than initially planned.

The majority of holes intersected Channel Iron Deposit (CID) material with the higher grade and thicker zones occurring on the Northern side of the deposit. In total, 13 holes intersected significant iron mineralisation. The project remains open in most directions and at depth.

Highlight results included;

- An outstanding shallow high grade intercept (from 28 metres) of; **74 metres @ 59.14% Fe** (60.47% Calcined Fe) in hole PLRC0162, within a broader Channel Iron Deposit (CID) zone of 102 metres @ 56.00% Fe (58.33% Calcined Fe), and
- High grade intercepts of up to **28m @ 57.03% Fe** (60.63% Calcined Fe) in hole PLRC0145, along with mineralised CID zones of up to 90m @ 51.63% Fe (55.98% Calcined Fe) in hole PLRC0154 on the northern extent of drilling.

A summary of the most significant intersections are presented in below.

Hole ID	From	To	Intercept	Fe %	SiO2%	Al2O3%	P%	LOI%	Calcined Fe%
PLRC0145	116	144	28m	57.03	8.07	3.64	0.036	5.94	60.63
PLRC0147	112	136	24m	52.34	12.92	5.81	0.025	5.33	55.30
Incl	120	132	12m	55.84	9.27	4.55	0.029	5.48	59.07
PLRC0149	116	188	8m	53.14	9.99	5.95	0.023	6.72	56.97
PLRC0151	90	132	42m	51.62	9.82	8.60	0.048	6.48	55.08
Incl	106	130	24m	56.30	7.08	5.89	0.059	5.65	59.65
PLRC0152	112	142	30m	52.09	9.06	8.06	0.047	7.23	56.09
Incl	126	142	16m	53.99	9.55	6.25	0.053	6.09	57.45
PLRC0153	130	154	24m	52.50	11.49	6.60	0.026	5.97	55.83
PLRC0154	140	230	90m	51.84	11.85	5.90	0.024	7.38	55.98
Incl	170	226	56m	53.43	9.66	5.47	0.026	7.82	57.96
Incl	190	222	32m	54.27	9.25	5.08	0.027	7.48	58.64
PLRC0157	112	136	24	50.35	9.76	8.32	0.038	8.97	55.31
Incl	114	132	18	51.29	8.92	7.76	0.039	9.11	56.42
PLRC0158	96	140	44	55.08	9.68	6.29	0.044	4.25	57.55
Incl	112	140	28	57.62	7.31	5.13	0.046	4.29	60.22
PLRC0159	114	166	52	54.43	9.51	3.91	0.038	7.33	58.70
Incl	116	148	32	56.81	8.12	3.51	0.036	6.21	60.57
PLRC0160	210	228	18	55.94	10.92	3.88	0.020	4.37	58.48
PLRC0161	68	88	20	51.76	14.39	6.55	0.049	4.23	54.05
PLRC0162	28	130	102	55.99	9.76	5.36	0.049	4.10	58.33
Incl	28	102	74	59.13	8.00	4.55	0.041	2.22	60.47
Incl	28	90	62	59.96	7.17	4.42	0.041	2.02	61.20

Significant intercepts from Detrital Overburden

Hole ID	From	To	Intercept	Fe	SiO2	Al2O3	P	LOI	Calcined Fe
PLRC0157	26	44	18	47.51	24.07	4.46	0.036	2.45	48.70
PLRC0158	24	62	38	52.15	16.33	5.56	0.034	2.61	53.55
PLRC0161	34	60	26	55.00	12.00	5.88	0.037	2.41	56.36

CID mineralisation was logged in new drill holes up to 800 metres in distance from the current resource, which was extremely encouraging. The results of this phase of drilling were designed to deliver a significant Resource upgrade, due in Q3, which will be used to provide an updated scoping study and as input for potential mining plans.

The current drilling was positioned on 400 metre spacings from previous drilling, and was designed to test for extensions to mineralisation. Drill holes to the northern side and south west of the previous resource have shown the most consistent extensions and mineralised zones. Importantly these results are outside the area of the current resource.

Also, significant results from the overlying detrital material were returned in 3 holes in the southwest of the deposit (Table above). These included; 26 metres @ 55.01% Fe (56.36% Calcined Fe) in PLRC0161, from 34 metres depth. The south western zone of CID and high grade Detrital material will be the initial focus of Winmar's development plans for the deposit, and may provide an early pathway to production of beneficiated material and DSO.

