CAZALY RESOURCES LIMITED

ABN: 23 101 049 334

and

Controlled Entities

Annual Financial Report

For the Year Ended
30 June 2009

CONTENTS

CORPORATE DIRECTORY

MANAGING DIRECTOR
Nathan McMahon

MANAGING DIRECTOR
Clive Jones

NON-EXECUTIVE DIRECTOR
Kent Hunter

COMPANY SECRETARY
Lisa Wynne

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Code: CAZ

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PERTH WA 6000

DIRECTORS' REPORT

Your directors present their report on the company and its controlled entities for the financial year ended 30 June 2009.

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:

Lisa Wynne

Ms Wynne has a Bachelor of Commerce and is a Chartered Accountant with significant 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 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 loss of the economic entity after providing for income tax amounted to $5,290,296 (2008: Gain $1,534,436).

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

PILBARA IRON ORE PROJECTS

The Company has five distinct project areas, within the Pilbara region, that are all prospective for iron ore mineralisation. The Hamersley Project covers approximately 85km^2 and is situated approximately 50km northeast of the Tom Price township in the Pilbara Region of Western Australia. Preliminary work by Cazaly Iron and a review of historical work conducted highlighted the potential for both channel iron deposits (CIDs) and bedded iron deposits (BIDs). Previous drilling within the tenement has confirmed the presence of pisolitic material and the results of a recent close spaced gravity survey have been particularly encouraging.

Previous drilling has returned intersection grading up to 61% Fe.

The project is very close to road and railway infrastructure providing potential future development advantages. A competitor's proposed rail corridor crosses the northern portion of the tenement. Drilling is commencing in October 2008.

PARKER RANGE IRON ORE PROJECT, Yilgarn Iron Province

- **Upgraded Mineral Resource Estimate for Mount Caudan**
- **Increased ownership from 80 to 100%**
  - **23.5Mt @ 55.4% Fe Indicated and Inferred**
- **Excellent results from 1st phase of metallurgical test work**
  - **Higher lump (>57%) to fines (<43%) ratio for premium ore**
  - **Lower than average hardness ores**
  - **Excellent ore chemistry, DSO product**
- **Drilling Re-commences**
  - **Regional targets identified**
  - **Upgrade and Infill Mount Caudan Resource**
- **Key Executive Appointments**
- **Pre-Feasibility Study to commence**

The Company has completed a resource update for Mount Caudan. The resource contains two primary ore-types; a heamatite - goethite Banded Iron Formation (BIF) and smaller component of secondary Canga and Detrital ore. All ore types have low levels of deleterious elements and are suitable for Direct Shipping Ore (DSO).

5. REVIEW OF OPERATIONS

The Indicated and Inferred Resource estimate was estimated by independent mining consultancy group Runge Limited is as follows:

MOUNT CAUDAN RESOURCES – MAY 2009

Type	Cut-off Fe %	Indicated							
		Tonnes T	Fe %	Al_2O_3 %	P %	SiO_2 %	LOI %	Mn %	S %
Canga	50	1,417,000	53.3	7.0	0.01	8.7	6.2	0.9	0.06
BIF	52	8,434,000	55.0	1.8	0.01	6.7	9.2	2.3	0.08
Total		9,851,000	54.8	2.6	0.01	7.0	8.8	2.1	0.08

Type	Cut-off Fe %	Inferred							
		Tonnes T	Fe %	Al2O3 %	P %	SiO2 %	LOI %	Mn %	S %
Canga	50	1,247,000	51.3	8.6	0.01	9.8	6.5	1.1	0.06
BIF	52	12,392,000	56.3	2.8	0.03	6.1	9.2	0.8	0.06
Total		13,639,000	55.8	3.3	0.03	6.4	9.0	0.8	0.06

Type	Cut-off Fe %	Total							
		Tonnes T	Fe %	Al2O3 %	P %	SiO2 %	LOI %	Mn %	S %
Canga	50	2,664,000	52.4	7.7	0.01	9.2	6.3	1.0	0.06
BIF	52	20,826,000	55.8	2.4	0.02	6.3	9.2	1.4	0.07
Total		**23,490,000**	**55.4**	**3.0**	**0.02**	**6.6**	**8.9**	**1.3**	**0.07**

The May 2009 Mineral Resource has been classified into both Inferred and Indicated Mineral Resource categories on the basis of continuity of mineralisation and drillhole spacing. The Indicated portion of the deposit is situated within the central area of the deposit where drill section spacing is less than 120m with relatively continuous mineralisation along strike and down dip.

There is considerable scope to greatly expand the resource through further exploration both along the known strike extent of the enriched BIF and at depth. Currently the deposit has only been drilled down to approximately 100m. The Company is confident infill drilling will confirm the consistency of mineralisation and enable the resource category to be raised to Measured and Indicated status.

Metallurgical Test Work

Results from the first phase of testwork on ores from the Mount Caudan deposit at Parker Range were highly encouraging with high Lump to Fines ratio and ore characteristics which indicate a potentially highly marketable product.
A total of 32 composite samples were tested from four ore types recognised. The combined average result for all of these intervals was as follows:

Mount Caudan Lump to Fines – All Ore

Product	Mass %	Fe %	Fe+Mn %	SiO2 %	Al2O3 %	MnO %	P%	LOI %
Lump	53.2	57.4	58.8	4.06	1.43	1.81	0.018	10.1
Fines	46.8	55.5	56.7	5.98	2.48	1.59	0.020	10.0
Calc Head	100.0	56.6	57.9	4.90	1.89	1.72	0.019	10.0

The ore produced a higher than expected percentage of lump, with an average Fe content more typical of Pilbara pisolites.

Recent work has also highlighted indicative options for products from the project. These include a single 'Fines only' product or a dual 'Lump & Fines' product stream. Indicative ore chemistry is as follows:

Table 1. Indicative Product Options

Two Product Option							
	Fe %	**Al_2O_3 %**	**SiO_2 %**	**MnO %**	**P %**	**LOI %**	**Fe % (ex LOI)**
Lump	57 - 59	1 – 1.8	3 - 5	0.7 – 1.2	0.015-0.025	9.8 - 10	62.0 – 65.5
Fines	55 - 57	1.5 – 3	4 - 6	0.7 – 1.2	0.015-0.025	9.8 - 10	59.8 – 63.3
Nb. Preliminary lump to fines ratio of 57% lump to 43% fines							
Single Product Option							
	Fe %	**Al_2O_3 %**	**SiO_2 %**	**MnO %**	**P %**	**LOI %**	**Fe % (ex LOI)**
Fines Only	56 -58	1.4 – 2.5	3.5 – 5.5	0.7 – 1.2	0.015-0.025	9.8 - 10	60.9 – 64.4
*Nb; Based on metallurgical test results to date from PQ drill core. Fe % (ex LOI) (Calcined Fe) determined by Fe(100-LOI)*100.*							

This work has also shown that the ore has many similarities with Pilbara Channel Iron Deposits ('CID's') with low Phosphorus levels and good upgrades in Fe content when calcined.

Ongoing Exploration and Development

Recent exploration work has involved field mapping and sampling the mineralised Banded Iron Formation (BIF) over the entire 16km strike length in the Project area. Significant discoveries include a 1.2km extension of the Mount Caudan iron outcrop, known as the "Rainmaker Prospect". Rockchip results from Rainmaker reach up to 61.0% Fe and appear at surface to be a similar style of mineralisation to that found at Mount Caudan. This area is a priority for drill testing.

RHODES RIDGE IRON ORE PROJECT

Cazaly has exploration licence applications in respect of the Rhodes Ridge project which contains one of the largest undeveloped iron ore resources in Western Australia. Cazaly has agreed to transfer the tenements to FMG upon grant in return for a royalty from future production. Upon transfer of the tenements, Cazaly will receive an advance on future royalties calculated at $0.05 per tonne of the inferred JORC compliant resource contained in the Rhodes Ridge Project with an agreed minimum payment of $20 million and an agreed maximum of $100 million.

The Rhodes Ridge Joint Venture which comprises a subsidiary of Rio Tinto Limited, Hancock Prospecting Pty Ltd and Wright Prospecting Pty Ltd, has objected to the grant of the tenements on the basis that the Rhodes Ridge Joint Venture claims to hold rights of occupancy over the land pursuant to the Iron Ore (Rhodes Ridge) Agreement Authorisation Act 1972 (WA). Cazaly contends that the rights of occupancy have not been validly renewed and that the land is open for mining under the Mining Act 1978 (WA).

5. REVIEW OF OPERATIONS

The Mining Warden has determined that there should be a preliminary hearing in relation to whether or not the Rhodes Ridge Joint Venture has valid and subsisting rights of occupancy. This preliminary hearing was conducted in January 2009 and the decision is awaited.
If the Warden determines that the Rhodes Ridge Joint Venture does not hold valid and subsisting rights of occupancy, there is no reason why the Rhodes Ridge Joint Venture should be heard in opposition to the grant of the tenements and Cazaly believes there is no reason why the tenement applications should not be granted.
West Kalgoorlie Project

The Company controls a substantial gold exploration and development portfolio in the Kunanalling, Ora Banda, Grants Patch, Carbine and Split Rocks regions, collectively known as the West Kalgoorlie project. These tenements cover approximately 533 square kilometres and now contain mineral resources of 612,000 ounces of gold.

Activities for the period were focussed on completing the approvals stage for commencement of mining of the Catherwood deposit and advancing exploration over known prospects.

Drill programmes were completed on the Backflip prospect at Grants Patch, the Boundary and Carnage prospects in the Ora Banda Project Area and the Sabrina prospect and Picante deposit in the Kunanalling Project Area. The Backflip prospect now represents a priority target for a significant high-grade resources amenable to mechanised underground mining.

Financial Position

The net assets of the economic entity have decreased by $1,524,297 from 30 June 2008 to $13.93 million in 2009, due largely to the write off of exploration expenditure.

The economic entity currently has $3.8 million 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.

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

On 12 March, the Company completed a placement of 4,242,424 ordinary shares and 2,121,212 options exercisable at 20 cents each on or before 28 February 2011 to a range of institutional investors. The placement raised $700,000 before costs. The funds raised were used for continued exploration and to fund working capital.

On 11 May 2009 the Company issued a prospectus for a Non-Renounceable Entitlement Issue of Shares and Options to shareholders of 1 share for every 3 shares held at an issue price of 16.5 cents per share and one free attaching option for every two shares applied for to raise $3,587,093. The offer was closed on 7 June 2009 and the shortfall of the issue was placed in full by 16 July 2009.

6. AFTER BALANCE DATE EVENTS

On 3 July, the Company issued 1,577,940 Shares and 788,971 Options exercisable at 20 cents on or before 28 February 2011 as part of the shortfall from its Non-Renounceable Entitlement Issue offered pursuant to the Prospectus dated 11 May 2009.

On 15 July, the Company issued 860,758 Shares and 430,380 Options exercisable at 20 cents on or before 28 February 2011 as part of the shortfall from its Non-Renounceable Entitlement Issue offered pursuant to the Prospectus dated 11 May 2009.

On 28 July, the Company issued 544,538 Shares and 272,269 Options exercisable at 20 cents on or before 28 February 2011 being the balance of the shortfall from its Non-Renounceable Entitlement Issue offered pursuant to the Prospectus dated 11 May 2009.

Between the 15 July and 1 September, 8,501 Shares on exercise of 8,501 Options exercisable at 20 cents on or before 28 February 2011.

On 7 September 2009, the Company issued 2,377,040 to Gondwana Resources Limited as part consideration for the acquisition of the remaining interest in the Parker Range Iron project.

