



CAZALY

RESOURCES LIMITED

ABN: 23 101 049 334



ANNUAL REPORT 07

CORPORATE DIRECTORY

MANAGING DIRECTOR

Nathan McMahon

MANAGING DIRECTOR

Clive Jones

NON-EXECUTIVE DIRECTOR

Kent Hunter

COMPANY SECRETARY

Lisa Wynne

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STOCK EXCHANGE LISTING

Australian Stock Exchange
(Home Exchange: Perth, Western Australia)
Code: CAZ

BANKERS

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CAZALY RESOURCES LIMITED
DIRECTORS' REPORT

DIRECTORS' REPORT

Your directors present their report on the company and its controlled entities for the financial year ended 30 June 2007.

1. DIRECTORS

The names of directors in office at any time during or since the end of the year are:

Nathan McMahon
Clive Jones
Kent Hunter

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

COMPANY SECRETARY

The following person held the position of company secretary at the end of the financial year:
Kent Hunter - B Bus, CA

Lisa Wynne was appointed to the role 6 August 2007 following Kent Hunter's resignation.
Ms Wynne has a Bachelor of Commerce and is a Chartered Accountant with 6 years experience working with listed entities in senior financial roles responsible for management and financial reporting, taxation, and ensuring continuous disclosure and compliance. Lisa presently works with a number of emerging ASX and AIM listed resource companies and specialises in financial and company secretarial transaction and corporate work.

2. PRINCIPAL ACTIVITIES

The principal activity of the economic entity during the financial period was mineral exploration.

There were no significant changes in the nature of the economic entity's principal activities during the financial period.

3. OPERATING RESULTS

The gain of the economic entity after providing for income tax amounted to \$1,197,992 (2006: Loss \$6,369,945).

4. DIVIDENDS PAID OR RECOMMENDED

The directors do not recommend the payment of a dividend and no amount has been paid or declared by way of a dividend to the date of this report.

5. REVIEW OF OPERATIONS

Shovelanna Iron Ore Project - Current

On 28 August 2007, the Court of Appeal of the Supreme Court of Western Australia unanimously refused to quash the Minister's decision to terminate the application by Cazaly Iron Pty Ltd for exploration 46/678 under s 111A(1)(c)(ii) of the Mining Act 1978 (WA). On 25 September 2007, having sought advice from Mr Tom Bathurst QC, Cazaly lodged an application for special leave to appeal to the High Court of Australia in respect of the decision of the Court of Appeal.

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DIRECTORS' REPORT

Cazaly must lodge a summary of its argument and draft appeal notice by 23 October 2007.

Cazaly has been informally advised by the High Court that the application for special leave to appeal will likely be heard between 3 and 9 months from the date it was lodged, which means that the application will be heard sometime between January and June 2008. Should Cazaly be successful in obtaining leave to appeal, the substantive application would likely be heard by the High Court 3 to 9 months thereafter.

On the 28th August 2007 the Western Australian Court of Appeal delivered its judgment in relation to Cazaly Iron Pty Ltd's application to quash the decision of the former Minister for Resources to terminate Cazaly's application. The Court of Appeal has refused Cazaly's application to quash the decision and has specifically ordered that:

- 1 the order nisi made on 11 August 2006 be discharged;
- 2 Cazaly's application for declaratory and other relief be dismissed;
- 3 Cazaly pay the costs of the first and second respondents, to be taxed; and
- 4 The limits provided for in relevant items of the Legal Practitioners (Supreme Court) (Contentious Business) Determination be removed.

The Company would like to make clear that the judgment related only to the legal issues raised by the decision made by former Minister Bowler. It was neither a review of the commercial nor policy merits of the Minister's decision. The Company continues to contend that the former Minister's decision is fundamentally flawed.

Cazaly believes this judgment has jeopardised the future development of the Western Australian resources industry and in particular the iron ore industry. It is clear from this judgment that iron ore has, and is, being treated differently to any other commodity under the WA Mining Act - it has its own set of rules.

It has been extremely difficult to reconcile this decision with what is in the best interests of the State and appears as an impediment to anybody wanting to get on with the business of finding and developing the State's resources.

This decision goes right against the very values that underpin the WA Mining Act, which is held up by the industry and all its stakeholders to be pro-development, transparent in its actions and most of all fair. It is particularly important that we and the industry as a whole be made aware of the rationale behind the decision so that we can all make fully informed investment decisions in a totally transparent environment.

Shovelanna – Background

Since lodging the application for this project Cazaly had planned for the accelerated development of the Shovelanna Iron Ore Project and completed:

- An agreement with Echelon Resources Limited who will commit the first \$2.5 million towards exploring the project. \$6M programme planned.
- A Scoping study for project development
- A project financing agreement with Investec Bank
- An MOU for the sale of ore with BHP Billiton
- Historical data assessment and a resource estimate.

The projected royalty stream to the State at current prices would have been approximately +\$20M commencing within three years of access to the ground.

Cazaly and its partners have always maintained that they have not only the financial and technical ability, but more importantly the will and the commitment to develop the project in the best interests of their shareholders, the Pilbara region and the State of Western Australia.

CAZALY RESOURCES LIMITED DIRECTORS' REPORT

5. REVIEW OF OPERATIONS (CONT'D)

West Kalgoorlie Gold Project

Cazaly has reached Agreement with Carbine Resources Ltd whereby Carbine will earn a 50 percent stake, with an option to increase to 70 percent, in Cazaly's entire gold exploration and development portfolio in the Kunanalling, Ora Banda, Grants Patch, Carbine and Split Rocks regions. These tenements cover approximately 533 square kilometres and contain mineral resources of 612,400 ounces of gold

This agreement combines the project development skills of Carbine with the geology, exploration and tenement management prowess of Cazaly.

1. Carbine will pay Cazaly a management fee of \$41,700 per month over a period of 12 months commencing from the date that the agreement is formalised.
2. Carbine will issue Cazaly with 2,000,000 ordinary fully paid shares in Carbine, with these shares voluntarily escrowed for a period of 6 months.
3. On or before the first anniversary of the agreement, Carbine will pay a further \$1,000,000 either; at Carbine's election, by cash or by 50/50 combined cash and Carbine shares, with the issue price of the shares being the 30-day volume weighted average price (30 day VWAP) as calculated on the day prior to payment date. This payment will give Carbine an initial 35% stake in the projects.
4. Carbine undertakes to fund exploration on the project areas equivalent to \$4,500,000 over a period of no more than 36 months after the date of the agreement. On completion of this expenditure commitment, Carbine will have earned a 50% stake in the projects.
5. Any mine developments on the project areas will be funded entirely by Carbine. Carbine will then be entitled to recoup its investment (included accumulated interest charges) before sharing operating cash flows on a 50/50 basis with Cazaly.
6. Carbine will assume the role of Manager of the joint venture on completion of the payments mentioned in item 1. To that end it has undertaken to use the professional services of Cazaly's existing geology team and has agreed to reimburse Cazaly direct costs plus 12 percent management fee for these services.
7. Any proceeds from the agreed sale, transfer or relinquishment of tenements in the project areas during the period up to completion of the earn-in commitments, shall be shared 50% Cazaly, 50% Carbine.

The transaction is subject to all existing pre-emptive rights being waived, as well as standard clauses associated with Ministerial approval of tenement ownership transferral.

The joint venture intends to commence exploration drilling in June 2007 and has already secured drilling equipment for this programme. Drilling will initially focus on prospects along the Kunanalling shear, principally the Mick Adam, Wadi, Burgundy and Picante deposits. Additionally, mine development options will be re-assessed as a priority.

The joint venture allows Cazaly to focus on its iron ore strategy whilst maintaining exposure to a strategic package of tenement that it has spent a considerable amount of time and effort assembling.

The Agreement is consistent with the Company's focus on the iron ore sector whilst retaining exposure to the quality gold assets. Recent drilling at the Backflip prospect has been highly encouraging with the best results being 9 metres @ 16g/t Au. Explorations is continuing.

Parker Range Joint Venture

Cazaly Resources Ltd (ASX:CAZ) entered into an iron ore farm-in agreement with Gondwana Resources Ltd (ASX:GDA), covering the Parker Range Project. Details of the farm-in agreement were announced by GDA 3rd July 2007. The Parker Range Project lies approximately 15 kilometres south-east of the Marvel Loch town site and approximately 50 kilometres by road south of the Perth-Kalgoorlie rail. Potential exists for the delineation of an iron mineral resource.

Parker Range is a prominent north trending ridge some 13km long. Cazaly mobilized a field crew and exploration mapping was completed at the Parker Range tenements, with the focus on the Mt Caudan banded iron formation (BIF). A total of 21

CAZALY RESOURCES LIMITED

DIRECTORS' REPORT

rockchip samples were taken along the BIF, over 1.5km, with continuous mineralisation noted for 900m. Eight (8) samples returned assay results greater than 60% Fe, see Table 1.

Table 1: Results of rock chip sampling, Mt Caudan, Parker Range Project

GDA East	GDA North	Fe %	P %	SiO2%	Al2O3%
742394	6499126	29.51	0.0579	5	2.64
742427	6499574	37.38	0.0407	37.27	2.03
742201	6498481	37.43	0.0484	36.97	2.07
742407	6499313	40.01	0.0557	5.41	4.24
742351	6499141	42.23	0.0084	28.05	1.56
742186	6498493	52.67	0.0596	13.38	1.16
742250	6498790	54.51	0.0209	6.43	6.48
742220	6498750	54.59	0.0152	6.83	8.9
742231	6498739	55.77	0.014	4.83	6.23
742246	6498731	56.11	0.0122	3.24	4.28
742330	6498896	57.03	0.0605	4.26	2.48
742405	6499124	58.12	0.0122	5.59	1
742291	6498777	59.61	0.0128	3.08	1.45
742282	6498915	60.57	0.0053	3.42	1.32
742427	6499312	60.83	0.0346	1.9	1.61
742278	6498788	60.92	0.007	2.44	1.34
742331	6499162	61.02	0.0169	2.08	3.16
742445	6499565	61.2	0.037	2.4	2.19
742274	6498721	62.05	0.0125	2	0.84
742119	6498080	62.55	0.0202	2.33	0.65
742289	6498888	64.83	0.0059	1.54	0.68

Notes: Analyses conducted by Kalassay Laboratories using X-Ray Fluorescence Spectrometry, Awaiting Loss on Ignition (LOI) results

Cazaly will mobilize a drill rig to test Mt Caudan as soon as regulatory consents are received.

The Yilgarn Iron Province has a history of large-scale iron production, with the first iron ore exported from Western Australia coming from the Koolanooka deposit in the Yilgarn during the mid 1960s. More recently, iron ore mining in the Yilgarn has been characterised by modest production from several small and dispersed hematite deposits, such as Koolyanobbing. The Parker Range Project was subject to iron ore exploration during the 1960s and reconnaissance exploration identified goethite, hematite and magnetite mineralisation.

Other Projects

The Company retains significant free-carried interests in other exploration projects including Mt. Clifford, Goongarrie, Bardoc and Jutson Rocks, among others. The Company has several active exploration projects including additional Pilbara Iron ore tenements and the Jillewarra base metals project.

Corporate

The Company recently completed a placement of 5.75M shares @ \$0.60 with institutional shareholders to raise a further \$3.45M.

During the year the Joint Managing Director's exercised 750,000 options raising a further \$295,250.

The Company retains a significant shareholding in several ASX listed entities including: Newera Uranium Limited (ASX:NRU), Northern Mining Ltd (ASX:NMI), Whinnen Resources Ltd (ASX:WWW) and Trafford Resources Ltd (ASX:TRF).

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Financial Position

The net assets of the economic entity have increased by \$517,488 from 30 June 2006 to \$10.2 million in 2007 due largely to the issue of shares to raise additional funds, exercise and acquire exploration assets.

The economic entity currently has \$545,813 in cash assets which the Directors believe puts the economic entity in a sound financial position with sufficient capital to effectively explore its current landholdings.

Future Developments, Prospects and Business Strategies

The economic entity will continue its mineral exploration activity at and around its exploration projects with the object of identifying commercial resources.

The economic entity will also continue to identifying new mineral exploration opportunities within Australia and the rest of the world for further potential acquisitions which may offer value enhancing opportunities for shareholders.

6. SIGNIFICANT CHANGES IN STATE OF AFFAIRS

The following significant changes in the state of affairs of the economic entity occurred during the financial period:

On 5 October 2006, the Company issued 100,000 employee options under the Cazaly Resources Limited employee incentive scheme.

On 13 October 2006, the Company issued 1,000,000 unlisted options exercisable at \$0.35 to Argonaut Investments Pty Limited for the provision of consulting services.

On 13 October 2006, the Company issued 1,000,000 unlisted options exercisable at \$0.50 to Argonaut Investments Pty Limited for the provision of consulting services.

On 6 December 2006, the Company issued 2,200,000 Directors Options as approved by the members at the Annual General Meeting on 29 November 2006.

On 11 January 2007, the Company announced it had completed the in-specie distribution of Newera Uranium Limited shares, as approved at the General Meeting of Shareholders on 18 August 2006.

On 17 February 2007, Warwick Resources Limited listed on ASX and the economic entity received 500,000 ordinary fully paid shares in Warwick Resources Limited pursuant to Agreement dated 22 November 2006.

On 19 June 2007, the Company issued 250,000 employee options under the Cazaly Resources Limited employee incentive scheme.

During the year a total of 1,500,000 options were exercised to raise a total of \$518,700.

7. AFTER BALANCE DATE EVENTS

On 6 August 2007, Lisa Wynne was appointed to the role of Company Secretary following the resignation of Kent Hunter.

On 8 August 2007, the Company completed a placement of 5,750,000 ordinary shares to a range of institutional investors to raise \$3,450,000 before costs of the issue.

On 24 August 2007, the Company requested a trading halt while awaiting the Court of Appeal Hearing Judgment on the Shovelanna tenement. The Court of Appeal refused Cazaly's application to quash the decision of the former Minister for Resources to terminate Cazaly's application for Exploration Licence 46/678 (Shovelanna).

There were no other matters or circumstances that have arisen since the end of the financial period which significantly affected or may significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial years.

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DIRECTORS' REPORT

8. FUTURE DEVELOPMENTS

The economic entity will continue its mineral exploration activity at and around its exploration projects with the object of identifying commercial resources.