The current Hamersley project global inferred resource estimate is;

July 2011 Resource Estimate (COG: 40%Fe Detrital, 52%Fe Channel & Bedded)

Type	Inferred Mineral Resource						
	Tonnes Mt	Fe %	Al ₂ O ₃ %	P %	SiO ₂ %	LOI %	CaFe %
Detrital	29.1	47.1	5.6	0.03	23.9	2.6	48.3
Channel	169.3	55.6	4.1	0.04	10.1	5.7	59.0
Bedded	43.2	54.0	4.5	0.05	10.0	7.4	58.3
Total	241.6	54.3	4.3	0.04	11.8	5.6	57.6

CaFe (calcined iron) calculated by: $(Fe\% / (100 - LOI\%)) * 100$

The Resource estimate was completed in July 2011 with results from just over half of the RC drill program. All significant results were subsequently reported during 2011 and July 2012, however many of the results were not included in the current model.

As a result of the successful exploration to date, with mineralisation remaining open in most directions, the Exploration Target for the Project has been upgraded to 350-400mt @ 54-56% Fe (57-60% CaFe) based on the potential for extensions to the known resource.

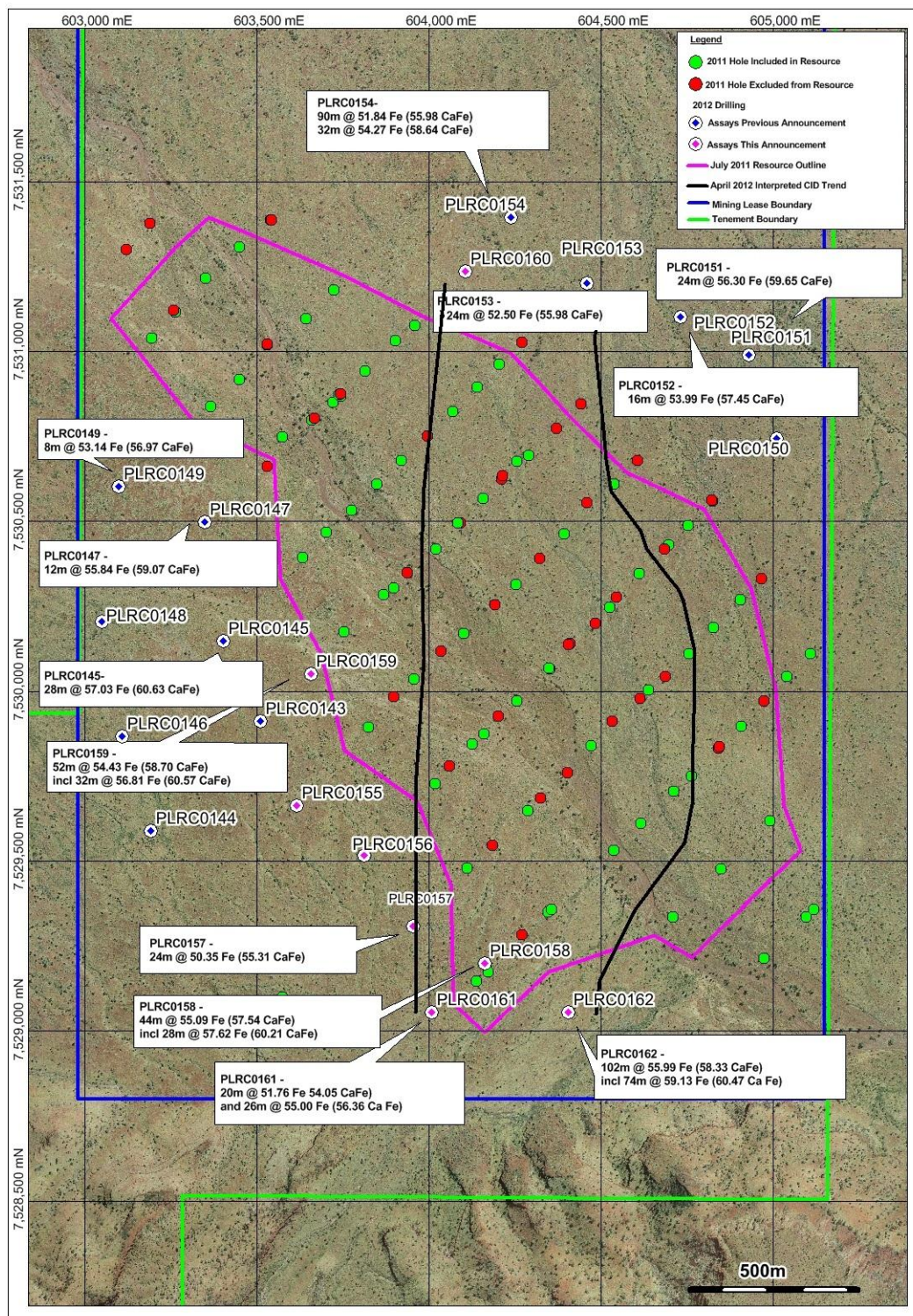
Beneficiation testing program

Metallurgical work commenced on PQ and Sonic core drilled during 2010 and 2011, to determine the beneficiation potential of the CID and overlying detrital material. A diamond drill program is now underway to provide further CID material for metallurgical testing. A Bauer (large diameter) rig is also due to collect bulk samples of the detrital material, in late July.