On 8 September 2009, the Company issued 680,450 to William Robert Richmond as part consideration for the acquisition of the remaining interest in the Parker Range Iron project to take the Company's ownership to 100%.

Apart from the above, no other matters or circumstances 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.

7. FUTURE DEVELOPMENTS

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

8. 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.

The directors have considered the recently enacted National Greenhouse and Energy Reporting Act 2007 (the NGER Act) which introduces a single national reporting framework for the reporting and dissemination of information about the greenhouse gas emissions, greenhouse gas projects, and energy use and production of corporations. At the current stage of development, the directors have determined that the NGER Act will have no effect on the company for the current, nor subsequent financial year. The directors will reassess this position as and when the need arises.

9. INFORMATION ON DIRECTORS

Nathan McMahon	Managing Director (Corporate and Administration)	
Qualifications	*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. Mr McMahon is a Director of several listed companies. These include on the ASX; joint Managing Director of Cazaly Resources Ltd., a Director of Catalyst Metals Ltd, Hodges Resources Ltd and Bannerman Resources Ltd. He is also a Director of the AIM listed company Universal Coal PLC.	
Interest in Shares and Options	Fully Paid Ordinary Shares	8,500,358
	$1.9436 Options expiring on 30 November 2009	1,000,000
	$0.75 Options expiring on 30 November 2009	1,000,000
	$0.20 Options expiring on 28 February 2011	678,803
Clive Jones	Managing Director (Technical)	
Qualifications	*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, uranium and iron ore. Mr Jones is a Director of several ASX listed companies. He is Chairman of Cortona Resources Ltd., joint Managing Director of Cazaly Resources Ltd and a Director of Graynic Metals Ltd and Bannerman Resources Ltd.	
Interest in Shares and Options	Fully Paid Ordinary Shares	7,453,338
	$1.9436 Options expiring on 30 November 2009	1,000,000
	$0.75 Options expiring on 30 November 2009	1,000,000
	$0.20 Options expiring on 28 February 2011	856,669
Kent Hunter	Non-Executive Director	
Qualifications	*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 over 20 exploration companies on ASX in the past 8 years.. He has experience in capital raisings, ASX compliance and regulatory requirements and is currently a director of Cazaly Resources Limited, Scimitar Resources Limited and Gryphon Minerals Limited and is company secretary of two other ASX Listed entities.	
Interest in Shares and Options	Fully Paid Ordinary Shares	2,213,448
	$1.9436 Options expiring on 30 November 2009	200,000
	$0.75 Options expiring on 30 November 2009	500,000
	$0.20 Options expiring on 28 February 2011	442,692

10. 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	Hodges Resources Limited	Since May 2008
	Catalyst Metals Limited	Since July 2008
	Universal Coal PLC	Since May 2005
	Bannerman Resources Limited	From June 2008 to 17 December 2008
	Northern Mining Limited	From April 2005 to December 2006
	Graynic Metals Limited	Since February 2005 to December 2006
Clive Jones	Jackson Gold Limited	Since March 2002
	Graynic Metals Limited	Since February 2005
	Cortona Resources Limited	Since January 2006
	Bannerman Resources	Since January 2008
Kent Hunter	Elixir Petroleum Limited	From March 2004 to November 2008
	Scimitar Resources Limited	Since November 2002
	Hamill Resources Limited	From November 2000 to September 2004
	Venture Minerals Limited	From May 2006 to July 2009
	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.

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.

10. REMUNERATION REPORT (Cont'd)

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 2009

The remuneration for each key management person and company executive of the company during the year was as follows:

	Short-term Benefits				Post-employment Benefits	Other Long-term Benefits	Share based Payment		Total	Performance Related
	Cash, salary & commissions	Cash profit share	Non-cash benefit	Other	Super-annuation	Other	Equity	Options (i)		
	$		$	$	$	$	$	$	$	%
Nathan McMahon – Managing Director (ii)										
2009	180,000	-	-	-	-	-	-	-	180,000	0%
2008	180,000	-	-	-	-	-	-	210,000	390,000	54%
Clive Jones – Managing Director (ii)										
2009	180,000	-	-	-	-	-	-	-	180,000	0%
2008	180,000	-	-	-	-	-	-	210,000	390,000	54%
Kent Hunter – Non Executive Director (iv)										
2009	26,312	-	-	5,976	937	-	-	-	33,225	0%
2008	25,000	-	-	33,497	2,250	-	-	105,000	165,747	63%
Lisa Wynne – Company Secretary (v)										
2009	-	-	-	36,911	-	-	-	-	36,911	0%
2008	-	-	-	22,036	-	-	-	9,998	32,034	31%
Total Remuneration										
2009	386,312	-	-	42,887	937	-	-	-	430,136	0%
2008	385,000	-	-	55,533	2,250	-	-	534,998	977,781	55%

i) The fair value of the Options is calculated at the date of grant using a Black-Scholes model.

ii) An aggregate amount of $180,000 (2008:$ 180,000) 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.

iii) An aggregate amount of $180,000 (2008:$ 180,000) 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.

iv) An aggregate amount of $5,976 (2008: $33,497) 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 corporate advisory services to the Company.

v) An aggregate amount of $36,911 (2008: $22,036) was paid, or was due and payable to Sila Consulting Pty Ltd, a company of which Ms Wynne is a Director, for the provision of company secretarial services to the Company.

10. REMUNERATION REPORT (Cont'd)

Options issued as part of remuneration for the year ended 30 June 2009

No Options were issued to directors and executives as part of their remuneration for the year ended 30 June 2009.

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.

11. 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:

	Directors Meetings	
Director	**Number Eligible to Attend**	**Meetings Attended**
N McMahon	7	7
C Jones	7	7
K Hunter	7	7

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.

12. INDEMNIFYING OFFICERS OR DIRECTORS

In accordance with the constitution, except as may be prohibited by the Corporations Act 2001 every Officer, 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 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.

The Company has insurance policies in place for Directors and Officers insurance.

13. *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
24 January 2010	$0.5236	75,000
5 October 2011	$0.8036	100,000
30 November 2009	$1.9436	2,200,000
19 June 2012	$0.8600	250,000
14 September 2012	$0.39	75,000
26 October 2012	$0.45	225,000
30 November 2009	$0.75	2,500,000
22 May 2013	$0.30	100,000
28 February 2011	$0.20	12,990,739

14. 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.

15. AUDITORS INDEPENDENCE DECLARATION

The lead auditor's independence declaration for the year ended 30 June 2009 has been received and can be found on page 15 of the directors' report.

16. 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 2009.

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

Nathan McMahon
Managing Director

22 September 2009

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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 Limited and Controlled Entities for the year ended 30 June 2009 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

Bentleys

BENTLEYS
Chartered Accountants

RANKO MATIC
Director

DATED at PERTH this 22nd day of September 2009

INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2009

		Economic Entity		Parent Entity	
	Note	**2009**	**2008**	**2009**	**2008**
		$	**$**	**$**	**$**
Revenue	**2**	**639,351**	**1,716,352**	**567,065**	**1,706,753**
Other Income	2	40,429	3,775,497	20,000	1,728,575
Employee benefits expense		(235,667)	(1,073,884)	(235,667)	(1,073,884)
Depreciation and amortisation expense		(25,508)	(28,079)	(25,508)	(28,079)
Finance costs		(3,361)	(3,344)	(3,361)	(3,339)
Administrative expense		(405,221)	(230,004)	(337,425)	(156,927)
Legal Fees		(746,429)	(219,675)	(27,613)	-
Advertising and promotional expenses		(56,737)	(24,257)	(56,737)	(24,257)
Consultancy expenses		(272,767)	(183,947)	(272,767)	(183,947)
Compliance and Regulatory expenses		(126,269)	(114,337)	(125,189)	(154,111)
Occupancy expenses		(175,228)	(120,912)	(175,228)	(120,912)
Written-off exploration expenditure		(1,347,773)	(168,813)	(515,210)	(48,477)
Impairment of loans to controlled entities		-	-	(2,537,906)	(3,425,814)
Provision for diminution in value of shares		(3,055,420)	(1,457,244)	(2,484,368)	(833,595)
Loss on disposal of shares		(1,178,943)	(6,194)	(986,360)	(6,194)
Other expenses		(8,917)	(16,067)	(8,917)	(15,568)
Profit/(loss) before income tax	**3**	**(6,958,460)**	**1,845,092**	**(7,205,191)**	**(2,639,776)**
Income tax (expense)/benefit	6	1,668,164	(310,656)	1,063,250	(192,727)
Net profit /(loss) attributable to members		**(5,290,296)**	**1,534,436**	**(6,141,941)**	**(2,832,503)**
Basic earnings (loss) per share (cents per share)	18	(8.47)	2.57		

The accompanying notes form part of these financial statements

BALANCE SHEET AS AT 30 JUNE 2009

	Note	Economic Entity 2009 $	Economic Entity 2008 $	Parent Entity 2009 $	Parent Entity 2008 $
CURRENT ASSETS					
Cash and cash equivalents	7	3,816,351	2,072,718	3,816,351	2,072,718
Trade and other receivables	8	140,237	2,927,741	139,037	2,926,967
Prepayments		6,893	21,675	6,891	21,675
TOTAL CURRENT ASSETS		3,963,481	5,022,134	3,962,279	5,021,360
NON CURRENT ASSETS					
Trade and other receivables	8	57,505	56,605	19,505	18,605
Financial assets	9	788,767	4,844,744	638,441	3,860,782
Property, plant and equipment	10	55,736	74,105	55,736	74,105
Exploration, evaluation and development	11	9,725,338	8,488,493	3,227,832	3,114,656
Deferred tax assets	6	2,903,684	1,032,012	1,835,508	919,470
TOTAL NON CURRENT ASSETS		13,531,030	14,495,959	5,777,022	7,987,618
TOTAL ASSETS		**17,494,511**	**19,518,093**	**9,739,301**	**13,008,978**
CURRENT LIABILITIES					
Trade and other payables	12	616,860	1,307,767	616,860	1,307,767
Short-term provision	13	46,164	54,408	46,164	54,408
TOTAL CURRENT LIABILITIES		663,024	1,362,175	663,024	1,362,175
NON CURRENT LIABILITIES					
Trade and other payables	12		-	-	43,730
Deferred tax liabilities	6	2,903,684	2,703,818	968,382	1,119,236
TOTAL NON CURRENT LIABILITIES		2,903,684	2,703,818	968,382	1,162,966
TOTAL LIABILITIES		**3,566,708**	**4,065,993**	**1,631,406**	**2,525,141**
NET ASSETS		**13,927,803**	**15,452,100**	**8,107,895**	**10,483,837**
EQUITY					
Issued capital	14	12,783,160	9,017,161	12,783,160	9,017,161
Reserves	15	7,421,043	7,421,043	7,421,043	7,421,043
Retained profits/(Accumulated losses)	16	(6,276,400)	(986,104)	(12,096,308)	(5,954,367)
TOTAL EQUITY		**13,927,803**	**15,452,100**	**8,107,895**	**10,483,837**

The accompanying notes form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2009