9. ENVIRONMENTAL ISSUES

The economic entity is aware of its environmental obligations with regards to its exploration activities and ensures that it complies with all regulations when carrying out any exploration work.

10. INFORMATION ON DIRECTORS

Nathan McMahon

Qualifications

Managing Director (Corporate and Administration)

B.Com

Experience

Mr. McMahon has provided tenement management advice to the mining industry for approximately 14 years to in excess of 20 public listed mining companies. Mr. McMahon has specialised in native title negotiations, joint venture negotiations and project acquisition due diligence. He is a director of several unlisted mining and exploration companies with interests in platinum group elements, base metals, industrial minerals and diamond exploration. Mr McMahon is also a director of Graynic Metals Limited.

Interest in Shares and Options

Fully Paid Ordinary Shares	5,190,910
\$0.2938 Options expiring on 31 August 2007	1,000,000
\$0.4436 Options expiring on 31 August 2008	500,000
\$1.9436 Options expiring on 30 November 2009	1,000,000

Clive Jones

Qualifications

Managing Director (Technical)

B.App.Sc(Geol), M.AusIMM.

Experience

Mr Jones has been involved in mineral exploration for over 22 years and has worked on the exploration for a range of commodities including gold, base metals, mineral sands, diamonds and industrial minerals. Mr Jones was also previously a director of Mount Burgess Mining Ltd, where he oversaw the discovery of the high grade Red October gold deposit situated in the Eastern Goldfields of Western Australia. Mr Jones is also a director of Jackson Gold Limited and Graynic Metals Limited.

Interest in Shares and Options

Fully Paid Ordinary Shares	5,140,000
\$0.4436 Options expiring on 31 August 2008	1,000,000
\$1.9436 Options expiring on 30 November 2009	1,000,000

Kent Hunter

Qualifications

Non-Executive Director

B.Bus, CA.

Experience

Mr Hunter is a Chartered Accountant with over 15 years' corporate and company secretarial experience. He has been involved in the listing of 15 exploration companies on ASX in the past four years with capital raisings exceeding \$54 million. He has experience in capital raisings, ASX compliance and regulatory requirements and is currently a director of Scimitar Resources Limited, Gryphon Minerals Limited and Elixir Petroleum Limited and is company secretary of four other ASX Listed entities.

Interest in Shares and Options

Fully Paid Ordinary Shares	1,328,066
\$0.4436 Options expiring on 31 August 2008	250,000
\$1.9436 Options expiring on 30 November 2009	200,000

CAZALY RESOURCES LIMITED
DIRECTORS' REPORT

11. REMUNERATION REPORT

Directorships of other listed companies

Directorships of other listed companies held by directors in the three years immediately before the end of the financial year are as follows:

Name	Company	Period of directorship
Nathan McMahon	Graynic Metals Limited	Since February 2005
	Bannerman Resources Limited	Since June 2007
	Catalyst Metals Limited	Since July 2007
	Northern Mining Limited	From April 2005 to December 2006
	Hodges Resources Limited	Since May 2007
Clive Jones	Jackson Gold Limited	Since March 2002
	Graynic Metals Limited	Since February 2005
	Cortona Resources Limited	Since January 2006
	Bannerman Resources	Since January 2007
Kent Hunter	Elixir Petroleum Limited	Since March 2004
	Scimitar Resources Limited	Since November 2002
	Venture Minerals Limited	Since May 2006
	Hamill Resources Limited	From November 2000 to September 2004
	Gryphon Minerals Limited	Since January 2004

This report details the nature and amount of remuneration for each director of Cazaly Resources Limited.

Remuneration Policy

The remuneration policy of Cazaly Resources Limited has been designed to align director objectives with shareholder and business objectives by providing a fixed remuneration component which is assessed on an annual basis in line with market rates. The board of Cazaly Resources Limited believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best directors to run and manage the company, as well as create goal congruence between directors and shareholders.

The board's policy for determining the nature and amount of remuneration for board members is as follows:

The remuneration policy, setting the terms and conditions for the executive directors and other senior staff members, was developed by the managing director and approved by the board after seeking professional advice from independent external consultants.

In determining competitive remuneration rates, the Board seeks independent advice on local and international trends among comparative companies and industry generally. It examines terms and conditions for employee incentive schemes, benefit plans and share plans. Independent advice is obtained to confirm that executive remuneration is in line with market practice and is reasonable in the context of Australian executive reward practices.

All executives receive a base salary (which is based on factors such as length of service and experience), superannuation and fringe benefits.

The economic entity is an exploration entity, and therefore speculative in terms of performance. Consistent with attracting and retaining talented executives, directors and senior executives are paid market rates associated with individuals in similar positions, within the same industry. The Board however acquired and were issued shares as part of the terms of the Initial Public Offer. Board members have retained these securities which assist in aligning their objectives with overall shareholder value.

Options have been issued to Board members to provide a mechanism to participate in the future development of the Company and an incentive for their future involvement with and commitment to the Company.

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Options and performance incentives will be issued in the event that the entity moves from an exploration entity to a producing entity, and key performance indicators such as profits and growth can be used as measurements for assessing Board performance.

The executive directors and executives receive a superannuation guarantee contribution required by the government, which is currently 9% and do not receive any other retirement benefits.

All remuneration paid to directors is valued at the cost to the Company and expensed. Shares given to directors and executives are valued as the difference between the market price of those shares and the amount paid by the director or executive. Options are valued using the Black-Scholes methodology.

The board policy is to remunerate non-executive directors at market rates for comparable companies for time, commitment and responsibilities. The managing director in consultation with independent advisors determines payments to the non-executive directors and reviews their remuneration annually, based on market practice, duties and accountability. The maximum aggregate amount of fees that can be paid to non-executive directors is subject to approval by shareholders at the Annual General Meeting. Fees for non-executive directors are not linked to the performance of the Company. However, to align directors' interests with shareholder interests, the directors are encouraged to hold shares in the company.

Company Performance, Shareholder Wealth and Directors' and Executives' Remuneration

The remuneration policy has been tailored to increase goal congruence between shareholders and directors and executives. This has been achieved by the issue of shares to the majority of the directors and executives to encourage the alignment of personal and shareholder interest.

Details of Remuneration for Year Ended 30 June 2007

The remuneration for each director of the company receiving the highest remuneration during the year was as follows:

	SHORT-TERM BENEFITS		POST EMPLOYMENT		SECURITIES ISSUED		TOTAL	
	Salary, Fees & Superannuation	Other	Non-Monetary	Super-annuation	Retirement Benefits	Equity Options (i)		\$
Directors								
Nathan McMahon – Managing Director (ii)								
2007	180,000	-	-	-	-	-	220,000	400,000
2006	157,667	-	-	-	-	-	650,800	808,467
Clive Jones – Managing Director (iii)								
2007	180,000	-	-	-	-	-	220,000	400,000
2006	167,750	-	-	-	-	-	650,800	818,550
Kent Hunter – Non Executive Director (iv)								
2007	25,000	42,827	-	2,250	-	-	44,000	114,077
2006	25,000	51,660	-	2,250	-	-	162,700	241,610
Total Remuneration Directors								
2007	385,000	42,827	-	2,250	-	-	484,000	914,077
2006	350,417	51,660	-	2,250	-	-	1,464,300	1,868,627

- The fair value of the Options is calculated at the date of grant using a Black-Scholes model.
- An aggregate amount of \$180,000 (2006:\$ 157,667) was paid, or was due and payable to Kingsreef Pty Ltd, a company controlled by Mr Nathan McMahon, for the provision of corporate and tenement management services to the Company.
- An aggregate amount of \$180,000 (2006:\$ 167,750) was paid, or was due and payable to Widerange Corporation Pty Ltd, a company controlled by Mr Clive Jones, for the provision of geological services to the Company.
- An aggregate amount of \$42,827 (2006:\$ 51,660) was paid, or was due and payable to Mining Corporate Advisory Services Pty Ltd, a company controlled by Mr Kent Hunter, for the provision of company secretarial services to the Company.

CAZALY RESOURCES LIMITED
DIRECTORS' REPORT

11. REMUNERATION REPORT (CONT'D)

Options issued as part of remuneration for the year ended 30 June 2007

Options are issued to directors and executives as part of their remuneration. The options are not issued based on performance criteria, but are issued to the majority of directors and executives of Cazaly Resources Limited and its subsidiaries to increase goal congruence between executives, directors and shareholders.

During and since the end of financial year, an aggregate of 4,550,000 options over unissued shares were granted to various parties. 2,200,000 options of the total number granted were issued to the following directors and executives as disclosed in the table below:

Directors	Number	Exercise Price	Vesting Date	Expiry Date
Nathan McMahon	1,000,000	\$1.9436	11 December 2006	30 November 2009
Clive Jones	1,000,000	\$1.9436	11 December 2006	30 November 2009
Kent Hunter	200,000	\$1.9436	11 December 2006	30 November 2009

Value of Options Granted to Directors

The following table sets out the value of options granted, exercised and lapsed during the year:

	Options granted	Options exercised	Options lapsed	Value of Options included in remuneration for the year	Percentage of remuneration for the year that consists of options
	Value at grant date \$	Value at exercise date \$	Value at time of lapse \$	\$	\$
Nathan McMahon	220,000	(221,800)	-	220,000	55.00%
Clive Jones	220,000	-	-	220,000	55.00%
Kent Hunter	44,000	(73,450)	-	44,000	38.57%

The following factors and assumptions were used in determining the fair value of options issued to Directors on grant date:

Grant Date	Expiry Date	Fair Value Per Option	Exercise Date	Price of Shares on Grant Date	Estimated Volatility	Risk Free Interest Rate	Dividend Yield
11.12.06	30.11.09	\$0.22	30.11.09	\$0.605	120%	5.71%	-

Estimated volatility approximates historic volatility. Each option entitles the holder to purchase one ordinary share in the Company.

Employment Contracts of Directors and Senior Executives

The employment conditions of the Managing Directors, Nathan McMahon and Clive Jones, are formalised in a contract of employment. Other than the Managing Directors, all executives are employees of Cazaly Resources Limited.

The employment contracts stipulate a range of one to three-month resignation periods. The economic entity may terminate an employment contract without cause by providing one to three months written notice or making payment in lieu of notice, based on the individual's annual salary component.

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DIRECTORS' REPORT

12. MEETINGS OF DIRECTORS

The number of directors' meetings held during the financial year each director held office during the financial year and the number of meetings attended by each director are:

Director	Directors Meetings	
	Number Eligible to Attend	Meetings Attended
N McMahon	3	3
C Jones	3	3
K Hunter	3	3

The economic entity does not have a formally constituted audit committee as the board considers that the company's size and type of operation do not warrant such a committee.

13. INDEMNIFYING OFFICERS OR AUDITOR

In accordance with the constitution, except as may be prohibited by the Corporations Act 2001 every Officer, auditor or agent of the Company shall be indemnified out of the property of the Company against any liability incurred by him in his capacity as Officer, auditor or agent of the Company or any related corporation in respect of any act or omission whatsoever and howsoever occurring or in defending any proceedings, whether civil or criminal.

14. OPTIONS

Unissued Shares Under Option

At the date of this report unissued ordinary shares of the Company under option are:

Expiry Date	Exercise Price	Number of Shares
2 July 2009	\$0.1938	150,000
31 August 2007	\$0.2938	1,000,000
31 December 2007	\$0.9436	5,000,000
31 August 2008	\$0.4436	1,750,000
24 January 2010	\$0.5236	75,000
15 September 2008	\$0.3500	500,000
5 October 2011	\$0.8036	100,000
15 October 2008	\$0.4436	1,000,000
30 November 2009	\$1.9436	2,200,000
19 June 2012	\$0.8600	250,000

During the year ended 30 June 2007, the following ordinary shares of the Company were issued on exercise of options.

Option Expiry	Exercise Price	Number of Shares
15 September 2008	\$0.35	500,000
2 July 2009	\$0.1938	250,000
31 August 2007	\$0.2938	250,000
31 August 2008	\$0.4436	500,000

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DIRECTORS' REPORT

15. PROCEEDINGS ON BEHALF OF COMPANY

No person has applied for leave of Court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings.

The economic entity was not a party to any such proceedings during the year.

16. AUDITORS INDEPENDENCE DECLARATION

The lead auditor's independence declaration for the year ended 30 June 2007 has been received and can be found on page 13 of the directors' report.

17. NON AUDIT SERVICES

The board of directors is satisfied that the provision of non-audit services performed during the year by the Company's auditors is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

No other fees were paid or payable to the auditors for non-audit services performed during the year ended 30 June 2007.

Signed in accordance with a resolution of the Board of Directors.



Kent Hunter
Director 28 September 2007



RIX LEVY FOWLER
 CHARTERED BUSINESS ADVISORS

Partners
 Phillip Rix FCA
 Jon Carcich CA
 Ranko Matic CA
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To The Board of Directors

**AUDITOR'S INDEPENDENCE DECLARATION
 UNDER SECTION 307C OF THE CORPORATIONS ACT 2001**

This declaration is made in connection with our audit of the financial report of Cazaly Resources Ltd and controlled entities for the year ended 30 June 2007 and in accordance with the provisions of the Corporations Act 2001.

We declare that, to the best of our knowledge and belief, there have been:

- no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit;
- no contraventions of the Code of Professional Conduct of the Institute of Chartered Accountants in Australia in relation to the audit.