Preliminary ore characterization has been completed. A mineralogical study was also completed during the quarter to provide valuable information on the ore composition and impurity profile. The information has been used to design further metallurgical testing during the next quarter. Preliminary metallurgical testing has indicated that there is potential for beneficiation of the quaternary detrital material to produce a saleable product, as well as an upgrading of the CID material.

Initial results suggest that gravity separating, following crushing and screening, may be sufficient to upgrade the material to a more premium product. Further work will include using bulk samples, up to 15Mt. Testing on smaller portions will be completed to define a flow-sheet, and then a larger test will be completed to determine yields and grades of products.

Figure: Locaton of new significant intercepts 2012 drill program.



Environmental Survey

A second season level 2 Flora and Vegetation survey of M47/1450 was completed during April in accordance with the Environmental Protection Authority's (EPA) Guidance Statement 51 (Terrestrial Flora and Vegetation Surveys for Environmental Impact Assessment in Western Australia). Planning for an initial Level 1 Fauna survey was completed during the June quarter with the survey to proceed during the current quarter. A new heritage survey has now been completed across an area immediately south of the FMG Zion deposit. Clearance for a new programme of works is pending.

Joint Venture Projects

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

The focus of Mithril's work during the quarter was on EL25643 which forms the major part of the newly defined *Illogwa IOCG Target Area (IITA)* where multiple outcropping copper occurrences have recently been discovered by Mithril.

The IITA is now recognised as a ~50km long belt of anastomosing shear zones structures variably characterised by siliceous veining and strong haematite, fluorite and copper mineralisation. The area has not previously been explored for by modern exploration and is considered to represent a major tectonic margin with the potential to host significant copper-gold mineralisation. The mineralisation is consistent with structurally controlled iron-oxide-copper-gold (IOCG) mineralising systems akin to those found within the world class Mount Isa-Cloncurry District of North West Queensland.

Recent field activities have identified a number of new mineral occurrences during the reporting period and include the *Mini Me*, *El Gordo* and *Nigel* copper prospects. At *Mini Me* the surface expression of the mineralisation and alteration has been located sporadically over a strike length of 2,000m and is from 2m to 50m wide, as observed by geological mapping and analytical results. The copper bearing sulphide chalcopyrite has been observed at a number of locations at surface at *Mini Me* suggesting a sulphide source for the copper mineralisation.

The analytical results from eight grab samples taken from mineralised surface outcrops over a 800m strike extent at *El Gordo* returned copper values ranging from 0.7% to 12.6%, gold values ranging up to 1.0g/t and silver values up to 12.5g/t. In addition to this a channel sample where seven 1-metre continuous surface samples collected from a north-south oriented traverse across one of the mineralised horizons at *EL Gordo* returned 7 metres grading 0.94% copper.

A major soil sampling program also commenced on a 200m x 400m grid over the southeast portion of EL25643 during the quarter. This program comprised ~800 samples and was analyzed for base metals. This technique has worked well elsewhere in the IITA in locating copper occurrences (ie Austin prospect). Analytical results are expected in late July.

Work planned for the next quarter includes shallow RC drill testing of existing prospects and other targets followed by deeper RC and/or diamond drilling of selected prospects. This

drilling will commence once the results from a heritage survey completed during the quarter are received (expected in late July). In addition to this work, geological mapping and sampling will continue and an airborne EM survey (VTEM) is being considered over existing mineralisation and associated structures.

Figure: Illogwa Copper Belt showing Reduced to Pole (RTP) magnetic image and prospects