Economic Entity

	Issued Capital	Retained Profits/ Accumulated Losses	Option Reserve	Total
	$	$	$	$
Balance at 1 July 2007	**4,969,582**	**(2,520,540)**	**6,764,446**	**9,213,488**
Profit / (loss) attributable to members	-	1,534,436	-	1,534,436
Shares issued during the year	3,450,000	-	-	3,450,000
Options exercised during the year	710,100			710,100
Transaction costs	(117,000)	-	-	(117,000)
Option reserve	-	-	656,597	656,597
Deferred tax liability component	4,479			4,479
Balance at 30 June 2008	**9,017,161**	**(986,104)**	**7,421,043**	**15,452,100**
Profit / (loss) attributable to members	-	(5,290,296)	-	(5,290,296)
Shares issued during the year	3,794,859	-	-	3,794,859
Options exercised during the year	-	-	-	-
Transaction costs	(32,501)	-	-	(32,501)
Option reserve	-	-	-	-
Deferred tax liability component	3,641	-	-	3,641
Balance at 30 June 2009	**12,783,160**	**(6,276,400)**	**7,421,043**	**13,927,803**

Parent Entity

	Issued Capital	Retained Profits/ Accumulated Losses	Option Reserve	Total
	$	$	$	$
Balance at 1 July 2007	**4,969,582**	**(3,121,864)**	**6,764,446**	**8,612,164**
Profit / (loss) attributable to members	-	(2,832,503)	-	(2,832,503)
Shares issued during the year	3,450,000	-	-	3,450,000
Options exercised during the year	710,100	-	-	710,100
Transaction costs	(117,000)	-	-	(117,000)
Option reserve	-	-	656,597	656,597
Deferred tax liability component	4,479	-	-	4,479
Balance at 30 June 2008	**9,017,161**	**(5,954,367)**	**7,421,043**	**10,483,837**
Profit / (loss) attributable to members	-	(6,141,941)	-	(6,141,941)
Shares issued during the year	3,794,859	-	-	3,794,859
Options exercised during the year	-	-	-	-
Transaction costs	(32,501)	-	-	(32,501)
Option reserve	-	-	-	-
Deferred tax liability component	3,641	-	-	3,641
Balance at 30 June 2009	**12,783,160**	**(12,096,308)**	**7,421,043**	**8,107,895**

The accompanying notes form part of these financial statements

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2009

	Note	Economic Entity 2009 $	Economic Entity 2008 $	Parent Entity 2009 $	Parent Entity 2008 $
Cash Flows from Operating Activities					
- Payments to suppliers and employees		(2,102,803)	(1,372,769)	(1,060,117)	(1,321,401)
- Interest received		64,844	156,225	63,404	154,884
- Other revenue		420,745	377,695	420,745	377,695
- Payments for exploration and evaluation		(2,884,984)	(2,351,755)	(759,240)	(609,457)
Net cash used in operating activities	19	(4,502,198)	(3,190,604)	(1,335,208)	(1,398,279)
Cash Flows From Investing Activities					
- Proceeds from sale of exploration assets		1,327,702	535,000	1,257,272	335,000
- Proceeds from sale of equity investments		580,555	241,311	510,552	38,794
- Purchase of plant and equipment		(7,139)	(51,991)	(7,139)	(51,991)
- Purchase of equity investments		(37,000)	(1,388,710)	(37,000)	(1,269,160)
- Recoupment of exploration expenditure from Joint Venture operations		170,770	1,041,945	1,257	810,066
- Proceeds for Joint Venture Management		178,710	296,854	153,302	288,596
- Loans (to)/receipts from associated entities		-	-	(2,831,636)	(1,231,221)
Net cash used in investing activities		2,213,598	674,409	(953,392)	(1,079,916)
Cash Flows from Financing Activities					
- Proceeds from issue of securities		4,064,735	4,160,100	4,064,735	4,160,100
- Payment for costs of issue of securities		(32,502)	(117,000)	(32,502)	(117,000)
Net cash provided by financing activities		4,032,233	4,043,100	4,032,233	4,043,100
Net increase in cash held		1,743,633	1,526,905	1,743,633	1,564,905
Cash and cash equivalents at beginning of the financial year		**2,072,718**	**545,813**	**2,072,718**	**507,813**
Cash and cash equivalents at end of the financial year	7	**3,816,351**	**2,072,718**	**3,816,351**	**2,072,718**

The accompanying notes form part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

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.

Basis of Preparation
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 Board1 and the Corporations Act 2001.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions to which they apply. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards. Material accounting policies adopted in the preparation of this financial report are presented below. They have been consistently applied unless otherwise stated

The financial report has been prepared on an accruals basis and is based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

(a) Principles of Consolidation

A controlled entity is any entity over which Cazaly Resources Limited has the power to govern the financial and operating policies so as to obtain benefits from its activities. In assessing the power to govern, the existence and effect of holdings of actual and potential voting rights are considered.

A list of controlled entities is contained in Note 21 to the financial statements.

As at reporting date, the assets and liabilities of all controlled entities have been incorporated into the consolidated financial statements as well as their results for the year then ended. Where controlled entities have entered (left) the consolidated group during the year, their operating results have been included (excluded) from the date control was obtained (ceased).

All inter-group balances and transactions between entities in the consolidated group, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with those adopted by the parent entity.

Minority interests, being that portion of the profit or loss and net assets of subsidiaries attributable to equity interests held by persons outside the group, are shown separately within the Equity section of the consolidated Balance Sheet and in the consolidated Income Statement.

(b) Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment.

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Depreciation

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

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the income statement. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

(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.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED
30 JUNE 2009

(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) Financial Instruments

Recognition and Initial Measurement
Financial instruments, incorporating financial assets and financial liabilities, are recognised when the entity becomes a party to the contractual provisions of the instrument. Trade date accounting is adopted for financial assets that are delivered within timeframes established by marketplace convention.

Financial instruments are initially measured at fair value plus transactions costs where the instrument is not classified as at fair value through profit or loss. Transaction costs related to instruments classified as at fair value through profit or loss are expensed to profit or loss immediately. Financial instruments are classified and measured as set out below.

Derecognition
Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity is no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expire. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

Classification and Subsequent Measurement

(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.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(e) Financial Instruments (Cont'd)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

(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 Group 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.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(h) Revenue and Other Income

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).

(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.

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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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

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 income tax expense (revenue) for the year comprises current income tax expense (income) and deferred tax expense (income).

Current income tax expense charged to the profit or loss is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantially enacted, as at reporting date. Current tax liabilities (assets) are therefore measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well unused tax losses.

Current and deferred income tax expense (income) is charged or credited directly to equity instead of the profit or loss when the tax relates to items that are credited or charged directly to equity.

Deferred tax assets and liabilities are ascertained based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets also result where amounts have been fully expensed but future tax deductions are available. 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 assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates enacted or substantively enacted at reporting date. Their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Where temporary differences exist in relation to investments in subsidiaries, branches, associates, and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Tax Consolidation

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

Cazaly Resources Limited and its wholly-owned Australian subsidiaries have formed an income tax consolidated group under tax consolidation legislation. Each entity in the group recognises its own current and deferred tax assets and liabilities. Such taxes are measured using the 'stand-alone taxpayer' approach to allocation. Current tax liabilities (assets) and deferred tax assets arising from unused tax losses and tax credits in the subsidiaries are immediately transferred to the head entity. The group notified the Australian Tax Office that it had formed an income tax consolidated group to apply from 1 July 2004.

(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, 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.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(p) Issued Capital

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

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.

(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.

(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

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(u) Material correction to prior period

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

During the year ended 30 June 2008, tenement EL 47/1560 was sold to Flinders Mines Ltd ('FMS'). The consideration for the sale of the tenement included $700,000 cash and FMS shares valued at $750,000. The share consideration was omitted from the June 2008 financial statements in error. The prior year figures have been amended and restated to correct this error. The impact of the restatement on the Income Statement and Balance Sheet for the comparative financial year ended 30 June 2008 is as follows:

Income Statement for the year ended 30 June 2008:

	Economic Entity			Parent Entity		
	Restated Balance	**Previously Reported Balance**	**Impact**	**Restated Balance**	**Previously Reported Balance**	**Impact**
	$	**$**	**$**	**$**	**$**	**$**
Other Income	3,775,497	3,025,497	750,000	20,000	20,000	-
Impairment of loans to controlled entities	-	-	-	(3,425,814)	(4,175,814)	750,000
Profit/(loss) before income tax	1,845,092	1,095,092	750,000	(2,639,776)	(3,389,776)	750,000
Income tax (expense)/benefit	(310,656)	(85,656)	(225,000)	(192,727)	32,273	(225,000)
Net profit/(loss attributable to members	1,534,436	1,009,436	525,000	(2,832,503)	(3,357,503)	525,000
Basic earnings(loss) per share (cents per share)	2.57	1.69	0.88	-	-	-

Balance Sheet as at 30 June 2008:

	Economic Entity			Parent Entity		
	Restated Balance	**Previously Reported Balance**	**Impact**	**Restated Balance**	**Previously Reported Balance**	**Impact**
	$	**$**	**$**	**$**	**$**	**$**
Trade and Other Receivables	2,927,741	2,177,741	750,000	2,926,967	2,176,967	750,000
Loans to associated entities	-	-	-	5,243,875	5,993,875	(750,000)
Provision for non-recovery of loans to associated entities	-	-	-	(5,243,875)	(5,993,875)	750,000
Deferred tax assets	1,032,012	1,257,012	(225,000)	919,470	1,144,470	(225,000)
Net assets	15,452,100	14,927,100	525,000	10,483,837	9,958,837	525,000
Retained profits/(Accumulated Losses)	(986,104)	(1,511,104)	525,000	(5,954,367)	(6,479,367)	525,000

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(v) Critical Accounting Estimates and Judgments

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

The directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the group.

Key Judgements – Deferred exploration and evaluation expenditure
Exploration and evaluation costs are carried forward where right of tenure of the area of interest is current. These costs are carried forward in respect of an area that has not at balance sheet date reached a stage that permits reasonable assessment of the existence of economically recoverable reserves, refer to the accounting policy stated in note 1(c).

Key Judgements Share based payment transactions
The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by an internal valuation using a Black-Scholes option pricing model, using the assumptions detailed in note 26.

Key Judgment – Environmental Issues
Balances disclosed in the financial statements and notes thereto are not adjusted for any pending or enacted environmental legislation, and the directors understanding thereof. At the current stage of the company's development and its current environmental impact the directors believe such treatment is reasonable and appropriate.

Key Estimate – Taxation
Balances disclosed in the financial statements and the notes thereto, related to taxation, are based on the best estimates of directors. These estimates take into account both the financial performance and position of the company as they pertain to current income taxation legislation, and the directors understanding thereof. No adjustment has been made for pending or future taxation legislation. The current income tax position represents that directors' best estimate, pending an assessment by the Australian Taxation Office.