Yours faithfully

RIX LEVY FOWLER
 Audit & Corporate Pty Ltd

RANKO MATIC
 Director

DATED at PERTH this 28th day of September 2007

CAZALY RESOURCES LIMITED
INCOME STATEMENT

INCOME STATEMENT
FOR THE YEAR ENDED 30 JUNE 2007

	Note	Economic Entity		Parent Entity	
		2007 \$	2006 \$	2007 \$	2006 \$
Revenues	2	62,902	226,619	62,262	126,619
Other Income	2	4,701,931	2,331,531	3,016,604	2,331,531
Employee benefits expense		(1,037,932)	(1,633,170)	(1,036,899)	(1,633,170)
Depreciation and amortisation expense		(17,891)	(23,933)	(17,891)	(23,933)
Borrowing costs expense		(3,275)	(3,705)	(3,275)	(3,705)
Administrative expense		(251,967)	(518,656)	(251,912)	(520,399)
Advertising and promotional expenses		(19,697)	(36,716)	(16,666)	(36,716)
Consultancy expenses		(126,704)	(351,995)	(126,709)	(351,995)
Compliance and Regulatory expenses		(106,765)	(48,996)	(106,341)	(48,719)
Communication expenses		-	(6,765)	-	(6,765)
Occupancy expenses		(40,946)	(60,451)	(40,946)	(60,451)
Exploration expenditure written-off		(915,570)	(5,748,231)	(28,608)	(4,997,464)
Provision for diminution in value of shares		-	(169,289)	(1,818,561)	(167,489)
Other expenses		(7,719)	(26,276)	(7,718)	(20,557)
Profit/(loss) before income tax expense/benefit	3	2,236,367	(6,070,033)	(376,660)	(5,413,213)
Income tax expense/(benefit)	6	(1,038,375)	299,912	(764,002)	(779,828)
Net profit / (loss) attributable to members		1,197,992	(6,369,945)	(1,140,662)	(4,633,385)
Basic earnings (loss) per share (cents per share)	18	2.32	(13.92)		

The accompanying notes form part of these financial statements

CAZALY RESOURCES LIMITED
BALANCE SHEET

BALANCE SHEET
AS AT 30 JUNE 2007

	Note	Economic Entity		Parent Entity	
		2007	2006	2007	2006
		\$	\$	\$	\$
CURRENT ASSETS					
Cash and cash equivalents	7	545,813	1,520,525	507,813	1,482,525
Trade and other receivables	8	135,793	63,758	132,049	63,757
TOTAL CURRENT ASSETS		681,606	1,584,283	639,862	1,546,282
NON CURRENT ASSETS					
Trade and other receivables	8	-	16,000	3,349,636	4,449,382
Financial assets	9	3,076,293	2,760,075	1,796,754	2,671,097
Property, plant & equipment	10	50,193	50,971	50,193	50,971
Exploration, evaluation and development	11	7,168,840	5,868,152	3,185,052	2,219,339
Deferred tax assets	6	1,375,028	1,358,427	1,374,830	1,357,887
TOTAL NON CURRENT ASSETS		11,670,354	10,053,625	9,756,465	10,748,676
TOTAL ASSETS		12,351,960	11,637,908	10,396,327	12,294,958
CURRENT LIABILITIES					
Trade and other payables	12	370,692	192,181	370,692	192,181
Short-term provision	13	27,123	25,670	27,123	25,670
TOTAL CURRENT LIABILITIES		397,815	217,851	397,815	217,851
NON CURRENT LIABILITIES					
Deferred tax liabilities	6	2,740,657	1,662,082	1,386,348	581,802
TOTAL NON CURRENT LIABILITIES		2,740,657	1,662,082	1,386,348	581,802
TOTAL LIABILITIES		3,138,472	1,879,933	1,784,163	799,653
NET ASSETS		9,213,488	9,757,975	8,612,164	11,495,305
EQUITY					
Issued capital	14	4,969,582	7,012,583	4,969,582	7,012,583
Reserves	15	6,764,446	6,463,924	6,764,446	6,463,924
Accumulated losses	16	(2,520,540)	(3,718,532)	(3,121,864)	(1,981,202)
TOTAL EQUITY		9,213,488	9,757,975	8,612,164	11,495,305

The accompanying notes form part of these financial statements.

CAZALY RESOURCES LIMITED
STATEMENT OF CHANGES IN EQUITY

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2007

	Issued Capital \$	Retained Profits/ Accumulated Losses \$	Option Reserve \$	Total \$
ECONOMIC ENTITY				
Balance at 1 July 2005	4,625,224	2,651,413	-	7,276,637
Loss attributable to members	-	(6,369,945)	-	(6,369,945)
Shares issued during the year	840,000	-	-	840,000
Options exercised during the year	1,617,299	-	-	1,617,299
Transaction costs	(69,940)	-	-	(69,940)
Option reserve	-	-	6,463,924	6,463,924
Balance at 30 June 2006	7,012,583	(3,718,532)	6,463,924	9,757,975
Balance at 1 July 2006	7,012,583	(3,718,532)	6,463,924	9,757,975
Profit attributable to members	-	1,197,992	-	1,197,992
Shares issued during the year	518,700	-	-	518,700
Options exercised during the year	361,900	-	(361,900)	-
Transaction costs	-	-	-	-
Reduction of capital				
– In-specie distribution	(2,900,000)	-	-	(2,900,000)
Option reserve	-	-	662,422	662,422
Deferred tax liability component	(23,601)	-	-	(23,601)
Balance at 30 June 2007	4,969,582	(2,520,540)	6,764,446	9,213,488
PARENT ENTITY				
Balance at 1 July 2005	4,625,224	2,652,183	-	7,277,407
Loss attributable to members	-	(4,633,385)	-	(4,633,385)
Shares issued during the year	840,000	-	-	840,000
Options exercised during the year	1,617,299	-	-	1,617,299
Transaction costs	(69,940)	-	-	(69,940)
Option reserve	-	-	6,463,924	6,463,924
Balance at 30 June 2006	7,012,583	(1,981,202)	6,463,924	11,495,305
Balance at 1 July 2006	7,012,583	(1,981,202)	6,463,924	11,495,305
Loss attributable to members	-	(1,140,662)	-	(1,140,662)
Shares issued during the year	518,700	-	-	518,700
Options exercised during the year	361,900	-	(361,900)	-
Transaction costs	-	-	-	-
Reduction of capital				
– In-specie distribution	(2,900,000)	-	-	(2,900,000)
Option reserve	-	-	662,422	662,422
Deferred tax liability component	(23,601)	-	-	(23,601)
Balance at 30 June 2007	4,969,582	(3,121,864)	6,764,446	8,612,164

The accompanying notes form part of these financial statements

CAZALY RESOURCES LIMITED
CASH FLOW STATEMENT

CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2007

		Economic Entity		Parent Entity	
	Note	2007	2006	2007	2006
		\$	\$	\$	\$
Cash Flows from Operating Activities					
Payments to suppliers and employees		(792,168)	(639,831)	(783,884)	(635,577)
Interest received		65,558	71,740	64,918	71,740
Other revenue		358,790	239,119	358,790	139,119
Payments for exploration and evaluation		(2,233,536)	(2,383,873)	(1,011,600)	(1,341,217)
Net cash used in operating activities	19	(2,601,356)	(2,712,845)	(1,371,776)	(1,765,935)
Cash Flows From Investing Activities					
Proceeds from sale of exploration assets		505,000	-	-	-
Proceeds from sale of equity investments		832,388	494,749	831,440	494,749
Purchase of plant and equipment		(17,113)	(5,953)	(17,113)	(5,953)
Purchase of exploration assets		-	(9,941)	-	(9,941)
Purchase of equity investments		(212,331)	(104,909)	(201,148)	(44,130)
Loans (to)/receipts from associated entities		-	61,731	(734,815)	(983,958)
Net cash used in investing activities		1,107,944	435,677	(121,636)	(549,233)
Cash Flows from Financing Activities					
Proceeds from issue of securities		518,700	2,201,050	518,700	2,201,050
Payment for costs of issue of securities		-	(66,198)	-	(66,198)
Net cash provided by financing activities		518,700	2,134,852	518,700	2,134,852
Net increase in cash held		(974,712)	(142,316)	(974,712)	(180,316)
Cash and cash equivalents at beginning of the financial year		1,520,525	1,662,841	1,482,525	1,662,841
Cash and cash equivalents at end of the financial year	7	545,813	1,520,525	507,813	1,482,525

The accompanying notes form part of these financial statements

CAZALY RESOURCES LIMITED

NOTES TO THE FINANCIAL STATEMENT

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

The financial report covers the economic entity of Cazaly Resources Limited and controlled entities, and Cazaly Resources Limited as an individual parent entity. Cazaly Resources Limited is a listed public company, incorporated and domiciled in Australia.

The financial report complies with Australian Accounting Standards, which include International Financial Reporting Standards (IFRS).

The financial report has also been prepared on a historical cost basis, except for derivative financial instruments and available for-sale financial assets that have been measured at fair value.

The following is a summary of the accounting policies adopted by the Company in the preparation of the consolidated financial information. The accounting policies have been consistently applied unless otherwise stated.

(a) Principles of Consolidation

The consolidated financial statements are prepared by combining the financial statements of all the entities that comprise the Economic Entity, being the Company (the parent entity) and its subsidiaries as defined in Accounting Standard AASB 127 "Consolidated and Separate Financial Statements". Consistent accounting policies are employed in the preparation and presentation of the consolidated financial statements. On acquisition, the assets, liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. If, after reassessment, the fair values of the identifiable assets acquired exceed the cost of acquisition, the deficiency is credited to profit and loss in the period of acquisition.

The consolidated financial statements include the information and results of each subsidiary from the date on which the Company obtains control and until such time as the Company ceases to control such entity.

In preparing the consolidated financial statements, all intercompany balances and transactions, and unrealised profits arising within the Economic Entity are eliminated in full.

(b) Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment. Depreciation is provided on property, plant and equipment, including freehold buildings but excluding land. Depreciation is calculated on a straight line basis so as to write off the net cost or other revalued amount of each asset over its expected useful life to its estimated residual value. The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period.

The depreciation rates used for each class of depreciable assets are:

Class of Fixed Asset	Depreciation Rate
Plant and equipment	40.0%
Office furniture and equipment	18.0%
Motor vehicle	22.5%
Leasehold improvements	Term of Lease

CAZALY RESOURCES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

(c) Exploration, Evaluation and Development Expenditure

Costs incurred during exploration and evaluation related to an area of interest are accumulated. Costs carried forward provided such costs are expected to be recouped through successful development, or by sale, or where exploration and evaluation activities have not at balance date reached a stage to allow a reasonable assessment regarding the existence of economically recoverable reserves. In these instances the entity must have rights of tenure to the area of interest and must be continuing to undertake exploration operations in the area.

These assets are considered for impairment on an annual basis, depending on the existence of impairment indicators including:

- the period for which the Economic Entity has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed;
- substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned;
- exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the Economic Entity has decided to discontinue such activities in the specific area; and
- sufficient key data exists to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

Costs carried forward in respect of an area of interest that is abandoned are written off in the year in which the decision to abandon is made.

(d) Leases

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership, are transferred to entities in the economic entity are classified as finance leases. Finance leases are capitalised, recording an asset and a liability equal to the present value of the minimum lease payments, including any guaranteed residual values. Leased assets are depreciated on a diminishing value basis over their estimated useful lives where it is likely that the economic entity will obtain ownership of the asset or over the term of the lease. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

(e) Other Financial Assets

Financial assets in the scope of AASB 139 Financial Instruments: Recognition and Measurement are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale investments, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transactions costs. The Company determines the classification of its financial assets after initial recognition and, when allowed and appropriate, re-evaluates this designation at each financial year-end.

All regular way purchases and sales of financial assets are recognised on the trade date i.e. the date that the Company commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets under contracts that require delivery of the assets within the period established generally by regulation or convention in the marketplace.

(i) Financial assets at fair value through profit or loss

Financial assets classified as held for trading are included in the category 'financial assets at fair value through profit or loss'. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on investments held for trading are recognised in profit or loss.

CAZALY RESOURCES LIMITED
NOTES TO THE FINANCIAL STATEMENTS

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(ii) Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Company has the positive intention and ability to hold to maturity. Investments intended to be held for an undefined period are not included in this classification. Investments that are intended to be held-to-maturity, such as bonds, are subsequently measured at amortised cost. This cost is computed as the amount initially recognised minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initially recognised amount and the maturity amount. This calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums and discounts. For investments carried at amortised cost, gains and losses are recognised in profit or loss when the investments are derecognised or impaired, as well as through the amortisation process.

(iii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

(iv) Available-for-sale investments

Available-for-sale investments are those non-derivative financial assets that are designated as available-for-sale or are not classified as any of the three preceding categories. After initial recognition available-for-sale investments are measured at fair value with gains or losses being recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is recognised in profit or loss.

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business on the balance sheet date. For investments with no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument that is substantially the same; discounted cash flow analysis and option pricing models.

(f) Cash and Cash Equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within short-borrowings in current liabilities on the balance sheet.

(g) Trade and Other Receivables

Trade receivables, which generally have 30-90 day terms, are recognised and carried at original invoice amount less an allowance for any uncollectible amounts. An allowance for doubtful debts is made when there is objective evidence that the entity will not be able to collect the debts. Bad debts are written off when identified.

(h) Revenue

Revenue from the sale of goods is recognised upon the delivery of goods to customers. Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets. Revenue from the rendering of a service is recognised upon the delivery of the service to the customers. All revenue is stated net of the amount of goods and services tax (GST).

CAZALY RESOURCES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

(i) Impairment of Assets

At each reporting date, the Economic Entity reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from the other assets, the Economic Entity estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generated unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in the Profit and Loss immediately, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease. Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years.

A reversal of an impairment loss is recognised in the Profit and Loss immediately, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation increase.

(j) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office ("ATO"). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the balance sheet are shown inclusive of GST.

The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the balance sheet.

Cash flows are included in the cash flow statement on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

(k) Taxation

The Economic Entity adopts the liability method of tax-effect accounting whereby the income tax expense is based on the profit from ordinary activities adjusted for any non-assessable or disallowed items.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the income statement except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

CAZALY RESOURCES LIMITED
NOTES TO THE FINANCIAL STATEMENTS

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the Economic Entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

(l) Foreign Currency

All foreign currency transactions during the financial year are brought to account using the exchange rate in effect at the date of the transaction. Foreign currency monetary items at reporting date are translated at the exchange rate existing at that date.

(m) Trade and Other Payables

Trade payables and other payables are carried at amortised costs and represent liabilities for goods and services provided to the company prior to the end of the financial year that are unpaid and arise when the company becomes obliged to make future payments in respect of the purchase of these goods and services.

(n) Provisions

Provisions are recognised when the Economic Entity has a present obligation, the future sacrifice of economic benefits is probable, and the amount of the provision can be reliably measured.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

(o) Share Based Payments

Equity-settled share based payments granted after 7 November 2002 that were unvested as of 1 January 2005, are measured at fair value at the date of grant. Fair value is measured by use of a binomial model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Economic Entity's estimate of shares that will eventually vest.