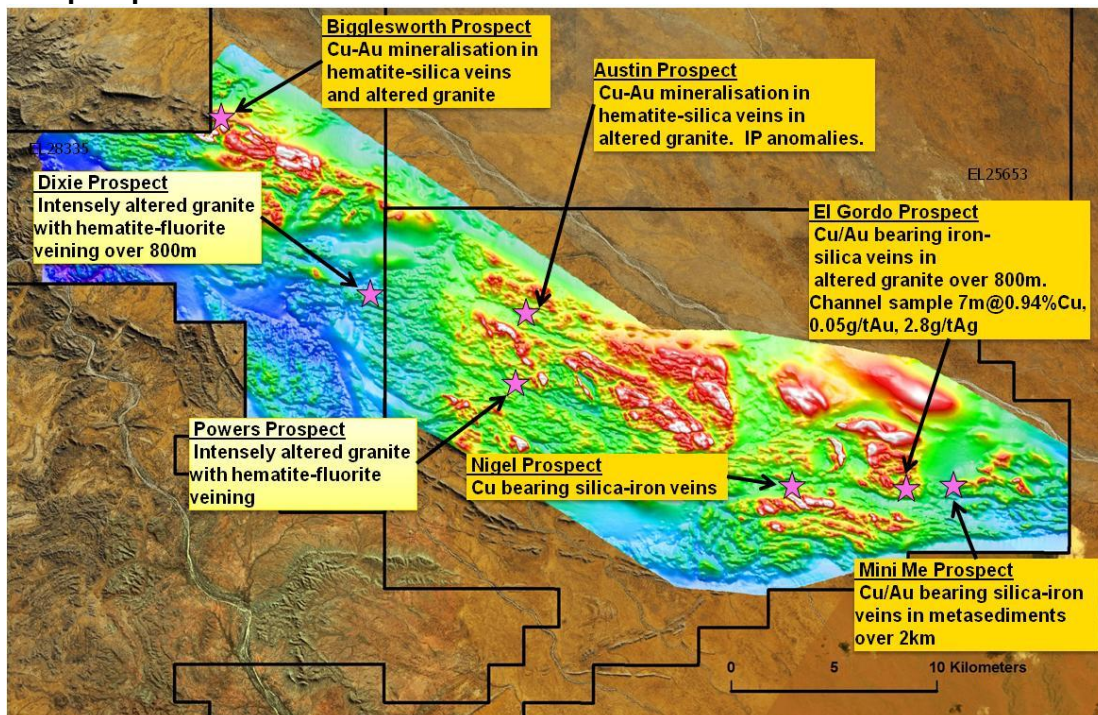


Figure: RTP magnetic image of Southeast portion of the Illogwa Copper belt showing prospects, anomalous copper in rockchips and area of soil sampling

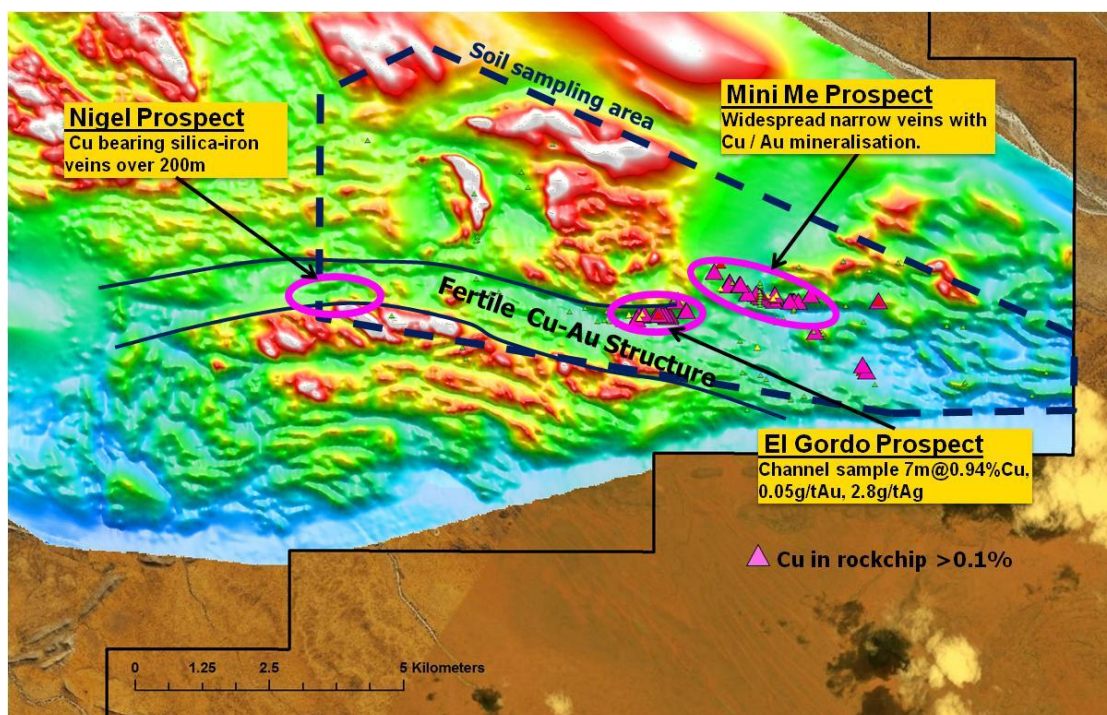


Figure: Fluorite, Massive Haematite and oxidized Chalcopyrite samples from the Illogwa Project



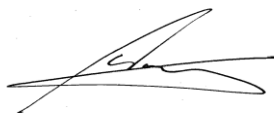
New Project Generation

The Company has continued to review several exploration opportunities during the quarter and has recently applied for an area prospective for gold mineralisation near the Binduli gold project, Kalgoorlie.

The Company has also taken an option to acquire several tenement applications in Europe targeting potential uranium mineralisation.



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 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 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 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.