The financial report was authorised for issue on 22 September 2009 by the board of directors.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

	Economic Entity		Parent Entity	
	2009	2008	2009	2008
	$	$	$	$
2. REVENUE				
Revenue				
- interest received	56,413	165,286	54,536	163,945
- option fees	100,000	765,000	50,000	765,000
- management fees	62,193	408,371	41,784	400,113
- other revenue	420,745	377,695	420,745	377,695
	639,351	1,716,352	567,065	1,706,753
Other Income				
- profit on sale of tenement	40,429	3,717,483	20,000	1,728,575
- profit on sale of shares	-	58,014	-	-
	40,429	3,775,497	20,000	1,728,575
3. LOSS FOR THE YEAR				
(i) Expenses				
Borrowing costs				
- other persons	3,361	3,344	3,361	3,339
Depreciation of non-current assets				
- plant and equipment	23,580	25,585	23,580	25,585
- motor vehicle	1,928	2,494	1,928	2,494
	25,508	28,079	25,508	28,079
Rental expense on operating leases				
- minimum lease payments	24,160	87,453	24,160	87,453
Fair value loss on other financial assets at fair value through profit or loss	3,055,420	1,457,244	2,484,368	833,595
Exploration expense written off	1,347,773	168,813	515,210	48,477
Employee benefits:				
- Superannuation benefits	12,226	36,888	12,226	36,888
- Employee equity settled benefits	-	656,597	-	656,597

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

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

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

	2009 $	2008 $
Short-term employee benefits	429,199	440,533
Post-employment benefits	937	2,250
Equity based payments	-	534,998
	430,136	977,781

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 11 to 13 of the Directors report.

b) Shareholdings

Number of Shares held by Key Management Personnel

2009

	Balance 1.7.08	Received as Remuneration	Options Exercised	Net Change - Other	Balance 30.06.09
N McMahon	5,222,796	-		1,207,602	6,430,398
C Jones	5,140,001	-		1,713,337	6,853,338
K Hunter	1,328,066	-		442,691	1,770,757
	11,690,863	-		3,363,630	15,054,493

2008

	Balance 1.7.07	Received as Remuneration	Options Exercised	Net Change - Other (i)	Balance 30.06.08
N McMahon	5,510,910	-	1,000,000	(1,288,114)	5,222,796
C Jones	4,140,001	-	1,000,000	-	5,140,001
K Hunter	1,328,066	-	-	-	1,328,066
	10,978,977	-	2,000,000	(1,288,114)	11,690,863

(i) Includes 661,886 of on-market purchase and an involuntary sale of 1,950,000 ordinary shares in April 2009 pursuant to the (purported) exercise of rights by a secured creditor of Opes Prime Group Ltd. No consideration has been received by Mr McMahon at this time. Mr McMahon is pursuing actions against the major financier of the Opes Prime Group Ltd.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

4. KEY MANAGEMENT PERSONNEL COMPENSATION (Cont'd)

c) Option Holdings

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

	Balance 1 July 08	Issued	Option Exercised	Lapsed	Balance 30 June 09
Nathan McMahon	500,000	-	-	(500,000)	-
Clive Jones	1,000,000	-	-	(1,000,000)	-
Kent Hunter	250,000	-	-	(250,000)	-
	1,750,000	-	-	(1,750,000)	-

Number of $1.9436 (formerly $2.00) Options expiring 30 November 2009, held by Directors and Executives

	Balance 1 July 08	Issued	Option Exercised	Lapsed	Balance 30 June 09
Nathan McMahon	1,000,000	-	-	-	1,000,000
Clive Jones	1,000,000	-	-	-	1,000,000
Kent Hunter	200,000	-	-	-	200,000
	2,200,000	-	-	-	2,200,000

Number of $0.75 Options expiring 30 November 2009, held by Directors and Executives

	Balance 1 July 08	Issued	Option Exercised	Lapsed	Balance 30 June 09
Nathan McMahon	1,000,000	-	-	-	1,000,000
Clive Jones	1,000,000	-	-	-	1,000,000
Kent Hunter	500,000	-	-	-	500,000
	2,500,000	-	-	-	2,500,000

Number of $0.20 Options expiring 28 February 2011, held by Directors and Executives

	Balance 1 July 08	Issued	Option Exercised	Lapsed	Balance 30 June 09
Nathan McMahon	-	678,803	-	-	678,803
Clive Jones	-	856,669	-	-	856,669
Kent Hunter	-	221,346	-	-	221,346
	-	1,756,818	-	-	1,756,818

d) Compensation Options

No compensation options were granted to Directors and Executives during the period.

2008

	Number Granted	Number Vested	Grant Date	Expiry Date	Exercise Price $	Fair Value at Grant Date $
N B McMahon	1,000,000	1,000,000	30.11.2007	30.11.2009	$0.75	0.210
C B Jones	1,000,000	1,000,000	30.11.2007	30.11.2009	$0.75	0.210
K M Hunter	500,000	500,000	30.11.2007	30.11.2009	$0.75	0.210
	2,500,000	2,500,000				

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

4. KEY MANAGEMENT PERSONNEL COMPENSATION (Cont'd)

d) Compensation Options

(i) Key Management Personnel Option Valuation Calculation

	2009	**2008**
	-	**30.11.09 Options**
Grant date share price	-	$0.375
Exercise price	-	$0.75
Expected volatility	-	135%
Option life	-	3 years
Dividend yield	-	-
Risk-free interest rate	-	6.54%

e) Shares issued on exercise of compensation options

	Date of exercise of options		**Number of ordinary shares issued on exercise of options during the year**	
	2009	**2008**	**2009**	**2008**
N McMahon	-	4 October 2008	-	1,000,000
C Jones	-	18 July 2008	-	1,000,000
K Hunter	-	-	-	-

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

	Economic Entity		Parent Entity	
	2009 $	**2008 $**	**2009 $**	**2008 $**
5. AUDITORS' REMUNERATION				
Remuneration of the auditor for:				
- Auditing or reviewing the financial report	36,750	34,000	36,750	34,000
	55,902	34,000	55,902	34,000
6. INCOME TAX EXPENSE				
The components of the tax expense/(income) comprise:				
Current tax	-	-	-	-
Deferred tax	(1,668,164)	310,656	(1,063,250)	192,727
	(1,668,164)	310,656	(1,063,250)	192,727
(a) The prima facie tax on profit/(loss) from ordinary activities before income tax is reconciled to the income tax as follows:	(6,958,460)	1,845,092	(7,205,191)	(2,639,776)
Prima facie tax (benefit)/expense on loss/profit from ordinary activities before income tax at 30% (2008: 30%)	(2,087,538)	553,527	(2,161,557)	(791,932)
Add:				
Tax effect of:				
Other non-allowable items	7,574	274,463	15,845	199,006
Tax benefit of revenue losses not recognised				
Effect of deferred tax assets not recognised				
Loan write-down to subsidiaries in tax consolidated group				
Under provision of prior year	-	-	536,369	1,027,594
Recognition of (losses)/taxable income & gains of	-	-	-	-
subsidiaries in tax consolidated group	-	-	(482,570)	125,511
Less:				
Tax effect of:				
Tax benefit of deductible equity raising costs	(15,588)	(30,621)	(15,588)	(30,621)
Effect of tax losses derecognised/(recognised)	420,251	-	1,074,070	-
Under/Over provision of prior year	7,137	(486,713)	(29,819)	(336,831)
Recognition of subsidiary tax losses				
Adjustments in respect of subsidiaries				
Tax exempt revenues				
Other				
Income tax (benefit)/expense attributable to entity	(1,668,164)	310,656	(1,063,250)	192,727
The applicable weighted average effective tax rates are as follows:	(24.0%)	16.8%	(14.8%)	(7.3%)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED
30 JUNE 2009

6.INCOME TAX EXPENSE (Cont'd)

	Economic Entity		Parent Entity	
	2009	2008	2009	2008
(b) Deferred tax assets at 30% (2008: 30%) comprise the following				
Carry forward revenue losses	1,384,109	750,940	788,042	750,940
Carry forward capital losses	377,549	23,892	319,799	23,891
Unrealised Fair Value Adjustment	751,015	-	566,086	-
Capital raising and future black hole deductions	264,460	151,458	35,030	38,917
Provisions and accruals	42,551	21,722	42,551	21,722
Other	84,000	84,000	84,000	84,000
	2,903,684	1,032,012	1,835,508	919,470
Deferred tax liabilities at 30% (2008: 30%) comprise the following				
Exploration expenditure	2,903,496	2,532,447	968,336	934,396
Investments	-	165,612	-	179,224
Other	188	5,759	46	5,616
	2,903,684	2,703,818	968,382	1,119,236
(c) Deferred tax recognised directly in equity:				
Relating to equity raising costs	(3,641)	(4,479)	(3,641)	(4,479)
Other				
	(3,641)	(4,479)	(3,641)	(4,479)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

	Economic Entity		Parent Entity	
	2009 $	**2008 $**	**2009 $**	**2008 $**
7. CASH AND CASH EQUIVALENTS				
Cash at bank	58,483	25,078	58,483	25,078
Petty cash	495	495	495	495
Deposits at call (i)	3,757,373	2,047,145	3,757,373	2,047,145
	3,816,351	2,072,718	3,816,351	2,072,718

(i) The bank deposits are bank accepted bills maturing on 22 July 2009, with a yield of 7.56%.

8. TRADE AND OTHER RECEIVABLES				
Current				
Trade receivables	46,434	2,779,500	46,434	2,029,500
Other debtors	93,803	148,241	92,603	147,467
	140,237	2,927,741	139,037	2,176,967
Non-Current				
Bonds (i)	57,505	56,605	19,505	18,605
Loans to associated entities	-	-	7,781,780	5,243,875
Provision for non-recovery of loans to associated entities	-	-	(7,781,780)	(5,243,875)
	57,505	56,605	19,505	18,605

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

9. FINANCIAL ASSETS				
Current				
Available-for-sale financial assets:				
Shares in controlled entities, at cost	-	-	3	3
Shares in listed corporations, at fair value through profit and loss	788,767	4,844,744	638,438	3,860,779
	788,767	4,844,744	638,441	3,860,782

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

10. PROPERTY, PLANT AND EQUIPMENT

	Economic Entity 2009 $	Economic Entity 2008 $	Parent Entity 2009 $	Parent Entity 2008 $
Plant and Equipment				
At cost	149,671	143,211	149,671	143,211
Accumulated depreciation	(112,363)	(91,647)	(112,363)	(91,647)
	37,308	51,564	37,308	51,564
Office Furniture and Equipment				
At cost	28,444	27,764	28,444	27,764
Accumulated depreciation	(16,679)	(13,815)	(16,679)	(13,815)
	11,765	13,949	11,765	13,949
Motor Vehicle				
At cost	27,272	27,272	27,272	27,272
Accumulated depreciation	(20,609)	(18,680)	(20,609)	(18,680)
	6,663	8,592	6,663	8,592
Leasehold Improvement				
At cost	5,344	5,344	5,344	5,344
Accumulated amortisation	(5,344)	(5,344)	(5,344)	(5,344)
	-	-	-	-
	55,736	74,105	55,736	74,105

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

2009
$

	Plant and Equipment	Office Furniture	Motor Vehicles	Total
Balance at the beginning of the year	51,564	13,949	8,592	74,105
Additions	6,460	680	-	7,140
Disposals	-	-	-	-
Depreciation/expense	(20,716)	(2,864)	(1,928)	(25,508)
Carrying amount at the end of the year	37,308	11,765	6,664	55,737

2008
$

	Plant and Equipment	Office Furniture	Motor Vehicles	Total
Balance at the beginning of the year	23,741	15,365	11,087	50,193
Additions	50,417	1,574	-	51,991
Disposals	-	-	-	-
Depreciation/expense	(22,594)	(2,990)	(2,495)	(28,079)
Carrying amount at the end of the year	51,564	13,949	8,592	74,105

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

	Economic Entity		Parent Entity	
	2009	**2008**	**2009**	**2008**
	$	**$**	**$**	**$**
11. EXPLORATION, EVALUATION AND DEVELOPMENT COSTS				
Non-Current				
Costs carried forward in respect of areas of interest in:				
- Exploration and evaluation phases – at cost – (a)	9,678,338	8,441,493	3,227,832	3,114,656
- Royalty assets	47,000	47,000	-	-
	9,725,338	8,488,493	3,227,832	3,114,656
Movement				
(a) Brought forward	8,441,493	7,121,840	3,114,656	3,185,052
Exploration expenditure capitalised during the year	2,755,388	2,825,463	629,091	1,083,198
Recoupment of exploration expenditure from joint venture partners	(170,770)	(1,336,997)	(705)	(1,105,117)
Exploration expenditure written off	(1,347,773)	(168,813)	(515,210)	(48,477)
	9,678,338	8,441,493	3,227,832	3,114,656