For cash-settled share-based payments, a liability equal to the portion of the goods or services received is recognised at the current fair value determined at each reporting date.

(p) Issued Capital

Issued and paid up capital is recognised at the fair value of the consideration received by the Company. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

CAZALY RESOURCES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

(q) Earnings Per Share

Basic earnings per share is calculated as net earnings attributable to members, adjusted to exclude costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares, adjusted for an bonus element.

Diluted EPS is calculated as net earnings attributable to members, adjusted for: costs of servicing equity (other than dividends) and preference share dividends; the after tax effect of dividends and interest associated with dilutive potential ordinary shares that would have been recognised as expenses; and other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares; divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

(r) Employee Benefits

Provision is made for the Economic Entity's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

CIES (Cont'd)

(s) Joint Venture Entities

A joint venture entity is an entity in which Cazaly holds a long-term interest and which is jointly controlled by Cazaly and one or more other venturers. Decisions regarding the financial and operating policies essential to the activities, economic performance and financial position of that venture require the consent of each of the venturers that together jointly control the entity.

Cazaly has certain contractual arrangements with other participants to engage in joint activities where all significant matters of operating and financial policy are determined by the participants such that the operation itself has no significant independence to pursue its own commercial strategy. These contractual arrangements do not create a joint venture entity due to the fact that the policies are those of the participants, not a separate entity carrying on a trade or a business of its own.

The financial statements of Cazaly include its share of the assets, liabilities and cash flows in such joint venture operations, measured in accordance with the terms of each arrangement, which is usually pro-rata to Cazaly's interest in the joint venture operations.

(t) Royalty Assets

Royalty assets are valued in the accounts at cost of acquisition and are amortised over the period in which their benefits are expected to be realised. The balances are reviewed annually and any balance representing future benefits for which the realisation is considered to be no longer probable are written off.

CAZALY RESOURCES LIMITED
NOTES TO THE FINANCIAL STATEMENTS

	Economic Entity		Parent Entity	
	2007	2006	2007	2006
	\$	\$	\$	\$

2. REVENUE

Revenue from Operating activities

- interest received	62,402	71,619	61,762	71,619
- option fees	500	155,000	500	55,000
	62,902	226,619	62,262	126,619

Other Income

- profit on sale of tenement	1,107,366	-	2,366	-
- profit on sale of shares	764,483	147,412	763,533	147,412
- fair value gains on other financial assets at fair value through profit and loss	2,471,792	-	1,892,415	-
- other revenue	358,290	2,184,119	358,290	2,184,119
	4,701,931	2,331,531	3,016,604	2,331,531

3. LOSS FOR THE YEAR

(i) Expenses

Borrowing costs				
- other persons	3,275	3,705	3,275	3,705
Depreciation of non-current assets				
- plant and equipment	17,891	23,933	17,891	23,933
- amortisation of leasehold improvements	-	-	-	-
	17,891	23,933	17,891	23,933
Rental expense on operating leases				
- minimum lease payments	32,725	38,609	32,725	38,609
Write down of investments	-	169,289	-	167,489
Exploration expense written off	915,570	5,748,231	28,608	4,997,464
Employee equity settled benefits	662,423	1,464,300	662,423	1,464,300

CAZALY RESOURCES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

4. KEY MANAGEMENT PERSONNEL COMPENSATION

a) Name and positions held by directors' in office at any time during the financial year are:

Mr Nathan McMahon	Managing Director
Mr Clive Jones	Managing Director
Mr Kent Hunter	Director

b) Details of the nature and amount of emoluments of each director are as follows:

	2007	2006
Short-term employee benefits	427,827	402,077
Post-employment benefits	2,250	2,250
Share based payments	484,000	1,464,300
	<u>914,077</u>	<u>1,868,627</u>

The Company has taken advantage of the relief provided by Corporations Regulation 2M.6.04 and has transferred the detailed remuneration disclosures to the directors' report. The relevant information can be found in the remuneration report on pages 8 to 10 of the directors report.

c) Shareholdings

Number of Shares held by Directors and Executives:

2007	Balance 1.7.06	Received as Remuneration	Options Exercised	Net Change - Other	Balance 30.06.07
N B McMahon	5,376,128	-	500,000	(365,218)	5,510,910
C B Jones	4,100,001	-	-	-	4,100,001
K M Hunter	1,078,066	-	250,000	-	1,328,066
	<u>10,554,195</u>	<u>-</u>	<u>750,000</u>	<u>(365,218)</u>	<u>10,938,977</u>
2006	Balance 1.7.05	Received as Remuneration	Options Exercised	Net Change - Other	Balance 30.06.06
N B McMahon	5,239,688	-	136,440	-	5,376,128
C B Jones	4,050,001	-	50,000	-	4,100,001
K M Hunter	877,300	-	175,766	25,000	1,078,066
	<u>10,166,989</u>	<u>-</u>	<u>362,206</u>	<u>25,000</u>	<u>10,554,195</u>

d) Option Holdings

Number of \$0.2938 (formerly \$0.3502) Options expiring 31 August 2007, held by Directors and Executives:

	Balance 1 July 06	Issued	Option Exercised	Lapsed	Balance 30 June 07
Nathan McMahon	1,000,000	-	-	-	1,000,000
Clive Jones	1,000,000	-	-	-	1,000,000
Kent Hunter	250,000	-	(250,000)	-	-
	<u>2,250,000</u>	<u>-</u>	<u>(250,000)</u>	<u>-</u>	<u>2,000,000</u>

CAZALY RESOURCES LIMITED
NOTES TO THE FINANCIAL STATEMENTS

4. KEY MANAGEMENT PERSONNEL COMPENSATION (CONT'D)

Number of \$0.4436 (formerly \$0.50) Options expiring 31 August 2008, held by Directors and Executives:

	Balance 1 July 06	Issued	Option Exercised	Lapsed	Balance 30 June 07
Nathan McMahon	1,000,000	-	(500,000)	-	500,000
Clive Jones	1,000,000	-	-	-	1,000,000
Kent Hunter	250,000	-	-	-	250,000
	<u>2,250,000</u>	<u>-</u>	<u>(500,000)</u>	<u>-</u>	<u>1,750,000</u>

Number of \$2.00 Options expiring 30 November 2009, held by Directors and Executives:

	Balance 1 July 06	Issued	Option Exercised	Lapsed	Balance 30 June 07
Nathan McMahon	-	1,000,000	-	-	1,000,000
Clive Jones	-	1,000,000	-	-	1,000,000
Kent Hunter	-	200,000	-	-	200,000
	<u>-</u>	<u>2,200,000</u>	<u>-</u>	<u>-</u>	<u>2,200,000</u>

e) Compensation Options

The following table illustrates details of compensation options granted to Directors and Executives during the financial year:

2007	Number Granted	Number Vested	Grant Date	Expiry Date	Exercise Price \$	Fair Value at Grant Date \$
N B McMahon	1,000,000	1,000,000	11.12.2006	30.11.2009	\$2.00	0.22
C B Jones	1,000,000	1,000,000	11.12.2006	30.11.2009	\$2.00	0.22
K M Hunter	200,000	200,000	11.12.2006	30.11.2009	\$2.00	0.22
	<u>2,200,000</u>	<u>2,200,000</u>				

The weighted average fair value of the share options granted during the financial year is \$0.22 each. All options granted during the year vested immediately. Options were priced using binomial option pricing model. Details of factors used to calculate fair value of these options are disclosed in note (e) (i) below.

2006	Number Granted	Number Vested	Grant Date	Expiry Date	Exercise Price \$	Fair Value at Grant Date \$
N B McMahon	1,000,000	1,000,000	30.11.2005	31.08.2008	0.4436	0.6508
C B Jones	1,000,000	1,000,000	30.11.2005	31.08.2008	0.4436	0.6508
K M Hunter	250,000	250,000	30.11.2005	31.08.2008	0.4436	0.6508
	<u>2,250,000</u>	<u>2,250,000</u>				

CAZALY RESOURCES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

(i) Director and Executives' Option Valuation Calculation

	2007 30.11.09 Options	2006 31.08.08 Options
Grant date share price	\$0.605	\$0.975
Exercise price	\$2.00	\$0.50
Expected volatility	120%	75%
Option life	2.92 years	2.75 years
Dividend yield	-	-
Risk-free interest rate	5.71%	5.34%

f) Shares issued on exercise of compensation options

	Date of exercise of options	Number of ordinary shares issued on exercise of options during the year	
		2007	2006
N B McMahon	21 June 2007	500,000	-
K M Hunter	29 June 2007	250,000	-

The economic entity policy for determining the nature and amount of emoluments of board members and senior executives of the company is as follows:

The remuneration structure for executive officers, including executive directors, is based on a number of factors, including length of service, particular experience of the individual concerned, and overall performance of the economic entity. The contracts for service between the economic entity and specified directors and executives are on a continuing basis the terms of which are not expected to change in the immediate future. Upon retirement specified directors and executives are paid employee benefit entitlements accrued to date of retirement. The company may terminate the contracts without cause by providing one to three months written notice or making payment in lieu of notice based on the individual's annual salary component at industry award redundancy rates.

	Economic Entity		Parent Entity	
	2007	2006	2007	2006
	\$	\$	\$	\$

5. AUDITORS' REMUNERATION

Remuneration of the auditor for:

- Auditing or reviewing the financial report	26,437	13,950	26,437	13,950
- Other services	-	-	-	-
	26,437	13,950	26,437	13,950

CAZALY RESOURCES LIMITED
NOTES TO THE FINANCIAL STATEMENTS

6. INCOME TAX EXPENSE

	Economic Entity		Parent Entity	
	2007	2006	2007	2006
	\$	\$	\$	\$

The components of the tax expense/(income) comprise:

Current tax	-	-	-	-
Deferred tax	1,038,375	299,912	764,002	(779,828)
	<u>1,038,375</u>	<u>299,912</u>	<u>764,002</u>	<u>(779,828)</u>

(a) The prima facie tax on loss from ordinary activities before income tax is reconciled to the income tax as follows:

Prima facie tax (benefit) on loss from ordinary activities before income tax at 30% (2005: 30%)

	670,910	(1,820,408)	(112,998)	(1,623,964)
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Add:

Tax effect of:				
Other non-allowable items	391,576	2,016,065	204,510	2,016,065
Tax benefit of revenue losses not recognised	-	-	-	-
Effect of deferred tax assets not recognised	-	-	-	-
Loan writedown to subsidiaries in tax consolidated group	-	-	545,568	-
Under provision of prior year	269,490	-	269,490	-
Other	-	127,856	-	127,856

Less:

Tax effect of:				
Tax benefit of deductible equity raising costs	(23,601)	(23,601)	(23,601)	(23,601)
Recognition of previously unrecognised losses	-	-	-	-
Recognition of subsidiary tax losses	-	-	151,033	(283,206)
Adjustments in respect of subsidiaries	-	-	-	(992,978)
Tax exempt revenues	(270,000)	-	(270,000)	-
Other	-	-	-	-
Income tax attributable to entity	<u>1,038,375</u>	<u>299,912</u>	<u>764,002</u>	<u>(779,828)</u>

CAZALY RESOURCES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

	Economic Entity		Parent Entity	
	2007	2006	2007	2006
	\$	\$	\$	\$

(b) Deferred tax assets at 30% (2005: 30%) comprise the following:

Carry forward revenue losses	1,198,117	1,149,641	1,198,117	1,149,641
Carry forward capital losses	40,090	-	40,090	-
Capital raising costs	33,945	57,545	33,945	57,545
Provisions and accruals	18,678	13,166	18,678	13,166
Other	84,198	138,075	84,000	137,535
	<u>1,375,028</u>	<u>1,358,427</u>	<u>1,374,830</u>	<u>1,357,887</u>

(c) Deferred tax liabilities at 30% (2005: 30%) comprise the following:

Exploration expenditure	2,136,551	1,662,082	955,515	581,802
Investments	602,575	-	429,302	-
Other	1,531	-	1,531	-
	<u>2,740,657</u>	<u>1,662,082</u>	<u>1,386,348</u>	<u>581,802</u>

(d) The following deferred tax balances at 30% (2005: 30%) have not been recognised:

Carry forward revenue losses	-	-	-	-
Capital raising costs	-	-	-	-
Provisions and accruals	-	-	-	-
Other	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

The tax benefits of the above Deferred Tax Assets will only be obtained if:

- (a) the company derives future assessable income of a nature and of an amount sufficient to enable the benefits to be utilised;
- (b) the company continues to comply with the conditions for deductibility imposed by law; and
- (c) no changes in income tax legislation adversely affect the company in utilising the benefits.

Deferred Tax Liabilities:

Exploration expenditure	-	-	-	-
Other	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

The above Deferred Tax Liabilities have not been recognised as they have given rise to the carry forward revenue losses for which the Deferred Tax Asset has not been recognised.

Deferred tax recognised directly in equity:

Relating to equity raising costs	23,601	3,742	23,601	3,742
Other	-	-	-	-
	<u>23,601</u>	<u>3,742</u>	<u>23,601</u>	<u>3,742</u>

CAZALY RESOURCES LIMITED
NOTES TO THE FINANCIAL STATEMENTS

	Economic Entity		Parent Entity	
	2007	2006	2007	2006
	\$	\$	\$	\$

7. CASH AND CASH EQUIVALENTS

Cash at bank	397,802	138,820	397,802	138,820
Petty cash	500	500	500	500
Deposits at call (i)	147,511	1,381,205	109,511	1,343,205
	<u>545,813</u>	<u>1,520,525</u>	<u>507,813</u>	<u>1,482,525</u>

(i) The bank deposits are short term deposits maturing within 30 days, and pay interest at a rate of 6.30% per annum.

8. TRADE AND OTHER RECEIVABLES

Current

Other debtors	135,793	63,758	132,049	63,757
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Non-Current

Bonds (i)	-	16,000	-	16,000
Loans to other entities	-	-	-	-
Loans to associated entities	-	-	3,349,636	4,433,382
	<u>-</u>	<u>16,000</u>	<u>3,349,636</u>	<u>4,449,382</u>

(i) Bonds are term deposits, held by way of bank guarantee.

