CAZALY RESOURCES LIMITED

SUCCESSFUL BALLOT

MT FARQUHAR IRON ORE PROJECT

ELA 47/2774, ELA 47/2884

- **100% Cazaly owned subsidiary, Baldock Fe Pty Ltd, successful in ballots for two Exploration Licence Applications in the Hamersley Basin**
- **Tenement Applications cover 41 sq. km. with approximately 50% of area containing favourable iron host "Brockman Formation"**
- **Historic work by BHP includes details of Enriched Iron at "*Deposit XVII*" with rock chip results averaging 63.5% Fe, 6.2% LOI and 0.125% P**

Cazaly Resources Limited (**ASX: CAZ, "Cazaly"** or **"the Company"**) is pleased to announce that their subsidiary company Baldock Fe Pty Ltd ("Baldock") has been successful in two recent tenement application ballots conducted in the Karratha Wardens Court.

The two Exploration Licence Applications drawn first were E47/2774 (12 sub blocks) and E47/2884 (1 sub block) which are both located in the Hamersley Basin region of Western Australia.

Joint Managing Director Nathan McMahon said, 'These two tenements are in "elephant country". The Mount Farquhar area of the Hamersley Basin is highly prospective for iron ore mineralisation and previous exploration in the region by BHP confirms it is prospective for the discovery of multiple iron ore deposits. Pending approvals and permitting, Cazaly would be looking to get on this ground quickly and start exploring as soon as possible.'

Research of these areas show that exploration was completed by BHP in the 1970's investigating iron ore potential. This work is detailed in open file reports lodged by BHP with the DoMP and includes information on "Deposit XVII" located within E47/2774 (see Figure 1.). This deposit is described as significant and containing enriched iron within the Dales Gorge Member of the Brockman Iron Formation. The hematite-goethite-limonite mineralisation was sampled with rock chips returning an average grade of 63.5% Fe, 6.2% L.O.I. and 0.125% P. No drilling was reported to have been completed by BHP. (A3796 – Temporary Reserve 5556H – Mount Farquhar, Western Australia – Final Report BHP 1972)

The two tenements contain large areas (up to 20sq.km.) of mapped Brockman Iron Formation which the Company considers to be prospective for the discovery of other iron ore deposits. Cazaly plans to continue detailed studies of historical work as well as other research to assist planning exploration over the tenements upon their successful grant.

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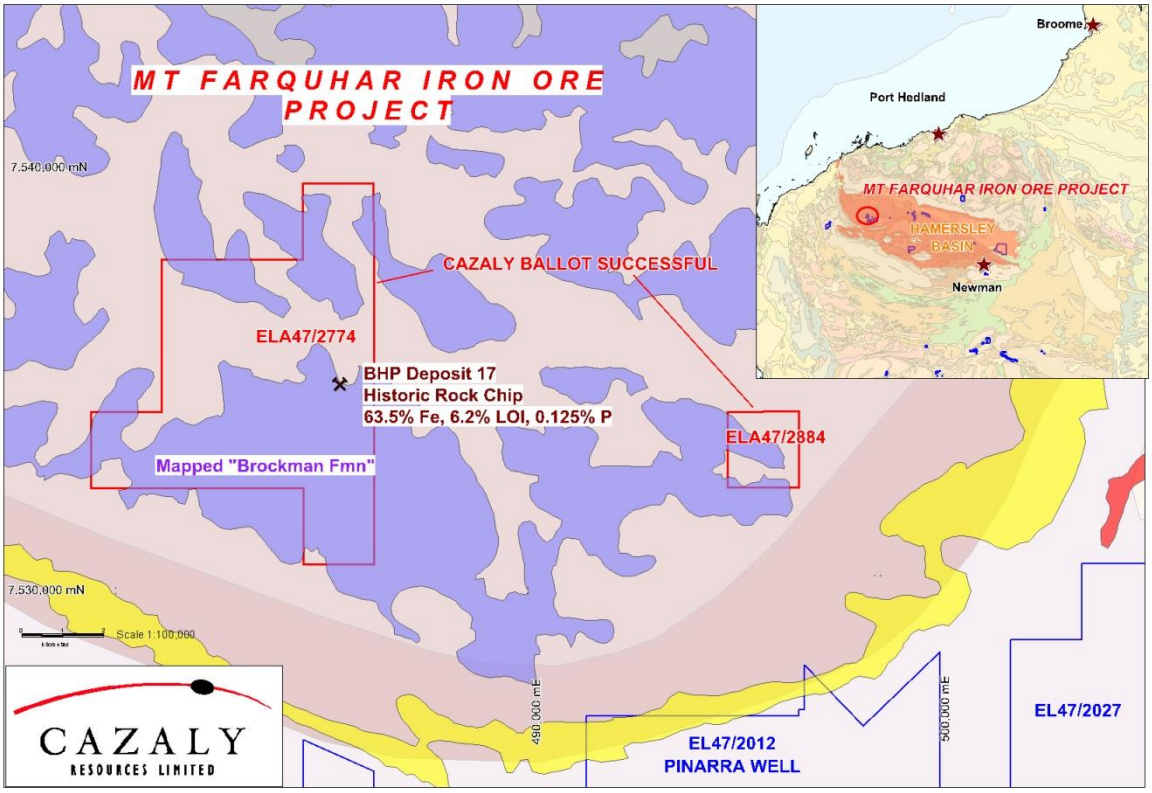
The new tenements lie close to existing infrastructure and iron ore operations. The Hamersley Iron Nammuldi, Brockman operations and rail spur are 35km to the east. Fortescue Metals Group ("FMG") have advanced exploration projects located within 7 to 30km including the Eliwana/Flying Fish, Boolgeeda and Silvergrass Projects. FMG have proposed infrastructure plans for the area to support development of future resources.

Figure 1 - Map Showing the Location of Successful Ballot ELA's at Mount Farquhar – Hamersley Basin



ENDS
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Competent Person's Statement

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. Mr Jones and Mr Horn 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 and Mr Horn consent to the inclusion in their names in the matters based on their information in the form and context in which it appears.