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

	Economic Entity		Parent Entity	
	2009 $	2008 $	2009 $	2008 $
12. TRADE AND OTHER PAYABLES				
Current				
Trade creditors	225,093	548,109	225,093	548,109
Other creditors and accrued expenses	391,767	759,658	391,767	759,658
	616,860	1,307,767	616,860	1,307,767
Non-Current				
Loans from controlled entities	-	-	-	43,730
		-		43,730
	616,860	1,307,767	616,860	1,351,497
13. PROVISION				
Current				
Provision for Annual Leave	46,164	54,408	46,164	54,408
14. ISSUED CAPITAL				
83,976,604 fully paid ordinary shares (2008: 60,977,456) with no par value	12,783,160	9,017,161	12,783,160	9,017,161

(a) Movements in Ordinary Shares

	Notes	Number of shares	Issue price	$
Opening balance at 1 July 2008		60,977,456	-	9,017,161
Placement	(i)	4,242,424	$0.165	700,000
Placement	(ii)	11,119,252	$0.165	1,834,676
Placement	(iii)	7,637,472	$0.165	1,260,183
Transaction costs relating to share issues		-	-	(32,501)
Deferred tax liability component	(iv)	-	-	3,641
Closing balance at 30 June 2009		83,976,604		12,783,160

(i) On 16 March 2009, the Company issued ordinary shares 4,242,424 to a range of institutional investors by way of a placement pursuant to section 708 of the Corporations Act at a price of 16.5 cents.
(ii) On 17 July 2009, the Company issued 11,119,252 ordinary shares at a price of 16.5 cents pursuant to the Non-Renounceable Entitlement Issue Prospectus dated 11 May 2009.
(iii) On 30 June 2009, the Company issued 7,637,472 ordinary shares at a price of 16.5 cents pursuant to the Non-Renounceable Entitlement Issue Prospectus dated 11 May 2009.
(iv) 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

14. ISSUED CAPITAL

(a) **Capital risk management**

The Company's objectives when managing capital are to safeguard their ability to continue as a going concern, so that they may continue to provide returns for shareholders and benefits for other stakeholders. Due to the nature of the Company's activities, being mineral exploration, the Company does not have ready access to credit facilities, with the primary source of funding being equity raisings. Therefore, the focus of the Company's capital risk management is the current working capital position against the requirements of the Company to meet exploration programmes and corporate overheads. The Company's strategy is to ensure appropriate liquidity is maintained to meet anticipated operating requirements, with a view to initiating appropriate capital raisings as required.

The working capital position of the Company and the parent entity at 30 June 2009 and 30 June 2008 are as follows:

	Economic Entity		Parent Entity	
	2009	2008	2009	2008
	$	$	$	$
Cash and cash equivalents	3,816,351	2,072,718	3,816,351	2,072,718
Trade and other receivables	140,237	2,177,741	139,037	2,176,967
Trade and other payables	(616,860)	(1,307,767)	(616,860)	(1,307,767)
Working capital position	3,339,728	2,942,692	3,338,528	2,941,918

	Economic Entity		Parent Entity	
	2009	2008	2009	2008
	$	$	$	$
15. OPTION RESERVE	7,421,043	7,421,043	7,421,043	7,421,043

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

	Economic Entity		Parent Entity	
	2009	2008	2009	2008
	$	$	$	$
16. RETAINED PROFITS/ (ACCUMULATED LOSSES				
Retained profits/(Accumulated losses) at the beginning of the financial period	(986,104)	(2,520,540)	(5,954,367)	(3,121,864)
Net profit/(loss) attributable to members	(5,290,296)	1,534,436	(6,141,941)	(2,832,503
Retained profits/(Accumulated losses) at the end of the financial period	(6,276,400)	(986,104)	(12,096,308)	(5,954,367)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

17. FINANCIAL INSTRUMENTS

The Company's principal financial instruments comprise receivables, payables, available for sale investments, cash and short-term deposits.

The Board of Directors has overall responsibility for the oversight and management of the Company's exposure to a variety of financial risks (including fair value interest rate risk, credit risk, liquidity risk and cash flow interest rate risk).

The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Company.

Interest rate risks

The Company's exposure to market interest rates relates to cash deposits held at variable rates. The Board constantly analyses its interest rate exposure. Within this analysis consideration is given to potential renewals of existing positions.

Credit risk

The maximum exposure to credit risk at balance date is the carrying amount (net of provision of doubtful debts) of those assets as disclosed in the balance sheet and notes to the financial statements. The Company has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The Company's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded are spread amongst approved counterparties.

Liquidity risk

The responsibility for liquidity risk management rests with the Board of Directors. The Company manages liquidity risk by maintaining sufficient cash or credit facilities to meet the operating requirements of the business and investing excess funds in highly liquid short term investments.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Sensitivity Analysis

Interest Rate Risk and Price Risk

The group has performed sensitivity analysis relating to its exposure to interest rate risk, foreign currency risk and price risk at balance date. This sensitivity analysis demonstrates the effect on the current year results and equity which could result from a change in these risks.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

17. FINANCIAL INSTRUMENTS (Cont'd)

Interest Rate Sensitivity Analysis

At 30 June 2009, the effect on profit as a result of changes in the interest rate, with all other variables remaining constant would be as follows:

	2009 $	2008 $
Change in profit/loss		
— Increase in interest rate by 1.0%	38,163	20,722
— Decrease in interest rate by 1.0%	(38,163)	(20,722)

Price Sensitivity Analysis

Management believes the estimated fair values resulting from the valuation of listed investments and recorded in the balance sheet and the related changes in fair values recorded in the income statement are reasonable and the most appropriate at balance sheet date. At 30 June 2009, the effect on profit as a result of changes in the ASX All Ordinaries, with all other variables remaining constant would be as follows:

	2009 $	2008 $
Change in profit/loss		
— Increase in ASX all ordinaries by 10%	78,876	484,474
— Decrease in ASX all ordinaries 10%	(78,876)	(484,474)

Maturity profile of financial instruments

The following table details the Company's exposure to interest rate risk as at 30 June 2009:

2009	Floating Interest Rate $	Fixed Interest maturing in 1 year or less $	Fixed Interest maturing over 1 to 5 years	Non-interest bearing $	Total $
Financial assets					
Cash and cash equivalents	58,483	3,757,373	-	495	3,816,351
Trade and other receivables	-	-	57,505	140,237	197,742
Financial assets	-	-	-	788,767	788,767
	58,483	3,757,373	57,505	929,499	4,802,860
Weighted average Interest rate	-	1.21%			
Financial Liabilities					
Trade and other payables				616,860	616,860
				616,860	616,860
Weighted average interest rate	-	-	-	-	

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

17. FINANCIAL INSTRUMENTS (Cont'd)

The following table details the Company's exposure to interest rate risk as at 30 June 2008:

2008	Floating Interest Rate $	Fixed Interest maturing in 1 year or less $	Fixed Interest maturing over 1 to 5 years $	Non-interest bearing $	2008 Total $
Financial assets					
Cash and cash equivalents	25,078	2,047,145	-	495	2,072,718
Trade and other receivables	-		56,605	2,927,741	2,984,346
Financial assets	-	-	-	4,844,744	4,844,744
	25,078	2,047,145	56,605	7,772,980	9,901,808
Weighted average Interest rate	1.25%	7.55%			
Financial Liabilities					
Trade and other payables	-	-	-	1,307,767	1,307,767
	-	-	-	1,307,767	1,307,767
Weighted average interest rate	-	-	-	-	

(b) Net Fair Values

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

	2009		2008	
	Carrying Amount $	Net fair Value $	Carrying Amount $	Net fair Value $
On-balance sheet financial instruments				
Financial assets				
Cash and deposits	3,816,351	3,816,351	2,072,718	2,072,718
Receivables	197,742	197,742	2,984,346	2,984,346
Investments	788,767	788,767	4,844,744	4,844,744
	4,802,860	4,802,860	9,901,808	9,901,808
Financial liabilities				
Payables	616,860	616,860	1,307,767	1,307,767
	616,860	616,860	1,307,767	1,307,767

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED
30 JUNE 2009

		Economic Entity	
		2009	**2008**
18.	***EARNINGS PER SHARE***	***$***	***$***
(a)	Earnings / (Loss) used in the calculation of basic EPS	(5,290,295)	1,534,436
		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:	62,431,184	59,722,250

		Economic Entity		Parent Entity	
		2009	**2008**	**2009**	**2008**
19.	***CASH FLOW INFORMATION***	**$**	**$**	**$**	**$**
(i)	**Reconciliation of cash flows from operating activities with profit/(loss) after income tax**				
	- Profit / (Loss) after income tax	(5,290,295)	1,534,436	(6,141,941)	(2,832,503)
	Non operating cash flows in loss for the year				
	- Depreciation	25,508	28,079	25,508	28,079
	- (Profit)/Loss on sale of shares	1,178,943	(54,696)	986,360	3,318
	- Employee equity settled transactions	-	525,000	-	525,000
	- Share based payments	-	131,597	-	131,597
	- Fair value adjustment to investments	3,055,420	1,457,244	2,484,368	833,595
	- Provision for diminution of loans	-	-	2,537,906	3,425,314
	- Profit on sale of tenements	(890,429)	(4,482,483)	(70,000)	(2,493,575)
	- Exploration write-off	1,347,773	168,813	515,210	48,477
	- Management fees received	(62,193)	(408,371)	(41,784)	(400,113)
	Changes in assets and liabilities				
	- Decrease/(Increase) in receivables & prepayments	1,100,073	(100,802)	355,471	(65,774)
	- Increase/(Decrease) in trade and other creditors, accruals and employee entitlements	(535,198)	498,102	(285,167)	261,460
	- Movement in provisions	(8,244)	27,285	(8,244)	27,285
	- Decrease/(Increase) in exploration	(2,755,391)	(2,825,464)	(629,644)	(1,083,166)
	- Decrease/(Increase) in deferred tax assets	(1,871,672)	343,016	(916,038)	455,360
	- Decrease/(Increase) in deferred tax liabilities	203,507	(32,360)	(147,213)	(262,633)
	Net cash inflows (outflows) from operating Activities	(4,502,198)	(3,190,604)	(1,335,208)	(1,398,279)
(ii)	**Non-cash financing and investing activities**				
	Share based payments (note 26)	-	656,597	-	656,597

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

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

In order to maintain rights of tenure to mining tenements, 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:

	Economic Entity		**Patent Entity**	
	2009	**2008**	**2009**	**2008**
	$			**$**
Not longer than one year	5,335,168	2,741,354	3,038,275	823,327
Longer than one year, but not longer than five years	597,676	988,718	171,528	584,974
Longer than five years	-	-	-	-
	5,932,844	3,730,072	3,209,803	1,408,301

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.

21. CONTROLLED ENTITIES

Parent Entity	**Country of Incorporation**	**Consolidated Entity Interest**	
		2009	**2008**
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

22. SEGMENT INFORMATION

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

23. EVENTS SUBSEQUENT TO REPORTING DATE

On 3 July, the Company issued 1,577,940 Shares and 788,971 Options exercisable at 20 cents on or before 28 February 2011 as part of the shortfall from its Non-Renounceable Entitlement Issue offered pursuant to the Prospectus dated 11 May 2009.