9. FINANCIAL ASSETS

Current

Shares in associated entities, at cost	-	2,000,000	-	2,000,000
Shares in listed corporations				
at fair value through profit and loss	3,076,293	760,075	1,796,754	671,097
	<u>3,076,293</u>	<u>2,760,075</u>	<u>1,796,754</u>	<u>2,671,097</u>

CAZALY RESOURCES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

10. PROPERTY, PLANT AND EQUIPMENT

	Economic Entity		Parent Entity	
	2007	2006	2007	2006
	\$	\$	\$	\$
Plant and Equipment				
At cost	92,794	82,407	92,794	82,407
Accumulated depreciation	(69,053)	(57,541)	(69,053)	(57,541)
	23,741	24,866	23,741	24,866
Office Furniture and Equipment				
At cost	26,190	19,464	26,190	19,464
Accumulated depreciation	(10,825)	(7,652)	(10,825)	(7,652)
	15,365	11,812	15,365	11,812
Motor Vehicle				
At cost	27,272	27,273	27,272	27,273
Accumulated depreciation	(16,185)	(12,980)	(16,185)	(12,980)
	11,087	14,293	11,087	14,293
Leasehold Improvement				
At cost	5,344	5,344	5,344	5,344
Accumulated amortisation	(5,344)	(5,344)	(5,344)	(5,344)
	-	-	-	-
	50,193	50,971	50,193	50,971

Movement in the carrying amounts for each class of plant and equipment between the beginning and end of the current financial year:

2007	Plant and equipment	Field Plant & Equipment	Office Furniture	Motor Vehicles	Leasehold Improvement	Total
	\$	\$	\$	\$	\$	\$
Balance at the beginning of the year	24,866	-	11,812	14,293	-	50,971
Additions	10,386	-	6,727	-	-	17,113
Disposals	-	-	-	-	-	-
Depreciation/expense	(11,511)	-	(3,174)	(3,206)	-	(17,891)
Carrying amount at the end of the year	23,741	-	15,365	11,087	-	50,193

CAZALY RESOURCES LIMITED
NOTES TO THE FINANCIAL STATEMENTS

10. PROPERTY, PLANT AND EQUIPMENT (CONT'D.)

2006	Plant and equipment	Field Plant & Equipment	Office Furniture	Motor Vehicles	Leashold Improvement	Total
	\$	\$	\$	\$	\$	\$
Balance at the beginning of the year	35,414	280,000	14,396	18,428	712	348,950
Additions	5,954	-	-	-	-	5,954
Disposals	-	(280,000)	-	-	-	(280,000)
Depreciation/expense	(16,502)	-	(2,584)	(4,135)	(712)	(23,933)
Carrying amount at the end of the year	24,866	-	11,812	14,293	-	50,971

11. EXPLORATION, EVALUATION AND DEVELOPMENT COSTS

	Economic Entity		Parent Entity	
	2007	2006	2007	2006
	\$	\$	\$	\$

Non-Current

Costs carried forward in respect
of areas of interest in:

- Exploration and evaluation phases – at cost – (a)	7,121,840	5,821,152	3,185,052	2,219,339
- Royalty assets	47,000	47,000	-	-
	7,168,840	5,868,152	3,185,052	2,219,339

Movement

(a) Brought forward	5,821,152	4,385,198	2,219,339	1,075,273
Exploration expenditure capitalised during the year	2,216,258	7,184,185	994,321	6,141,531
Exploration expenditure written off	(915,570)	(5,748,231)	(28,608)	(4,997,464)
Exploration expenditure transferred to controlled entity	-	-	-	-
	7,121,840	5,821,152	3,185,052	2,219,339

The value of the economic entity interest in exploration expenditure is dependent upon:

- the continuance of the economic entity rights to tenure of the areas of interest;
- the results of future exploration; and
- the recoupment of costs through successful development and exploitation of the areas of interest, or alternatively, by their sale.

The economic entity exploration properties may be subjected to claim(s) under native title, or contain sacred sites, or sites of significance to Aboriginal people. As a result, exploration properties or areas within the tenements may be subject to exploration restrictions, mining restrictions and/or claims for compensation. At this time, it is not possible to quantify whether such claims exist, or the quantum of such claims.

CAZALY RESOURCES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

	Economic Entity		Parent Entity	
	2007	2006	2007	2006
	\$	\$	\$	\$

12. TRADE AND OTHER PAYABLES

Current

Unsecured

Trade creditors	200,659	150,451	200,659	150,451
Other creditors and accrued expenses	170,033	41,730	170,033	41,730
	<u>370,692</u>	<u>192,181</u>	<u>370,692</u>	<u>192,181</u>

13. PROVISION

Current

Provision for Annual Leave	27,123	25,670	27,123	25,670
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14. ISSUED CAPITAL

52,877,456 Fully paid ordinary shares

(2006: 51,377,456) – (a)	4,969,582	7,012,583	4,969,582	7,012,583
Listed Options (2006: Nil) – (b)	-	-	-	-
	<u>4,969,582</u>	<u>7,012,583</u>	<u>4,969,582</u>	<u>7,012,583</u>

(a) Movements in Ordinary Shares

	Notes	Number of shares	Issue price	\$
1 July 2006	Opening balance	51,377,456	-	7,012,583
11 December 2006	Capital reduction pursuant to in-specie distribution of Newera Uranium Ltd	(i)	-	(2,900,000)
29 January 2007	Exercise of options	(ii)	\$0.35	175,000
29 January 2007	Transfer from option reserve	-	-	36,500
20 March 2007	Exercise of options	(iii)	\$0.1938	48,450
21 June 2007	Exercise of options	-	\$0.4436	221,800
21 June 2007	Transfer from option reserve	(v)	-	325,400
29 June 2007	Exercise of options	250,000	\$0.2938	73,450
	Transaction costs relating to share issues	-	-	-
	Deferred tax liability component	(vi)	-	(23,601)
30 June 2007	Closing balance	<u>52,877,456</u>		<u>4,969,582</u>

(i) On 11 January 2007, the Company announced it had completed the in-specie distribution of Newera Uranium Limited shares, as approved at the General Meeting of Shareholders on 18 August 2006.

(ii) On 29 January 2007, the Company issued ordinary shares 500,000 following the exercise of 35 cent options with an expiry date of 15 September 2008.

(iii) On 20 March 2007, the Company issued 250,000 ordinary shares following the exercise of 19.38 cent options with an expiry date of 2 July 2009.

CAZALY RESOURCES LIMITED
NOTES TO THE FINANCIAL STATEMENTS

14. ISSUED CAPITAL (CONT'D)

- (iv) On 21 June 2007, the Company issued 500,000 ordinary shares to Nathan McMahon following the exercise of 44.36 options with an expiry date of 31 August 2008.
- (v) On 29 June 2007, the Company issued 250,000 ordinary shares to Kent Hunter following the exercise of 29.38 options with an expiry date of 31 August 2008.
- (vi) Deferred tax recognised directly in equity relating to equity raising costs

Ordinary shares participate in dividends and the proceeds on winding up of the Company in proportion to the number of shares held and in proportion to the amount paid up on the shares held.

At shareholders meetings each ordinary share is entitled to one vote in proportion to the paid up amount of the share when a poll is called, otherwise each shareholder has one vote on a show of hands.

Economic Entity		Parent Entity	
2007	2006	2007	2006
\$	\$	\$	\$

15. OPTION RESERVE

Balance at beginning of reporting period	6,463,924	-	6,463,924	-
Directors options	484,000	1,464,300	484,000	1,464,300
Employee equity settled transactions	178,422	11,124	178,422	11,124
Options issued to Echelon Resources as per Agreement dated 28 November 2005	-	4,988,500	-	4,988,500
Transfer to share capital options exercised	(361,900)	-	(361,900)	-
	<u>6,764,446</u>	<u>6,463,924</u>	<u>6,764,446</u>	<u>6,463,924</u>

This reserve is used to record the value of equity benefits provided to the employees and directors as part of their remuneration.

16. RETAINED PROFITS/ (ACCUMULATED LOSSES)

Retained profits/(Accumulated losses) at the beginning of the financial period	(3,718,532)	2,651,413	(1,981,202)	2,652,183
Net profit/(loss) attributable to members	<u>1,197,992</u>	<u>(6,369,945)</u>	<u>(1,140,662)</u>	<u>(4,633,385)</u>
Accumulated losses at the end of the financial period	<u>(2,520,540)</u>	<u>(3,718,532)</u>	<u>(3,121,864)</u>	<u>(1,981,202)</u>

CAZALY RESOURCES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

17. FINANCIAL INSTRUMENTS

The economic entity's principal financial instruments comprise cash and short term deposits. The main purpose of the financial instruments is to earn the maximum amount of interest at a low risk to the entity. The economic entity also has other financial instruments such as trade debtors and creditors which arise directly from its operations. For the period under review, it has been the entity's policy not to trade in financial instruments.

The main risks arising from the economic entity's financial instruments are interest rate risk and credit risk. The board reviews and agrees policies for managing each of these risks and they are summarised below:

(a) Interest Rate Risk

The economic entity's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rate for each class of financial assets and financial liabilities comprises:

2007	Floating Interest Rate \$	Fixed Interest maturing in 1 year or less \$	Fixed Interest maturing over 1 to 5 years \$	Non-Interest bearing \$	2007 Total \$
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Financial assets

Cash	147,501	397,802	-	500	545,803
Receivables	-	-	-	135,793	135,793
Investments	-	-	-	3,076,293	3,076,293
	147,501	397,802	-	3,212,586	3,757,889

Weighted average

Interest rate	4.25%	6.30%	-	-	
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Financial Liabilities

Payables	-	-	-	370,692	370,692
	-	-	-	370,692	370,692

Weighted average

interest rate	-	-	-	-	
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2006	Floating Interest Rate \$	Fixed Interest maturing in 1 year or less \$	Fixed Interest maturing over 1 to 5 years \$	Non-Interest bearing \$	2006 Total \$
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Financial assets

Cash	139,320	1,381,205	-	-	1,520,525
Receivables	-	16,000	-	63,758	79,758
Investments	-	-	-	2,760,075	2,760,075
	139,320	1,397,205	-	2,823,833	4,360,358

Weighted average

Interest rate	5.00%	5.77%	-	-	
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Financial Liabilities

Payables	-	-	-	192,181	192,181
	-	-	-	192,181	192,181

Weighted average

interest rate	-	-	-	-	
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CAZALY RESOURCES LIMITED
NOTES TO THE FINANCIAL STATEMENTS

17. FINANCIAL INSTRUMENTS (CONT'D)

(b) Net Fair Values

The carrying value and net fair values of financial assets and liabilities at balance date are:

	2007		2006	
	Carrying Amount \$	Net Fair Value \$	Carrying Amount \$	Net Fair Value \$
Financial assets				
Cash and deposits	545,813	545,813	1,520,525	1,520,525
Receivables	135,793	135,793	79,758	79,758
Investments	3,076,293	3,076,293	2,760,075	2,760,075
	<u>3,757,899</u>	<u>3,757,899</u>	<u>4,360,358</u>	<u>4,360,358</u>
Financial liabilities				
Payables	370,690	370,690	192,181	192,181
Interest bearing liabilities	-	-	-	-
	<u>370,690</u>	<u>370,690</u>	<u>192,181</u>	<u>192,181</u>

(c) Credit Risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the economic entity. The economic entity has adopted the policy of only dealing with credit worthy counterparties and obtaining sufficient collateral or other security where appropriate, as a means of mitigating the risk of financial loss from defaults.

The economic entity does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The carrying amount of financial assets recorded in the financial statements, net of any provisions for losses, represents the economic entity maximum exposure to credit risk.

18. EARNINGS PER SHARE

	Economic Entity	
	Carrying Amount \$	Net Fair Value \$
(a) Earnings / (Loss) used in the calculation of basic EPS	1,197,992	(6,369,945)
	Number of Shares	Number of Shares
(b) Weighted average number of ordinary shares outstanding during the period used in the calculation of basic earnings per share:	51,664,544	45,757,021

CAZALY RESOURCES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

	Economic Entity		Parent Entity	
	2007	2006	2007	2006
	\$	\$	\$	\$

19. CASH FLOW INFORMATION

(i) Reconciliation of cash flows from operating activities with profit/(loss) after income tax

Profit / (Loss) after income tax	1,197,992	(6,369,945)	(1,140,662)	(4,633,385)
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Non-cash flows in loss for the year

Depreciation	17,891	23,933	17,891	23,933
Profit on sale of shares	(764,483)	(147,412)	(763,533)	(147,412)
Employee equity settled transactions	530,000	1,464,300	530,000	1,464,300
Share based payments	132,423	256,250	132,423	256,250
Fair value adjustment to investments	(2,471,793)	(2,014,830)	(1,892,416)	(2,014,830)
Provision for diminution of loans	-	-	1,818,561	-
Profit on sale of tenements	(1,107,366)	-	(2,366)	-
Exploration write-off	915,570	5,748,231	28,608	4,997,464

Cash flows not in loss for the year

Payments for exploration and evaluation	(2,233,536)	(2,383,873)	(1,011,600)	(1,341,217)
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Changes in assets and liabilities

Decrease/(Increase) in receivables & prepayments	(56,038)	245,318	(52,293)	245,320
Increase/(Decrease) in trade and other creditors, accruals and employee entitlements	198,156	474,972	198,156	(604,768)
Movement in provisions	1,453	(9,789)	1,453	(9,789)
Increase in deferred tax assets	(16,337)	-	(16,943)	-
Increase in deferred tax liabilities	1,054,712	-	780,945	-

Net cash inflows (outflows) from operating Activities

(2,601,356)	(2,712,845)	(1,371,776)	(1,765,935)
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ii) Acquisition of Entities

During the year 100% of the following controlled entities were acquired:

Purchase consideration

- Hayes Mining Pty Ltd	-	-	-	-
- Cazaly Iron Pty Ltd	-	-	1	1
- Sammy Resources Pty Ltd	-	-	1	1

CAZALY RESOURCES LIMITED
NOTES TO THE FINANCIAL STATEMENTS

20. COMMITMENTS

On 10 November 2003 the economic entity entered into a lease agreement with Giorgio Longo and Clotilda Aurora Longo for the premises known as entire First Floor, 22 Oxford Close, Leederville, Western Australia. The initial term, is for two (2) years expiring on 30 September 2006 in consideration for a rental fee of \$30,000 per annum. The economic entity has negotiated an extension of the lease agreement with Giorgio Longo until 30 September 2010 for a rental fee of \$60,000 per annum.