On 15 July, the Company issued 860,758 Shares and 430,380 Options exercisable at 20 cents on or before 28 February 2011 as part of the shortfall from its Non-Renounceable Entitlement Issue offered pursuant to the Prospectus dated 11 May 2009.

On 28 July, the Company issued 544,538 Shares and 272,269 Options exercisable at 20 cents on or before 28 February 2011 being the balance of the shortfall from its Non-Renounceable Entitlement Issue offered pursuant to the Prospectus dated 11 May 2009.

Between the 15 July and 1 September, 8,501 Shares on exercise of 8,501 Options exercisable at 20 cents on or before 28 February 2011.

On 7 September 2009, the Company issued 2,377,040 to Gondwana Resources Limited as part consideration for their acquisition of the remaining interest in the Parker Range Iron project.

On 8 September 2009, the Company issued 680,450 to William Robert Richmond as part consideration for the acquisition of the remaining interest in the Parker Range Iron project to take the Company’s ownership to 100%.

Apart from the above, no other matters or circumstances 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED
30 JUNE 2009

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.

Mr McMahon is a director and shareholder of Catalyst Metals Limited ("Catalyst") and Hodges Resources Limited ("Hodges"). Catalyst and Hodges have an agreement based on normal commercial terms and conditions to reimburse Cazaly for office rental and administration and overheads.

Mr Jones is a director and shareholder of Cortona Resources Limited ("Cortona"). Cortona has an agreement based on normal commercial terms and conditions to reimburse Cazaly for office rental and administration and overheads.

Mr McMahon and Mr Jones are directors and shareholders of Bannerman Resources Limited ("Bannerman"). Bannerman has an agreement based on normal commercial terms and conditions to reimburse Cazaly for office rental and administration and overheads.

Aggregate amounts of each of the above types of other transaction with key management personnel of Cazaly Resources Limited:

	2009 **$**	**2008** **$**
Sales		
Rent, administrative and office overheads:		
Catalyst Metals Limited	30,966	25,559
Hodges Resources Limited	42,584	43,144
Bannerman Resources Limited	66,557	30,102
Cortona Resources Limited	23,445	38,501

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

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 of and movements in share options issued under Share Based Payment Scheme during the year:

	2009		2008	
	Number of Options	**Weighted Average Exercise Price $**	**Number of Options**	**Weighted Average Exercise Price $**
At beginning of reporting period	8,575,000	0.94	13,025,000	0.88
Granted during the period				
- Employee & consultants options	-	-	400,000	0.40
- Director remuneration	-	-	2,500,000	0.75
- Exercised	-	-	(2,350,000)	0.30
- Expired	(2,900,000)	0.29	(5,000,000)	0.94
Balance the end of reporting period	5,675,000	1.20	8,575,000	0.94
Exercisable at end of reporting period	5,675,000		8,575,000	

(i) The compensation options outstanding at 30 June 2009 had a weighted average exercise price between $0.19 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 2009 were $0.2251.

(iii) Included under employee benefits expense in the income statement is Nil (2008: $656,597), and relates to equity-settled payment transactions.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

27. CHANGE IN ACCOUNTING POLICY

The AASB has issued new, revised and amended standards and interpretations that have mandatory application dates for future reporting periods. The Group has decided against early adoption of these standards. A discussion of those future requirements and their impact on the Group follows:

- AASB 3: Business Combinations, AASB 127: Consolidated and Separate Financial Statements, AASB 2008-3: Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127 [AASBs 1,2,4,5,7,101,107, 112, 114, 116, 121, 128, 131, 132, 133, 134, 136, 137, 138 & 139 and Interpretations 9 & 107] (applicable for annual reporting periods commencing from 1 July 2009) and AASB 2008-7: Amendments to Australian Accounting Standards – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate [AASB 1, AASB 118, AASB 121, AASB 127 & AASB 136] (applicable for annual reporting periods commencing from 1 January 2009). These standards are applicable prospectively and so will only affect relevant transactions and consolidations occurring from the date of application. In this regard, its impact on the Group will be unable to be determined. The following changes to accounting requirements are included:
  - acquisition costs incurred in a business combination will no longer be recognised in goodwill but will be expensed unless the cost relates to issuing debt or equity securities;
  - contingent consideration will be measured at fair value at the acquisition date and may only be provisionally accounted for during a period of 12 months after acquisition;
  - a gain or loss of control will require the previous ownership interests to be remeasured to their fair value;
  - there shall be no gain or loss from transactions affecting a parent's ownership interest of a subsidiary with all transactions required to be accounted for through equity (this will not represent a change to the Group's policy);
  - dividends declared out of pre-acquisition profits will not be deducted from the cost of an investment but will be recognised as income;
  - impairment of investments in subsidiaries, joint ventures and associates shall be considered when a dividend is paid by the respective investee; and
  - where there is, in substance, no change to Group interests, parent entities inserted above existing groups shall measure the cost of its investments at the carrying amount of its share of the equity items shown in the balance sheet of the original parent at the date of reorganisation.

  The Group will need to determine whether to maintain its present accounting policy of calculating goodwill acquired based on the parent entity's share of net assets acquired or change its policy so goodwill recognised also reflects that of the non-controlling interest.

- AASB 8: Operating Segments and AASB 2007-3: Amendments to Australian Accounting Standards arising from AASB 8 [AASB 5, AASB 6, AASB 102, AASB 107, AASB 119, AASB 127, AASB 134, AASB 136, AASB 1023 & AASB 1038] (applicable for annual reporting periods commencing from 1 January 2009). AASB 8 replaces AASB 114 and requires identification of operating segments on the basis of internal reports that are regularly reviewed by the Group's Board for the purposes of decision making. While the impact of this standard cannot be assessed at this stage, there is the potential for more segments to be identified. Given the lower economic levels at which segments may be defined, and the fact that cash generating units cannot be bigger than operating segments, impairment calculations may be affected. Management does not presently believe impairment will result however.
- AASB 101: Presentation of Financial Statements, AASB 2007-8: Amendments to Australian Accounting Standards arising from AASB 101, and AASB 2007-10: Further Amendments to Australian Accounting Standards arising from AASB 101 (all applicable to annual reporting periods commencing from 1 January 2009). The revised AASB 101 and amendments supersede the previous AASB 101 and redefines the composition of financial statements including the inclusion of a statement of comprehensive income. There will be no measurement or recognition impact on the Group. If an entity has made a prior period adjustment or reclassification, a third balance sheet as at the beginning of the comparative period will be required.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

- AASB 123: Borrowing Costs and AASB 2007-6: Amendments to Australian Accounting Standards arising from AASB 123 [AASB 1, AASB 101, AASB 107, AASB 111, AASB 116 & AASB 138 and Interpretations 1 & 12] (applicable for annual reporting periods commencing from 1 January 2009). The revised AASB 123 has removed the option to expense all borrowing costs and will therefore require the capitalisation of all borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset. Management has determined that there will be no effect on the Group as a policy of capitalising qualifying borrowing costs has been maintained by the Group.
- AASB 2008-1: Amendments to Australian Accounting Standard – Share-based Payments: Vesting Conditions and Cancellations [AASB 2] (applicable for annual reporting periods commencing from 1 January 2009). This amendment to AASB 2 clarifies that vesting conditions consist of service and performance conditions only. Other elements of a share-based payment transaction should therefore be considered for the purposes of determining fair value. Cancellations are also required to be treated in the same manner whether cancelled by the entity or by another party.
- AASB 2008-5: Amendments to Australian Accounting Standards arising from the Annual Improvements Project (July 2008) (AASB 2008-5) and AASB 2008-6: Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project (July 2008) (AASB 2008-6) detail numerous non-urgent but necessary changes to accounting standards arising from the IASB's annual improvements project. No changes are expected to materially affect the Group.
- AASB 2008-13: Amendments to Australian Accounting Standards arising from AASB Interpretation 17 – Distributions of Non-cash Assets to Owners [AASB 5 & AASB 110] (applicable for annual reporting periods commencing from 1 July 2009). This amendment requires that non-current assets held for distribution to owners to be measured at the lower of carrying value and fair value less costs to distribute.
- AASB Interpretation 17: Distributions of Non-cash Assets to Owners (applicable for annual reporting periods commencing from 1 July 2009). This guidance applies prospectively only and clarifies that non-cash dividends payable should be measured at the fair value of the net assets to be distributed where the difference between the fair value and carrying value of the assets is recognised in profit or loss.

DIRECTORS' DECLARATION

The directors of the company declare that:

1. the financial statements and notes, as set out on pages 16 to 50, 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 2009 and of the performance for the year ended on that date of the company and economic entity; and

2. the Chief Executive Officer and Chief Financial Officer 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.

Nathan McMahon
Managing Director

Perth,
22 September 2009

Bentleys
Thinking ahead

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Independent Auditor's Report

To the Members of Cazaly Resources Limited

We have audited the accompanying financial report of Cazaly Resources Limited (the company) and Cazaly Resources Limited and Controlled Entities (the consolidated entity), which comprises the balance sheet as at 30 June 2009, 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.

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.

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.

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.

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

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 Limited and Cazaly Resources Limited and Controlled Entities (the consolidated entity), 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 2009 and of its 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; and

b. The financial report also complies with International Financial Reporting Standards as disclosed in Note 1

Report on the Remuneration Report

We have audited the Remuneration Report included within the report of the directors for the year ended 30 June 2009. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion the Remuneration Report of Cazaly Resources Limited for the year ended 30 June 2009, complies with section 300A of the Corporations Act 2001.

Bentleys

BENTLEYS
Chartered Accountants

RANKO MATIC
Director

DATED at PERTH this 22nd day of September 2009

ADDITIONAL SHAREHOLDER INFORMATION

Shareholding

The distribution of members and their holdings of equity securities in the company as at 18 September 2009 was as follows:

	Class of Equity Securities	
Number Held as at 18 September 2009	**Fully Paid Ordinary Shares**	**Listed Options ($0.20 expiring 28 February 2011)**
1-1,000	292	275
1,001 - 5,000	976	221
5,001 – 10,000	490	51
10,001 - 100,000	778	113
100,001 and over	140	27
TOTALS	2,676	687

Substantial Shareholders

Substantial shareholders in the Company are set out below

Shareholder	**Number**
Clive Jones	7,453,338
Nathan McMahon	8,500,358

Unquoted Securities

Class of Equity Security	**Number**	**Number of Security Holders**
24 January 2010 Options - $0.5236	75,000	1
5 October 2011 Options - $0.8036	100,000	2
30 November 2009 Options - $1.9436	2,200,000	3
19 June 2012 Options - $0.86	250,000	2
14 September 2012 Options - $0.39	75,000	1
26 October 2012 Options - $0.45	225,000	2
30 November 2009 Options - $0.75	2,500,000	3
22 May 2013 Options - $0.30	100,000	1

ADDITIONAL SHAREHOLDER INFORMATION (Cont.)

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.

Quoted and Unquoted Options

- These options have no voting rights.