The commitments outlined below are contingent on the economic entity exercising its rights to acquire exploration assets pursuant to option agreements detailed below.

In order to maintain rights of tenure to mining tenements subject to these agreements, the economic entity would have the following discretionary exploration expenditure requirements up until expiry of leases. These obligations, which are subject to renegotiation upon expiry of the leases, are not provided for in the financial statements and are payable:

	2007 \$	2006 \$
Not longer than one year	664,630	2,705,180
Longer than one year, but not longer than five years	2,658,520	2,705,180
Longer than five years	-	2,705,180
	3,323,150	8,115,540

At the moment the economic entity has commitments in excess of cash, however the Board believes it will be able to raise the additional funds to satisfy the commitments for the future.

If the economic entity decides to relinquish certain leases and/or does not meet these obligations, assets recognised in the balance sheet may require review to determine the appropriateness of carrying values. The sale, transfer or farm-out of exploration rights to third parties will reduce or extinguish these obligations.

Joint Venture Commitments

The economic entity has entered into the following joint ventures:

CARBINE WEST KALGOORLIE JOINT VENTURE

Cazaly has reached Agreement with Carbine Resources Ltd whereby Carbine will earn a 50 percent stake, with an option to increase to 70 percent, in Cazaly's entire gold exploration and development portfolio in the Kunanalling, Ora Banda, Grants Patch, Carbine and Split Rocks regions. These tenements cover approximately 533 square kilometers and contain mineral resources of 612,400 ounces of gold.

This agreement combines the project development skills of Carbine with the geology, exploration and tenement management prowess of Cazaly.

1. Carbine will pay Cazaly a management fee of \$41,700 per month over a period of 12 months commencing from the date that the agreement is formalised.
2. Carbine will issue Cazaly with 2,000,000 ordinary fully paid shares in Carbine, with these shares voluntarily escrowed for a period of 6 months.
3. On or before the first anniversary of the agreement, Carbine will pay a further \$1,000,000 either, at Carbine's election, by cash or by 50/50 combined cash and Carbine shares, with the issue price of the shares being the 30-day volume weighted average price (30 day VWAP) as calculated on the day prior to payment date. This payment will give Carbine an initial 35% stake in the projects.

CAZALY RESOURCES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

4. Carbine undertakes to fund exploration on the project areas equivalent to \$4,500,000 over a period of no more than 36 months after the date of the agreement. On completion of this expenditure commitment, Carbine will have earned a 50% stake in the projects.
5. Any mine developments on the project areas will be funded entirely by Carbine. Carbine will then be entitled to recoup its investment (included accumulated interest charges) before sharing operating cash flows on a 50/50 basis with Cazaly.
6. Carbine will assume the role of Manager of the joint venture on completion of the payments mentioned in item 1. To that end it has undertaken to use the professional services of Cazaly's existing geology team and has agreed to reimburse Cazaly direct costs plus 12 percent management fee for these services.
7. Any proceeds from the agreed sale, transfer or relinquishment of tenements in the project areas during the period up to completion of the earn-in commitments, shall be shared 50% Cazaly, 50% Carbine.

PLACER DOME ASIA PACIFIC – KUNUNALLING PROJECT

On 9 December 2003 Cazaly acquired the Kununalling project from Placer Dome Asia Pacific Limited ("PDAP") whereby Cazaly is the register holder or is entitled to be registered of the holder and beneficial owner of the Kununalling project and Tenements. A payment sum of \$57,000 and assignment to Cazaly 100% interest in the Kununalling Project provided that PDAP will retain;

- (i) the once off right exercisable within 60 days of being notified of the establishment of 500,000 or more once resources on the Kununalling Project to clawback a 70% interest in respect of the resource area.
- (ii) PDAP the right to explore for conceptual targets within a declared area of the Kununalling Project at Cazaly Resources Ltd Expense. Any discovery of 500,000 or more ounces would be deemed to be owned 70% by PDAP and 30% by Cazaly Resources. Any resource discovery of less than 500,000 ounces would continue to be 100% owned by Cazaly Resources.
- (iii) the option to acquire or to process any ore produced from the project owned or acquired by Cazaly Resources within 100km of the treatment plant.
- (iv) a 2% net smelter royalty on all gold produced from the Kununalling

NORTHLANDER PROJECT - HAMPTON HILL MINING AGREEMENT

On 5 March 2004 Cazaly acquired a 49% interest in the Northlander Project from Hampton Hill Mining NL. Hampton Hill Mining is the registered holder or is entitled to be registered as the holder and 49% beneficial owner of the Northlander Project and the Tenements. In consideration of Cazaly resources paying Hampton Hill Mining the sum of \$21,000, Hampton Hill Mining will assign 49% interest in the Northlander Project provided that;

- (i) Hampton Hill Mining will retain the once off right within 60 days of being notified of the establishment of a 500,000 or more ounce resource on the Northlander Project, to claw back a 34.3% interest or a 70% interest if PDAP does not exercise its equivalent rights within the 60 day period.
- (ii) a 0.98% Net Smelter Returns Royalty on all gold produced from mine within the Northlander Project.
- (iii) the right to explore for conceptual targets within a declared area of the northlander Project. Any reluctant resourced discovery of 500,000 or more ounces would be deemed to be owned 70% by Hampton hill Mining (this will be subject to clawback, the respective interest would then be PDAP 35.7% Hampton Hill Mining 34.5% and Cazaly Resources Ltd 30%. Any resource discovery of less than 500,000 ounces would continue to be 100% owned by Cazaly Resources.

NORTHLANDER PROJECT – PLACER DOME ASIA PACIFIC AGREEMENT

On 5th March 2004 Cazaly hereby offers to acquire a 51% interest in the Northlander Project from Placer Dome Asia Pacific Ltd ("PDAP"). PDAP is the registered holder or is entitled to be registered as the holder and 51% beneficial owner of the Northlander Project and the Tenements. In consideration of Cazaly resources paying PDAP the sum of \$21,930, PDAP will assign 51% interest in the Northlander Project provided that;

- (i) PDAP will retain the once off right within 60 days of being notified of the establishment of a 500,000 or more ounce resource on the Northlander Project, to claw back a 35.7% interest or a 70% interest if Hampton Hill Mining NL does not exercise its equivalent rights within the 60 day period.
- (ii) a 1.02% Net Smelter Returns Royalty on all gold produced from mine within the Northlander Project.
- (iii) the right to explore for conceptual targets within a declared area of the northlander Project. Any reluctant resourced discovery of 500,000 or more ounces would be deemed to be owned 70% by Hampton hill Mining (this will be subject to clawback, the respective interest would then be PDAP 35.7% Hampton Hill Mining 34.5% and Cazaly Resources Ltd 30%. Any resource discovery of less than 500,000 ounces would continue to be 100% owned by Cazaly Resources.

CAZALY RESOURCES LIMITED
NOTES TO THE FINANCIAL STATEMENTS

20. COMMITMENTS (CONT'D)

WEST KALGOORLIE PROJECT (ORA BANDA, GRANTS PATCH, CARBINE PROJECTS) – PLACER DOME ASIA PACIFIC AGREEMENT

On 13th September 2004 Cazaly acquired the West Kalgoorlie project from PDAP whereby Cazaly is the register holder or is entitled to be registered of the holder and beneficial owner of the Kunanalling project and Tenements. A payment to PDAP of \$1,000 was the consideration for the assignment to Cazaly 100% interest in the Kunanalling Project provided that PDAP will retain;

- (i) the once off right exercisable within 60 days of being notified of the establishment of 300,000 or more once resources on the Kunanalling Project to clawback a 70% interest in respect of the resource area by the reimbursement of 2.5 times the previous exploration costs.
- (ii) PDAP the right to explore for conceptual targets within a declared area of the West Kalgoorlie Project at Cazaly Resources Ltd Expense. Any discovery of 300,000 or more ounces would be deemed to be owned 70% by PDAP and 30% by Cazaly Resources. Any resource discovery of less than 300,000 ounces would continue to be 100% owned by Cazaly Resources.
- (iii) the option to acquire or to process any ore produced from the project owned or acquired by Cazaly Resources within 100km of the treatment plant.
- (iv) a 2% net smelter royalty on all gold produced from the West Kalgoorlie project except where a pre-existing royalty exists.

CASTLE HILL PROJECT – PLACER DOME ASIA PACIFIC AGREEMENT

On 13th September 2004 Cazaly acquired the West Kalgoorlie project from PDAP whereby Cazaly is the register holder or is entitled to be registered of the holder and beneficial owner of the Kunanalling project and Tenements. A payment to PDAP of \$1,000 was the consideration for the assignment to Cazaly 100% interest in the Kunanalling Project provided that PDAP will retain;

- (i) the once off right exercisable within 60 days of being notified of the establishment of 300,000 or more once resources on the Kunanalling Project to clawback a 70% interest in respect of the resource area by the reimbursement of 2.5 times the previous exploration costs.
- (ii) PDAP the right to explore for conceptual targets within a declared area of the West Kalgoorlie Project at Cazaly Resources Ltd Expense. Any discovery of 300,000 or more ounces would be deemed to be owned 70% by PDAP and 30% by Cazaly Resources. Any resource discovery of less than 300,000 ounces would continue to be 100% owned by Cazaly Resources.
- (iii) the option to acquire or to process any ore produced from the project owned or acquired by Cazaly Resources within 100km of the treatment plant.
- (iv) a 2% net smelter royalty on all gold produced from the Castle Hill project except where a pre-existing royalty exists.

In each of the Kununalling, West Kalgoorlie, Northlander and Castle Hill Agreements there are several smaller, non-material royalty provisions that encumber the tenements.

ECHELON JOINT VENTURE AGREEMENT

In consideration for Echelon committing to provide technical capabilities and funding \$2.5 million in exploration funds for the Shovelanna project, Echelon will receive a 14% interest in ELA 46/678 and receive 5 million options in Cazaly, exercisable at \$1.00, on or before 31 December 2007.

JILLEWARRA JOINT VENTURE AGREEMENT

The Company accepted an offer from Red Emperor Resources NL to farm in to the Jillewarra copper/gold project. The Company will receive cash of \$100,000 and 1,000,000 shares for the right of Red Emperor to earn 51% by the expenditure of \$1,200,000 within 42 months of listing. Cazaly will manage this exploration.

GLOBAL NICKEL INVESTMENTS JOINT VENTURES

The Company finalised four separate Farm-In and Joint Venture Agreements with Global Nickel Investments Ltd ("GNI") on the following terms:

CAZALY RESOURCES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

JUTSON ROCKS PROJECT

\$120,000 cash payment plus 750,000 shares for 70% of the project with the Expenditure Commitment of 3,000m RC within 4 years

FORRESTANIA

\$50,000 cash plus 250,000 shares for 70% of the project with the Expenditure Commitment of \$300,000 within 4 years

COSMOS NORTH AND MT. WHITE

\$50,000 cash plus 250,000 shares for 70% of the project with the Expenditure Commitment \$300,000 within 4 years

BANDALUP

\$50,000 cash plus 300,000 shares for 70% of the project with the Expenditure Commitment of \$300,000 within 4 years

GENERAL PERIPHERAL PROJECTS

Cazaly has free-carried interests in several smaller projects that are deemed to be non material at this stage. There are no potential liabilities for Cazaly in these Agreements.

PARKER RANGE IRON ORE PROJECT

Cazaly Iron may earn an 80% interest in iron ore on the tenements by spending \$1 million on exploration for iron ore within three years. The Company will retain a 20% interest in the iron ore rights, free carried to the completion of a bankable feasibility study.

The agreement is subject to certain conditions, including –

- (i) the placement to Cazaly Resources Limited of 8,000,000 ordinary fully paid shares in the Company at a price of 2.5 cents per share, to take place on 15th July 2007; and
- (ii) the consent of other stakeholders in the subject tenements by not later than 30th September 2007.

21. CONTROLLED ENTITIES

Parent Entity	Country of Incorporation	Consolidated Entity Interest	
		2007	2006
Cazaly Resources Limited	Australia		
Controlled Entities			
Hayes Mining Pty Ltd	Australia	100%	100%
Cazaly Iron Pty Ltd	Australia	100%	100%
Sammy Resources Pty Ltd	Australia	100%	100%

On 1 July 2005 the parent entity acquired 100% of Cazaly Iron Pty Ltd, with Cazaly Resources Ltd entitled to all profits earned from 1 July 2005, for purchase consideration of \$1.00

CAZALY RESOURCES LIMITED
NOTES TO THE FINANCIAL STATEMENTS

22. SEGMENT INFORMATION

The economic entity operates predominantly in one geographical segment, being Western Australia, and in one industry, mineral mining and exploration.

23. EVENTS SUBSEQUENT TO REPORTING DATE

On 6 August 2007, Lisa Wynne was appointed to the role of Company Secretary following the resignation of Kent Hunter.

On 8 August 2007, the Company completed a placement of 5,750,000 ordinary shares to a range of institutional investors to raise \$3,450,000 before costs of the issue.

On 24 August 2007, the Company requested a trading halt while awaiting the Court of Appeal Hearing Judgment on the Shovelanna tenement. The Court of Appeal refused Cazaly's application to quash the decision of the former Minister for Resources to terminate Cazaly's application for Exploration Licence 46/678 (Shovelanna).

There were no other matters or circumstances that have arisen since the end of the financial period which significantly affected or may significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial years.

24. RELATED PARTY INFORMATION

Transactions between related parties are on commercial terms and conditions, no more favourable than those available to other parties unless otherwise stated.

Transactions with related entities:

(i) Director related Entities

Remuneration (excluding the reimbursement of costs) received or receivable by the directors of the Economic entity and aggregate amounts paid to superannuation plans in connection with the retirement of directors are disclosed in Note 4 to the accounts.

These transactions were made on commercial terms and conditions and at market rates.

CAZALY RESOURCES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

26. SHARE BASED PAYMENTS

Options are issued to vendors as part of purchase consideration and also to directors and employees as part of their remuneration as disclosed in Note 4. The options issued may be subject to performance criteria, and are issued to directors and employees of Cazaly Resources Limited to increase goal congruence between executives, directors and shareholders.

The following table illustrates the number and weighted average exercise prices (WAEP) of and movements in share options issued under Share Based Payment Scheme during the year:

	2007		2006	
	Number of Options	Weighted Average Exercise Price \$	Number of Options	Weighted Average Exercise Price \$
At beginning of reporting period	9,975,000		2,650,000	
Granted during the period				
- Vendor options	-	-	5,000,000	1.00
- Employee & consultants options	2,350,000	0.47	75,000	0.58
- Director remuneration	2,200,000	0.22	2,250,000	0.50
- Exercised	(1,500,000)	0.35	-	
Balance the end of reporting period	13,025,000		9,975,000	
Exercisable at end of reporting period	13,025,000		9,975,000	

- (i) The compensation options outstanding at 30 June 2007 had a weighted average exercise price between \$0.22 and \$0.86 and a weighted average remaining life between 0.16 years and 5 years.
- (ii) The respective weighted average fair values of options granted during 2007 were \$0.11.
- (iii) Included under employee benefits expense in the income statement is \$662,423 (2006: \$1,464,000), and relates to equity-settled payment transactions.

CAZALY RESOURCES LIMITED
DIRECTORS' DECLARATION

DIRECTORS' DECLARATION

The directors of the company declare that:

1. the financial statements and notes, as set out on pages 14 to 43, are in accordance with the Corporations Act 2001:

- (a) comply with Accounting Standards and the Corporations Regulations 2001; and
- (b) give a true and fair view of the financial position as at 30 June 2007 and of the performance for the year ended on that date of the company and economic entity; and

2. the Chief Executive Officer and Company Secretary have each declared that:

- (a) the financial records of the company for the financial year have been properly maintained in accordance with section 286 of the Corporations Act 2001;
- (b) the financial statements and notes for the financial year comply with the Accounting Standards; and
- (c) the financial statements and notes for the financial year give a true and fair view.

3. in the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.



Kent Hunter
Director

Perth,
28 September 2007



INDEPENDENT AUDIT REPORT TO THE MEMBERS OF CAZALY RESOURCES LIMITED

We have audited the accompanying financial report of Cazaly Resources Ltd (the company) and Cazaly Resources Ltd and Controlled Entities (the consolidated entity), which comprises the balance sheet as at 30 June 2007, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

As permitted by the Corporations Regulations 2001, the company has disclosed information about the remuneration of directors and executives (remuneration disclosures), required by Accounting Standard AASB 124: Related Party Disclosures, under the heading "Remuneration Report" in the directors' report and not in the financial report.

Directors Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state, in accordance with Accounting Standards AASB 101: Presentation of Financial Statements, that compliance with the Australian equivalents to International Financial Reporting Standards (IFRS) ensures that the financial report, comprising the financial statements and notes, complies with IFRS.

The directors also are responsible for preparation and presentation of the remuneration disclosures contained in the directors' report in accordance with the Corporations Regulations 2001.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement and that the remuneration disclosures in the directors' report comply with Accounting Standard AASB 124.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report and the remuneration disclosures in the directors' report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



RIX LEVY FOWLER
 CHARTERED BUSINESS ADVISORS

Partners

Phillip Rix FCA
 Jon Carcich CA
 Ranko Matic CA
 Chris Watts CA

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Independence

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

Auditor's Opinion

In our opinion:

- a. the financial report of Cazaly Resources Ltd and its Controlled Entities is in accordance with the Corporations Act 2001, including:
 - i. giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2007 and of their performance for the year ended on that date; and
 - ii. complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001;
- b. the financial report also complies with International Financial Reporting Standards as disclosed in Note 1; and
- c. the remuneration disclosures that are contained in the directors' report comply with Accounting Standard AASB 124.

RIX LEVY FOWLER
 Audit & Corporate Pty Ltd

RANKO MATIC
 Director

DATED at PERTH this 28th day of September 2007

CAZALY RESOURCES LIMITED
ADDITIONAL SHAREHOLDER INFORMATION

ADDITIONAL SHAREHOLDER INFORMATION

Shareholding

The distribution of members and their holdings of equity securities in the company as at 25 September 2007 was as follows:

Number Held as at 22 September 2006	Class of Equity Securities Fully Paid Ordinary Shares
1-1,000	314
1,001 - 5,000	850
5,001 - 10,000	448
10,001 - 100,000	608
100,001 and over	80
TOTALS	2,300

Holders of less than a marketable parcel:- fully paid shares 403

Substantial Shareholders

Substantial shareholders in the Company are set out below:

Shareholder	Number
Herbert Management Corporation, Philip Falcon, Raymond Herbert	3,263,001

Unquoted Securities

Class of Equity Security	Number	Number of Security Holders
31 August 2008 Option - \$0.4436	1,750,000	3
31 August 2007 Option - \$0.2938	1,000,000	1
2 July 2009 Options - \$0.1938	150,000	1
31 December 2007 Options - \$0.9436	5,000,000	3
15 September 2008 Options - \$0.35	500,000	1
5 October 2011 Options - \$0.8036	100,000	1
15 October 2008 Options - \$0.4436	1,000,000	1
30 November 2009 Options - \$1.9436	2,200,000	3
19 June 2012 Options - \$0.86	250,000	1

Voting Rights

The voting rights attached to each class of equity security are as follows:

Ordinary Shares

Each ordinary share is entitled to one vote when a poll is called, otherwise each member present at a meeting or by proxy has one vote on a show of hands.

CAZALY RESOURCES LIMITED
ADDITIONAL SHAREHOLDER INFORMATION

Quoted and Unquoted Options

These options have no voting rights.

ASX Listing Rule 4.10.19

In accordance with Listing Rule 4.10.19, the company states that it has used the cash and assets in a form readily convertible to cash that it had at the time of admission in a way consistent with its business objectives. The business objective is primarily mineral exploration.

Twenty Largest Shareholders

The names of the twenty largest ordinary fully paid shareholders as at 25 September 2007 are as follows:

Name	Number of Ordinary Fully Paid Shares Held	% Held of Issued Ordinary Capital
Mr Clive Bruce Jones	4,050,001	6.792
Citicorp Nominees Pty Limited	3,887,715	6.520
Nathan Bruce McMahon	2,700,001	4.528
ANZ Nominees Limited	2,156,700	3.617
Mrs Karen Cameron Murie	1,275,500	2.139
USB Wealth Management	1,065,000	1.786
Echelon Resource Limited	1,000,000	1.677
Mr Clive Bruce Jones	1,000,000	1.677
Mr Kent Michael Hunter	900,000	1.509
Richard Stanley De Ravin	450,000	0.875
Shoc Pty Ltd	711,276	1.193
Kingsreef Pty Ltd	584,244	0.980
New Horizon Investments Pty Ltd	500,000	0.839
Clear range Pty Ltd	500,000	0.839
Dr Hao Jame Kuo & Mrs Shirley Joan Kuo	430,140	0.721
Mrs Debra Lee McMahon	410,934	0.689
Mr Mervyn Leo Bassett & Mrs Shirley Ethel Bassett	400,000	0.671
Libbie Pty Limited	396,000	0.664
Mr Andrew Murie	360,500	0.605
Mrs Karen Murie & Mr Andre Murie	349,500	0.586
Mrs Debra Lee McMahon	344,128	0.577
TOTAL	19,203,159	37.365

CORPORATE GOVERNANCE

The Company is committed to implementing the highest standards of corporate governance. In determining what those high standards should involve the Company has turned to the ASX Corporate Governance Council's Principles of Good Corporate Governance and Best Practice Recommendations. The Company is pleased to advise that the Company's practices are largely consistent with those ASX guidelines. As consistency with the guidelines has been a gradual process, where the Company did not have certain policies or committees recommended by the ASX Corporate Governance Council (the Council) in place during the reporting period, we have identified such policies or committees.

CAZALY RESOURCES LIMITED

ADDITIONAL SHAREHOLDER INFORMATION

Where the Company's corporate governance practices do not correlate with the practices recommended by the Council, the Company is working towards compliance however it does not consider that all the practices are appropriate for the Company due to the size and scale of Company operations.

To illustrate where the Company has addressed each of the Council's recommendations, the following table cross-references each recommendation with sections of this report. The table does not provide the full text of each recommendation but rather the topic covered. Details of all of the recommendations can be found on the ASX Corporate Governance Council's website at <http://www.asx.com.au/supervision/governance/index.htm>

Recommendation		Section
Recommendation 1.1	Functions of the Board and Management	1.1
Recommendation 2.1	Independent Directors	1.2
Recommendation 2.2	Independent Chairman	1.2
Recommendation 2.3	Role of the Chairman and CEO	1.2
Recommendation 2.4	Establishment of Nomination Committee	2.3
Recommendation 2.5	Reporting on Principle 2	1.2, 1.4.6, 2.3.2 and the Directors' Report
Recommendation 3.1	Directors' and Key Executives' Code of Conduct	1.1
Recommendation 3.2	Company Security Trading Policy	1.4.9
Recommendation 3.3	Reporting on Principle 3	1.1 and 1.4.9
Recommendation 4.1	Attestations by CEO and CFO	1.4.1.1
Recommendation 4.2	Establishment of Audit Committee	2.1
Recommendation 4.3	Structure of Audit Committee	2.1.2
Recommendation 4.4	Audit Committee Charter	2.1
Recommendation 4.5	Reporting on Principle 4	2.1
Recommendation 5.1	Policy for Compliance with Continuous Disclosure	1.4.4
Recommendation 5.2	Reporting on Principle 5	1.4.4
Recommendation 6.1	Communications Strategy	1.4.8
Recommendation 6.2	Attendance of Auditor at General Meetings	1.4.8
Recommendation 7.1	Policies on Risk Oversight and Management	2.1.3
Recommendation 7.2	Attestations by CEO and CFO	1.4.1.1
Recommendation 7.3	Reporting on Principle 7	2.1.3
Recommendation 8.1	Evaluation of Board, Directors and Key Executives	1.4.10
Recommendation 9.1	Remuneration Policies	2.2.4
Recommendation 9.2	Establishment of Remuneration Committee	2.2
Recommendation 9.3	Executive and Non-Executive Director Remuneration	2.2.4.1 and 2.2.4.2
Recommendation 9.4	Equity-Based Executive Remuneration	2.2.4.1
Recommendation 9.5	Reporting on Principle 9	2.2.2 and 2.2.4
Recommendation 10.1	Company Code of Conduct	3

1. Board of Directors

1.1 Role of the Board

The Board's role is to govern the Company rather than to manage it. In governing the Company, the Directors must act in the best interests of the Company as a whole. It is the role of senior management to manage the Company in accordance with the direction and delegations of the Board and the responsibility of the Board to oversee the activities of management in carrying out these delegated duties.

In carrying out its governance role, the main task of the Board is to drive the performance of the Company. The Board must also ensure that the Company complies with all of its contractual, statutory and any other legal obligations, including the requirements of any regulatory body. The Board has the final responsibility for the successful operations of the Company.

CAZALY RESOURCES LIMITED

ADDITIONAL SHAREHOLDER INFORMATION

To assist the Board carry out its functions, it has developed a Code of Conduct to guide the Directors, the Chief Executive Officer, the Chief Financial Officer and other key executives in the performance of their roles.

1.2 Composition of the Board

To add value to the Company the Board has been formed so that it has effective composition, size and commitment to adequately discharge its responsibilities and duties given its current size and scale of operations. The names of the Directors and their qualifications and experience are stated in the Directors' Report along with the term of office held by each of the Directors. Directors are appointed based on the specific skills required by the Company and on their decision-making and judgment skills.

The Company recognises the importance of Non-Executive Directors and the external perspective and advice that Non-Executive Directors can offer. Mr K Hunter is a Non-Executive Director, and is an independent director as he meets the following criteria for independence adopted by the Company.

An Independent Director is a Non-Executive Director and:

- is not a substantial shareholder of the Company or an officer of, or otherwise associated directly with, a substantial shareholder of the Company;
- within the last three years has not been employed in an executive capacity by the Company or another group member, or been a Director after ceasing to hold any such employment;
- within the last three years has not been a principal of a material professional adviser or a material consultant to the Company or another group member. Or an employee materially associated with the service provided;
- is not a material supplier or customer of the Company or another group member, or an officer of or otherwise associated directly or indirectly with a material supplier or customer;
- has no material contractual relationship with the Company or other group member other than as a Director of the Company;
- has not served on the Board for a period which could, or could reasonably be perceived to, materially interfere with the Director's ability to act in the best interests of the Company; and
- is free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the Director's ability to act in the best interests of the Company.

Mr K Hunter is a Non-Executive Director of the Company and meets the Company's criteria for independence. His experience and knowledge of the Company makes his contribution to the Board such that it is appropriate for him to remain on the Board.

Mr C Jones is an Executive Director of the Company and does not meet the Company's criteria for independence. However, his experience and knowledge of the Company makes his contribution to the Board such that it is appropriate for him to remain on the Board.

Mr N McMahon is an Executive Director of the Company and does not meet the Company's criteria for independence. However, his experience and knowledge of the Company makes his contribution to the Board such that it is appropriate for him to remain on the Board.

1.3 Responsibilities of the Board

In general, the Board is responsible for, and has the authority to determine, all matters relating to the policies, practices, management and operations of the Company. It is required to do all things that may be necessary to be done in order to carry out the objectives of the Company.

Without intending to limit this general role of the Board, the principal functions and responsibilities of the Board include the following.

- Leadership of the Organisation: overseeing the Company and establishing codes that reflect the values of the Company and guide the conduct of the Board.

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- **Strategy Formulation:** to set and review the overall strategy and goals for the Company and ensuring that there are policies in place to govern the operation of the Company.
- **Overseeing Planning Activities:** the development of the Company's strategic plan.
- **Shareholder Liaison:** ensuring effective communications with shareholders through an appropriate communications policy and promoting participation at general meetings of the Company.
- **Monitoring, Compliance and Risk Management:** the development of the Company's risk management, compliance, control and accountability systems and monitoring and directing the financial and operational performance of the Company.
- **Company Finances:** approving expenses and approving and monitoring acquisitions, divestitures and financial and other reporting.
- **Human Resources:** appointing, and, where appropriate, removing the Chief Executive Officer (CEO) and Chief Financial Officer (CFO) as well as reviewing the performance of the CEO and monitoring the performance of senior management in their implementation of the Company's strategy.
- **Ensuring the Health, Safety and Well-Being of Employees:** in conjunction with the senior management team, developing, overseeing and reviewing the effectiveness of the Company's occupational health and safety systems to ensure the well-being of all employees.
- **Delegation of Authority:** delegating appropriate powers to the CEO to ensure the effective day-to-day management of the Company and establishing and determining the powers and functions of the Committees of the Board.