Twenty Largest Shareholders

The names of the twenty largest ordinary fully paid shareholders as at 18 September 2009 are as follows:

Name	**Number of Ordinary Fully Paid Shares Held**	**% Held of Issued Ordinary Capital**
Mr Clive Bruce Jones	5,453,336	6.058
Nathan Bruce McMahon	3,600,002	3.999
Kingsreef Pty Ltd	3,540,355	3.933
Gondwana Resources Limited	2,377,040	2.640
Citicorp Nominees Pty Ltd	2,190,098	2.433
BT Portfolio Services Limited	2,108,082	2.342
Mr Clive Bruce Jones <The Alyse Investment a/c>	1,333,334	1.481
Mrs Karen Cameron Murie	1,190,000	1.322
Mr Kent Michael Hunter	1,165,646	1.295
Apollinax Inc	1,000,000	1.111
Fusion Resources Ltd	1,000,000	1.111
UBS Wealth Management Australia Nominees Pty Ltd	838,000	0.931
Mr Mervyn Ian Leo Bassett & Mrs Shirley Ethel Bassett <Y-Z Superannuation Fund a/c>	800,000	0.889
Jeff Towler Building Pty Ltd	701,478	0.779
Merrill Lynch (Australia) Nominees Pty Ltd	699,666	0.777
Newton2 Pty Ltd <Newton 2 Super Fund a/c>	698,167	0.776
William Robert Richmond	680,450	0.756
Cleland Projects Pty Ltd	650,000	0.722
Widerange Corporation Pty Ltd	600,000	0.666
Red Emperor Resources NL	586,667	0.652
TOTAL	31,212,321	34.670

ADDITIONAL SHAREHOLDER INFORMATION (Cont.)

Twenty Largest Shareholders

The names of the twenty largest listed option shareholders as at 18 September 2009are as follows:

Name	**Number of Ordinary Fully Paid Shares Held**	**% Held of Issued Ordinary Capital**
Slade Technologies Pty Ltd	896,711	6.907
Queensway Investments Pty Ltd	775,000	5.969
BT Portfolio Services Ltd <Warrell Holdings s/f a/c>	751,011	5.785
Mr Clive Bruce Jones	681,668	5.251
Mr Nathan Bruce McMahon	450,001	3.466
Cangu Pty Limited <Cangu Family Account>	342,975	2.642
Bellset Nominess Pty Ltd	303,030	2.334
BT Portfolio Services Limited <Warrell Holdings s/f a/c>	303,029	2.334
UBS Wealth Management Australia Nominees Pty Ltd	300,000	2.311
Mr Brendon Chevely Deshon	295,000	2.272
Jeff Towler Building Pty Ltd	250,000	1.926
Mr Justin Anthony Virgin <J Virgin T/a Stockfeed a/c>	242,424	1.867
Citicorp Nominees Pty Limited	193,142	1.488
Kingsreef Pty Ltd	183,801	1.416
Dr Alastair Rowland Brown <Hipiki Staff Fund a/c>	176,515	1.360
Mr Phil Miolin	173,863	1.339
Mr Clive Bruce Jones <The Alyse Investment a/c>	166,667	1.284
Pylara Pty Ltd	155,000	1.194
Mervyn Ian Bassett & Shirley Ethel Bassett	150,000	1.155
A22 Pty Ltd	150,000	1.155
TOTAL	6,939,837	53.454

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 Corporate Governance Principles and Recommendations, 2nd Edition*. 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.

The Board of Directors of Resources Limited is responsible for corporate governance of the Company. The Board guides and monitors the business and affairs of Cazaly Resources Limited on behalf of the shareholders by whom they are elected and to whom they are accountable.

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.

For further information on corporate governance policies adopted by Cazaly Resources Limited, refer to our website: www.cazalyresources.com.au.

Board Objectives

The Board will develop strategies for the Company, review strategic objectives, and monitor the performance against those objectives. The overall goals of the corporate governance process are to:

- drive shareholders value;
- assure a prudential and ethical base to the Company's conduct and activities; and
- ensure compliance with the Company's legal and regulatory obligations.

Principle 1: Lay solid foundations for management and oversight

The board has adopted a Charter that sets out the roles and responsibilities of the board. This may be viewed at the Corporate Governance page of the Company's website. The Charter includes, amongst other things that the Board will:

- developing initiatives for profit and assets growth;
- reviewing the corporate, commercial and financial performance of the Company on a regular basis;
- acting on behalf of, and being accountable to, the Shareholders;
- identifying business risks and implementing actions to manage those risks; and
- developing and effecting management and corporate systems to assure quality
- reviewing the Company's systems of risk management and internal compliance and control, codes of conduct and legal compliance
- ensuring that policies and procedures are in place consistent with the Company's objectives, and ensuring the Company and its officers act legally, ethically and responsibly in all matters

The Company is committed to the circulation of relevant materials to Directors in a timely manner to facilitate Directors' participation in Board discussions on a fully informed basis.

Senior Executives evaluation

The Board consists of three (3) members, two of which hold executive roles as Joint Managing Directors. The board therefore undertakes ongoing self-assessment and review of performance of the Board, and individual directors annually. The Chairman of the Board is responsible for determining the process for evaluating Board performance.

To facilitate optimal performance, the Executives participate in professional development programs.

CORPORATE GOVERNANCE

Principle 2: Structure the board to add value

Composition

The board currently consists of three directors, two executives and one non-executive. Details of their experience, qualifications and committee memberships are set in the directors report. All directors were in office at the date of this report:

Clive Jones – Managing Director

Executive Director since August 2003

Term in office – 73 months

Nathan McMahon – Managing Director

Executive Director since June 2003

Term in office - 75 months

Kent Hunter

Independent Non-executive director since August 2003

Term in office – 73 months

Appointment
Election of Board members is substantially the province of the Shareholders in general meeting. However, the Company commits to the following principles:

- the Board to comprise of Directors with a blend of skills, experience and attributes appropriate for the Company and its business;
- the principal criterion for the appointment of new Directors being their ability to add value to the Company and its business.

Board Independence
The Board has accepted the ASX Corporate Governance Councils definition of an Independent Director contained in their report titled "*Corporate Governance Principles and Recommendations, 2nd Edition*.".

Mr Hunter is a Non-Executive Director and is considered to be Independent. In reaching that determination, the Board has taken into account:

- The specific disclosures made in accordance with the Corporations Act, but each such director in respect of any material contract or relationship
- That no such director is, or is associated directly with, a substantial shareholder of the company
- Where applicable, the related party dealings referable to each such Director, noting that those dealings are not material under accounting standards. Full details of related party dealings are set out in the notes to the financial statements
- That no such non-executive Director has within the last three years been employed in an executive capacity by the company
- That no such non-executive Director is , or is associate with a supplier or customer of the company which is material under accounting standards
- That such non-executive Director's are free from any interest and any business or other relationship which could, or could reasonable be perceived to, materially interfere with the director's ability to act in the best interests of the Company.

Under the accounting standards, a matter is considered to be material if it is equal to or greater than 10% of the appropriate base amount.

CORPORATE GOVERNANCE

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

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

Given the size of the company and the industry in which is operates, the current Board structure is considered to best serve the Company in meeting its objectives, given its small capitalisation, limited resources and existing operations. The composition of the Board is reviewed on an annual basis to ensure that the Board has the appropriate mix of expertise and experience.

Independent professional advice
There are procedures in place, as agreed by the board, to enable directors to seek independent professional advice on issues arising in the course of their duties at the company's expense.

Remuneration and Nomination Committee
As the entire board consist of three (3) members, the Company does not have a Remuneration and Nomination Committee. The Directors believe given the size and scope of the operations of the Company, it is sufficient for the full board to assume those responsibilities that are ordinarily assigned to a remuneration and nomination committee.

Where appropriate, independent consultants are engaged to identify possible new candidates for the Board.

Nomination Arrangements
Where a vacancy is considered to exist, the Board will select an appropriate candidate through consultation with external parties and consideration of the needs of shareholders and the Company. Such appointments will be referred to shareholders for re-election at the next annual general meeting. All Directors, except the Managing Director, are subject to re-election by shareholders at least every three years.

When a vacancy exists, through whatever cause, or where it is considered that the Board would benefit from the services of a new director with particular skills, the Board will determine the selection criteria for the position based on the skills deemed necessary for the Board to best carry out its responsibilities. The Board will then appoint the most suitable candidate (assuming one is available) who must stand for election at the next annual general meeting.

Performance
During the reporting year the Company did not conduct a formal evaluation of Directors and Executives. The Board undertakes an annual review of its own performance with external advice as appropriate. To facilitate optimal performance, the Board participates in professional development programs.

Principle 3: Promote ethical and responsible decision making

Code of Conduct

The Directors, officers and employees of the Company are required to conduct themselves in accordance with the Company's Code of Conduct which can be viewed on the Governance Page of the Company's website.

Share Trading Policy
The Company also has policies concerning trading in the Company's securities by directors, officers and employees. This policy can be viewed on the Governance Page of the Company's website.

Principle 4: Safeguard integrity of financial reporting

Audit Committee

Given the size and scope of the operations of the Company, the full board has assumed those responsibilities that are ordinarily assigned to a audit committee.

CORPORATE GOVERNANCE

It is the Board's responsibility to ensure that an effective internal control framework exists within the Company. This includes both internal controls to deal with both the effectiveness and efficiency of significant business processes, the safeguarding of assets, the maintenance of proper accounting records, and the reliability of financial and non information.

Appointment of auditor
The shareholders in a general meeting are responsible for the appointment of the external auditors of the Company, and the Board from time to time will review the scope, performance and fees of those external auditors.

Principle 5: Make timely and balanced disclosure

The Board has designated the Managing Directors as the persons responsible for overseeing and coordinating disclosure of information to the ASX as well as communicating with the ASX. The Company has a Continuous Disclosure Policy available for viewing on the Governance page of the Company's website.

Principle 6: Respect the rights of shareholders

The Board of Cazaly is committed to open and effective communication, ensuring all shareholders is informed of all significant development concerning the Company. The Company has in place an effective Shareholder Communications Policy. This policy can be viewed on the Governance page of the Company's website.

Principle 7: Recognise and manage risk

Identification and Management of Risk
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.

The Board's collective experience will enable accurate identification of the principal risks which may affect the Company's business. Management of these risks will be discussed by the Board at periodic (at least annual) strategic planning meetings. In addition, key operational risks and their management, will be recurring items for deliberation at Board meetings.

A copy of the Company's risk management policy can be viewed on the Governance page of the Company's website.

The Board is responsible for ensuring that risks, and also opportunities, are identified on a timely basis and that the group's objectives and activities are aligned with those risks and opportunities.

The Board has a number of mechanisms in place to ensure that management's objectives and activities are aligned with the risks identified by the Board. These include:

- Board receives regular updates on key risks associated with the development of the Company's Parker Range Project and has commissioned a Pre-Feasibility on the Parker Range Project, which will also report on material risk for the project;
- Implementation of Board-approved annual operating budgets and plans, then monitoring the actual progress against those; and

The Board will seek to develop a more extensive Risk Management Policy over the coming year, which can then be used as a guide to be used throughout the company in identifying and communicating business risks.

The Board has received assurance from the Financial Controller and Managing Director that the declarations made in accordance with section 295A of the Corporation Act 2001 are:

1. founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the board
2. the Company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects.

CORPORATE GOVERNANCE

Principle 8: Remunerate fairly and responsibly

Remuneration Arrangements

As the entire board consist of three (3) members, the Company does not have a Remuneration and Nomination Committee. The Directors believe given the size and scope of the operations of the Company, it is sufficient for the full board to assume those responsibilities that are ordinarily assigned to a remuneration and nomination committee.

Where appropriate, independent consultants are engaged to appropriate levels of remuneration

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It is the company's objective to provide maximum stakeholder benefit from the retention of a high quality board by remunerating directors fairly and appropriately with reference to relevant employment market conditions. To assist in achieving the objective the Board links the nature and amount of executive directors' emoluments to the company's financial and operational performance. The expected outcomes of this remuneration structure are:

- Retention and motivation of Directors
- Performance rewards to allow Directors to share the rewards of the success of Cazaly Resources Limited

The remuneration of an executive director will be decided by the Remuneration and Nomination Committee. In determining competitive remuneration rates the Committee reviews local and international trends among comparative companies and the industry generally. It also examines terms and conditions for the employee share option plan.