Full details of the Board's role and responsibilities are contained in the Board Charter; a copy of which is available for inspection at the Company's registered office.

1.4 Board Policies

1.4.1 Conflicts of Interest

Directors must:

- disclose to the Board actual or potential conflicts of interest that may or might reasonably be thought to exist between the interests of the Director and the interests of any other parties in carrying out the activities of the Company; and
- if requested by the Board, within seven days or such further period as may be permitted, take such necessary and reasonable steps to remove any conflict of interest.

If a Director cannot or is unwilling to remove a conflict of interest then the Director must, as per the Corporations Act, absent himself or herself from the room when discussion and/or voting occurs on matters about which the conflict relates.

1.4.2 Commitments

Each member of the Board is committed to spending sufficient time to enable them to carry out their duties as a Director of the Company.

1.4.3 Confidentiality

In accordance with legal requirements and agreed ethical standards, Directors and key executives of the Company have agreed to keep confidential, information received in the course of the exercise of their duties and will not disclose non-public information except where disclosure is authorised or legally mandated.

1.4.4 Continuous Disclosure

The Board has designated the Company Secretary as the person responsible for overseeing and coordinating disclosure of information to the ASX as well as communicating with the ASX. In accordance with the ASX Listing Rules the Company immediately notifies the ASX of information:

- concerning the Company that a reasonable person would expect to have a material effect on the price or value of the Company's securities; and
- that would, or would be likely to, influence persons who commonly invest in securities in deciding whether to acquire or dispose of the Company's securities.

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1.4.5 Education and Induction

It is the policy of the Company that new Directors undergo an induction process in which they are given a full briefing on the Company. Where possible this includes meetings with key executives, tours of the premises, an induction package and presentations. Information conveyed to new Directors include:

- details of the roles and responsibilities of a Director;
- formal policies on Director appointment as well as conduct and contribution expectations;
- access to a copy of the Board Charter;
- guidelines on how the Board processes function;
- details of past, recent and likely future developments relating to the Board;
- background information on and contact information for key people in the organisation;
- an analysis of the Company;
- a synopsis of the current strategic direction of the Company; and
- a copy of the Constitution of the Company.

In order to achieve continuing improvement in Board performance, all Directors are encouraged to undergo continual professional development. Specifically, Directors are provided with the resources and training to address skills gaps where they are identified.

1.4.6 Independent Professional Advice

The Board collectively and each Director has the right to seek independent professional advice at the Company's expense, up to specified limits, to assist them to carry out their responsibilities.

1.4.7 Related Party Transactions

Related party transactions include any financial transaction between a Director and the Company. Unless there is an exemption under the Corporations Act from the requirement to obtain shareholder approval for the related party transaction, the Board cannot approve the transaction.

1.4.8 Shareholder Communication

The Company respects the rights of its shareholders and to facilitate the effective exercise of those rights the Company is committed to:

- communicating effectively with shareholders through releases to the market via ASX, information mailed to shareholders and the general meetings of the Company;
- giving shareholders ready access to balanced and understandable information about the Company and corporate proposals;
- making it easy for shareholders to participate in general meetings of the Company; and
- requesting the external auditor to attend the annual general meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report.

The Company also makes available a telephone number and email address for shareholders to make enquiries of the Company.

1.4.9 Trading in Company Shares

Due to the size of the Company, the Board does not consider it appropriate to implement a Share Trading Policy. Rather, it reminds directors, officers and employees of the prohibition in the Corporations Act 2001 concerning trading in the Company's securities when in possession of "inside information".

1.4.10 Performance Review/Evaluation

It is the policy of the Board to conduct evaluation of its performance. The evaluation process was introduced via the Board Charter adopted on 30 June 2005 and will be implemented for the financial year ended 30 June 2006. The objective of this evaluation will be to provide best practice corporate governance to the Company.

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1.4.11 Attestations by CEO and CFO

It is the Board's policy, that the CEO and the CFO make the attestations recommended by the ASX Corporate Governance Council as to the Company's financial condition prior to the Board signing the Annual Report. However, as at the date of this report the Company does not have a designated CEO or CFO. Due to the size and scale of operations of the Company these roles are performed by the Board as a whole.

2. Board Committees**2.1 Audit Committee**

Due to the size and scale of operations of the Company the full Board undertakes the role of the Audit Committee. Below is a summary of the role and responsibilities of an Audit Committee.

2.1.1 Role

The Audit Committee is responsible for reviewing the integrity of the Company's financial reporting and overseeing the independence of the external auditors.

As the whole Board only consists of three (3) members, the Company does not have an audit committee because it would not be a more efficient mechanism than the full Board for focusing the Company on specific issues and an audit committee cannot be justified based on a cost-benefit analysis. However, in accordance with the ASX Listing Rules, the Company is moving towards establishing an audit committee consisting primarily of Independent Directors.

In the absence of an audit committee, the Board sets aside time to deal with issues and responsibilities usually delegated to the audit committee to ensure the integrity of the financial statements of the Company and the independence of the external auditor.

2.1.2 Responsibilities

The Audit Committee or as at the date of this report the full Board of the Company reviews the audited annual and half-yearly financial statements and any reports which accompany published financial statements and recommends their approval to the members.

The Audit Committee or as at the date of this report the full Board of the Company each year reviews the appointment of the external auditor; their independence, the audit fee, and any questions of resignation or dismissal.

The Audit Committee or as at the date of this report the full Board of the Company is also responsible for establishing policies on risk oversight and management.

2.1.3 Risk Management Policies

The Board's Charter clearly establishes that it is responsible for ensuring there is a good sound system for overseeing and managing risk. Due to the size and scale of operations, risk management issues are considered by the Board as a whole. On 28 September 2006 Mr Nathan McMahon (Managing Director) and Mr Kent Hunter (Company Secretary) provided the Board with written assurance that the financial statements are founded on a sound system of risk management and internal compliance. Their statement assured the Board that the risk management and internal compliance and control system is operating efficiently and effectively in all material respects.

2.2 Remuneration Committee**2.2.1 Role**

The role of a Remuneration Committee is to assist the Board in fulfilling its responsibilities in respect of establishing appropriate remuneration levels and incentive policies for employees.

As the whole Board only consists of three (3) members, the Company does not have a remuneration committee because it would not be a more efficient mechanism than the full Board for focusing the Company on specific issues.

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2.2.2 Responsibilities

The responsibilities of a Remuneration Committee, or the full Board include setting policies for senior officers' remuneration, setting the terms and conditions of employment for the Chief Executive Officer; reviewing and making recommendations to the Board on the Company's incentive schemes and superannuation arrangements, reviewing the remuneration of both Executive and Non-Executive Directors and making recommendations on any proposed changes and undertaking reviews of the Chief Executive Officer's performance, including, setting with the Chief Executive Officer goals and reviewing progress in achieving those goals.

2.2.3 Remuneration Policy

Directors' Remuneration was approved by resolution of the Board on 8 September 2003.

2.2.3.1 Senior Executive Remuneration Policy

The Company is committed to remunerating its senior executives in a manner that is market-competitive and consistent with best practice as well as supporting the interests of shareholders. Consequently, under the Senior Executive Remuneration Policy the remuneration of senior executive may be comprised of the following:

- fixed salary that is determined from a review of the market and reflects core performance requirements and expectations;
- a performance bonus designed to reward actual achievement by the individual of performance objectives and for materially improved Company performance;
- participation in any share/option scheme with thresholds approved by shareholders;
- statutory superannuation.

By remunerating senior executives through performance and long-term incentive plans in addition to their fixed remuneration the Company aims to align the interests of senior executives with those of shareholders and increase Company performance. During the year there were no Non-Director Executives.

The value of shares and options were they to be granted to senior executives would be calculated using the Black and Scholes method.

The objective behind using this remuneration structure is to drive improved Company performance and thereby increase shareholder value as well as aligning the interests of executives and shareholders.

The Board may use its discretion with respect to the payment of bonuses, stock options and other incentive payments.

2.2.3.2 Non-Executive Director Remuneration Policy

Non-Executive Directors are to be paid their fees out of the maximum aggregate amount approved by shareholders for the remuneration of Non-Executive Directors. Non-Executive Directors do not receive performance based bonuses and do not participate in equity schemes of the Company.

Non-Executive Directors are entitled to but not necessarily paid statutory superannuation.

2.2.4 Current Director Remuneration

Full details regarding the remuneration of Directors, is included in the Directors' Report.

CAZALY RESOURCES LIMITED**ADDITIONAL SHAREHOLDER INFORMATION****2.3 Nomination Committee****2.3.1 Role**

The role of a Nomination Committee is to help achieve a structured Board that adds value to the Company by ensuring an appropriate mix of skills are present in Directors on the Board at all times.

As the whole Board only consists of three (3) members, the Company does not have a nomination committee because it would not be a more efficient mechanism than the full Board for focusing the Company on specific issues.

2.3.2 Responsibilities

The responsibilities of a Nomination Committee would include devising criteria for Board membership, regularly reviewing the need for various skills and experience on the Board and identifying specific individuals for nomination as Directors for review by the Board. The Nomination Committee would also oversee management succession plans including the CEO and his/her direct reports and evaluate the Board's performance and make recommendations for the appointment and removal of Directors. Currently the Board as a whole performs this role.

2.3.3 Criteria for selection of Directors

Directors are appointed based on the specific governance skills required by the Company. Given the size of the Company and the business that it operates, the Company aims at all times to have at least one Director with experience appropriate to the Company's target market. In addition, Directors should have the relevant blend of personal experience in accounting and financial management and Director-level business experience.

3. Company Code Of Conduct

The Board has decided against the implementation of a code of conduct as it does not believe that it is in the best interests of its employees or other stakeholders to have what purports to be an exhaustive code of conduct. The Board feels that such a code may be too prescriptive and not allow the employees the discretion they need to best serve the Company's stakeholders.

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SCHEDULE OF MINERAL TENEMENTS AS AT 25 SEPTEMBER 2007

PROJECTS	TENEMENTS	PROJECTS	TENEMENTS
7 MILE HILL	1 ELA	KEEP RIVER	1 ELA
ACACIA BORE	1 EL	KILLANIA	1 ELA
ALBION DOWNS	1 EL, 3 ELA'S, 1 PL	KILLI KILLI HILLS	1 ELA
ALBION DOWNS JV	1 EL	KINTORE	5 PL'S
ALICE HILL	1 ELA	KURINELLI	1 EL, 2 ELA'S
BANDALUP JV	1 EL	LAKE HINDS	1 ELA
BARDOC JV (35%)	3 ML'S, 1 MLA, 16 PL'S, 3 PLA	LAKE LEFROY	1 ELA
BARE HILL	1 EL	LAKEWAY	1 EL
BELELE	1 PLA	LYNAS FIND JV	10 PL'S
BIG BEN	1 ELA	MENZIES JV	3 MLA'S, 26 PL'S, 8 PL'S
BLACKFLAG	1 PL, 7 PLA'S	MT DUGEL	1 ELA
BONNEY DOWNS	1 ELA	MT ISABEL	1 ELA
BOUNTY	1 EL	MT VETTERS	1 EL
BRITISH WELL	2 PLA'S	MT VETTERS JV	1 EL, 1 ELA, 4 MLA'S, 6 PL'S, 6 PLA'S
BURBANKS	4 PLA'S	NANUTARRA	1 ELA
CARBINE	1 PL, 1 PLA	NAVIGATOR	1 EL
PARKER RANGE	1 EL	NEBO	2 ELA'S
CHEELIA PLAINS	1 EL	NT-QUARTZ HILL JV	3 EL'S
CHRISTMAS BORE	2 PL'S	PEEDAMULLA	1 ELA
CLIFFORD MT	1 EL, 3 PL'S	POLLOCK HILL	1 ELA
COOLGARDIE	1 ELA	QUARTZ CIRCLE JV	2 EL'S, 2 MLA'S, 11 PL'S
COSMO NEWBERRY	1 EL, 1 ELA	ROWLES	4 PL'A 1 PLA
COSMOS NORTH JV	1 EL	SYLVANIA JV	1 EL
COWAN	1 ELA	TEN MILE WELL JV (10%)	3 PL'S
EAST KALGOORLIE JV	3 EL'S, 3 ML'S, 4 MLA'S, 40 PL'S, 7 PLA'S	UR-FOSSIL DOWNS JV	1 EL
ETHEL CREEK	1 ELA	UR-JAILOR BORE JV	1 EL
FE-BONNEY DOWNS	1 ELA	UR-LAKE RAESIDE	1 EL
FE-BOYWURUP	1 EL	UR-LAKEWAY	4 EL'S
FE-HAMMERSLEY	2 EL'S	UR-MAROON RANGE	1 ELA
FE-MT CECIL RHODES	2 EL'S	UR-MT HARRIS	1 ELA
FE-OPHTHAMALIA RANGE	4 ELA'S	UR-PELLS RANGE JV	1 EL
FE-PILBARA	5 EL'S, 3 ELA'S	UR-RAWLINSON RANGE	3 ELA'S
FORRESTANIA JV	1 EL, 1 ELA	UR-SUNSHINE	2 ELA'S
GALILEE	1 ELA	WAUCHOPE	1 ELA
GOONGARRIE JV	11 PL'S	WEBB	1 ELA
WEST KALGOORLIE JV	4 EL'S, 54 ML'S, 70 MLA'S, 140 PL'S, 127 PLA'S	WHISTLE DUCK	1 ELA
GREAT VIC DESERT	1 ELA	WHITE MT JV	3 EL'S
JENNY WREN	1 PLA	WINNECKE	2 EL'S 1 ELA
JILLEWARRA JV	2 EL'S	YAMARNA JV	11 PL'S
JONES CREEK	1 ELA	YERILLA	1 EL, 10 PL'S
JUTSON ROCKS JV	2 EL'S	YILGANGI JV	1 EL, 1 MLA, 1 PL
KARUKAI	1 ELA		

Notes: EL = Granted Elexploration Licence MLA = Mining Lease Application M = Granted Mining Lease ELA = Exploration Licence
Application P = Granted Prospecting Licence PLA = All tenements are 100% owned unless detailed in Notes 20 of the Joint Venue Summary

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