Where applicable, 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.

The maximum remuneration of non-executive Directors is the subject of shareholder resolution in accordance with the Company's Constitution, and the Corporations Act 2001 as applicable. The appointment of non-executive Director remuneration within that maximum will be made by the Board having regard to the inputs and value of the Company of the respective contributions by each non-executive Director. Usually Non-Executive Directors do not receive performance based bonuses and but may participate in equity schemes of the Company.

The Board may award additional remuneration to non-executive Directors called upon to perform extra services or make special exertions on behalf of the Company.

There is no scheme to provide retirement benefits, other than statutory superannuation, to non-executive directors.

All remuneration paid to directors and executives is valued at the cost to the company and expensed. Options are valued using the Black-Scholes methodology.

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

CORPORATE GOVERNANCE

Explanation of departure from the ASX Corporate Governance Principles and Recommendations 2nd Edition

During the financial year Cazaly strived to comply with the 8 Essential Corporate Governance Principles and Recommendations where appropriate for the size and nature of the Company and Industry in which it operates. A summary of departure form the ASX Corporate Governance Principles and Recommendations is outlined below:

Best Practice Recommendation	**Notification of Departure**	**Explanation of Departure**
2.1-2.3 - Structure of the Board	The majority of the board are not independent directors, the Chair is does not meet the criteria for Independence and the role of the Chair and CEO are exercised by the same individual	The Board continues to strive to meet the ASX Corporate Governance Principles and Recommendations or other such principles and guidance as the Board may consider appropriate form time to time, however the Board also recognises that complying the ASX Corporate Governance Principles and Recommendations 2.1, 2.2 and 2.3 is impractical given the size of the company and the industry in which it operates. The Board instead aims to assess the independence of the Company's non-executive Director on an ongoing basis requiring full disclosure where conflicts of interest arise. The Board (subject to members' voting rights in general meeting) is responsible for selection of new board members and succession planning, and has regard to a candidate's experience and competence in areas such as exploration, financial and administration. The wide commercial and technical experience of Messrs McMahon and Jones assists Cazaly in meeting its corporate objectives and plans.
2.4 The board should establish a nomination committee	The Company has not established a formal nomination committee	The Board continues to strive to meet the ASX Corporate Governance Principles and Recommendations or other such principles and guidance as the Board may consider appropriate form time to time, however the Board also recognises that complying the ASX Corporate Governance Principles and Recommendation 2.4.is impractical given the size of the company and the industry in which it operates. The board consists of three (3) members and therefore the Directors believe, it is sufficient for the full board to assume those responsibilities that are ordinarily assigned to a remuneration and nomination committee
4.1-4.3 Safeguard integrity in financial reporting	The Company has not established a formal audit committee	The Board continues to strive to meet the ASX Corporate Governance Principles and Recommendations or other such principles and guidance as the Board may consider appropriate form time to time, however the Board also recognises that complying the ASX Corporate Governance Principles and Recommendations 4.1-4.3 is impractical given the size of the company and the industry in which it operates. The board consists of three (3) members and therefore the Directors believe, it is sufficient for the full board to assume those responsibilities that are ordinarily assigned to an audit committee.
7.2 Risk Management System.	The board has not requested that management design and implement a risk management and internal control system and report to the board on whether those risks are being managed effectively.	The Board continues to strive to meet the ASX Corporate Governance Principles and Recommendations or other such principles and guidance as the Board may consider appropriate form time to time, however the Board also recognises that complying the ASX Corporate Governance Council Recommendation 7.2.is impractical given the size of the company and the industry in which it operates. The board consists of three (3) members, two of which are joint executive managing directors and therefore the Directors believe, it is sufficient for the full board to assume the responsibilities of ensuring that risks and opportunities are identified on a timely basis and that the Company's objectives and activities are aligned with those risks and opportunities.

8.1 The board should establish a remuneration committee	The Company has not established a formal remuneration committee	The Board continues to strive to meet the ASX Corporate Governance Principles and Recommendations or other such principles and guidance as the Board may consider appropriate form time to time, however the Board also recognises that complying the ASX Corporate Governance Council Recommendation 8.1is impractical given the size of the company and the industry in which it operates. The board consists of three (3) members and therefore the Directors believe, it is sufficient for the full board to assume those responsibilities that are ordinarily assigned to a remuneration and nomination committee
8.2 Clearly distinguish the structure of non-executive directors' remuneration from that of executives	Non-executive directors received options	The Board continues to strive to meet the ASX Corporate Governance Principles and Recommendations or other such principles and guidance as the Board may consider appropriate from time to time, however during previous reporting periods, the Company has issued options to Non-Executive Directors. Non-Executive Directors typically do not participate in equity or option schemes, however the Board has determined that, consistent with the size of the Company and the activities focused nature of business and shareholding structure, the Company will seek shareholder approval for the issue of share options to Non-Executive Directors from time to time. The Board believes the options issued to Non-Executive Directors provide them with a mechanism to participate in the future development of the Company and act as an incentive for their future involvement with and commitment to the Company. The Directors believe that the success of the Company in the future will depend in large part upon the skills of the people engaged to manage the Company's operations. Accordingly, it is important that the Company is able to attract and retain people of the highest calibre. The Directors consider that the most appropriate means of achieving this is to provide Directors with an opportunity to participate in the Company's future growth and an incentive to contribute to that growth and thus to enhance overall shareholder wealth creation.

SCHEDULE OF MINERAL TENEMENTS AS AT 18 SEPTEMBER 2009

PROJECTS	TENEMENTS	PROJECTS	TENEMENTS	PROJECTS	TENEMENTS
ALICE HILL	1 ELA	FE-MININER	1 ELA	LYNAS FIND	10 PL's
AU-7 MILE HILL	1 ELA	FE-MT CECIL RHODES	2 EL's	MAGELLEN	2 EL's, 3 PL's
AU-ALBION DOWNS	4 EL's, 1 PL	FE-MT EVELYN	2 ELA's	MENZIES	6 PL's
AU-BULONG	1 ELA	FE-MT SAMSON	1 ELA	MICK ADAMS	1 LLA
AU-BURBANKS	4 PL's	FE-MT WILKINS	1 ELA	MT GIBSON	2 ELA's
AU-CARASUE	2 PLA's	FE-MT. STUART	1 ELA	MT STUART	1 ELA
AU-CARDINIA BORE	9 PL's	FE-PEEDAMULLA	1 EL	MT VETTERS	1 EL, 6 PL's
AU-CAROSUE	2 ELA's	FE-PILBARA	1 EL	MT WELD	3 ELA's
AU-CHADWIN	3 PLA's	FE-RED HILL	1 ELA	MURDERERS POOL	1 EL
AU-COOLGARDIE	1 ELA	FE-RHODES RIDGE	4 ELA's, 29 PLA's	NEBO	2 EL's
AU-GOONGARRIE	10 PL's	FE-ROCKLEA	1 ELA	NT-ACACIA BORE	1 EL
AU-HIGGINSVILLE	1 EL, 1 ELA	FE-STRAWBERRY ROCKS	1 ELA	NT-GENTLE ANNIE	3 PL's
AU-JILLEWARRA	2 EL's, 1 ELA, 1 PL	FE-WALLAREENYA	1 ELA	NT-MT ISABEL	1 EL
AU-LAKE LEFROY	1 EL	FE-YALLEEN	2 ELA's	NT-QUARTZ HILL	1 EL
AU-MT CLIFFORD	2 PL's	FORRESTANIA	2 EL's, 1 ELA	ORA BANDA	5 PLA's, 32 PL'S
AU-MT WELD	1 EL	GOLDEN RIDGE	3 PLA's	PARKER RANGE	3 EL's, 1 ML, 4MLA's, 12PL's, 8PLA's
AU-RUBY WELL	2 ELA's	GRANTS PATCH	13 PL's	QUARTZ CIRCLE	2 EL's, 1 MLA, 2 PL's, 7 PLA's
BIG BEN	1 ELA	HAKE	6 PL's	TEN MILE HILL	5 PL's
BLAIR	3 EL's, 2 PL's	HILLSIDE (BCI)	1 EL	UR-JAILOR BORE	1 EL
BRUMBY WELL	1 ELA	HINKLER WELL	1 EL	UR-LAKEWAY	4 EL's
BURBIDGE	1 MLA	IOCG-LAKE MACKAY	2 ELA's	UR-LEOPOLD DOWNS	2 ELA's
CANE GRASS	4 PL's	IOCG-POLLOCK HILL	1 ELA	UR-MAROON RANGE	1 EL
CARASUE	2 ELA's	IOCG-WEBB	1 EL	UR-PELLS RANGE	1 EL
CARBINE	2 PL's	JUTSON ROCKS	2 EL's	UR-QUARTZ HILL NT	1 EL
COSMO NEWBERRY	2 EL's	KANOWNA LIGHTS	3 ML's, 1 MLA, 2 PL's	UR-RAWLINSON RANGE	1 EL, 1 ELA
ETHEL CREEK	1 ELA	KINTORE	5 PLA's	UR-YEELERIE STH	1 EL, 1 ELA
EXCLUSION ZONE	2 ML's	KUNANALLING	14 PL's, 1 PLA	VETTERSBURG	2 ML's, 3 PL's
FE-BONNEY (BCI)	2 ELA's	KUN-CASTLE HILL	10 ML's, 2 MLA's, 7 PL's	WALLBROOK WEST	1 ELA
FE-BONNEY DOWNS	2 ELA's	KUN-CUTTERS RIDGE	1 ML, 1MLA, 5 PL's, 1 PLA	WEK - 100%	7 PL's
FE-COONGAN	1 ELA	KUN-KUN - PDAP	1 GL, 5 LL's, 16 ML's, 1 MLA, 3 PL's, 2 PLA's	WEK-CARBINE	1 LL, 4 ML's, 1 PL
FE-GARDEN WELL	1 EL	KUNKUN 100%	1 EL, 1 LLA, 2 ML's, 1 MLA, 9 PL's, 9 PLA's	WEK-GRANTS PATCH	17 ML's, 9 MLA's, 10 PL's, 2 PLA's
FE-HAMERSLEY	1 EL, 2 ELA's, 2 PL's	KUN-NORTHLANDER	1 ML, 16 PL's, 4 PLA's	WEK-ORA BANDA	3 ML's, 8 MLA's, 9 PL's
FE-MARILLANA	1 ELA	LOONGANA	1 ELA	YILGANGI	1 EL, 1 ML, 1 PL

Notes: EL = Granted Elexploration Licence MLA = Mining Lease Application M = Granted Mining Lease
ELA= Exploration Licence Application P = Granted Prospecting Licence PLA =

The information that relates to exploration targets, exploration results and drilling data of Cazaly operated projects is based on information compiled by Mr Clive Jones and Mr Gregory Miles who are Members of The Australasian Institute of Mining and Metallurgy and The Australian Institute of Geoscientists respectively and are employees of the Company. The information that relates to the Mt Caudan Mineral Resource Estimate has been authorized by Mr Paul Payne who is a member of the Australasian Institute of Mining and Metallurgy and an employee of Runge Limited. The information that relates to the West Kalgoorlie Project Mineral Resources has been authorized by Mr Jones and Mr Miles. Both Mr Jones, Mr Miles and Mr Payne have sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which they are undertaking to qualify as a Competent Persons as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Jones, Mr Miles and Mr Payne consent to the inclusion in their names in the matters based on their information in the form and context in which it appears.